TRAVIS PERKINS PLC

ANNUAL REPORT AND ACCOUNTS 2001

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Travis Perkins

Keyline

Plumbing
& Heating

ARCHER

Atkins

Contents

Financial highlights 3

Chairman's statement 4

Chief executive's review 6

Finance director's report 10

Environmental report 14

Health and safety report 18

Directors and professional advisers 20

Corporate governance 24

Remuneration report 27

Directors' report 33

Statement of directors' responsibilities 36

Auditors' report 37

Consolidated profit and loss account 38

Balance sheets 39

Statement of total recognised gains and losses 40

Analysis of actual gains and losses 40

Reconciliation of movements in equity shareholders' funds 40

Consolidated cash flow statement 41

Accounting policies 42

Notes to the accounts 44

Five year record of group results 60

Notice of Annual General Meeting 62

Notes to notice of Annual General Meeting 64

Summary of the proposed Travis Perkins Sharesave Scheme 2002 65

Other shareholder information 67

Registered office: Lodge Way House, Harlestone Road, Northampton, NN5 7UG

Financial highlights

For the year ended 31 December 2001

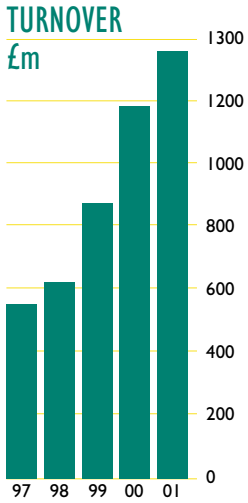
£m	2001	2000 Restated
Turnover	1,279.3	1,181.2
Operating profit before reorganisation costs and amortisation of goodwill	129.1	113.2
Profit on ordinary activities before taxation	110.5	87.3
Profit on ordinary activities after taxation	76.7	60.0
Total equity shareholders' funds	394.1	364.4
Earnings per ordinary share		
Basic	68.8p	54.2p
Adjusted (before reorganisation costs, amortisation of goodwill and profit on sale of properties)	77.0p	66.2p
Dividend per share	17.2p	15.3p

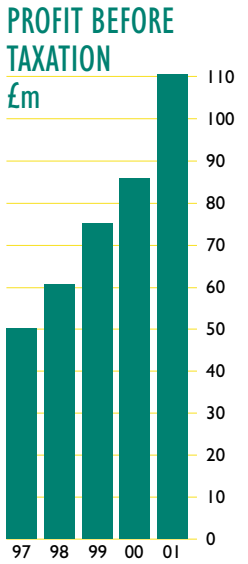
Turnover up 8.3%

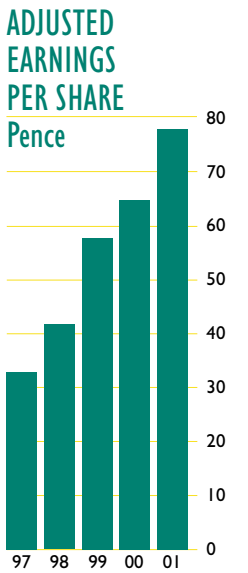
Profit before taxation up 26.6%

Adjusted earnings per share up 16.3%

Dividend per share up 12.4%







Chairman's statement

For the year ended 31 December 2001

RESULTS

I am pleased to report pre-tax profits for the year ended 31 December 2001 of £110.5 million, an increase of 26.6 per cent over the £87.3 million earned in 2000. Turnover at £1,279.3 million was 8.3 per cent ahead of the previous year. The pre tax profit is after charging £10.5 million for the amortisation of goodwill. There were no exceptional reorganisation costs in 2001 (£5.0 million in 2000). Before these charges and interest costs, operating profit was £129.1 million, compared with £113.2 million in 2000, an increase of 14.0 per cent.

Basic earnings per share were 68.8 pence, compared with 54.2 pence in 2000, an increase of 26.9 per cent. Adjusted earnings per share (prior to reorganisation costs and amortisation of goodwill and excluding profit from the sale or surplus properties) were 77.0 pence compared with 66.2 pence in 2000, an increase of 16.3 per cent.

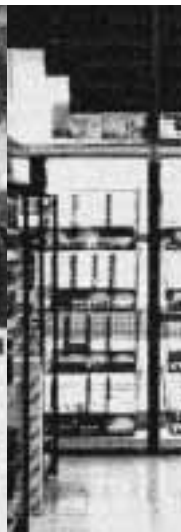
DIVIDEND

The board is recommending a final dividend of 11.8 pence per share, an increase of 12.4 per cent on the final dividend of 10.5 pence for 2000. Together with the interim dividend of 5.4 pence, this would give a total annual dividend of 17.2 pence per share, an increase of 12.4 per cent over the previous year.

BOARD OF DIRECTORS

My predecessor as chairman, Tony Travis, retired at the end of October. Tony's insight and vision throughout his 36 years with the company saw the group grow over 100 fold from turnover of £9.6 million to £1,279.3 million, while the total number of branches increased from 21 in 1966 to 502 in 2001.

I am sure that shareholders will want to join his colleagues within Travis Perkins in thanking Tony for his significant contribution to the current strength of the group and wish him well for the future.



I am delighted that John Carter joined the board as an executive director on 1 July 2001. John has spent the last 23 years of his career with the group, latterly as the managing director, operations of Travis Perkins Trading Company.

CORPORATE GOVERNANCE

The group board has continued its regular review of all the major areas of risk to the company. Reports on these risks to the group board include recommendations where necessary for any improvements in the controls or the management of the risks. A more comprehensive explanation of these controls can be found under the corporate governance section of the annual report and accounts.

OUTLOOK

The recent increases in property transactions and new housing starts may be tempered by more cautious forecasts for economic growth and uncertainty as to the future course of interest rates. We continue to invest in our business, and we also believe that we will draw incremental benefits in 2002 from the initiatives to generate organic and acquisition growth. As a result we anticipate the company should make further progress in the current year.

T. E. P. Stevenson CHAIRMAN

Chief executive's review

For the year ended 31 December 2001

RESULTS

Group operating profit before amortisation of goodwill and reorganisation costs rose 14.0 per cent during the year to £129.1 million, from £113.2 million in 2000, on turnover of £1,279.3 million against £1,181.2 million. The market strengthened during the second half and the group's continued progress was marked by further investment in acquisitions of independent merchants, in greenfield sites and in the enhancement of our branch network. Group like-for-like sales were up 5.1 per cent, while the group retained its position as the UK's leading supplier of heavy building materials.

Operating margins (before amortisation of goodwill and reorganisation costs) moved back above 10 per cent, as good progress was made on our programme of improvement projects throughout the business. The 101 branches acquired in June 1999 on the acquisition of Keyline continued to perform well with improved returns obtained both from the Keyline branches re-branded Travis Perkins and from those retaining the Keyline brand.

The 38 original Sharpe and Fisher branches, all now operating as Travis Perkins, made significant progress in 2001 with sales and margins ahead of those achieved in 2000.

The 9 branches of Broombys in Cumbria, acquired in March 2000, also made progress achieving cost reductions and buying gains in line with our expectations.

Gross profit on a like-for-like basis, including rebates, improved as a percentage of sales for the sixth year in succession. Pressure on overheads continued, particularly in relation to employment costs.

DEVELOPMENTS

A further 16 mixed merchant branches were added to the network as we continued to target our acquisition programme at gaps in our geographic coverage.

We also opened four greenfield branches stocking a comprehensive product range.

Nine greenfield plumbing and heating branches were opened during the year under the new TP

Plumbing & Heating (P&H) brand. A total of 34 specialist P&H branches were trading under the new brand by the end of 2001.

A further 15 tool hire outlets were opened in existing branches bringing the total number of branches offering tool hire to 145.

By the end of 2001 the Travis Perkins' group was trading from a total of 502 branches, an increase of 29 on a year earlier.

The total amount spent on these initiatives and other capital expenditure was £44.1m.

BRANCH IMPROVEMENTS

We have continued to invest in our branches in order to enhance further the range of products and services available to our customers. Among a number of branches benefiting from major redevelopment work were those in Hyde, Epping, Durham and Battersea.

The systems integration of DW Archer, our specialist timber operation, has been completed. All of this company's 11 outlets have been operating on the same systems as the rest of the group since July 2001. Significant investment in these branches is currently under way. The first phase embraces developments to the trade counter areas in order to extend the product ranges on offer to customers.

Own brand sales grew further during the year as new products, notably decorative aggregates and geotextiles for landscaping, shower mixers and pumps, as well as additional hand and power tools, were added to the range.

Sales growth has resulted from our decision to introduce landscaping centres and we intend to roll out this new concept more widely during 2002.

Investment made during the year in our timber milling operations has increased efficiency and the availability of product to our branches. As a result the profitability of our timber operations has improved.

INFORMATION TECHNOLOGY

The project to upgrade our network was completed by the end of 2001. This has provided the platform for a wide variety of applications that will benefit customer service.

System improvements are also serving to improve stock and debtor management. Automatic

Chief executive's review For the year ended 31 December 2001

stock replenishment programmes with selected suppliers have made good progress and are now being extended. In addition, with increased product availability, these projects have also helped sales progress.

As our e-commerce skills continue to evolve, we have been able to strengthen our direct sales administration capability through an extension to our Internet site. This allows customers to link directly to our sales offices and manage their order placement and call-off programmes on-line. Our overall website traffic has grown significantly, though individual transaction values via the Internet remain small.

In late 2000 we launched a range of low cost systems to enable more of our suppliers to interact with us electronically. In 2001 the number of suppliers sending invoices in electronic form more than doubled. As a result by the end of the year more than 70 per cent of all purchase invoices were handled in this manner.

Internal intranet systems have been developed to such an extent that interactive management information is increasingly replacing paper-based systems.

CUSTOMER SERVICE

The positive benefits of customer service training at branch management level have been reflected in the company's Key Performance Indicator tracking programme. Market research conducted during the year has shown that we perform well in this area and we are constantly seeking new ways of further improving our customer service capabilities.

HEALTH AND SAFETY

Greater emphasis on Health and Safety is being achieved through detailed tracking of accident frequency, severity rates and positive attendance data. Every incident is investigated and where necessary corrective action taken. Good progress is being made in reducing both frequency and severity rates. These initiatives will help to ensure a safer working environment for employees, customers and suppliers.

ENVIRONMENT

We are fully aware of our responsibility to conduct our business with due regard to its effect on the environment. A formal Environmental Management System was launched in June 2001 and accreditation to the ISO 14001 standard was achieved in November. An environmental improvement programme is being implemented within our own operations and we are working with suppliers to encourage improvement throughout the supply chain.

FUTURE EXPANSION

We have a proven strategy of growing our business in the UK. It continues to serve us well as we target gaps in our regional coverage. We are regularly identifying new opportunities for growth through the acquisition of independent merchants and the development of greenfield sites. At the same time we are intensifying our product specialisation focus in the areas of plumbing and heating, tool hire, dry lining and insulation and hard landscaping products. All of this is bearing fruit. We also continue to develop sales of our own brand products.

Our confidence and ability to continue to grow the business in its present form remains firm. We have set ourselves broad objectives over time for both market share and earnings growth and, given a stable market environment, are optimistic that we shall be able to continue to deliver profitable growth to our shareholders.

STAFF

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

F. J. McKay CHIEF EXECUTIVE

Finance director's report

For the year ended 31 December 2001

RESULTS

Pre-tax profits were £110.5 million (2000 £87.3 million). Goodwill amortisation was £10.5 million (2000 £10.1 million) and exceptional reorganisation costs were £nil (2000 £5.0 million).

Pre-tax profits before goodwill amortisation, property profits and exceptional reorganisation costs were £119.6 million (2000 £102.1 million), an increase of 17.1 per cent. Earnings before interest, tax, depreciation and amortisation (EBITDA) and before exceptional reorganisation costs, property profits and other finance income for 2001 were £148.1 million (2000 £129.8 million), an increase of 14.1 per cent.

Net interest payable for the year was £10.7 million compared with £12.7 million in 2000.

The tax charge is £33.8 million (30.6 per cent) compared with £27.3 million (31.3 per cent) last year. The rate is higher than the UK corporation tax rate of 30 per cent because goodwill amortisation does not qualify for tax relief and taxation on profits on sale of properties is deferred. The effective tax rate, after adjusting for property profits, other finance income and goodwill amortisation, was 28.5 per cent (2000 28.6 per cent).

PENSION FUND ACCOUNTING – FINANCIAL REPORTING STANDARD NO. 17

In recognition of the significant effect FRS 17 will have on company accounts, the Accounting Standards Board has allowed companies to adopt a transitional approach to implementing the new Standard's full requirements. However, in the current climate of uncertainty that surrounds many pension funds the board has decided to fully implement the Standard in the 2001 group accounts in order to provide shareholders with a complete overview of the company's pension obligations.

At 31 December 2001, the Travis Perkins defined benefit scheme had a deficit of £32.4 million. This has been included in the group balance sheet, net of a deferred tax asset of £9.7 million and has reduced shareholders' funds by £22.7 million, or approximately 5.4 per cent.

Pension related costs charged to the profit and loss account in 2001 were £4.9 million under FRS 17, some £1.4 million lower than they would have been under the previous accounting standard. The effect of prior year adjusting the 2000 reported profits, as required by the Standard, was to increase profits for 2000 by £1.6 million.

During the year the group paid £6.7 million for ongoing contributions to its pension schemes. In addition it made an exceptional one-off payment of £6.1 million to the Sharpe & Fisher scheme prior to its merger with the Travis Perkins scheme. In 2002, the group expects to pay approximately £2 million more for ongoing contributions than in 2001. The profit and loss account charge will increase by a similar amount.

CASH FLOW

Free cash flow, as shown in note 32, for the year was £105.6 million (2000 £46.7 million). The free cash generated by the group was used to fund capital expenditure on the existing business and new acquisitions which in total cost £40.3 million (2000 £56.5 million). Operating cash flow was £62.2 million (59.4 per cent) higher than for 2000 at £166.9 million as a result of improved working capital management during 2001. A 16 per cent improvement in stock turn was achieved with the help of enhanced management information systems.

NET DEBT AND BORROWING FACILITIES

Net debt at the year-end was £126.1 million (2000 £191.4 million), which represents a gearing level of 32.0 per cent (2000 52.4 per cent). Borrowings include £12.8 million of loan notes issued to Sharpe & Fisher and to Broombys' shareholders as part of the acquisition consideration. They are redeemable at six monthly intervals ending in June 2015.

The group has £200.0 million of committed facilities, comprising a £125.0 million term loan repayable over the period ending May 2004, a £25.0 million loan repayable in November 2002 and a £50.0 million revolving syndicated credit facility available until May 2004. It has overdraft facilities of £25.0 million. At the year-end the group had unutilised committed facilities of £50 million and overdraft facilities of £24.9 million.

Interest cover, as shown in note 5, is approximately 12 times (2000, 9 times), well within our borrowing covenants.

Finance director's report For the year ended 31 December 2001

At 31 December 2001, all of the group's borrowings were covered by two 3-year interest rate swaps expiring in May 2002 and November 2003 with fixed interest rates at an average of 5.7 per cent. The market value of the swaps at 31 December 2001 was £(1.8) million. Based on our current borrowing projections, the interest rate on outstanding debt is fixed until the end of 2003.

SHAREHOLDERS' FUNDS

Total equity shareholders' funds at 31 December 2001 were £394.1 million, an increase of £29.7 million compared with 31 December 2000. The principal reason for the increase was retained profit for the year of £57.4 million less the difference between actual pension fund returns compared with expected returns, of £32.9 million.

The return on equity shareholders' funds before taxation, as shown in note 33, has increased to 27.5 per cent in 2001 from 24.3 per cent in 2000. This level of return, after tax, is substantially higher than the group's weighted average cost of capital.

At the year-end the share price was 849 pence (2000 694 pence) and the market capitalisation £952 million (2000 £771 million), representing 2.4 times shareholders' funds.

GOODWILL

The net book value of goodwill in the balance sheet is £188.3 million, which is being amortised over 20 years. Additions to goodwill in the year totalled £6.0 million.

In accordance with FRS 10, impairment reviews were carried out at December 2001, the end of the first full year following the 2000 acquisitions. No impairments were identified as a result of these reviews.

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 uses interest rate swaps into fixed rates (see note 20) to generate the preferred interest rate profile and to manage the group's exposure to interest rate fluctuations.

CURRENCY RISK

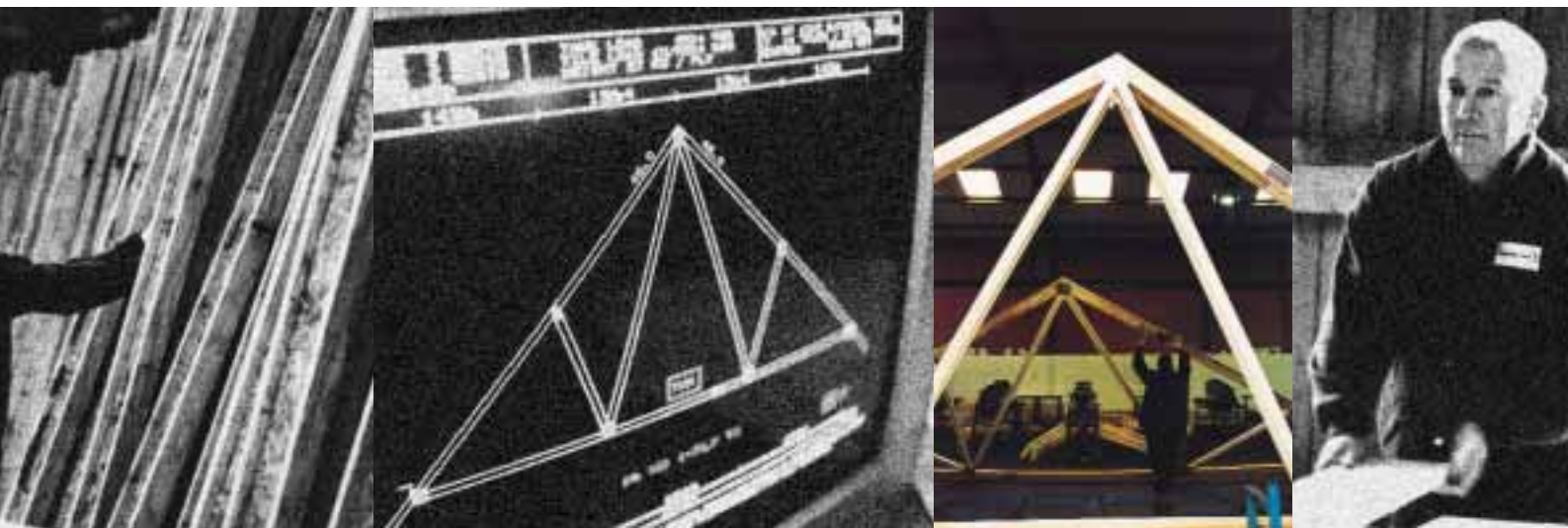
- The group usually buys currency at spot rates. Whilst this was the situation during 2001, forward contracts may be purchased where appropriate.

LIQUIDITY RISK

- The group's policy has been to ensure that it has committed borrowing facilities in place in excess of its peak forecast gross borrowings for at least the next twelve months.

P. N. Hampden Smith

P. N. Hampden Smith FINANCE DIRECTOR



Environmental report

For the year ended 31 December 2001

The group recognises and supports its corporate responsibility to carry out its operations whilst minimising environmental impacts. In September 2000 a project was launched to implement a formal Environmental Management System ("EMS") throughout the group. We are pleased to report that we achieved certification (by Lloyds Register Quality Assurance) to the ISO 14001 standard on 16 November 2001.

A revised environmental policy was published in May 2001 and a full version is available on the corporate website at www.travisperkins.co.uk. Our policy is to:

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

We intend to meet the policy's objectives by implementing change in nine key areas. We report progress against each of these as follows:

1. TO IMPROVE AND OPERATE A FORMAL ENVIRONMENTAL MANAGEMENT SYSTEM.

- Our system has been in operation since August 2001 and is certified to ISO 14001;
- A senior management review of the suitability and effectiveness of the system was conducted in October 2001 and we will continue to review the system annually.

2. TO ASSIGN ENVIRONMENTAL RESPONSIBILITY THROUGHOUT THE GROUP.

- The detailed policy statement describes the structure of environmental responsibility, which mirrors our operational structure;
- Environmental champions have been identified at all branches who will assist with the implementation of site specific improvement issues.

3. TO SET AND MONITOR ENVIRONMENTAL OBJECTIVES AND TARGETS IN ORDER TO REDUCE ENVIRONMENTAL IMPACTS.

- We are now monitoring, and have set improvement targets relating to, the following issues which have been identified as being significant by the ISO 14001 system:
  - Electricity, gas and fuel consumption;
  - Carbon dioxide generation;
  - Volatile organic compound ("VOC") emissions;
  - Timber procurement (proportion certified to recognised standards);

- Packaging use;
- Waste sent to landfill;
- Water consumption;
- Complaints and notifiable events.

4. TO INTEGRATE ENVIRONMENTAL CONSIDERATIONS INTO BUSINESS DECISION MAKING AT ALL LEVELS.

- Our internal audit programme now includes a section on environmental issues. All branches will be audited at least once every two years, with head office systems being audited annually;
- A further risk management audit is carried out annually and includes environmental issues derived from the EMS;
- All formal operating review meetings include environmental issues as part of the agenda.

5. TO CONSULT WITH INTERESTED PARTIES ON ENVIRONMENTAL ISSUES.

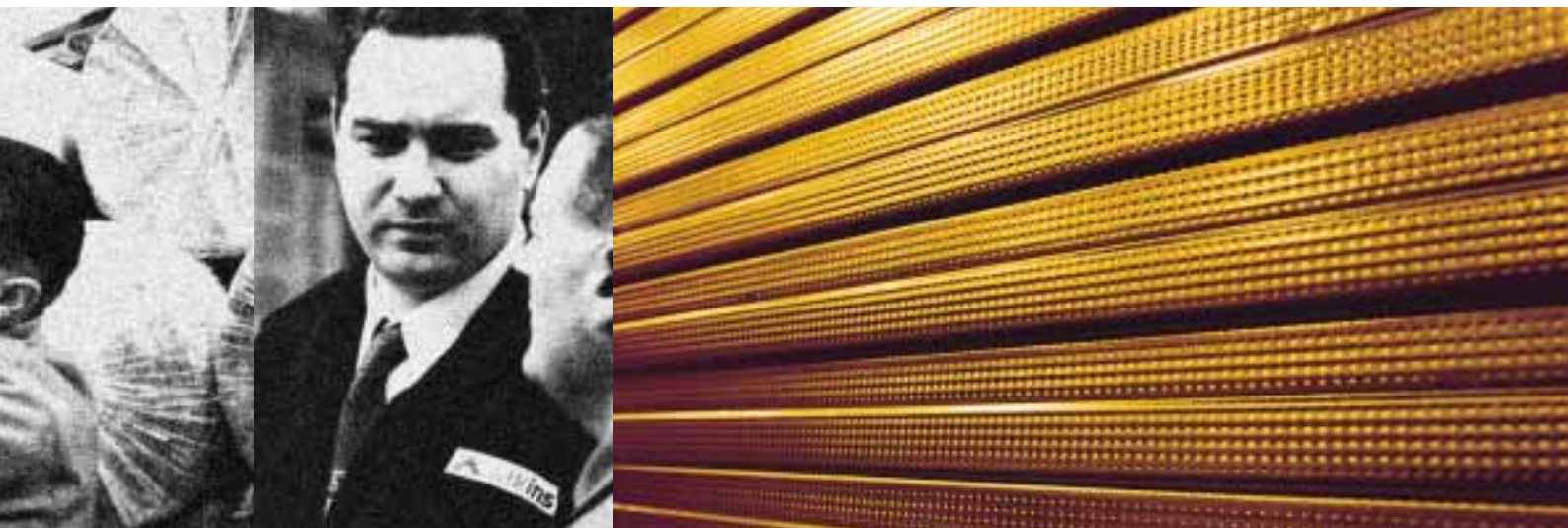
- We have engaged in dialogue through specific meetings with several key shareholders, seeking their guidance on the issues we should be addressing. Employees have participated in a competition to identify improvement actions and we continue to engage in open communication with neighbours, regulatory authorities and non-governmental organisations as particular issues arise.

6. TO DEVELOP PROCUREMENT POLICIES CONSISTENT WITH ISO 14001.

- Suppliers accounting for 75 per cent of our total purchases were asked to complete the Business in the Environment management engagement questionnaire. The results were reported to our suppliers in November 2001, with a challenge to them to improve their own performance;
- A detailed timber-specific questionnaire was sent to major suppliers of timber and forest products, requiring information on the provenance of timber supplies. In addition, information was sought on their adherence to certification schemes and their future plans for improvement.

7. TO ADDRESS ENVIRONMENTAL ISSUES RELATING TO PRODUCTS THAT WE DISTRIBUTE.

- We have set an internal target to increase the proportion of timber and forest products



Environmental report For the year ended 31 December 2001

that is certified and have challenged suppliers to improve their performance in this area. There are currently several certification standards and we intend to continue to encourage the development of mutual recognition between these standards.

8. TO PROVIDE TRAINING.

- Several training initiatives were carried out during the year. In particular a bespoke general environmental awareness video was prepared and disseminated to all employees;
- Specific training was given to internal auditors, and branch managers were provided with a number of guidance packs relating to the key issues which arise at branch level.

9. TO REVIEW FORMALLY THE ENVIRONMENTAL POLICY AT REGULAR INTERVALS.

- The Policy was formally reviewed in October 2001 and will be reviewed annually as part of the corporate governance report on environmental issues provided to the PLC board.

ENVIRONMENTAL IMPROVEMENT PLAN

We have prepared and are implementing an Environmental Improvement Plan. We have made good progress during 2001 and some examples of our successes are highlighted below. We have established clear targets for 2002.

REDUCTION IN VOC EMISSIONS

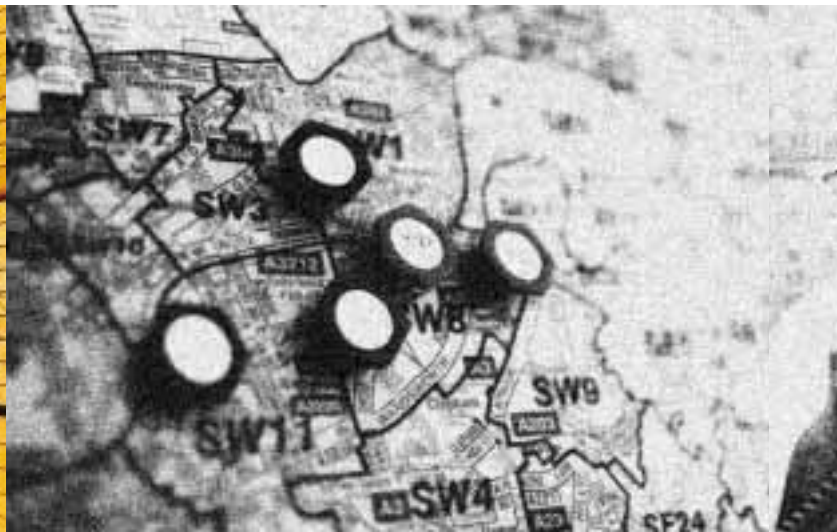
- Most VOC emissions arise from our timber treatment plants using organic solvents. During 2001 we converted four plants to aqueous treatment and as a result VOC emissions will be reduced by at least 20 per cent in 2002. Eleven of our twenty plants using this treatment method are now operating on aqueous fluid.

REDUCTION IN USE OF CHROMATED COPPER ARSENATE ("CCA") TIMBER TREATMENT

- During 2001 we converted three of our six CCA plants to alternative fluids which avoid the use of Chrome and Arsenic and as a result our CCA use will reduce by at least 50 per cent in 2002.

VEHICLE EMISSIONS

- During 2000 we fitted over 100 of our diesel commercial vehicles with exhaust filters which reduce particulate emissions. There were some initial technical difficulties which



we now believe have been overcome. As a result we expect to extend the programme to at least a further 100 vehicles in 2002, with the help of grant support. The filters are specified to reduce particulate emissions by 90 per cent and tests will be conducted during 2002 to verify performance.

WASTE RECYCLING

- Segregation of waste streams has been the main focus during 2001. We are also running a number of pilot schemes with the intention of reducing the amount of waste sent to landfill. Projects to increase pallet recycling, sales of timber off-cuts and sales of waste as raw material for recycled aggregates are all being progressed.

PAPER USE

- A detailed review of internally generated reports was conducted during the year. Conversion from paper-based to electronic versions of some reports and the reduction in the physical dimensions of a number of widely used standard forms has been achieved. Initiatives implemented to date, which include the dissemination of information using our intranet and the electronic transmission and authorisation of purchase invoices, are estimated to realise a 5 per cent reduction in paper use in 2002 on a like-for-like basis compared with 2001.

PROSECUTIONS

We are pleased to report that we had no prosecutions for environmental matters during 2001.

REPORTING DATA AND TARGETS

We have been collecting data on a regular basis during 2001 and are in the process of improving the accuracy and completeness of the information collected. We intend to publish details of this data and the progress towards our targets in our Environmental Report for the year ending 31 December 2002.

FURTHER INFORMATION

We welcome comments on this report and on our policy statement. Please contact our Group Planning Director on environment@travisperkins.co.uk.

Health and safety report

For the year ended 31 December 2001

POLICY

The group continues to place considerable importance on the health and safety of its employees, and all others who work within, or make visits to, its operations.

The group's health and safety policy outlines the commitment with which we manage all of our health and safety issues, ensuring that health and safety monitoring, controlling and improvement is of equal importance to all other management responsibilities and accountabilities.

MEASUREMENT

In support of the policy, and with the assistance of its corporate risk advisers, the group identified an Accident Frequency Rate benchmark against which its performance could be measured. Initial results early in 2001 identified areas for improvement. Action was taken and the second half of 2001 showed an improving trend.

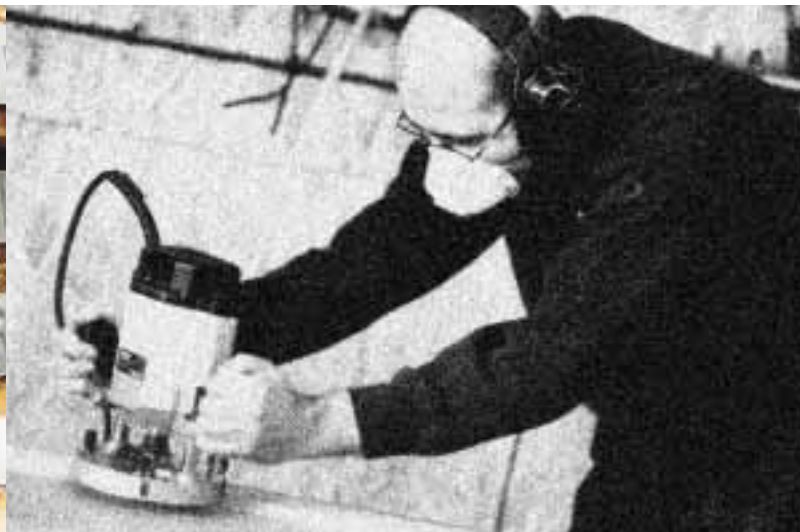
We are committed to continuously reviewing and improving our operations to ensure that this positive trend will continue into 2002.

INTERNAL AUDIT

The group's specialist team of health and safety staff, with the assistance of its corporate risk advisers, initiated improvements to the internal auditing of the health and safety aspects of the business' operations. This enabled the group to identify hazards and risks related to the health and safety of employees, suppliers and customers, thereby allowing for the introduction and implementation of effective management controls. To that end, all operating premises across the group received one internal Risk Control Management Audit (RCMA).

In addition 12 sample health and safety audits were carried out by staff from the group's corporate risk advisers. The results of these audits have been assessed and changes are in progress.

During the next twelve months, it is intended to develop further the scope of these audits, and use computer based data for extended analysis. The frequency of audits will also be increased to two per year.



TRAINING

The group continues to view the education of all employees as crucial to the maintenance and improvement of its health and safety performance. During 2001, all employees saw a screening of the group's new health and safety video. This was supplemented, for new employees, by their completion of a health and safety induction workbook, and when required, specific skills training for the operation of plant and machinery. Over the next twelve months, the group will embark upon a continuous and structured plan of "Refresher" training, particularly in respect of plant.

All management and supervisory staff are mandated to attend health and safety training specifically designed to ensure their effective management of health and safety in the areas under their control. Regular courses have been conducted throughout 2001, the intention being to continue these during 2002 and beyond.

COMMUNICATION AND GUIDANCE

The group believes that communication with employees is of high importance. In addition to the informal day to day contact between management and employees on matters of health and safety, each operating site has a Health, Safety and Environment Committee which meets formally three times per year. These meetings enable effective consultation and encourage ownership of health and safety matters at a local level. Minutes of these meetings are circulated to key support functions where input to any matters raised requires action.

Throughout 2001, the specialist health and safety team including the regionally based health and safety officers and the Head Office administration support provided advice, guidance monitoring and assistance to the operational line management on all health and safety issues as they occurred. This will continue to be the case in 2002.

Directors and professional advisers

For the year ended 31 December 2001

Chairman

Tim Stevenson (aged 53) joined the board on 6 September 2001 and succeeded Tony Travis as 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.

Chief executive

Frank McKay (aged 56) joined the board in November 1999 and was appointed chief executive on 1 January 2000. He was previously chief executive of the heating division of Blue Circle Industries plc and has held appointments with Siebe plc and Rockwell Inc. He is a non-executive director of Luxfer Holdings plc.

Finance director

Paul Hampden Smith (aged 41) qualified as a chartered accountant in 1985 and joined Sandell Perkins in 1988. Following the merger with Travis & Arnold, he was appointed regional finance director. In 1992, he became finance director of Travis Perkins Trading Company Limited and was appointed finance director of Travis Perkins plc in 1996.

Managing director, operations

John Carter (aged 40) 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. He joined the group board on 1 July 2001

SECRETARY A. S. Pike

AUDIT COMMITTEE J. N. Clarke (chairman), E. C. Adams, P. J. Maydon

REMUNERATION AND NOMINATIONS COMMITTEE J. N. Clarke (chairman), M. B. Dearden, P. J. Maydon

Non-executive director

Neil Clarke (aged 67) was appointed to the board in 1990 as a non-executive director. He is chairman of Genchem Holdings Limited. He was chairman of the British Coal Corporation from 1991 to 1997, chairman of Johnson Matthey plc from 1984 to 1989, chairman of Molins plc from 1989 to 1991 and chief executive of Charter Consolidated plc from 1980 to 1988. He is chairman of the Audit Committee and the Remuneration and Nominations Committee and the senior non-executive director.

Non-executive director

Ted Adams (aged 61) retired as managing director of Travis Perkins on 31 December 1999. He became a non-executive director in July 2000 and is a member of Audit Committee. He is a non-executive director of Peterhouse Group plc.

Non-executive director

Michael Deardon (aged 59) was appointed to the board 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 a non-executive director of Johnson Matthey plc. He is a member of the Remuneration and Nominations Committee.

Non-executive director

Charles Fisher (aged 52) joined the board in January 2000 as a non-executive director. He is chairman of John Mowlem and Company plc and of Country Homes and Gardens plc and a non-executive director of Delta plc and of Baggeridge Brick plc.

Non-executive director

Peter Maydon (aged 60) 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 a member of the Audit Committee and the Remuneration and Nominations Committee.

REGISTRARS Capita IRG plc, Bourne House, 34 Beckenham Road, Beckenham, Kent, BR3 4TU

MERCHANT BANKERS Dresdner Kleinwort Wasserstein

BANKERS HSBC plc; National Westminster Bank plc

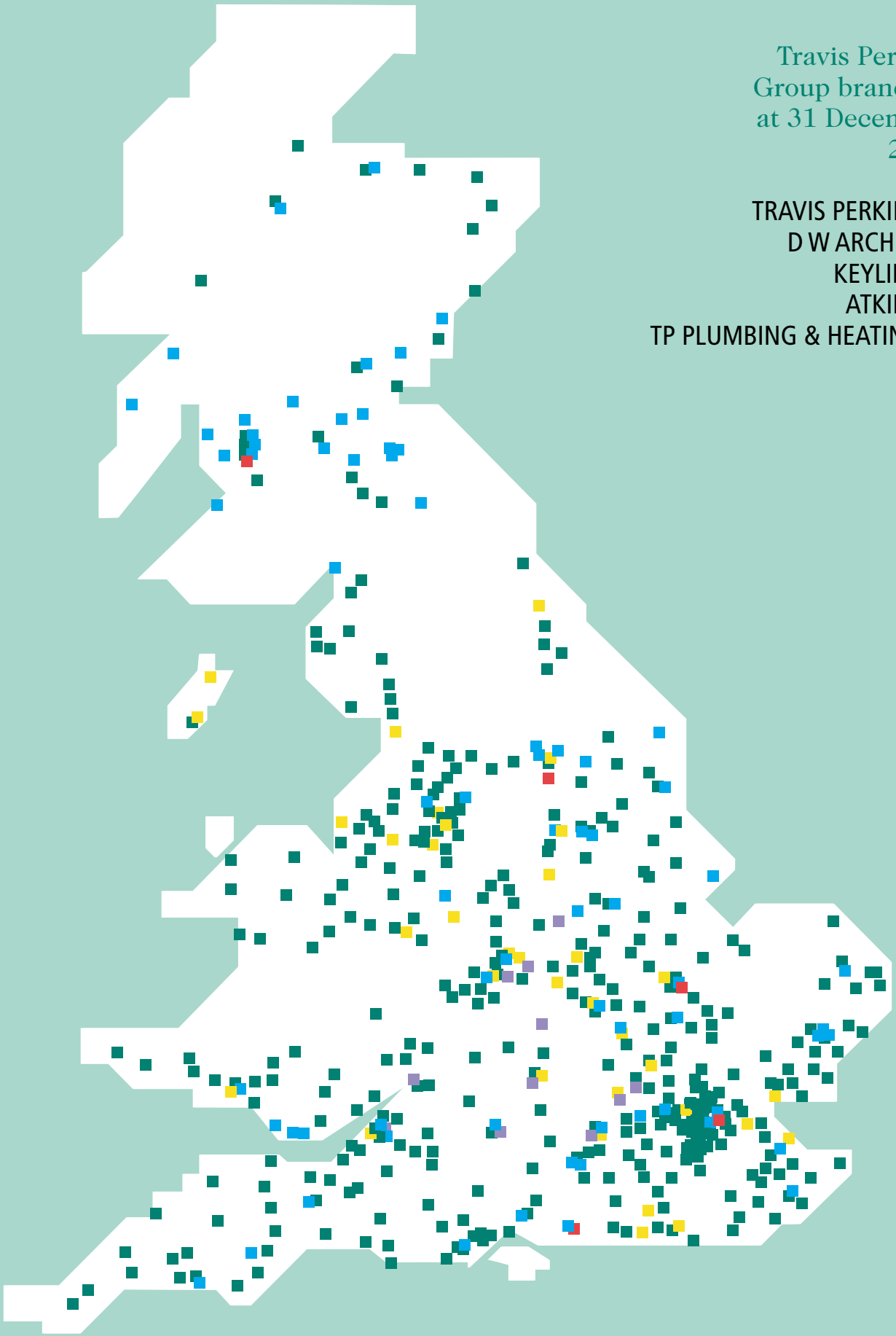
SOLICITORS Clifford Chance, London; Hewitson Becke & Shaw, Northampton

AUDITORS Deloitte & Touche, Birmingham

We continue to invest in our brands.

Travis Perkins Group branches at 31 December 2001

TRAVIS PERKINS
D W ARCHER
KEYLINE
ATKINS
TP PLUMBING & HEATING



CORPORATE GOVERNANCE

For the year ended 31 December 2001

COMBINED CODE

In June 1998 the Combined Code on Corporate Governance ("the Code") was issued by the London Stock Exchange. The Code is based on the report of the Hampel Committee and sets out principles of good corporate governance together with specific provisions. 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 in the Code appear below. The Code establishes 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. Mr E. C. Adams and Mr C. M. Fisher are not considered to be independent non-executive directors in view of their previous executive positions. The other non-executive directors, Mr J. N. Clarke, Mr M. B. Dearden, Mr P. J. Maydon and Mr T. E. P. Stevenson are independent. Mr T. E. P. Stevenson is chairman and Mr F. J. McKay is chief executive. Appointments of new directors are made by the board on the recommendation of the Remuneration and Nominations Committee.

As chairman, Mr Stevenson ensures that all directors receive sufficient relevant information on financial, business and corporate issues prior to meetings. All directors are able to take independent professional advice in the furtherance of their duties if necessary.

The board has a formal schedule of matters reserved to it and meets at least ten times each year. It is responsible for overall group strategy, acquisition policy, approval of major capital expenditure projects 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 ensures that all directors receive appropriate training on appointment and then subsequently as appropriate. All directors will submit themselves for re-election at least once every three years in accordance with the Code.

The board has established two standing committees, the Audit Committee and the Remuneration and Nominations Committee, which operate within defined terms of reference. The trading subsidiary companies are managed by separate boards of directors, of which the group executive directors are generally members. The minutes of their meetings and of the standing committees are available to the group board of directors.

2. DIRECTORS' REMUNERATION

The Remuneration and Nominations Committee consists exclusively of the independent non-executive directors, and meets at least twice a year. Its responsibilities include the review of the performance of executive directors and key members of senior management prior to determining their remuneration. The remuneration of the non-executive directors is recommended by the chairman and is then determined by the board of directors as a whole.

The Committee consults the chairman about its proposals and has access to professional advice from inside and outside the company. No director plays a part in the discussion about his own remuneration.

The relevant information on directors' remuneration for the year ended 31 December 2001 is included within the Remuneration Report which is set out on pages 27 to 32.

3. 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. The chief executive and the finance director, either separately or together, attended a number of meetings with analysts and institutional shareholders in the year ended 31 December 2001.

As well as sending annual and interim reports to shareholders, the company now 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. The number of proxy votes for and against each agenda item are available at the meeting.

4. 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 13. The board uses this, 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 36.

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, Internal Control: Guidance for Directors on the Combined Code' issued in September 1999. As part of its Corporate Governance procedures the board has received regular reports on specific areas of risk. If appropriate, these reports include recommendations for improvement in controls or for the management of those risks.

Furthermore, steps continue to be taken to integrate risk management procedures into the group's operations, to extend awareness of the importance of the management of risk and to ensure that recommended improvements brought to the attention of the board are implemented.

During 2001, the board reviewed its ongoing processes for identifying, evaluating and managing significant risks faced by the group, and for improving the system of internal control. The board has carried out an annual review of the overall effectiveness of the system of internal control and risk management procedures, during the year and up until the date of approval of the annual report. This comprised receiving a report from the chairman of the Audit Committee and an update on the monthly reports it had previously received. The following particular measures should be noted:

- The internal control procedures operate within a clearly defined organisational structure, with assigned responsibilities and authorities. Control procedures are regularly reviewed and are formally documented in group reference manuals;

CORPORATE GOVERNANCE

For the year ended 31 December 2001

- The group recognises the importance of the quality and integrity of its personnel; attention is paid to the experience and capabilities of staff and their training needs; a formal system of succession planning is in place;
- There are clear policies on health and safety, environmental compliance, security, fraud and other irregularities;
- Business processes at the group's branches and at its head office are monitored through regular visits by the internal audit department to ensure compliance with the policies and practices laid down by executive management. The frequency and detail of these visits is determined by the priorities assessed as part of the annual audit plan approved by the Audit Committee. The department also has responsibility for monitoring and maintaining the group business continuity plan. The head of the internal audit department reports to the Audit Committee twice a year;
- The group operates a comprehensive budgetary system with annual budgets being prepared within a three year plan. Both the three year plan and annual budgets are reviewed and approved by the board. The preparation of these plans and budgets incorporates a review of the commercial and other risks facing the group and results in financial targets being established for individual operating units and for the group as a whole. Actual performance against budget is monitored monthly at regional, subsidiary and group board meetings, using performance indicators and other exception reporting. Relevant financial and non-financial information is generated by the group's reporting systems and communicated to management to enable actual performance to be monitored on a daily, weekly or monthly basis, as appropriate;
- Bank facilities and other treasury functions are monitored by the finance director with any policy changes being reviewed and approved by the board;
- The development of the group's IT systems is monitored by a separate Information Technology committee, which reviews the group's IT continuity and disaster recovery plans, as well as the planning and implementation of any new systems;
- The group has a comprehensive system for controlling capital expenditure and assessing investment opportunities. Post investment appraisals are undertaken on all major projects after a suitable period of time has elapsed.

AUDIT COMMITTEE AND AUDITORS

The Audit Committee meets at least twice each year, with both the external and internal auditors and the finance director in attendance. This Committee is responsible for agreeing external and internal audit plans and for reviewing and reporting to the board on accounting policy and financial control and reporting matters.

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 2001 with the provisions set out in Section 1 of the Code.

REMUNERATION REPORT

For the year ended 31 December 2001

REMUNERATION AND NOMINATIONS COMMITTEE

The Committee consists of Mr J. N. Clarke as chairman, together with Messrs. M. B. Dearden and P. J. Maydon. 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 consults the chairman about any proposals and has access to professional advice from inside and outside the group. Written terms of reference for the Committee have been approved by the board of directors.

POLICY ON EXECUTIVE DIRECTORS' REMUNERATION

Remuneration packages are designed to motivate and retain directors of the calibre needed to maintain the group's leading market position. The performance of the executive directors determines their annual remuneration package. There are four main elements of the remuneration package:

- basic salary;
- annual bonus payments;
- share options;
- pension arrangements.

BASIC SALARY

An executive director's basic salary is determined by the Remuneration and Nominations Committee annually and when an individual changes position or responsibility. Salaries are reviewed in November each year with increases taking effect from 1 January in the following year. Executive directors' contracts of service will be available for inspection at the Annual General Meeting.

ANNUAL BONUS PAYMENTS

The Committee establishes the objectives that must be met if a cash payment is to be made and reviews them periodically. 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 executive directors are based on a formula related to the level of the net earnings per share achieved by the group against a base level reviewed annually. There is an element within the payment dependent on the achievement of individual objectives. The maximum performance related bonus that can be paid is 55 per cent of basic annual salary.

SHARE OPTIONS

For many years, the company has further motivated directors and senior executives through granting them options, spread over a number of years, to purchase shares in the company at the middle market price quoted at time of grant. Under the 1995 Executive Share Option Scheme the Committee set appropriate performance targets whenever options were granted. The performance target was based on the growth of the group's earnings per share over a three year period. These options can only be exercised if the growth in earnings per share outstrips inflation by at least 6 per cent in aggregate over that period. No further options will be granted under this scheme.

In the light of developments in market practice and the revised guidelines issued by the Association of British Insurers, the company obtained shareholder's approval for the adoption of a new scheme in 2001.

The new scheme provides for the grant of options on a regular annual basis, with a value up to a limit of twice basic salary. For all 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 the three year period. In the case of the most senior executives, achievement of this target will allow only 50 per cent of options to be exercised, and 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.

REMUNERATION REPORT

For the year ended 31 December 2001

SHARE OPTIONS (continued)

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

Travis Perkins Share Option Schemes

Note	Outstanding at 1 January 2001 No.	Granted during year No.	Lapsed during year No.	Exercised during year No.	Outstanding at 31 December 2001 No.	Exercise price
Executive share options						
1	38,000	-	-	(38,000)	-	228.0p
2	3,000	-	-	(3,000)	-	148.0p
3	10,000	-	-	(10,000)	-	281.0p
4	1,984	-	(992)	-	992	318.0p *
5	10,418	-	(992)	(8,434)	992	348.5p *
6	266,000	-	-	(125,500)	140,500	307.0p
7	992	-	(496)	-	496	364.5p *
8	496	-	-	-	496	470.5p *
9	1,066,000	-	(36,000)	(770,494)	259,506	571.5p
10	248	-	-	-	248	458.0p *
11	992	-	-	-	992	385.5p *
12	20,000	-	-	-	20,000	696.0p
13	20,000	-	-	-	20,000	668.5p
14	100,000	-	-	-	100,000	594.0p
15	20,000	-	-	-	20,000	563.5p
16	60,000	-	(35,000)	-	25,000	602.5p
17	20,000	-	-	-	20,000	550.0p
18	-	2,110,449	(47,000)	-	2,063,449	756.0p
	1,638,130	2,110,449	(120,480)	(955,428)	2,672,671	
Sharesave options						
19	5,421	-	(1,869)	(3,552)	-	295.0p
20	4,543	-	-	(4,543)	-	257.5p *
21	85,703	-	(2,180)	(71,368)	12,155	456.0p
22	15,448	-	-	(13,109)	2,339	338.5p *
23	98,470	-	(4,168)	(1,375)	92,927	522.5p
24	4,780	-	(371)	(4,409)	-	366.5p *
25	21,526	-	-	-	21,526	366.5p *
26	389,333	-	(17,590)	(3,255)	368,488	412.5p
27	10,906	-	(560)	(8,157)	2,189	229.5p *
28	15,177	-	(1,673)	-	13,504	229.5p *
29	242,675	-	(34,620)	(1,362)	206,693	511.0p
30	376,840	-	(33,361)	(1,597)	341,882	511.0p
31	317,152	-	(48,623)	(38)	268,491	464.0p
32	415,508	-	(43,905)	(543)	371,060	464.0p
33	-	256,816	(539)	-	256,277	609.5p
34	-	261,101	(774)	-	260,327	609.5p
	2,003,482	517,917	(190,233)	(113,308)	2,217,858	

* After the acquisition of Sharpe & Fisher plc in December 1999, the holders of options under the Sharpe & Fisher executive and savings related share option schemes were given the opportunity to release options over Sharpe & Fisher shares in return for replacement options over Travis Perkins shares.

SHARE OPTIONS (continued)

Directors' share options included within previous table

	Note	Outstanding at 1 January 2001	Granted during year	Lapsed during year	Exercised during year	Outstanding at 31 December 2001	Exercise price
E. C. Adams		30,000	-	-	(30,000)	-	307.0p
J. P. Carter		20,000 *	-	-	(20,000)	-	571.5p
	18	- *	39,351	-	-	39,351	756.0p
	26	4,090 *	-	-	-	4,090	412.5p
P. N. Hampden	9	30,000	-	-	-	30,000	571.5p
Smith	18	-	39,351	-	-	39,351	756.0p
		3,782	-	-	(3,782)	-	456.0p
	33	-	1,589	-	-	1,589	609.5p
F. J. McKay	14	100,000	-	-	-	100,000	594.0p
	18	-	79,365	-	-	79,365	756.0p
		187,872	159,656	-	(53,782)	293,746	

* on date of appointment

Options may be exercised during the following periods (or earlier or later under certain circumstances):

Executive share options:

4 any time until 17 April 2004
5 any time until 3 May 2005
6 any time until 12 June 2005
7 any time until 14 May 2006
8 any time until 6 May 2007
9 any time until 26 April 2008
10 any time until 5 May 2008
11 from 26 April 2002 until 25 April 2009
12 from 16 July 2002 until 15 July 2009
13 from 14 September 2002 until 13 September 2009
14 from 9 November 2002 until 8 November 2009
15 from 11 April 2003 until 10 April 2010
16 from 8 September 2003 until 7 September 2010
17 from 10 October 2003 until 9 October 2010
18 from 4 July 2004 until 3 July 2011

Sharesave options:

21 any time until 31 May 2002
22 any time until 31 May 2002
23 from 1 December 2002 until 31 May 2003
25 from 1 December 2002 until 31 May 2003
26 from 1 December 2003 until 31 May 2004
27 any time until 31 May 2002
28 from 1 December 2003 until 31 May 2004
29 from 1 December 2002 until 31 May 2003
30 from 1 December 2004 until 31 May 2005
31 from 1 December 2003 until 31 May 2004
32 from 1 December 2005 until 31 May 2006
33 from 1 December 2004 until 31 May 2005
34 from 1 December 2006 until 31 May 2007

Mr E. C. Adams exercised 30,000 executive share options on 8 March 2001 when the mid-market price of the company's shares was 689.0 pence. Mr J. P. Carter exercised 20,000 executive share options on 11 September 2001 when the mid-market price of the company's shares was 773.5 pence. Mr P. N. Hampden Smith exercised 3,782 sharesave options on 5 December 2001 when the mid-market price was 810.0 pence.

At 31 December 2001, in addition to the directors, there were 207 employees (2000: 116) who had holdings of executive share options and 2,688 employees (2000: 2,413) who were participating in the Sharesave Scheme.

REMUNERATION REPORT

For the year ended 31 December 2001

Travis Perkins Share Price Information	2001	2000
Mid-market price at 31 December	849.0p	694.0p
Highest mid-market price during the year	849.0p	694.0p
Average mid-market price during the year	750.9p	600.7p
Lowest mid-market price during the year	648.5p	523.0p

Directors' Shareholdings

In addition to the options detailed on page 29, directors' holdings of the ordinary 10p shares of Travis Perkins plc at 31 December of each year were as follows:

Director	Interest	2001 No.	2000 No.
T. E. P. Stevenson	No interest	-	- *
E. C. Adams	Beneficial owner	105,249	105,249
J. P. Carter	Beneficial owner	7,000	10,000 *
J. N. Clarke	Beneficial owner	1,000	1,000
M. B. Dearden	Beneficial owner	1,000	-
C. M. Fisher	Beneficial owner	620,444	791,944
P. N. Hampden Smith	Beneficial owner	6,783	15,001
F. J. McKay	Beneficial owner	7,444	7,444
P. J. Maydon	Beneficial owner	1,000	1,000

* on date of appointment

In addition, as potential beneficiaries under the Sharesave Scheme, Messrs. J. P. Carter, P. N. Hampden Smith and F. J. McKay are deemed to be interested in shares in the company held by Travis Perkins Quest Trustees Limited, which at 31 December 2001 totalled 135,934 shares (2000: 209,862) shares. At 8 March 2002, this had reduced to 127,407 shares. In addition, Mr C. M. Fisher has an interest in loan notes (as described in note 20) with a value of £1,772,402 (1 January 2001: £3,426,866). There were no changes in the holdings of the directors between 31 December 2001 and the date of this report, other than those stated above.

PENSION ARRANGEMENTS

Executive directors are members of the Travis Perkins Group pension scheme and have a retirement age of 60. As with all other members, their 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 Mr F. J. 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. Mr F. J. McKay has been guaranteed, on retirement at age 60, a pension of thirty per cent of his final pensionable salary including the pension payable from a previous employment. This pension will be funded partly by the group scheme and by separate funded and unfunded arrangements established for him. This arrangement was made during the year and replaced on earlier guarantee of a pension of one third of final pensionable salary, including the pension payable from a previous employment, on retirement at age 62. Mr P. N. Hampden Smith receives a salary supplement to enable him to arrange pension provision for that part of his salary which is above the Inland Revenue approved limit. Mr J. P. Carter's retirement age was changed from 62 to 60 during the year following his appointment as a director of the company.

PENSION ARRANGEMENTS (continued)

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

Except as stated above there have been no changes in the basis of directors' pension entitlements during the year. Except as described above for Mr F. J. McKay, there are no unfunded pension commitments or similar arrangements for directors.

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

	Age at 31 December 2001	Accrued pension at 31 December 2001	Increase in accrued pension in 2001 (over and above inflation)	Members' contributions towards pension	Transfer value of the increase in accrued pension net of members' contributions
		£'000	£'000	£'000	£'000
E. R. A. Travis	58	97	1	7	12
J. P. Carter	40	71	15	9	146
P. N. Hampden Smith	41	17	3	4	15
F. J. McKay	56	15	8	14	87

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 Mr F. J. McKay, the separate arrangements previously described.

SERVICE CONTRACTS

Executive directors have service contracts incorporating a rolling 12 month notice period.

AMOUNT OF DIRECTORS' EMOLUMENTS

Details for directors' remuneration are set out on the next page.

Mr T. E. P. Stevenson was appointed as a non-executive director on 6 September 2001 and receives a fee of £100,000 per annum. Mr J. P. Carter was appointed as a director on 1 July 2001 on an annual salary for 2001 of £170,000.

REMUNERATION REPORT

For the year ended 31 December 2001

	Basic salary		Annual bonus		Benefits in kind		Gains on share options		Total remuneration	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000	2001 £'000	2000 £'000	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Executive										
E. R. A. Travis[1]	92	105	44	36	10	12	-	-	146	153
J. P. Carter[2]	85	-	41	-	6	-	40	-	172	-
P. N. Hampden Smith[3]	191	169	82	48	6	6	13	75	292	298
F. J. McKay[4]	300	273	144	90	17	17	-	-	461	380
Non-executive										
T. E. P. Stevenson[5]	32	-	-	-	-	-	-	-	32	-
E. C. Adams[6]	30	129	-	38	-	7	115	-	145	174
J. N. Clarke	30	30	-	-	-	-	-	-	30	30
M. B. Deardon	30	4	-	-	-	-	-	-	30	4
C. M. Fisher	30	38	-	-	-	-	-	-	30	38
P. J. Maydon	30	30	-	-	-	-	-	-	30	30
H. J. Smeeton	-	15	-	-	-	-	-	-	-	15
	850	793	311	212	39	42	168	75	1,368	1,122

[1] Chairman and Director until 31 October 2001 [2] Appointed 1 July 2001 [3] Basic salary includes a £21,000 salary supplement (2000: £19,000) to enable Mr P. N. Hampden Smith to arrange pension provision for that part of his salary which is above the Inland Revenue approved limit. [4] Highest paid director [5] Appointed 6 September 2001 and chairman from 1 November 2001. [6] Executive director until 31 July 2000.

Other amounts within directors' emoluments are:

	Total remuneration		Pension scheme contributions		Total emoluments	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Executive						
E. R. A. Travis	146	153	12	12	158	165
J. P. Carter	172	-	9	-	181	-
P. N. Hampden Smith	292	298	9	9	301	307
F. J. McKay	461	380	108	95	569	475
Non-executive						
T. E. P. Stevenson	32	-	-	-	32	-
E. C. Adams	145	174	-	-	145	174
J. N. Clarke	30	30	-	-	30	30
M. B. Dearden	30	4	-	-	30	4
C. M. Fisher	30	38	-	-	30	38
P. J. Maydon	30	30	-	-	30	30
H. J. Smeeton	-	15	-	-	-	15
	1,368	1,122	138	116	1,506	1,238

NON-EXECUTIVE DIRECTORS

The remuneration of the non-executive directors is determined by the board. These directors do not have a contract of service and are not eligible to join the group's pension scheme. Each of the non-executive directors has received a letter of appointment expiring on the following dates:

E. C. Adams - December 2002 J. N. Clarke - June 2002 M. B. Dearden - November 2003
C. M. Fisher - December 2002 P. J. Maydon - May 2004 T. E. P. Stevenson - September 2004

Non-executive directors cannot participate in any of the Company's share option schemes, except that, as described on page 29, Mr E. C. Adams had outstanding options arising from his previous employment as an executive director.

SHAREHOLDERS' APPROVAL

The board has minuted a decision that the shareholders in Annual General Meeting need not be invited to approve the remuneration policy set out in this Report. The chairman of the Committee will be available to answer questions on any aspect of the remuneration policy at the Annual General Meeting.

DIRECTOR'S REPORT

For the year ended 31 December 2001

The directors present their annual report and audited accounts for the year ended 31 December 2001.

ACTIVITIES

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

REVIEW OF GROUP'S POSITION, DEVELOPMENTS AND FUTURE PROSPECTS

These subjects are dealt with as part of the Chairman's statement, the Chief executive's review and the Finance director's report on pages 4 to 13.

RESULTS AND DIVIDENDS

The group results and dividends for the year ended 31 December 2001 are set out on page 38. If approved, the final dividend will be paid on 17 May 2002 to those shareholders on the register on 19 April 2002.

DIRECTORS

The directors at 31 December 2001 were as listed on pages 20 and 21. Mr E. R. A. Travis retired as chairman on 31 October 2001.

In accordance with the company's Articles of Association, Mr P. N. Hampden Smith, Mr F. J. McKay and Mr C. M. Fisher retire by rotation and, being eligible, offer themselves for re-election. Mr P. N. Hampden Smith and Mr F. J. McKay have a rolling 12 month notice period in their service contracts. As a non-executive director, Mr C. M. Fisher does not have a service contract. Mr J. P. Carter was appointed as a director on 1 July 2001 and Mr T. E. P. Stevenson was appointed a director on 6 September 2001 and as chairman on 1 November 2001. In accordance with the company's Articles of Association, Mr J. P. Carter and Mr T. E. P. Stevenson retire as a directors and, being eligible, offer themselves for election at the Annual General Meeting. Mr J. P. Carter has a rolling 12 month notice period in his service contract. Mr T. E. P. Stevenson 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 2001 including holdings, if any, of wives and of children aged under 18, were as detailed in the Remuneration Report on pages 29 and 30.

SUBSTANTIAL INTERESTS

At 8 March 2002, the only substantial interests (that is, 3 per cent or more) in the company's share capital notified to the company were as follows:

Mr E. R. A. Travis	13,119,670	Beneficial and non-beneficial	11.70 per cent
Royal & Sun Alliance	3,512,378		3.13 per cent
Fidelity	4,041,877		3.60 per cent

CLOSE COMPANY STATUS

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

EMPLOYEE PARTICIPATION

The group's employees are regularly informed of the group's financial position 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 the Travis Perkins Sharesave Scheme 1992 and is seeking Shareholders' approval of the adoption of the Travis Perkins Sharesave Scheme 2002. In addition, a bonus scheme covering all employees not already covered by director and managerial schemes has been in place since the beginning of 1998.

DIRECTOR'S REPORT

For the year ended 31 December 2001

DISABLED PERSONS

The group recognises its obligations towards disabled persons and endeavours to deal fairly and equitably with such persons in matters relating to their employment.

Disabled applicants for employment are given full and fair consideration alongside all other applicants and due regard is given to their particular aptitudes and abilities. Where a person becomes disabled during the course of their employment, the company endeavours to supply suitable training for that person's continued employment.

Disabled persons have equal opportunity with all other employees who undergo training appropriate to the development of their careers. Additionally, every effort is made to assist disabled employees in undergoing training related specifically to mitigating the effect of disability on their employment.

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 2001 represent 45.3 days (2000: 48.7 days) of average purchases of goods and services. The company has no trade creditors.

ANNUAL GENERAL MEETING SPECIAL BUSINESS

The following items are to be proposed at the forthcoming Annual General Meeting as items of special business:

RESOLUTION 9: SHARESAVE SCHEME 2002

For many years, the company has operated a sharesave scheme for employees which has helped to align the interests of employees with those of shareholders by focusing their attention on the company's long term share price performance. The ability to grant options under the current scheme expires on 9 June 2002 and your board therefore proposes to introduce a replacement scheme - the Travis Perkins Sharesave Scheme 2002. A summary of this scheme is set out on pages 65 and 66. The main features of the new scheme will be the same as the existing scheme. Eligible employees will be able to save with a bank or building society over a three or five year period, currently up to a maximum of £250 each month. At the end of 3 or 5 years, employees will have an option to use their savings, plus a tax-free bonus, to buy shares in the company at a discount of upto 20% to the share price set shortly before they start saving.

The new scheme will be submitted for approval by the Inland Revenue and will contain a limit of 10% of the company's issued ordinary share capital on the number of ordinary shares which may be issued pursuant to options granted under it, or any other share option scheme adopted by the company, in a ten year period.

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 £2,284,446 (being the lesser of the company's authorised but unissued share capital and one third of its issued capital). This represents 20.4 per cent of the issued ordinary share capital of the company as at 8 March 2002. The authority extends until the earlier 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.

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 to existing shareholders unless the board is given a 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 £560,777 (representing 5 per cent of the issued share capital) without first offering such securities to existing ordinary shareholders. The authority extends until the earlier of the conclusion of the next Annual General Meeting and the date fifteen months from the passing of this resolution. Any issue of shares for cash will, however, still be subject to the requirements of the UK Listing Authority.

RESOLUTION 12: 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) for cancellation. The effect of any such purchases 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 shareholders. 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 8 March 2002, there were options outstanding over 4,788,729 ordinary shares, representing 4.3 per cent of the company's issued ordinary share capital. This would rise to 4.7 per cent if the authority being sought were to be exercised in full.

RESOLUTION 13: DIRECTORS' FEES

The company's Articles of Association currently contain a limit of £30,000 per annum (or such larger amount as the company may by ordinary resolution decide) on the fees payable to each director (exclusive of salary payable to executive directors). Non-executive directors presently receive a fee of £30,000 per annum, and this sum has been fixed by the board until the end of 2002. However, the board believes that this limit should be increased to enable the company to continue to attract non-executive directors of the appropriate calibre and experience and that this limit should therefore be increased to £50,000. The proposed new Article will also allow a non-executive chairman to receive a higher fee (up to £150,000) reflecting his additional responsibilities.

DONATIONS

During the year the group made donations of £89,811 (2000: £44,883) for charitable purposes. In addition to this our staff, customers and suppliers have raised £119,931 for charity during the year through a fund raising day and payroll giving.

AUDITORS

Deloitte & Touche are willing to continue in office and a resolution for their reappointment as auditors will be proposed at the forthcoming Annual General Meeting.

By order of the board

A. S. Pike *Secretary* 8 March 2002

STATEMENT OF DIRECTORS' RESPONSIBILITIES

For the year ended 31 December 2001

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

(i) select suitable accounting policies and then apply them consistently;

(ii) make judgements and estimates that are reasonable and prudent;

(iii) state whether applicable accounting standards have been followed; and

(iv) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

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.

AUDITORS' REPORT TO THE MEMBERS OF TRAVIS PERKINS PLC

For the year ended 31 December 2001

We have audited the financial statements for Travis Perkins plc for the year ended 31 December 2001 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 roles 1 to 33. These financial statements have been been prepared under the accounting policies set out therein.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the statement of director's responsibilities, the company's directors are responsible for the preparation of financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements, auditing standards, and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and are 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 or the Listing Rules regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We review whether the Corporate Governance statement reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, 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 risks 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, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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. It also includes an assessment of the significant estimates and judgements 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 consider necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall presentation of information in the financial statements.

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 2001 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche, 8 March 2002

Chartered Accountants and Registered Auditors,

Colmore Gate, 2 Colmore Row, Birmingham B3 2BN

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2001

£m	Notes	2001	2000 Restated
Turnover	1	**1,279.3**	1,181.2
Operating profit before reorganisation costs and amortisation of goodwill		**129.1**	113.2
Reorganisation costs		**-**	(5.0)
Amortisation of goodwill		**(10.5)**	(10.1)
Operating profit after reorganisation costs and amortisation of goodwill	2	**118.6**	98.1
Profit on sale of properties		**1.4**	0.3
Profit on ordinary activities before interest and taxation		**120.0**	98.4
Net interest payable	5	**(10.7)**	(12.7)
Other finance income	6	**1.2**	1.6
Profit on ordinary activities before taxation		**110.5**	87.3
Tax on profit on ordinary activities	7	**(33.8)**	(27.3)
Profit on ordinary activities after taxation		**76.7**	60.0
Dividends paid and proposed	8	**(19.3)**	(17.0)
Retained profit transferred to reserves	22	**57.4**	43.0
Earnings per ordinary share			
Basic	9	**68.8p**	54.2p
Diluted	9	**68.2p**	53.9p
Adjusted	9	**77.0p**	66.2p
Dividend per ordinary share	8	**17.2p**	15.3p

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 2001

£m	Notes	The Group 2001	The Group 2000 Restated	The Company 2001	The Company 2000
Fixed assets					
Tangible assets	10	226.4	215.8	0.1	0.2
Intangible assets - goodwill	11	188.3	192.8	-	-
Investments	12	4.9	5.2	402.0	398.5
		419.6	413.8	402.1	398.7
Current assets					
Stocks	13	132.7	140.6	-	-
Debtors	14	215.7	211.9	76.2	34.9
Properties held for resale	15	1.8	1.5	-	-
Cash at bank and in hand	16	37.0	9.8	14.7	263.3
		387.2	363.8	90.9	298.2
Creditors: amounts falling due within one year	17	(287.4)	(263.3)	(77.8)	(57.0)
Net current assets		99.8	100.5	13.1	241.2
Total assets less current liabilities		519.4	514.3	415.2	639.9
Creditors: amounts falling due after more than one year	18	(100.0)	(150.0)	(225.0)	(480.5)
Provisions for liabilities and charges	19	(2.6)	(1.1)	-	-
Net assets excluding pension deficit/asset		416.8	363.2	190.2	159.4
Pension (deficit)/asset	3	(22.7)	2.3	-	-
Net assets including pension deficit/asset		394.1	365.5	190.2	159.4
Capital and reserves					
Called up share capital	21	11.2	11.1	11.2	11.1
Share premium account	22	61.0	54.7	59.9	53.6
Revaluation reserves	22	31.5	31.4	-	-
Profit and loss account	22	290.4	267.2	119.1	94.7
Total equity shareholders' funds		394.1	364.4	190.2	159.4
Minority interests - non equity	23	-	1.1	-	-
		394.1	365.5	190.2	159.4

The financial statements were approved by the board of directors on 8 March 2002.

Signed on behalf of the board of directors.

F. J. McKay
P. N. Hampden Smith } Directors

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 December 2001

£m	2001	2000 Restated
Profit attributable to shareholders of the company	76.7	60.0
Actuarial gains/losses recognised in the pension schemes	(43.6)	(25.1)
Deferred tax	10.7	8.1
Revaluation of property transferred to current assets	(0.3)	(0.7)
Unrealised surplus on revaluation of investment properties	0.6	-
Total recognised gains and losses relating to the year	44.1	42.3
Prior period adjustment as a result of FRS 17	7.9	-
Total gains recognised since last Annual Report	52.0	42.3

ANALYSIS OF ACTUARIAL GAINS AND LOSSES INCLUDED IN THE STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 December 2001

£m	2001	2000
Difference between actual and expected return on scheme assets	(37.7)	(21.6)
Experience gains and losses arising on scheme liabilities	(1.5)	1.8
Effects of changes in assumptions underlying the present value of scheme liabilities	(4.4)	(5.3)
Total actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses	(43.6)	(25.1)

RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

For the year ended 31 December 2001

£m	2001	2000 Restated
Equity shareholders' funds at 1 January as previously stated	356.5	313.4
Prior period adjusted as a result of FRS17	7.9	23.3
Equity shareholder's funds at 1 January as restated	364.4	336.7
Profit attributable to shareholders of the company	76.7	60.0
Dividends	(19.3)	(17.0)
Retained profit transferred to reserves	57.4	43.0
New share capital subscribed	4.9	2.4
Revaluation of property transferred to current assets	(0.3)	(0.7)
Unrealised surplus on revaluation of investment properties	0.6	-
Actuarial gains and losses	(32.9)	(17.0)
Net increase in shareholders' funds	29.7	27.7
Equity shareholders' funds at 31 December	394.1	364.4

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2001

£m	Notes	2001	2000
Net cash inflow from operating activities	28	**166.9**	104.7
Returns on investments and servicing of finance			
Interest received		**0.1**	0.1
Interest paid		**(13.5)**	(10.3)
Dividends paid to minority interest		**(0.3)**	-
Net cash outflow for returns on investments and servicing of finance		**(13.7)**	(10.2)
Taxation			
UK corporation tax paid		**(34.7)**	(26.3)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(29.1)**	(34.3)
Receipts from sales of tangible fixed assets		**4.4**	1.6
Receipts from sale of own shares held		**0.5**	-
Net cash outflow for capital expenditure and financial investment		**(24.2)**	(32.7)
Acquisitions			
Purchase of business undertakings	31	**(15.1)**	(18.0)
Net cash/(overdrafts) acquired with business undertakings	31	**0.1**	(5.8)
Purchase of minority interest	23	**(1.1)**	-
Net cash outflow for acquisitions		**(16.1)**	(23.8)
Equity dividends paid		**(17.8)**	(15.8)
Cash inflow/(outflow) before use of liquid resources and financing		**60.4**	(4.1)
Management of liquid resources			
Cash inflow from short term deposits	30	**-**	15.9
Financing			
Issue of ordinary share capital		**4.9**	1.1
Repayment of bank loans		**(25.0)**	(10.0)
Repayment of unsecured loan notes	30	**(3.3)**	(2.3)
Capital element of finance lease rentals	30	**(0.1)**	(0.2)
Net cash outflow from financing		**(23.5)**	(11.4)
Increase in cash in the year		**36.9**	0.4

ACCOUNTING POLICIES

For the year ended 31 December 2001

The financial statements have been prepared in accordance with applicable accounting standards. Of the new Financial Reporting Standards, two are effective for the first time this year, FRS17- Retirement Benefits, and FRS18 - Accounting Policies. FRS17 has been fully implemented in these financial statements which has resulted in a prior period adjustment. Further details are given in notes 3 and 22 on pages 44 to 46 and 55. FRS18 has not impacted on the financial statements. Compliance with SSAP19 "Accounting for Investment Properties" requires departure from the requirements of the Companies Act 1985 relating to depreciation and an explanation of the departure is given in note (f) below.

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. Following the introduction of FRS15, the group has adopted the transitional rules within the FRS which allow it to maintain the carrying value of the revalued assets (excluding investment properties) at their modified cost.

(b) BASIS OF PREPARATION

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

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

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

The profit or loss on the disposal or closure of a business acquired prior to 1 January 1998 includes the attributable amount of any purchased goodwill relating to that business not charged through the profit and loss account.

(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.

(iii) Investments in own shares are held at cost, being the market value on the date the shares were issued by the parent company.

(f) INVESTMENT PROPERTIES

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

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

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

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

(g) LEASES

(i) Finance leases

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

(ii) Operating leases

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

(h) STOCKS

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

(i) DEFERRED TAXATION

Deferred taxation is provided at the anticipated tax rates on timing differences, to the extent that it is probable a liability or asset will crystallise in the future. Such timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

(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 2001

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 REORGANISATION COSTS AND AMORTISATION OF GOODWILL

	2001 £m	2000 £m
Turnover	1,279.3	1,181.2
Changes in stocks of finished goods	(8.0)	9.3
Raw materials and consumables	(961.1)	(905.5)
Staff costs:		
Wages and salaries	(138.7)	(127.4)
Social security costs	(11.3)	(10.3)
Other pension costs (note 3c)	(6.1)	(5.8)
Depreciation and other amounts written off tangible and intangible fixed assets	(29.5)	(26.7)
Other operating charges	(7.3)	(20.3)
Other operating income	1.3	3.6
Operating profit after reorganisation costs and amortisation of goodwill	118.6	98.1

Reorganisation costs of £nil (2000: £5.0 million) are included within the other operating charges. Amortisation of goodwill of £10.5 million (2000: £10.1 million) is included within depreciation and other amounts written off tangible and intangible fixed assets.

Items included above but not disclosed elsewhere:	2001 £m	2000 £m
Rental income	1.3	1.2
Profit on sale of plant and equipment	0.1	0.7
Group audit fee (Company audit fee: £16,000; 1999: £16,000)	(0.1)	(0.1)
Other amounts paid to Auditors - taxation	(0.2)	(0.2)
Hire of vehicles, plant and machinery	(11.1)	(9.6)
Other leasing charges - property	(12.3)	(10.6)
Depreciation of leased assets	(0.2)	(0.5)

3. PENSION ARRANGEMENTS

During the year, the group operated two final salary schemes: the Travis Perkins Pensions and Dependants' Benefit Scheme (the "Group Scheme") and the Sharpe & Fisher Pension Scheme, the assets of each of which were held in separate trustee administered funds, funded by contributions from the group companies and the employees. With effect from 1 December 2001, the Sharpe & Fisher Pension Scheme was merged into the Group Scheme. As the Sharpe & Fisher Scheme is not considered material to the group's pension arrangements, information is not shown separately for that scheme. 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 1 December 1999 and updated to 31 December 2001 by a qualified actuary.

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

	At 31 December 2001	At 31 December 2000	At 31 December 1999
Rate of increase in salaries	4.0%	4.0%	4.0%
Rate of increase of pensions in payment	2.5% (post 1997) 3.0% (pre 1997)	2.5% (post 1997) 3.0% (pre 1997)	2.5% (post 1997) 3.0% (pre 1997)
Discount rate	5.9%	6.0%	6.2%
Inflation assumption	2.5%	2.5%	2.5%

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

	At 31 December 2001		At 31 December 2000		At 31 December 1999	
	Expected Return	£m	Expected Return	£m	Expected Return	£m
Equities	6.90%	152.9	6.65%	172.4	6.10%	171.9
Bonds	4.85%	22.5	4.63%	21.3	5.05%	25.3
Total fair value of assets		175.4		193.7		197.2
Actuarial value of liability		(207.8)		(190.4)		(166.8)
(Deficit)/surplus in the scheme		(32.4)		3.3		30.4
Related deferred tax asset/(liability)		9.7		(1.0)		(9.1)
Net pension(liability)/asset		(22.7)		2.3		21.3

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

(c) Analysis of amount charged to operating profit	2001 £m	2000 £m
Current service cost	6.1	5.8

(d) Movement in scheme surplus/(deficit) during year	2001 £m	2000 £m
Surplus at 1 January	3.3	30.4
Current service cost	(6.1)	(5.8)
Contributions	12.8	5.2
Other finance income	1.2	1.6
Actuarial loss	(43.6)	(25.1)
Additional liability in respect of fair value adjustment in previous year	-	(3.0)
(Deficit)/surplus at 31 December	(32.4)	3.3

(e) Other pension costs	2001 £m	2000 £m
Other pension costs per the profit and loss account	6.1	5.8
Amounts included as other finance income	(1.2)	(1.6)
Total amount recognised in the Statement of Total Recognised Gains and Losses	43.6	25.1
Total pension costs	48.5	29.3

NOTES TO THE ACCOUNTS

For the year ended 31 December 2001

3. PENSION ARRANGEMENTS (continued)

(f) History of experience gains and losses

	2001	2000
Difference between the expected and the actual return on scheme assets		
Amount	£(37.7)m	£(21.6)m
Percentage of scheme assets	21.5%	11.2%
Experience gains and losses on scheme liabilities		
Amount	£(1.5)m	£1.8m
Percentage of the present value of scheme liabilities	0.7%	0.9%
Effects of changes in assumptions underlying the present value of scheme liabilities		
Amount	£(4.4)m	£(5.3)m
Percentage of the present value of scheme liabilities	2.1%	2.8%
Total amount recognised in the Statement of Total recognised Gains and Losses		
Amount	£(43.6)m	£(25.1)m
Percentage of the present value of scheme liabilities	21.0%	13.2%

4. INFORMATION REGARDING EMPLOYEES AND DIRECTORS

	2001	2000
Average number of persons employed:	No.	No.
Sales	5,903	5,737
Distribution	1,130	1,033
Administration	859	806
	7,892	7,576

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 29, 31 and 32 within the Remuneration Report and form part of these audited financial statements.

5. NET INTEREST PAYABLE

	2001 £m	2000 £m
Interest on overdrafts and short term loans repayable within 5 years	(10.0)	(11.8)
Interest on unsecured loan notes	(0.8)	(1.0)
Total interest payable	(10.8)	(12.8)
Interest receivable and similar income	0.1	0.1
Net interest payable	(10.7)	(12.7)

Interest cover is 12 times (2000: 9 times). It is calculated by dividing operating profit before reorganisation costs and goodwill amortisation by the net interest payable (excluding other finance income).

6. OTHER FINANCE INCOME

	2001 £m	2000 £m
Expected return on scheme assets	12.7	12.6
Interest on pension liabilities	(11.5)	(11.0)
Net return	1.2	1.6

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

		2001 £m	2000 £m
Uk corporation tax at 30% (2000: 30%)	- Current year	35.0	29.1
	- Prior year	(1.2)	(0.9)
Deferred tax at 30% (2000: 30%)	- Current year	-	(0.9)
		33.8	27.3

The taxation charge is based on profit before tax for the year. 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 on net finance income in respect of pensions, or tax credit in respect of the amortisation of goodwill.

8. DIVIDENDS

	2001 £m	2000 £m
Interim 5.4 pence per share (2000: 4.8 pence per share)	6.1	5.3
Proposed final 11.8 pence per share (2000: 10.5 pence per share)	13.2	11.7
	19.3	17.0

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

9. EARNINGS PER ORDINARY SHARE

(a) **Basic earnings per ordinary share**

	2001	2000 restated
Basic earnings per ordinary share are calculated from the following ratio:		
Profit on ordinary activities after taxation	£76.7 m	£60.0 m
Average number of shares in issue	111,454,347	110,730,648

(b) **Diluted earnings per ordinary share**

	2001	2000 restated
Diluted earnings per ordinary share are calculated from the following ratio:		
Profit on ordinary activities after taxation	£76.7 m	£60.0 m
Average number of shares including outstanding options	112,381,453	111,406,946

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 share price for that year. The adjustment to the number of shares is:

	2001 No.	2000 No.
Premium element of share options based on average mid-market share price for the year	927,106	676,298

NOTES TO THE ACCOUNTS

For the year ended 31 December 2001

9. EARNINGS PER ORDINARY SHARE (continued)

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

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

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

	2001	2000 Restated
Adjusted earnings per ordinary share	77.0 p	66.2 p
Reorganisation costs	-	(4.5)p
Tax relief on reorganisation costs	-	1.3 p
Amortisation of goodwill	(9.4)p	(9.1)p
Profit on sale of properties	1.2 p	0.3 p
Basic earnings per ordinary share - FRS 14 basis	68.8 p	54.2 p

10. TANGIBLE FIXED ASSETS

	The Group					The Company
	Freehold £m	Long leases £m	Short leases £m	Plant and equipment £m	Total £m	Total[1] £m
Cost or valuation						
At 1 January 2001	143.8	13.6	3.7	119.2	280.3	0.3
Additions	3.7	0.3	1.8	23.3	29.1	-
Additions from acquired businesses	2.1	0.1	-	1.4	3.6	-
Disposals	(0.7)	-	-	(7.4)	(8.1)	-
Transfer to current assets	(1.5)	-	-	-	(1.5)	-
At 31 December 2001	147.4	14.0	5.5	136.5	303.4	0.3
Accumulated depreciation						
At 1 January 2001	3.4	0.4	0.6	60.1	64.5	0.1
Charged this year	2.6	0.3	0.2	15.9	19.0	0.1
Disposals	-	-	-	(6.5)	(6.5)	-
At 31 December 2001	6.0	0.7	0.8	69.5	77.0	0.2
Net book value						
At 31 December 2001	141.4	13.3	4.7	67.0	226.4	0.1
At 31 December 2000	140.4	13.2	3.1	59.1	215.8	0.2

[1] Total company fixed assets comprise plant and equipment only.

10. TANGIBLE FIXED ASSETS (continued)

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

	The Group					The Company
	Freehold £m	Long leases £m	Short leases £m	Plant and equipment £m	Total £m	Total £m
At valuation	78.9	6.2	2.6	-	87.7	-
At cost	68.5	7.8	2.9	136.5	215.7	0.3
	147.4	14.0	5.5	136.5	303.4	0.3

Those freehold and leasehold properties included at valuation in the consolidated balance sheet were revalued at their open market value on an existing use basis. The valuations were performed as at 31 December 1999 by an independent professional valuer, Lambert Smith Hampton, Consultant Surveyors and Valuers.
Included within freehold property is land with a value of £64.8 million (2000: £64.4 million) which is not depreciated.
The net book value of plant and equipment includes approximately £0.4 million (2000: £0.6 million) within the group figures and £nil (2000: £nil) within the company figures in respect of assets held under finance leases.

Comparable amounts determined according to the historical cost convention:

	The Group					The Company
	Freehold £m	Long leases £m	Short leases £m	Plant and equipment £m	Total £m	Total £m
Cost	138.4	12.9	10.4	136.5	298.2	0.3
Accumulated depreciation	(26.1)	(1.6)	(4.2)	(69.5)	(101.4)	(0.2)
Net book value						
At 31 December 2001	112.3	11.3	6.2	67.0	196.8	0.1
At 31 December 2000	110.5	11.4	4.7	59.1	185.7	0.2

11. INTANGIBLE ASSETS - GOODWILL

	The Group £m
Cost	
At 1 January 2001	207.6
Acquisitions in the current year	6.0
At 31 December 2001	213.6
Accumulated amortisation	
At 1 January 2001	14.8
Provided in the year	10.5
At 31 December 2001	25.3
Net book value	
At 31 December 2001	188.3
At 31 December 2000	192.8

The company does not hold any goodwill at 31 December 2001 (2000: £nil).

NOTES TO THE ACCOUNTS

For the year ended 31 December 2001

12. FIXED ASSET INVESTMENTS

	The Group		The Company	
	2001	2000	**2001**	2000
	£m	£m	**£m**	£m
Shares in group undertakings	**-**	-	**406.6**	403.1
Investment in own shares (note 16)	**0.8**	1.3	**-**	-
Investment properties	**4.1**	3.9	**-**	-
	4.9	5.2	**406.6**	403.1
Provision for impairment	**-**	-	**(4.6)**	(4.6)
	4.9	5.2	**402.0**	398.5

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

Subsidiary	**Registered office**
Travis Perkins Trading Company Limited (Builders merchants)	Lodge Way House, Harlestone Road, Northampton, NN5 7UG.
Keyline Builders Merchants Limited (Builders merchants)	Southbank House, 1 Strathkelvin Place, Kirkintilloch, Glasgow, G66 1HX.
D. W. Archer Limited (Timber merchants)	Lodge Way House, Harlestone Road, Northampton, NN5 7UG.
Travis Perkins (Properties) Limited (Property management company)	Lodge Way House, Harlestone Road, Northampton, NN5 7UG.
Travis Perkins Quest Trustees Limited, (Trustee company)	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 which is registered and incorporated in Scotland.

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

	The Group		The Company
	Investment properties	Investment in own shares	Shares in Group undertakings
	£m	£m	£m
At 1 January 2001	3.9	1.3	398.5
Revaluation	0.6	-	-
Acquired during the year	-	-	3.5
Disposals	(0.4)	(0.5)	-
At 31 December 2001	**4.1**	**0.8**	**402.0**

(c) At 31 December 2001, the directors revalued the investment properties at their open market value.

(d) The comparable net book value for investment properties determined according to the historical cost convention as at 31 December 2001 is £0.5 million (2000: £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	
	2001	2000	2001	2000
	£m	£m	£m	£m
Trade debtors	171.7	164.6	-	-
Amounts owed by subsidiaries	-	-	76.0	32.4
Other debtors	36.0	39.4	-	2.3
Prepayments and accrued income	8.0	7.9	0.2	0.2
	215.7	211.9	76.2	34.9

15. PROPERTIES HELD FOR RESALE

	£m
At 1 January 2001	1.5
Transfer from fixed assets	1.5
Transfer from revaluation reserve	(0.3)
Disposals	(0.9)
At 31 December 2001	1.8

16. CASH AT BANK AND IN HAND

Included within cash at bank and in hand there is an amount of £0.7 million (2000: £0.4 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 28 or to provide other benefits to employees.

At 31 December 2001, Travis Perkins Quest Trustees Limited held 135,934 (2000: 209,862) shares which had been issued to it to satisfy sharesave options, but which have not been exercised by some participants of the scheme. The market value of these shares was £1.2 million (2000: £1.5million) on that date. The administration costs of this company are borne by Travis Perkins plc.

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group		The Company	
	2001	2000 Restated	2001	2000
	£m	£m	£m	£m
Bank overdrafts	0.1	9.8	-	-
Bank loans	50.0	25.0	50.0	25.0
Obligations under finance leases	0.2	0.3	-	-
Unsecured loan notes	12.8	16.1	12.8	16.1
Trade creditors	156.1	153.3	-	-
Corporation tax	20.6	21.5	-	-
Other taxation and social security	15.2	10.4	-	-
Other creditors	9.6	9.2	1.3	3.8
Accruals and deferred income	9.6	6.0	0.5	0.4
Dividends proposed	13.2	11.7	13.2	11.7
	287.4	263.3	77.8	57.0

NOTES TO THE ACCOUNTS

For the year ended 31 December 2001

18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	The Group		The Company	
	2001	2000	**2001**	2000
	£m	£m	**£m**	£m
Bank loans	**100.0**	150.0	**100.0**	150.0
Amounts due to subsidiaries	**-**	-	**125.0**	330.5
	100.0	150.0	**225.0**	480.5

19. PROVISIONS FOR LIABILITIES AND CHARGES

	The Group		
	Deferred tax	Other provisions	Total
	£m	£m	£m
At 1 January 2001	-	1.1	1.1
Charged to profit and loss account	-	2.9	2.9
Applied during year	-	(1.4)	(1.4)
At 31 December 2001	**-**	**2.6**	**2.6**

Other provisions relate principally to insurance claims where the final settlement date is uncertain. The company has no provisions (2000: £nil).

The provided and unprovided amounts of deferred taxation are:

		Provided		Unprovided	
		2001	2000	**2001**	2000
		£m	£m	**£m**	£m
(a)	**The Group**				
	Capital allowances in excess of depreciation	**-**	-	**8.5**	6.1
	Sale of properties	**-**	-	**9.9**	7.6
	Investment revaluation reserve	**-**	-	**0.4**	0.3
	Other timing differences	**-**	-	**(2.2)**	(1.5)
	Capital losses	**-**	-	**(0.6)**	-
		-	-	**16.0**	12.5

(b) **The Company**

The company has no liability to deferred taxation, either provided or unprovided.

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 10 to 13. The disclosures below exclude short term debtors, creditors and pension scheme surpluses and deficits.

(a) **Interest rate profile of financial assets and liabilities**

After taking into account interest rate swaps, all of which are denominated in sterling, the effective interest rate exposures of the group financial assets and liabilities as at 31 December 2001 were as follows:

	Floating		Fixed		Total	
	2001	2000	**2001**	2000	**2001**	2000
	£m	£m	**£m**	£m	**£m**	£m
Borrowings	**(13.1)**	(80.9)	**(150.0)**	(120.3)	**(163.1)**	(201.2)
Cash at bank and in hand	**37.0**	9.8	**-**	-	**37.0**	9.8
	23.9	(71.1)	**(150.0)**	(120.3)	**(126.1)**	(191.4)

Cash at bank and in hand earns 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). Some protection from the effective interest movements on floating rate loans is provided by swapping floating rates for fixed rates of interest of:

Swap 1 - £70 million to May 2002	5.5 per cent interest
Swap 2 - £80 million to May 2002	5.7 per cent interest
- £130 million May to November 2002	5.7 per cent interest
- £110 million November 2002 to November 2003	5.7 per cent interest

The aggregate market value of the two swaps at 31 December 2001 was £1.8 million loss (2000: £0.5 million gain).
Loan notes of £3.9 million issued as part of the consideration for the acquisition of the business of Broombys Limited, remain outstanding at 31 December 2001. Interest on these loan notes is determined at 6 monthly intervals on 31 January and 31 July each year when interest is set at base rate subject to a minimum of 6 per cent. The interest rate has been set at 6.0 per cent between 1 January 2002 and 30 June 2002.
Loan notes of £8.9 million issued in 1999 remain outstanding at 31 December 2001. 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 4.78 per cent during January 2002 and has been set at 3.7 per cent between 1 February and 31 July 2002.
The weighted average fixed rate during 2001 was 5.6 per cent (2000: 5.5 per cent) and the weighted average period over which this rate applies is 1 year and 4 months (2000: 1 year and 3 months).

(b) **Currency exposure**

As at 31 December 2001 and 31 December 2000, the group had no currency exposure, including hedging.

(c) **Maturity of financial liabilities**

	Bank loans and overdrafts		Other borrowings		Total	
	2001	2000	**2001**	2000	**2001**	2000
	£m	£m	**£m**	£m	**£m**	£m
(i) **The Group**						
Borrowings repayable:						
Within 1 year	**50.1**	34.8	**13.0**	16.4	**63.1**	51.2
More than 1 year but not more than 2 years	**25.0**	50.0	**-**	-	**25.0**	50.0
More than 2 years but not more than 5 years	**75.0**	100.0	**-**	-	**75.0**	100.0
Total borrowings	**150.1**	184.8	**13.0**	16.4	**163.1**	201.2

NOTES TO THE ACCOUNTS

For the year ended 31 December 2001

20. FINANCIAL INSTRUMENTS (continued)

	Bank loans and overdrafts		Other borrowings		Total	
	2001	2000	**2001**	2000	**2001**	2000
	£m	£m	**£m**	£m	**£m**	£m
(ii) **The Company**						
Borrowings repayable:						
Within 1 year	**50.0**	25.0	**12.8**	16.1	**62.8**	41.1
More than 1 year but not more than 2 years	**25.0**	50.0	**-**	-	**25.0**	50.0
More than 2 years but not more than 5 years	**75.0**	100.0	**-**	-	**75.0**	100.0
Total borrowings	**150.0**	175.0	**12.8**	16.1	**162.8**	191.1

There are cross-guarantees on the overdrafts between all group companies.
The loan notes of £8.9 million issued in 1999 can be redeemed on 1 January and 1 July each year, the final redemption date being 1 January 2010. The remaining £3.9 million 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 principal bank loan, which is in the name of Travis Perkins plc, has been guaranteed by Travis Perkins Trading Company Limited, Travis Perkins (Properties) Limited and Keyline Builders Merchants Limited.
The finance leases are secured on the assets to which they relate.

(d) **Borrowing facilities**

The Group has various undrawn borrowing facilities available at 31 December 2001 in respect of which all conditions had been met:

	Overdrafts	Committed	Total
Borrowings expiring:	£m	£m	£m
Within 1 year	**24.9**	**-**	**24.9**
More than 2 years and not more than 5 years	**-**	**50.0**	**50.0**
Total borrowings	**24.9**	**50.0**	**74.9**

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

	Book value		Fair value	
	2001	2000	**2001**	2000
	£m	£m	**£m**	£m
Cash at bank and in hand	**37.0**	9.8	**37.0**	9.8
Overdrafts	**(0.1)**	(9.8)	**(0.1)**	(9.8)
Loans (including finance leases)	**(150.2)**	(175.3)	**(150.2)**	(175.3)
Interest rate swaps	**-**	-	**(1.8)**	0.5
Loan notes	**(12.8)**	(16.1)	**(12.8)**	(16.1)
	(126.1)	(191.4)	**(127.9)**	(190.9)

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

21. CALLED UP SHARE CAPITAL

Ordinary Shares of 10p	Authorised No.	Authorised £m	Allotted No.	Allotted £m
At 1 January 2001	135,000,000	13.5	111,113,083	11.1
Allotted under share option schemes	-	-	994,808	0.1
At 31 December 2001	**135,000,000**	**13.5**	**112,107,891**	**11.2**

The net contribution received for the issue of shares during the year was £4.9 million.
Details of the share option schemes are given in the Remuneration Report on pages 27 to 29.

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 2001 (as previously stated)	3.1	28.3	54.7	259.3	345.4
Prior period adjustment	-	-	-	7.9	7.9
At 1 January 2001 as restated	3.1	28.3	54.7	267.2	353.3
Retained profit for the year	-	-	-	57.4	57.4
Actuarial loss recognised	-	-	-	(32.9)	(32.9)
Realised on property disposal	-	(0.3)	-	0.3	-
Difference between depreciation of assets on a historical cost basis and on a revaluation basis	-	0.1	-	(0.1)	-
Revaluation of investment properties	0.6	-	-	-	0.6
Property revaluation on transfer to current assets	-	(0.3)	-	-	(0.3)
Issue of shares	-	-	6.3	(1.5)	4.8
At 31 December 2001	**3.7**	**27.8**	**61.0**	**290.4**	**382.9**

	2001 £m	2000 £m
Profit and loss account reserve excluding pension deficit/asset	**313.1**	264.9
Pension (deficit)/asset	**(22.7)**	2.3
Profit and loss account reserve including pension deficit/asset	**290.4**	267.2

The prior period adjustment arose as a result of implementing FRS17 - Retirement Benefits for the first time. The principal effects have been to:

- increase net assets at 1 January 2000 by £23.3 million;
- increase net assets at 31 December 2000 by £7.9 million;
- decrease net assets at 31 December 2001 by £23.6 million;
- increase profit before tax for the year ended 31 December 2001 by £1.4 million.

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 2001	53.6	94.7	148.3
Retained profit for the year	-	24.4	24.4
Issue of shares	6.3	-	6.3
At 31 December 2001	**59.9**	**119.1**	**179.0**

NOTES TO THE ACCOUNTS

For the year ended 31 December 2001

23. MINORITY INTERESTS

The minority interests arose following the acquisition of Sharpe & Fisher plc. On 30 September 2001 they were bought out by the parent company and all preference dividend arrears paid off. The total cost was £1.4 million.

	£m
At 1 January 2001	1.1
Acquired during the year	(1.1)
At 31 December 2001	-

Profits attributable to minority interests and subsequent dividend payments are not material to the result of the group and as such are not disclosed separately in the consolidated profit and loss account.

24. 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.

	2001	2000
Group profit dealt with in the parent company accounts:	£m	£m
Trading loss	(7.1)	(5.8)
Group dividends receivable	50.8	28.0
	43.7	22.2
Dividends payable to shareholders	(19.3)	(17.0)
Retained profit for the year	24.4	5.2

25. OPERATING LEASE COMMITMENTS

At 31 December 2001, the group was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings		Other	
	2001	2000	2001	2000
Leases which expire:	£m	£m	£m	£m
Within 1 year	0.1	0.1	0.6	0.6
More than 1 year but not more than 2 years	0.5	-	1.0	1.2
More than 2 years but not more than 5 years	-	0.5	0.5	1.6
After 5 years	11.9	10.4	-	0.2
	12.5	11.0	2.1	3.6

26. CAPITAL COMMITMENTS

	The Group		The Company	
	2001	2000	2001	2000
	£m	£m	£m	£m
Contracted for but not provided in the accounts	2.6	7.2	-	-

27. 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 which were available to any member of staff. Total purchases did not exceed £1,500 for any individual director other than Mr F. J. McKay (£20,110) and Mr J. P. Carter (£2,283) during the year ended 31 December 2001. The total balance outstanding at 31 December 2001 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 in each case. In addition, interest of £97,794 was payable in respect of loan notes issued when Sharpe & Fisher plc was acquired, in which Mr C. M. Fisher has an interest.

28. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001 £m	2000 £m
Operating profit after reorganisation costs and amortisation of goodwill	118.6	98.1
Depreciation charges	19.0	16.1
Other amounts written off tangible fixed assets	-	0.5
Amortisation of goodwill	10.5	10.1
Profit on sale of fixed assets	(0.1)	(0.7)
Decrease/(increase) in stocks	10.8	(9.0)
Increase in debtors	(0.6)	(0.5)
Increase/(decrease) in creditors	8.7	(9.9)
Net cash inflow from operating activities	166.9	104.7

29. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2001 £m	2000 £m
Increase in cash in year	36.9	0.4
Cash outflow to repay debt	28.4	12.5
Cash inflow from decrease in liquid resources	-	(15.9)
Change in net cash resulting from cash flows	65.3	(3.0)
Non-cash changes	-	(6.8)
Movement in net debt in year	65.3	(9.8)
Net debt at 1 January	(191.4)	(181.6)
Net debt at 31 December	(126.1)	(191.4)

30. ANALYSIS OF MOVEMENTS IN CASH, SHORT TERM DEPOSITS AND DEBT

	At 1 January 2000 £m	Cash flow £m	Other non-cash changes £m	At 31 December 2000 £m	Cash flow £m	Other non-cash changes £m	At 31 December 2001 £m
Cash on call	1.1	8.7	-	9.8	27.2	-	37.0
Short term deposits	15.9	(15.9)	-	-	-	-	-
Cash in balance sheet	17.0	(7.2)	-	9.8	27.2	-	37.0
Bank overdraft	(1.5)	(8.3)	-	(9.8)	9.7	-	(0.1)
	15.5	(15.5)	-	-	36.9	-	36.9
Finance leases	(0.2)	0.2	(0.3)	(0.3)	0.1	-	(0.2)
Bank loan	(185.0)	10.0	-	(175.0)	25.0	-	(150.0)
Unsecured loan notes	(11.9)	2.3	(6.5)	(16.1)	3.3	-	(12.8)
Net (debt) / cash	(181.6)	(3.0)	(6.8)	(191.4)	65.3	-	(126.1)

Major non-cash changes in 2000 were in respect of loan notes issued, details of which can be found in note 20(a) and (c) and immaterial finance lease obligations owed by acquired businesses.

NOTES TO THE ACCOUNTS

For the year ended 31 December 2001

31. PURCHASE OF BUSINESS UNDERTAKINGS

During the year the group acquired three limited companies and the net assets of twelve other businesses, details of which both individually and in aggregate 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 which 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 2001. Further adjustments may be necessary during 2002 when additional information is available.

	2001			2000
Net assets acquired	Book value acquired £m	Fair value adjustments £m	Fair value acquired £m	Fair value acquired £m
Tangible fixed assets	3.8	(0.2)	3.6	7.0
Properties for resale	-	-	-	0.1
Stock	2.9	-	2.9	3.6
Debtors	3.2	-	3.2	6.2
Cash	0.2	-	0.2	0.2
Creditors	(0.7)	-	(0.7)	(4.2)
Taxation	-	-	-	(0.3)
Bank overdraft	(0.1)	-	(0.1)	(6.0)
	9.3	(0.2)	9.1	6.6
Goodwill			6.0	17.9
			15.1	24.5
Satisfied by:				
Cash			15.1	18.0
Loan notes			-	6.5
			15.1	24.5

On the day following completion, the assets of each business were transferred into Travis Perkins Trading Company Limited. The acquired subsidiary companies are now dormant.

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

32. FREE CASH FLOW

Free cash flow as referred to in the Finance director's report, is derived as follows:

	2001 £m	2000 £m
Net debt at 1 January	(191.4)	(181.6)
Net debt at 31 December	(126.1)	(191.4)
Movement in net debt in year	65.3	(9.8)
Net cash outflow for capital expenditure and financial investment	24.2	32.7
Net cash outflow for acquisitions	16.1	23.8
Free cash flow	105.6	46.7

33. RETURN ON EQUITY

Return on equity, as referred to in the Finance director's report, is derived as follows:

	2001 £m	2001 £m	2000 £m	2000 £m
Profit on ordinary activities before taxation		121.0		97.4
Closing net assets	394.1		364.4	
Closing goodwill written off	65.4		54.9	
	459.5		419.3	
Opening net assets	364.4		336.7	
Opening goodwill written off	54.9		44.8	
	419.3		381.5	
Average net assets		439.4		400.4
Return on equity		27.5%		24.3%

FIVE YEAR RECORD OF GROUP RESULTS

For the years ended 31 December

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

PROFIT AND LOSS ACCOUNT	2001 £m	2000 £m	1999 £m	1998 £m	1997 £m
Turnover	**1,279.3**	1,181.2	874.3	623.1	555.8
Operating profit before reorganisation costs and amortisation of goodwill	**129.1**	113.2	90.4	61.8	47.4
Reorganisation costs	**-**	(5.0)	(6.6)	(3.2)	-
Amortisation of goodwill	**(10.5)**	(10.1)	(4.2)	(0.5)	-
Operating profit after reorganisation costs and amortisation of goodwill	**118.6**	98.1	79.6	58.1	47.4
Profit on sale of properties	**1.4**	0.3	0.6	0.9	1.0
Net interest (payable) / receivable	**(10.7)**	(12.7)	(5.0)	1.5	1.3
Other finance income	**1.2**	1.6	-	-	-
Profit on ordinary activities before taxation	**110.5**	87.3	75.2	60.5	49.7
Tax on profit on ordinary activities	**(33.8)**	(27.3)	(22.5)	(18.7)	(14.6)
Profit on ordinary activities after taxation	**76.7**	60.0	52.7	41.8	35.1
Return on equity [1]	**27.5%**	24.3%	27.1%	25.3%	23.3%

[1] Return on equity is calculated as: profit on ordinary activities before amortisation of goodwill and before taxation, divided by the weighted average of net total assets together with cumulative goodwill previously written off. This is shown in note 33 to the financial statements.

CASH FLOW STATEMENT	2001 £m	2000 £m	1999 £m	1998 £m	1997 £m
Net cash inflow from operating activities	**166.9**	104.7	106.6	66.4	52.0
Net cash (outflow) / inflow for returns on investments and servicing of finance	**(13.7)**	(10.2)	(3.9)	1.5	1.1
UK corporation tax paid	**(34.7)**	(26.3)	(24.6)	(14.7)	(11.2)
Net cash outflow for capital expenditure and financial investment	**(24.2)**	(32.7)	(15.6)	(10.7)	(6.7)
Net cash outflow for acquisitions	**(16.1)**	(23.8)	(251.8)	(29.4)	(9.1)
Equity dividends paid	**(17.8)**	(15.8)	(13.1)	(12.1)	(10.7)
Issue of ordinary share capital	**4.9**	1.1	1.5	0.5	1.8
Increase in finance leases	**-**	(0.3)	-	(0.6)	(0.4)
Increase in debt due to issue of loan notes	**-**	(6.5)	(11.8)	-	-
Increase / (decrease) in cash balances	**65.3**	(9.8)	(212.7)	0.9	16.8
Net (debt) / cash at 1 January	**(191.4)**	(181.6)	31.1	30.2	13.4
Net (debt) / cash at 31 December	**(126.1)**	(191.4)	(181.6)	31.1	30.2

The profit and loss accounts for 2001 and 2000 and the balance sheets for 2001 and 2000 reflect the effect of implementing FRS17 during 2001. The information for prior periods has not been restated.

	2001 £m	2000 £m	1999 £m	1998 £m	1997 £m
Number of branches at 31 December	502	473	454	289	265
Average number of employees	7,892	7,576	5,830	4,424	4,076
Earnings per ordinary share (pence)					
Basic	68.8p	54.2p	50.0p	39.9p	33.8p
Adjusted	77.0p	66.2p	57.8p	41.6p	32.8p
Dividend per ordinary share (pence)	17.2p	15.3p	13.7p	12.1p	11.0p

BALANCE SHEET	2001 £m	2000 £m	1999 £m	1998 £m	1997 £m
Tangible fixed assets	226.4	215.8	194.2	96.3	87.0
Intangible fixed assets - goodwill	188.3	192.8	181.1	12.9	-
Investments	4.9	5.2	4.0	3.4	3.4
	419.6	413.8	379.3	112.6	90.4
Stocks	132.7	140.6	127.8	82.9	71.4
Debtors	215.7	211.9	205.5	111.3	99.3
Properties held for resale	1.8	1.5	0.3	0.6	0.9
Cash at bank and in hand	37.0	9.8	17.0	31.7	33.6
Creditors: amounts falling due within one year	(287.4)	(263.3)	(227.3)	(122.5)	(109.0)
Net current assets	99.8	100.5	123.3	104.0	96.2
Total assets less current liabilities	519.4	514.3	502.6	216.6	186.6
Creditors: amounts due after more than one year	(100.0)	(150.0)	(185.1)	(0.2)	(0.2)
Provisions for liabilities and charges	(2.6)	(1.1)	(3.0)	(0.9)	(0.5)
Pension (deficit)/asset	(22.7)	2.3	-	-	-
	394.1	365.5	314.5	215.5	185.9
Capital employed					
Called up share capital	11.2	11.1	11.1	10.5	10.5
Reserves	382.9	353.3	302.3	205.0	175.4
Total equity shareholders' funds	394.1	364.4	313.4	215.5	185.9
Minority interests - non equity	-	1.1	1.1	-	-
	394.1	365.5	314.5	215.5	185.9

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the thirty eighth 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 1 May 2002 at 11.45 a.m. for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the financial statements for the year ended 31 December 2001 together with the reports of the directors and auditors thereon.
2. To declare a final dividend.
3. To elect, pursuant to Article 71 of the Company's Articles of Association, Mr. J.P. Carter who was appointed a director since the last Annual General Meeting. Biographical details of Mr. Carter appear on page 20.
4. To elect, pursuant to Article 71 of the Company's Articles of Association, Mr. T.E.P. Stevenson who was appointed a director since the last Annual General Meeting. Biographical details of Mr. Stevenson appear on page 20.
5. To re-elect, pursuant to Article 75 of the Company's Articles of Association, Mr. C.M. Fisher who is retiring by rotation. Biographical details of Mr. Fisher appear on page 21.
6. To re-elect, pursuant to Article 75 of the Company's Articles of Association, Mr. P.N. Hampden Smith who is retiring by rotation. Biographical details of Mr. Hampden Smith appear on page 20.
7. To re-elect, pursuant to Article 75 of the Company's Articles of Association, Mr. F.J. McKay who is retiring by rotation. Biographical details of Mr. McKay appear on page 20.
8. To re-appoint Deloitte & Touche, Chartered Accountants, as auditors of the Company to hold office until the conclusion of the next Annual General Meeting and to authorise the directors to determine their remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, to pass resolutions 9 and 10 as Ordinary Resolutions and the remainder as Special Resolutions:

9. That:
   (a) The Travis Perkins Sharesave Scheme 2002, the main features of which are summarised on pages 65 and 66 and a copy of which is produced to the meeting and initialled by the chairman for the purpose of identification, be and is hereby approved and adopted and the directors be and are hereby authorised to do all such acts and things as they may consider necessary or expedient to carry the Scheme into effect; and
   (b) The directors be and are hereby authorised to vote, and be counted in the quorum, on any matter connected with the Travis Perkins Sharesave Scheme 2002, notwithstanding that they may be interested in the same (except that no executive director may be counted in a quorum or vote in respect of his own participation or the level of option grants, or the grant of options over shares purchased in the market) and any prohibition on voting by interested directors or counting in a quorum contained in the Articles of Association of the Company be and is hereby disregarded accordingly.

10 That the authority conferred on the directors by Article 4(B) of the Company's Articles of Association be renewed for the period expiring fifteen months after the date of the passing of this resolution or, if earlier, at the conclusion of the next Annual General Meeting and for that period the "section 80" amount is £2,284,446.

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 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 £560,777.

12 That the Company be and is hereby generally and unconditionally authorised to make one or more market purchases (within the meaning of section 163(3) of the Companies Act 1985) of ordinary shares of 10 pence each in the capital of the Company ("ordinary shares"), provided that:
   (a) the maximum aggregate number of ordinary shares authorised to be purchased is 11,215,553 (representing 10 per cent of the issued ordinary share capital of the Company as at 8 March 2002);
   (b) the minimum price which may be paid for an ordinary share is 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 twelve months from the date of passing of this resolution, whichever is 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.

13 That the Company's Articles of Association be amended by deleting the existing Article 86 and replacing it with the following:

"86. Directors' Fees

(a) Unless otherwise decided by the Company by ordinary resolution, the Company shall pay to the directors (but not alternate directors) for their services as directors such amount of fees as the board may decide, provided that:

(i) the fee payable to any director (other than the Chairman appointed from time to time pursuant to article 111) shall not exceed £50,000 per annum; and

(ii) the fee payable to the Chairman appointed from time to time pursuant to article 111 shall not exceed £150,000 per annum;

or such larger amount as the Company may by ordinary resolution decide.

(b) A fee payable to a director pursuant to this article is distinct from any salary, remuneration or other amount payable to him pursuant to other provisions of the articles and accrues from day to day."

By order of the board,

A. S. Pike *Secretary* 8 March 2002

Lodge Way House, Harlestone Road, Northampton, NN5 7UG

Registered in England No. 824821

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

1. A Member entitled to attend and vote at the Annual General Meeting may appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a Member. 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 superceeded.

2. To be effective, the instrument appointing a proxy and (in the case of an instrument signed by an agent of a Member who is not a corporation) the authority under which such instrument is signed or an office copy or duly certified copy thereof must be deposited at the office of the Company's Registrar, Capita IRG plc, Bourne House, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, not less than 48 hours before the time appointed for the above meeting or any adjournment thereof.

3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 1995, the Company specifies that only those shareholders registered in the Register of Members of the Company at close of business on Monday 29 April 2002 shall be entitled to attend or vote at the Meeting in respect of the number of shares registered in their names at that time. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend or vote at the Meeting.

4. Copies of contracts of service of directors with the Company, or with any of its subsidiary companies, and the rules of the Travis Perkins Sharesave Scheme 2002, will be available for inspection at the Registered Office of the Company during usual business hours on any weekday (public holidays excluded) from the date of this Notice to the date of the Meeting, at Lord's Banqueting and Conference Centre from 11.30am until the conclusion of the Meeting. The rules of the Travis Perkins Sharesave Scheme 2002 will also be available for inspection during the above periods at the offices of New Bridge Street Consultants Limited at 20, Little Britain, London EC1A 7DH.

5. The register of directors' shareholdings and transactions will be available for reference at Lord's Banqueting and Conference Centre from 11.30am until the conclusion of the Meeting.

SUMMARY OF THE PROPOSED TRAVIS PERKINS SHARESAVE SCHEME 2002 ("the Scheme")

1. GENERAL

The Company intends to obtain Inland Revenue approval of the Scheme under the Income and Corporation Taxes Act 1988. The operation of the Scheme will be supervised by the Remuneration Committee of the Board of Directors ("the board").

2. ELIGIBILITY

UK resident employees of the Company, participating subsidiaries and specified joint venture companies with at least one year's service (including directors who are required to work at least 25 hours a week) will be eligible to participate. The board may amend the eligibility conditions (within the limits set by the relevant legislation) and have a discretion to allow other employees to participate.

3. GRANT OF OPTIONS

Invitations to apply for options to acquire ordinary shares may be issued within six weeks following Inland Revenue approval of the Scheme, and, thereafter, in the six weeks following the announcement by the Company of its results for any period, as well as at any other time if the board considers that there are exceptional circumstances. No invitations may be issued later than ten years after the adoption of the Scheme. Options may only be granted to employees who enter into Inland Revenue approved savings contracts, under which monthly savings are made over a period of three or five years.

The number of ordinary shares over which an option is granted will be such that the total amount payable on its exercise will correspond to the proceeds on maturity of the related savings contract. An option will be personal to the optionholder and may not be transferred by him/her.

4. INDIVIDUAL PARTICIPATION

Monthly savings by an employee under all savings contracts linked to options granted under any savings related share option scheme may not exceed the statutory maximum (currently £250).

5. ACQUISITION PRICE

The price per ordinary share payable upon the exercise of options will not be less than the higher of:

(a) 80 per cent of the middle-market quotation of an ordinary share on the London Stock Exchange on a dealing day shortly before invitations are issued (or such other day or days as may be agreed with the Inland Revenue, provided that no such days may fall before the Company last announced its results for any period); and

(b) the nominal value of an ordinary share (unless the option relates solely to existing ordinary shares).

6. LIMIT ON SUBSCRIPTION

Not more than 10 per cent of the issued ordinary share capital of the Company may be subscribed on the exercise of options granted over a ten year period under the Scheme or any other share option scheme adopted by the Company or issued over that period under any other type of employees' share scheme adopted by the Company.

7. EXERCISE OF OPTIONS

Options will normally be exercisable only for six months from the third, fifth, or seventh anniversary of the commencement of the related savings contracts. Earlier exercise is permitted following cessation of employment in specified compassionate circumstances, or if an employee reaches age 65, or if an option has been held for at least 3 years when an employee leaves. Options will otherwise lapse on cessation of employment. Early exercise is also permitted in the event of a takeover, amalgamation, reconstruction or winding-up of the Company.

SUMMARY OF THE PROPOSED TRAVIS PERKINS SHARESAVE SCHEME 2002 (continued)

8. PENSIONABILITY

Benefits received under the Scheme will not be pensionable.

9. RIGHTS ATTACHING TO ORDINARY SHARES

All ordinary shares allotted under the Scheme will rank equally with all other ordinary shares of the Company for the time being in issue (except as regards any rights attaching to such shares by reference to a record date prior to the date of allotment) and application will be made to the London Stock Exchange for such shares to be admitted to the Official List.

10. VARIATION OF CAPITAL

In the event of any variation of the Company's share capital, the board may make such adjustments as it considers appropriate to the number of ordinary shares subject to options and the price payable on the exercise of options.

11. ALTERATIONS

The board may at any time alter the Scheme in any respect, subject to the prior approval of shareholders for alterations to the advantage of participants to the rules governing eligibility, the individual limit on participation, the overall limit on the issue of ordinary shares, the terms of options, the rights attaching to ordinary shares acquired on the exercise of options, the adjustment of options in the event of a variation of capital and the amendment of the Scheme. The requirement to obtain prior shareholder approval will not, however, apply to any minor alteration to benefit the administration of the Scheme, or to take account of a change in legislation, or to obtain or maintain favourable tax, exchange control, or regulatory treatment for participants or a Travis Perkins Group company.

OTHER SHAREHOLDER INFORMATION

FINANCIAL DIARY

Annual General Meeting	1 May 2002
Payment of final dividend	17 May 2002
Announcement of interim results	9 September 2002
Payment of interim dividend	1 November 2002
Announcement of 2002 annual results	March 2003

LOW COST POSTAL DEALING SERVICE

HSBC Stockbrokers offer a low cost dealing service for our shareholders, dedicated to the trading of shares in Travis Perkins plc. Further details may be obtained from the company secretary at the Company's Registered Office (e-mail: cosec@travisperkins.co.uk).

INTERNET

There are sites on the internet which carry information about the principal brands of the company at the following addresses:

www.travisperkins.co.uk
www.keyline.co.uk
www.tpph.com
www.toolmart.co.uk
www.dwarcher.co.uk

These sites include information about all branch locations and allow access to prices of the product range available. Customers are also able to construct their own price quotation which includes any special price arrangements which have been negotiated with the company.

SHAREHOLDER NOTES

DESIGN · RWH DESIGN CONSULTANTS PHOTOGRAPHY · CALVIN HEWITT PRINT · FOLIUM

TRAVIS PERKINS PLC

ANNUAL REPORT AND ACCOUNTS 2001

Travis Perkins, Lodge Way House, Harlestone Road, Northampton, NN5 7UG