

TRAVIS PERKINS PLC

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

FINANCIAL HIGHLIGHTS

- REVENUE UP 11.9% TO £3,187M
- ADJUSTED OPERATING PROFIT UP 15.1% TO £320M
- ADJUSTED OPERATING MARGIN UP 28 BASIS POINTS TO 10.0%
- ADJUSTED PRE TAX PROFIT UP 18.7% TO £261M
- ADJUSTED EPS UP 17.6 % TO 149.8P
- DIVIDEND DECLARED UP 20.1% TO 44.9P PER SHARE

OPERATING HIGHLIGHTS

- ACQUISITION AND EXPANSION CAPEX INVESTMENT STEPPED UP TO £138M
- GAINS MADE IN BOTH TOTAL AND LIKE-FOR-LIKE MARKET SHARE
- WICKES COMES TOP OF CONSUMER SURVEYS OF DIY STORES

	2007		2006
	£m	%	£m
Revenue	3,186.7	11.9	2,848.8
Adjusted*:			
Operating profit (note 6)	319.9	15.1	278.0
Profit before taxation (note 6)	261.4	18.7	220.3
Profit after taxation (note 6)	181.1	17.4	154.2
Basic earnings per ordinary share (pence) (note 9)	149.8	17.6	127.4
Statutory:			
Operating profit	319.9	10.5	289.6
Profit before taxation	261.4	12.7	231.9
Profit after taxation	185.3	11.0	167.0
Basic earnings per ordinary share (pence)	153.3	11.2	137.9
Total dividend declared per ordinary share (pence) (note 10)	44.9	20.1	37.4

*During the year the Group recognised an exceptional deferred tax credit of £4.2m (2006: £nil) arising from the reduction in the corporation tax rate to 28% (note 8). During 2006 the Group made an exceptional property profit of £11.6m and associated tax effects (note 6). Throughout these preliminary results the term "adjusted" has been used to signify that these exceptional items have been excluded from the disclosures being made.

Geoff Cooper, Chief Executive, commented:

"The Group achieved strong results in 2007 and accelerated its branch expansion programme. All of our businesses performed well, with both our trade and retail divisions growing their like-for-like sales ahead of market growth rates. This superior performance underlines the

attractiveness to customers of our seven trade and retail brands, and enabled us simultaneously to grow market share and to expand our operating margin.

“In addition to the gross 75 branches we added to our existing brands during the year, we entered a new market via the acquisition of Tile Giant, further implementing our strategy of entering adjacent channels for the distribution of building materials. Our expansion programme continues to deliver returns ahead of those predicted at the time of each branch opening and generates good incremental returns for shareholders.

“With like-for-like performance ahead of market, superior operating margins to any comparable operator and a full pipeline of opportunities to expand further, we are well placed to continue our progress in what we expect to be a more challenging market in 2008”.

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Robust Financial Performance The Group delivered record financial results in 2007, with good progress from the three key elements of our strategy - driving like-for-like performance, expanding our branch network and entering adjacent markets.

For 2007, the Group's revenue was up by 11.9% to £3,187m (2006: £2,849m), with adjusted profit before tax up by 18.7% to £261m (2006: £220m), and adjusted earnings per share up by 17.6% to 149.8 pence (2006: 127.4 pence). The revenue increase of 11.9% comprised 8.1% from like-for-like sales, with network expansion accounting for the remaining 3.8%.

Adjusted Group operating margin grew by 28 basis points to 10.04% (2006: 9.76%) (note 6c). This increase was achieved primarily through improved management of our operations and scale benefits, which produced lower overhead ratios and further labour productivity gains. Competitive conditions both in trade and retail markets, as always, remained tough and gross margins reduced slightly.

In addition, an accelerated rate of network expansion and launch of Benchmarx, our trade kitchen and joinery specialist, had a dilutive effect on operating margin. New branches typically take 6 - 18 months to reach breakeven and we estimate that without this dilutive effect the operating margin would have been higher by some 20 basis points. We stepped up the rate of branch network expansion, adding new branches to each brand and adding a further new business stream to our portfolio in the form of Tile Giant. As at the end of the year our network comprised 1,125 branches, and in the first two months of the year has grown further to 1,166 branches, with 15 branches added in our trade division and 26 stores added in the retail division.

In the trade division, sales grew by 12.7% with sales from new branch openings contributing 3.5% and increased like-for-like sales per working day contributing 9.2%. This comprised 5.8% of price inflation and a 3.4% growth in volume. Both general and specialist merchanting performed well, with like-for-like sales per working day up by 9.2% in general merchanting and 8.7% in specialist merchanting. We estimate that our trade businesses are growing their sales some 2% ahead of market growth rates, with market share gains coming equally from national competitors and independent merchant competitors. Adjusted operating margin in the trade division was up by 24 basis points to 11.43%, with a strong performance from the Travis Perkins general merchanting brand - operating margin for the specialist distribution businesses was lower, reflecting more competitive conditions in the dry lining and insulation market following the consolidation of a large proportion of the independent sector over the last two years.

Like-for-like sales for the full year of Wickes' core products were up by 7.5% and on the same basis showroom sales fell by 4.6%, reflecting continued weakness in consumers' willingness to spend on so-called 'big ticket' purchases. Overall like-for-like sales in Wickes were up 5.5% with 3.8% price inflation and a 1.7% volume increase. Network expansion, which has been stepped up over the last year, added 4.3% to Wickes' sales which in total increased by 9.8%. Wickes increased its market share over the year, with most recently available data showing an increase in share of the market of major DIY retailers of 1.0% from a year earlier.

Retail operating margin increased by 28 basis points to 6.67% (note 6c) for 2007, driven mainly by economies of scale following the volume gains from like-for-like sales growth and space expansion.

We are pleased to report that we continue to maintain our position of having the highest operating margin in both merchant and retail sectors where we operate.

We invested £174m (including £8m of loan notes issued) on capital expenditure, including £138m (including loan notes) spent on expanding the Group. We also loaned £76m to the Group's Employee Share Ownership Trust to purchase shares to satisfy outstanding share option grants. Tight control of our daily cash position meant that we reported only marginally higher interest costs despite these investments and increasingly difficult conditions in the debt capital markets and a resultant rise in the cost of short-term debt. Interest cover improved to 5.4 times EBIT (note 7). The timing of certain cash flows at the year end meant that the final balance sheet showed an increase in net debt to £941m – and £28m of outflows impacted by

timing issues mainly related to payments to Wickes suppliers on the 53rd Monday of the year which reversed within 7 days of the end of the year (note 15).

Increased Dividend The Group continues to be highly cash generative. As a result of this and our confidence in the future prospects of the Group, the Board is recommending a final dividend of 30.4 pence. Taken together with the interim dividend of 14.5 pence, this represents a total dividend of 44.9 pence, an increase of 20.1% on the previous year.

Improved Resilience For 2007, we believe the trade market showed strong growth continuing the recovery started in 2006, whilst the retail market showed a slight improvement. The well documented turbulence in financial markets and its impact on the economy, consumers and the construction sector is expected to have an adverse effect on growth rates in our markets in 2008.

There has been much debate about whether current conditions mirror those seen in the downturn in our markets in 2005, or whether they bear a closer relationship to the more severe period of slow down in 1991 to 1993. Whilst no comparison will produce a perfect match, thus far in the current year our analysis of lead indicators currently suggests activity levels may bear a greater resemblance to 2005. Both in early 2005 and early 2008, the outlook for the housing market looked poor, whilst other sources of building material consumption – notably the repair and maintenance sector – looked more positive. In 1991 - 1993, a generally worse economic background, with higher interest rates and unemployment, meant demand weakened across the spectrum of construction and repair activity. Our customers currently report a shortening of orders on hand, particularly for new housing construction work. The outlook for repair, maintenance and improvement work, where we enjoy proportionately higher margins, remains relatively firmer. Forecasts are, of course, dynamic and the outlook beyond the next few months remains uncertain.

However, despite this less promising outlook, our business is in better shape to withstand a more challenging environment. We expect to enjoy better levels of business activity than our competitors, even if market volumes weaken, since our trade and retail divisions are both taking like-for-like market share. The Wickes business has been fully integrated, its management strengthened, its offer improved and its store formats overhauled and made more productive. In the last 24 months, we have broadened our revenue sources, entering the trade kitchen and joinery market and the retail tiling market. The contribution to profits from expansion of our well established brands is benefiting from the increased rate of openings started in 2006, whilst our newer brands are expected to provide greater potential for expansion in later years.

The strengthening of our central functions – such as IT and Supply Chain – is yielding further sourcing gains and productivity improvements. The active management of our property assets is expected to contribute increased profits and cash flows in 2008 and beyond. In addition we will continue to monitor our lead indicators and deploy the Group's traditional strengths in active cost control to manage our cost ratios before expected movements in turnover trends.

Outlook

Our early sales performance in 2008 reflects the expected slowing of market growth, with like-for-like sales in our merchandising division for the first two months ahead by 5.7% and like-for-like sales for the first 8 weeks trading in retail up by 0.9% These rates are some 3% to 4% below the like-for-like sales trends we achieved in the fourth quarter of 2007.

Whilst forecasting market volumes with any accuracy is currently more challenging, cost inflation in goods-for-resale remains high and will increase the value of our market, even if it may take some time to establish new prices at a time when customers' activity levels may be lower than before.

With like-for-like performance ahead of market, superior operating margins to any comparable operator and a full pipeline of opportunities to expand further, we are well placed to continue our progress in what we expect to be a more challenging market in 2008.

Sustained Growth Longer term trends in our markets, driven by population growth, increasing household formation, government policies on 'decent homes' and sustainability have all been strengthened by various announcements and initiatives launched in 2008. Building products provided through our ten businesses and seven brands (the Travis Perkins brand operating as four geographically defined businesses) have a major contribution to managing climate change issues. From a benchmarking exercise conducted by us in 2007, we estimate that the gross margin earned by us from products having a beneficial environmental impact, less the cost of complying with new environmental management and reporting is just over £30m. We aim to continue our work to increase our own environmental performance, and introduce new products to market in response to planning and end-user demands, avoiding peripheral products of questionable environmental value – like domestic windmills – and, over time, improve this contribution.

Our focus on driving stronger performance from our like-for-like estate has delivered increased profits, and is making us a tougher competitor in each market in which we trade. Our expansion is continuing to deliver the benefits of scale. This approach means we are well positioned to maintain our leadership, pursuing our aim of having the "best business with the best operating margin", in each of our markets.

Operational Delivery In 2007 our priorities were to improve the customer offer in each of our businesses, implementing our best practice programmes, to take like-for-like market share and to strengthen our central functions to build a strong platform for growth.

Our trade division continued its customer segmentation work and implemented a series of marketing initiatives, succeeding in increasing our share of spend by existing customers and converting an increased proportion of prospective customers. This, combined with significant operational improvements in product range, stock availability and yard service levels enabled the division to increase like-for-like sales ahead of market growth rates. Our surveys indicate an improved perception of our trade branches as a preferred source of building materials. We intend to continue our work to stretch our lead on these indicators of customer preference and differentiation.

Our retail business also achieved good revenue performance, growing both like-for-like and total market share. These gains were mainly attributable to a continued programme of range enhancements, new store sales initiatives and improved store standards. This work was recognised in two recent surveys of customers by independent retail research organisations, which showed Wickes to be the UK's favourite home improvement retailer – a remarkable result given that we are geographically under-represented. In addition we successfully launched the Wickes transactional website with an investment considerably less than for an average Wickes store. The website achieved breakeven within 12 months and is now regularly amongst the top 10 stores for weekly takings.

Gross margins in both divisions continued to benefit from our work to rationalise our supplier base, increase our global sourcing volumes and complete the few remaining projects from the Wickes synergy programme. However, these gains were eroded by margin pressure as competitors fought to retain business against our improved service. Although prices of some commodity products in the retail market were reduced by one or two competitors, our volumes of these products grew in line with or above market trend and gross margins decreased only slightly. Overall, various pricing and promotional initiatives by retail competitors appears not to have impacted Wickes' sales.

Both our divisions maintained tight controls over headcount and other costs, and operating cost ratios improved in both divisions – by 38 basis points in trade and 93 basis points in retail. Whilst colleague numbers inevitably increased as the Group expanded, productivity improved in both divisions, with merchandising recording a 6.1% gain and retailing ahead by 3.4%. Furthermore, on five year lease reviews settled in 2007, the average annual rate of rental increase experienced continued to decline, supporting our view that rental inflation is easing.

The 63 basis point improvement in the Group's operating cost ratio was achieved despite our investing to strengthen central functions to support further growth. This included building two

new data centres in Northampton to run both trade and retail division systems and provide internal disaster recovery capacity. We develop most of our software ourselves, which external benchmarking shows gives us better business effectiveness and lower cost ratios than competitors. The £14m implementation project for these data centres was completed on time and on budget by our very experienced IT managers and teams, led by Frank Smith, our Group IT director.

We continued our programme of improving capital efficiency through more active management of our property portfolio. From our extensive list of active projects in progress we exchanged contracts or completed on 3 projects, generating profits of £6.4m and cash of £0.8m (£5.6m to follow in 2008). Martin Meech, our Group property director has been responsible for creating this programme of work and resulting financial benefits following his arrival in 2005, and is pursuing projects on a further 26 properties. The proportion of freehold or long leasehold properties in the Group's estate remained broadly level at 33%, with the net book value of property increasing by £50m to £242m as we reinvested cash from this programme in properties that we judge to have attractive growth characteristics.

Loyal People Our analysis in 2005 identified that performance of our branches, central functions and businesses is significantly correlated with the stability of our teams of colleagues. Expertly led by Carol Kavanagh, our Group Human Resources Director, we have over the last two years introduced a series of measures aimed at improving the recruitment and retention of colleagues, increasing their skills and raising their engagement with the business. This work has included increased investment in long service awards, new training and development programmes, both for technical and management skills, introduction of a buy-as-you-earn share scheme and better communication of our save-as-you-earn scheme. Our colleague retention has steadily improved over this period - in the trade division it is now up by some 13% over two years to 80%, and it is up by 1.4% in the retail division to 75.5%.

A baseline score for employee engagement was established in 2007 from a survey conducted anonymously by an independent research company, and we aim to steadily improve colleague engagement and performance measured from surveys repeated annually. As a start, we introduced in January 2008 a new incentive scheme for all colleagues not already members of an existing scheme. Unlike many schemes, this rewards colleagues for achieving standards of performance partly linked to customer expectations rather than being linked only to an annual budget or year-on-year financial performance.

To further support colleagues a new group health and safety department was established in 2006 with a brief to improve our performance significantly, building on the excellent work carried out in each of the businesses. In its first full year, the department was responsible for overhauling our policies, procedures and reporting systems, and more investment was injected in to health and safety training. A new health and safety committee of the Plc board has been established to oversee further progress. In 2007 we saw a continuation of the favourable trends in accident frequency experienced over the previous two years, however, the severity of accidents has increased, increasing our resolve to improve further.

Further Expansion and Development We added a seventh brand to our portfolio, and took advantage of a gradual strengthening in both trade and retail markets as the year progressed to expand our network. All this was achieved whilst maintaining our investment criteria for all new branches and businesses and, through a post-investment audit reported to the board, ensuring that the programme of network expansion continues to achieve results in excess of those predicted at the time the projects were approved. As the highest margin operator in the market, and with market conditions likely to exert more pressure on weaker operators, in 2008 we expect to see an increased supply of opportunities to expand that will meet our demanding financial criteria.

Wickes Total retail selling space at Wickes expanded by 6% as a result of launching 6 new stores and re-configuring 3 existing stores. At 31 December, we traded from 185 stores. The re-configuration programme, which involves reclaiming storage space for use as selling area and the construction of mezzanine floors in stores with very high sales densities, will continue in 2008. These developments, together with a strong pipeline of opportunities to introduce Wickes

in new catchments, means that we anticipate the strongest space expansion for Wickes in 2008 since the business was acquired in 2005. The recent Wickes store openings following our purchase of 7 stores from a home improvement retailer operating in a different segment of the market are all trading ahead of expectations, benefiting from the fresh approach to the Wickes offer developed in late 2006. The strength of the Wickes offer means that its expansion programme will deliver good incremental returns despite volumes in the home improvement market not yet recovering to the levels seen in 2004.

Travis Perkins We added a net 22 sites during the year to the Travis Perkins' branch network and traded from 581 sites at the year end. Around 44% of new sites were brownfields, which have relatively attractive returns compared to acquisitions. We undertook major branch refurbishments at a number of branches including Kings Lynn Mill, Wigan, Wisbech and Cheam in 2007 and have 3 projects planned for 2008. We also added a gross 10 toolhire outlets taking our total to 164 in the Group. Travis Perkins is our largest and most prominent brand, and excellent customer goodwill means that new and expanded branches continue to acquire new business quickly and have excellent payback and cash flow characteristics.

Despite having a network approaching 600 branches, we still have significant expansion potential for the Travis Perkins brand in the UK. Our relatively greater efficiency and operating margin means we have good opportunities to acquire selectively good merchandising businesses and create value. As markets become more challenging in 2008, we expect more owners to sell. With many owners considering a sale following the changes to the capital gains tax regime, we are looking for a softening in goodwill prices in the coming months.

Keyline Our heavyside merchant added 3 branches to its network, finishing the year with 79 branches. In 2006 we introduced programmes to increase focus on both depth and breadth of specialist stock range and a concentrate on major civil engineering customers. This programme continued in 2007, with 7 branches being re-configured to take new ranges. Following the appointment of a new managing director with a background in construction this work will continue in 2008 and further new branches will be added where market opportunities arise.

City Plumbing Supplies Following its steady recovery from trading difficulties experience in 2005, City Plumbing Supplies re-started its expansion programme in 2007 and 12 new branches were added, bringing the total trading at the end of the year to 189. All remaining branches not yet converted were refitted to the City Plumbing format from their predecessor brand. Our business is aimed at serving the needs of contractors and jobbing plumbers in the repair and refurbishment sector of the market, for whom branch location is crucial. We plan to continue our rate of expansion in 2008, reflecting our confidence in this business.

CCF Our dry-lining ceilings and insulation specialist had a very busy year, with 2 new brownfield openings and the acquisition of a further 7 new branches via the acquisition of 2 excellent regional operators. The CCF business operated from 34 branches at the end of the year. CCF's market is now very largely held in the hands of major national or international distributors who have recently invested in the sector, and with only few suppliers of the key products, competitive conditions remained very tight. Despite this, CCF's 'one-stop shop' offer to contractors means it enjoys a good reputation and new branches deliver good returns. We aim to expand the CCF network further in 2008.

Benchmarx Following the good start made in 2006 by Benchmarx, our specialist kitchen and joinery business for the trade, a further 19 branches were added in 2007, bringing the total trading up to 25. Benchmarx serves a market with attractive returns and growth characteristics and our offer has scored very highly with our new customers in this market. We plan further branch openings in 2008 and we are committed to creating a business with a significant market share in this sector.

Tile Giant We entered the retail tile market in November via the acquisition of Tile Giant, a 29 store chain operating mainly in the Midlands. With existing revenues from tile products approaching £45m through our existing brands, we are confident of achieving good synergies through improved buying terms. The tile market is expected to show good growth and we see an excellent opportunity to win a significant market share and help consolidate the sector,

under the leadership of Mo Iqbal, Tile Giant's managing director and founder. Today we are announcing the acquisition of Tile Magic, a 17 branch chain operating in London and the South East, and we have a good pipeline of further opportunities to expand.

Suppliers Having increased our supplier base through the acquisition of Wickes in 2005, we have steadily been rationalising numbers and establishing partnerships where we can develop long-term relationships with selected suppliers. We seek relationships with those suppliers who hold market leading positions and who have the scale to both develop and bring to market new products and who either currently supply or have the potential to supply all of our brands.

This policy of rationalisation meant that in 2007 the top 25 suppliers represented 47% of our cost of goods sold. We also made significant progress on our global sourcing programme, where we seek to establish a direct line of supply with producers in low cost economies for products where branding is not a key purchasing criteria for our customers. We have strengthened our quality assurance and shipping capabilities and in 2008 will expand storage capacity in the UK.

Senior management To support our continued growth, the operations side of the Group, led by John Carter our Chief Operating Officer, was re-organised in 2007 with the creation of positions for three divisional chairmen for three collections of businesses – general merchanting, specialist merchanting, and retailing. Joe Mescall, an outstanding managing director for two of our general merchanting businesses during a distinguished 35 year career with the Group became divisional chairman for general merchanting. Arthur Davidson, having managed Keyline with a sure touch since its acquisition in 1999 – a period during which Keyline's profits more than doubled - and chaired CCF since 2004, became divisional chairman for specialist merchanting. Arthur and Joe join Jeremy Bird, who in only his first year as managing director for Wickes has seen the brand catapulted to the top of customers' lists for their favourite home improvement retailer and overseen a 23% rise in profits, before property gains, as members of the Group's Executive Committee.

Following these appointments, Andrew Harrison, who, as managing director established CCF as a new business in the Group whilst its profits doubled over his four years in that role, moved to become managing director of Benchmarx, to help us exploit the significant opportunity presented by our entry in to this market. Also, Phil Gransden was promoted within the board of our Travis Perkins business in the South East to become its managing director. Phil is a further example of the Group's excellent management trainee scheme providing future senior managers. Whilst many of the Group's operating managers – including our Chief Operating Officer, John Carter, come from this source, balance of experience is maintained by sourcing around a third of our senior managers from outside the Group. In 2008, Phil Atkinson, with a background in the construction sector, joined us as managing director of Keyline. Phil's sector experience will enable him to lead effectively Keyline's initiative to position itself as the supplier of choice in heavy building products to major civil engineering contractors and ground workers. Turnover of senior managers is relatively low, and not many leave the Group. When, occasionally they do, we wish them well in their careers and look forward to welcoming them back to our business in the not too distant future.

Financial review To ensure the business is focused upon achievement of appropriate targets, a series of key financial performance indicators are monitored throughout the business. For 2007, where indicated, these measures are stated on an adjusted basis stripping out the effects of the exceptional deferred tax credit and in 2006, where indicated, the exceptional property profits.

	2007	2006	2005	2004
Revenue growth	11.9%	7.9%	44.4%	9.0%
Adjusted profit before tax growth	18.7%	6.6%	0.1%	16.0%
Profit before tax growth	12.7%	12.2%	0.1%	16.0%
Merchanting adjusted operating profit to sales	11.4%	11.2%	11.3%	11.9%
Adjusted interest cover (note 7)	5.4x	4.9x	4.9x	25.9x
Adjusted return on capital (note 12)	16.2%	14.6%	14.8%	25.0%
Adjusted free cash flow (note 15)	£157.8m	£216.6m	£226.1m	£150.7m
Adjusted dividend cover (note 10)	3.3x	3.4x	3.4x	4.1x

The above table reflects the significant purchase of Wickes in 2005.

Adjusted earnings before interest, tax, depreciation and goodwill amortisation ("EBITDA") (note 13) were £379m (2006: £335.7m), an increase of 12.9%.

Higher debt levels, which have resulted from a significant increase of £142m in capital expenditure and a £76m share acquisition programme by our Employee Share Ownership Trust, combined with higher interest rates, have resulted in an increase in total net interest expense (before other finance income of £3.3m (2006: cost £0.4m) up to £61.8m (2006: £57.3m). Adjusted interest cover (note 7) is approximately 5.4 times (2006: 4.9 times).

Adjusted group profit before tax (note 6) was 18.7% ahead of last year at £261.4m (2006: £220.3m).

On 26 June 2007 the House of Commons approved the Finance Bill which reduces the UK standard rate of Corporation tax from 30% to 28% with effect from 1 April 2008. The reduction in rate results in an exceptional deferred tax credit of £4.2m in the current year tax charge.

The adjusted tax charge (before the tax credit) was £80.3m (30.7%) compared with £64.9m (28.0%) in 2006. In 2006 the rate was reduced by 2.8% by property profits not chargeable to tax. The rate for 2007 is higher than the UK corporation tax rate of 30% principally because of non-qualifying property expenditure and other items which are not allowable for tax.

Profit after tax was £185.3m an increase of 11.0%. Adjusted profit after tax (note 6) was £181.1m an increase of £26.9m (17.4%) compared to 2006.

Basic earnings per share was 153.3 pence. Adjusted basic earnings per share (note 9) was 17.6% higher at 149.8 pence, compared with 127.4 pence in 2006.

Cash flow In addition to the substantial investments in business development described above, debt at 31 December 2007 was increased temporarily by £28m as a result of £28m of payments made to Wickes suppliers on the 53rd Monday of the year. Despite this and a higher level of trade and rebate debtors, the group has generated £304m of cash from operations (2006: £323m), a decrease of 6.0%. Adjusted free cash flow, (calculated before exceptional property disposals, the extra Wickes supplier payment run, expansionary capital expenditure, special pension contributions and dividends) (note 15) was £157.8m, 27.1% lower than 2006. As a result of the turbulence in credit markets increasing LIBOR rates, the group rolled its debt, and therefore paid interest, on a weekly rather than 6 monthly basis for most of the second half

of the year. As a result, when combined with the effect of higher debt and higher interest rates, interest payments were £13.5m higher in 2007, than in 2006.

We indicated last year that we intended to increase capital expenditure significantly to grow the Group's brands. The free cash generated by the Group was used in part to fund expansion capital expenditure of £82.2m (2006: £31.6m) in the existing business and in part on new acquisitions, which in total cost £47.2m (2006: £10.9m) plus loan notes issued to a value of £8m.

Pensions At 31 December 2007 the gross deficit of the scheme was £16m (31 December 2006: gross deficit £80.8m). The net deficit after allowing for deferred tax was £11.5m (2006: net deficit £56.6m).

The significant improvement in the deficit is the result of improved asset returns, higher corporate bond rates reducing liabilities and £9.6m of company contributions in excess of the income statement charge (2006: £21m).

The scheme is now 97% funded with the net deficit representing less than 1.0% of the Company's market capitalisation at 31 December 2007.

Equity Total equity, after deducting the pension scheme deficit at 31 December 2007, was £1,036.9m, an increase of £103.8m on 31 December 2006.

During the year, through its Employee Share Ownership Trust, the Group acquired 5.2m shares in the Company at an average cost of 14.56p per share. The shares were acquired for future settlement of share options and share save grants made to employees of the Group.

The Group's adjusted return on capital in 2007 (note 12) was 16.2% (2006: 14.6%), which is substantially higher than the Group's weighted average cost of capital.

At the year-end the share price was 1,204 pence (2006: 1,984 pence) and the market capitalisation £1.5bn (2006: £2.4bn), representing 1.4 times (2006: 2.6 times) shareholders' funds. During the year the daily closing share price ranged from 1,180 pence to 2,121 pence.

Properties The carrying value of the Group's 347 freehold and 55 long leasehold property portfolio, which was last revalued in 1999 on an existing use basis, is £242m. As well as being one of the Group's considerable operating strengths the portfolio gives it the potential to seek further opportunities to enhance value.

Goodwill The net book value of goodwill and other intangibles in the balance sheet is £1,492m (2006: £1,445m). Additions to goodwill and intangible assets in the year totalled £47m.

Capital structure The Group finances itself through a combination of bank borrowings, fixed rate unsecured notes, leases and retained profits. Its capital base is structured to meet the ongoing requirements of the business. As at 31 December 2007 the Group had net debt of £941m (2006: £804m) (note 14).

Consolidated income statement For the year ended 31 December 2007

		2007	2006
		£m	£m
Revenue		3,186.7	2,848.8
Operating profit (before exceptional property profit)		319.9	278.0
Exceptional property profit	6	-	11.6
Operating profit	6	319.9	289.6
Finance income	7	3.7	1.9
Finance costs	7	(62.2)	(59.6)
Profit before tax		261.4	231.9
Tax (before exceptional deferred tax credit)		(80.3)	(64.9)
Exceptional deferred tax credit	8	4.2	-
Tax		(76.1)	(64.9)
Profit for the year		185.3	167.0
Earnings per ordinary share	9		
Basic		153.3p	137.9p
Diluted		151.9p	136.8p
Total dividend declared per ordinary share	10	44.9p	37.4p

All results relate to continuing operations.

Consolidated statement of recognised income and expense

For the year ended 31 December 2007

	2007 £m	2006 £m
Actuarial gains and losses on defined benefit pension scheme	51.9	41.4
Gains on cash flow hedges	0.4	7.9
Tax on items taken to equity	(15.7)	(13.7)
Net income recognised directly in equity	36.6	35.6
Transferred to income statement on cash flow hedges	(1.4)	0.6
Tax on items transferred from equity	0.4	0.1
Profit for the year	185.3	167.0
Total recognised income and expense for the year	220.9	203.3

Consolidated movement in equity

For the year ended 31 December 2007

	2007 £m	2006 £m
Opening equity	933.1	758.0
Shares issued	6.8	6.7
Own shares	(76.0)	0.2
Total recognised income and expense for the year	220.9	203.3
Share options	0.2	7.4
Dividends paid	(48.1)	(42.5)
Closing equity	1,036.9	933.1

Consolidated balance sheet As at 31 December 2007

	2007 £m	2006 £m
ASSETS		
Non-current assets		
Property, plant and equipment	505.0	426.4
Goodwill	1,329.7	1,282.0
Other intangible assets	162.5	162.5
Derivative financial instruments	3.0	3.8
Investment property	3.5	3.9
Available-for-sale investments	2.0	2.0
Deferred tax asset	4.5	24.2
Total non-current assets	2,010.2	1,904.8
Current assets		
Inventories	330.2	294.4
Trade and other receivables	421.9	363.8
Derivative financial instruments	0.7	0.5
Cash and cash equivalents	26.3	56.3
Total current assets	779.1	715.0
Total assets	2,789.3	2,619.8

Consolidated balance sheet (continued) As at 31 December 2007

	2007 £m	2006 £m
EQUITY AND LIABILITIES		
Capital and reserves		
Issued capital	12.3	12.2
Share premium account	178.9	172.2
Other reserve	24.2	25.3
Hedging reserve	2.9	4.0
Own shares	(83.9)	(7.9)
Accumulated profits	902.5	727.3
Total equity	1,036.9	933.1
Non-current liabilities		
Interest bearing loans and borrowings	863.9	763.6
Derivative financial instruments	29.8	30.9
Retirement benefit obligation	16.0	80.8
Long-term provisions	13.7	13.1
Deferred tax liabilities	75.3	71.1
Total non-current liabilities	998.7	959.5
Current liabilities		
Interest bearing loans and borrowings	88.0	89.2
Unsecured loan notes	15.4	7.9
Derivative financial instruments	-	0.2
Trade and other payables	585.0	565.2
Tax liabilities	32.3	34.2
Short-term provisions	33.0	30.5
Total current liabilities	753.7	727.2
Total liabilities	1,752.4	1,686.7
Total equity and liabilities	2,789.3	2,619.8

The financial statements were approved by the Board of Directors on 3 March 2008 and signed on its behalf by:

G. I. Cooper)
P. N. Hampden Smith) *Directors*

Consolidated cash flow statement For the year ended 31 December 2007

	2007	2006
	£m	£m
Operating profit	319.9	289.6
Adjustments for:		
Depreciation and impairment of property, plant and equipment	56.3	53.7
Other non cash movements	3.7	3.8
Gain on disposal of property, plant and equipment	(7.6)	(17.1)
Operating cash flows before movements in working capital	372.3	330.0
Increase in inventories	(30.1)	(29.7)
Increase in receivables	(39.8)	(38.9)
Increase in payables	11.1	82.9
Cash payments to the pension scheme in excess of the charge to profits	(9.6)	(21.0)
Cash generated from operations	303.9	323.3
Interest paid	(72.7)	(59.8)
Income taxes paid	(74.5)	(57.3)
Net cash from operating activities	156.7	206.2
Cash flows from investing activities		
Interest received	0.2	0.8
Acquisition of shares in unit trust	-	(2.0)
Proceeds on disposal of property, plant and equipment	4.8	38.9
Purchases of property, plant and equipment	(123.7)	(50.4)
Acquisition of businesses net of cash acquired	(47.2)	(10.9)
Net cash used in investing activities	(165.9)	(23.6)
Financing activities		
Proceeds from the issue of share capital	6.8	6.9
Purchase of own shares	(76.0)	-
Payment of finance leases liabilities	(1.9)	(2.8)
Repayment of unsecured loan notes	(0.2)	(0.3)
Increase / (decrease) increase in bank loans	98.6	(143.7)
Dividends paid	(48.1)	(42.5)
Net cash from financing activities	(20.8)	(182.4)
Net (decrease) / increase in cash and cash equivalents	(30.0)	0.2
Cash and cash equivalents at beginning of year	56.3	56.1
Cash and cash equivalents at end of year	26.3	56.3

Notes to the preliminary announcement

1. The Group's principal accounting policies, as set out in its interim statement of 31 July 2007, which is available on the Company's website www.travisperkins.co.uk, have been applied consistently.
2. The proposed final dividend of 30.4 pence will be paid on 15 May 2008 to shareholders registered as members of the Company at close of business on 18 April 2008.
3. The financial information above does not constitute the Company's statutory accounts. Statutory accounts for the years ended 31 December 2007 and 31 December 2006 have been reported on without qualification by the Company's auditors and without reference to S237 (2) or (3) of the Companies Act 1985. Statutory accounts for the year ended 31 December 2006 have been delivered to the Registrar of Companies. Whilst the financial information included in this preliminary announcement has been computed in accordance with International Financial Reporting Standards ("IFRS") this announcement does not itself contain sufficient information to comply with IFRS. The statutory accounts for the year ended 31 December 2007, prepared under IFRS will be delivered to the Registrar in due course.
4. This announcement was approved by the Board of Directors on 3 March 2008.
5. It is intended to post the annual report to shareholders on 10 April 2008 and to hold the Annual General Meeting on 13 May 2008. Copies of the annual report prepared in accordance with IFRS will be available from the Company Secretary, Travis Perkins plc, Lodge Way House, Harlestone Road, Northampton NN5 7UG from 10 April 2008 or will be available through the internet on our website at www.travisperkins.co.uk

6. Profit

(a) Operating profit

	2007	2006
	£m	£m
Revenue	3,186.7	2,848.8
Cost of sales	(2,087.3)	(1,855.0)
Gross profit	1,099.4	993.8
Selling and distribution costs	(649.1)	(596.3)
Administrative expenses	(141.8)	(126.6)
Other operating income*	11.4	18.7
Operating profit	319.9	289.6
Exceptional property profit	-	(11.6)
Adjusted operating profit	319.9	278.0

* Other operating income includes exceptional property profits of £nil (2006: £11.6m).

The exceptional property profit in 2006, which was exceptional due to the magnitude of the deal in comparison to other deals undertaken by the Group, arose from the sale of long leasehold interests in 35 properties to an investment vehicle, in which the Company retains a 15% interest. The sale proceeds (net of costs) were £31.5m and the carrying value of the properties was £15.2m. The profit of £11.6m reflected a profit deferment in respect of land of £4.7m in accordance with the requirements of IAS 17.

6. Profit (continued)

(b) Adjusted profit before and after tax

	2007 £m	2006 £m
Profit before tax	261.4	231.9
Exceptional property profit	-	(11.6)
Adjusted profit before tax	261.4	220.3

	2007 £m	2006 £m
Profit after tax	185.3	167.0
Exceptional property profit	-	(11.6)
Tax effect of exceptional property profit	-	(1.2)
Exceptional deferred tax credit	(4.2)	-
Adjusted profit after tax	181.1	154.2

(c) Operating margin

	Merchanting		Retail		Group	
	£m	£m	£m	£m	£m	£m
	2007	2006	2007	2006	2007	2006
Revenue	2,254.2	2,000.3	932.5	848.5	3,186.7	2,848.8
Operating profit	260.3	240.3	62.2	54.2	322.5	294.5
Corporate expenses	(2.6)	(4.8)	-	-	(2.6)	(4.8)
Corporate eliminations	-	-	-	-	-	(0.1)
Exceptional property profits	-	(11.6)	-	-	-	(11.6)
Adjusted segment result	257.7	223.9	62.2	54.2	319.9	278.0
Adjusted operating margin	11.43%	11.19%	6.67%	6.39%	10.04%	9.76%

The segmental results for merchanting and retail are shown in note 11.

7. Finance costs

	2007	2006
	£m	£m
Interest on bank loans and overdrafts*	(58.6)	(55.5)
Interest on unsecured loans	(0.5)	(0.4)
Interest on obligations under finance leases	(1.9)	(2.0)
Unwinding of discounts in provisions	(1.2)	(1.1)
Net loss on re-measurement of derivatives at fair value	-	(0.2)
Interest payable	(62.2)	(59.2)
Other finance costs – pension scheme	-	(0.4)
Finance costs	(62.2)	(59.6)
Net gain on re-measurement of derivatives at fair value	0.3	1.1
Other finance income – pension scheme	3.3	-
Interest on bank deposits	0.1	0.8
Net finance costs	(58.5)	(57.7)
Adjusted interest cover	5.4x	4.9x

*Includes £1.7m (2006 £0.6m) of amortised fees.

Adjusted interest cover is calculated by dividing adjusted operating profit of £319.9m (2006: £278.0m) by the combined value of interest on bank loans and overdrafts (excluding amortised fees), unsecured loans, finance leases and interest on bank deposits, which total £59.2m (2006: £56.5m).

8. Tax

On 26 June 2007 the House of Commons approved the Finance Bill which reduces the UK standard rate of Corporation tax from 30% to 28% with effect from 1 April 2008. The reduction in rate results in an exceptional deferred tax credit of £4.2m in the current year charge.

9. Earnings per share

(a) Basic and diluted earnings per share

	2007	2006
	£m	£m
Earnings		
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	185.3	167.0
Number of shares	No.	No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	120,839,499	121,060,158
Dilutive effect of share options on potential ordinary shares	1,109,765	1,054,815
Weighted average number of ordinary shares for the purposes of diluted earnings per share	121,949,264	122,114,973

At 31 December 2007, 3,254,859 (2006: nil) share options had an exercise price in excess of the market value of the shares on that day. As a result, for 2007 these share options were excluded from the calculation of diluted earnings per share.

9. Earnings per share (continued)

(b) Adjusted earnings per share

Adjusted earnings per share is calculated by excluding the effect of the exceptional tax credit in 2007 and the exceptional property profit in 2006 from earnings.

	2007	2006
	£m	£m
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	185.3	167.0
Exceptional property profit	-	(11.6)
Tax on exceptional property profit	-	(1.2)
Exceptional deferred tax credit	(4.2)	-
Earnings for adjusted earnings per share	181.1	154.2
Adjusted basic earnings per share	149.8p	127.4p
Adjusted diluted earnings per share	148.4p	126.3p

10. Dividend

Amounts were recognised in the financial statements as distributions to equity shareholders as follows:

	2007	2006
	£m	£m
Final dividend for the year ended 31 December 2006 of 25.3p (2005: 23.0p) per ordinary share	30.8	27.8
Interim dividend for the year ended 31 December 2007 of 14.5p (2006: 12.1p) per ordinary share	17.3	14.7
Total dividends recognised during the year	48.1	42.5

The dividend for 2007 at 31 December 2007 and for 2006 at 31 December 2006 were as follows:

	2007	2006
	Pence	Pence
Interim paid	14.5	12.1
Final proposed	30.4	25.3
Total dividend for the year	44.9	37.4

The proposed final dividend of 30.4p per ordinary share in respect of the year ending 31 December 2007 was approved by the board on 3 March 2008. As the final dividend has not yet been approved by shareholders, in accordance with IFRS, it has not been included in the balance sheet as a liability as at 31 December 2007. It will be paid on 15 May to shareholders on the register on 18 April 2008.

Adjusted dividend cover of 3.3x (2006: 3.4x) is calculated by dividing adjusted basic earnings per share (note 9) of 149.8p (2006: 127.4p) by the total dividends for the year of 44.9p (2006: 37.4p).

11. Business and geographical segments

For management purposes, the Group is currently organised into two operating divisions – Builders Merchants and DIY Retailing, both of which operate entirely in the United Kingdom. These divisions are the basis on which the Group reports its primary segment information. As the Group's operations are entirely UK based, the Group does not present any secondary segmental information. Segment results, assets and liabilities include items directly attributable to segments as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly interest bearing loans, borrowings and expenses and corporate assets and expenses. There are no inter-segment sales.

	Builders Merchants	DIY Retailing	Eliminations	Consolidated
	2007	2007	2007	2007
	£m	£m	£m	£m
Revenue	2,254.2	932.5	-	3,186.7
Result				
Segment result	257.7	62.2	-	319.9
Net finance costs				(58.5)
Profit before taxation				261.4
Taxation				(76.1)
Profit for the year				185.3
Segment assets	1,382.6	1,305.9	-	2,688.5
Unallocated corporate assets				100.8
Consolidated total assets				2,789.3
Segment liabilities	(435.7)	(242.0)	-	(677.7)
Unallocated corporate liabilities				(1,074.7)
Consolidated total liabilities				(1,752.4)
Consolidated net assets	946.9	1,063.9		
Capital expenditure	115.5	24.1		139.6
Depreciation	40.7	15.6		56.3

11. **Business and geographical segments** (continued)

	Builders Merchandising	DIY Retailing	Eliminations	Consolidated
	2006	2006	2006	2006
	£m	£m	£m	£m
Revenue	2,000.3	848.5	-	2,848.8
Result				
Segment result	235.5	54.2	(0.1)	289.6
Net finance costs				(57.7)
Profit before taxation				231.9
Taxation				(64.9)
Profit for the year				167.0
Segment assets	1,256.9	1,232.9	-	2,489.8
Unallocated corporate assets				130.0
Consolidated total assets				2,619.8
Segment liabilities	(454.1)	(218.8)	-	(672.9)
Unallocated corporate liabilities				(1,013.8)
Consolidated total liabilities				(1,686.7)
Consolidated net assets	802.8	1,014.1		
Capital expenditure	39.8	12.0		51.8
Depreciation	38.0	15.7		53.7

12. Adjusted return on capital

	2007	2006
	£m	£m
Operating profit	319.9	289.6
Exceptional property profit	-	(11.6)
Adjusted operating profit	319.9	278.0
Opening net assets	920.3	758.0
Goodwill written off	92.7	92.7
Net borrowings	804.4	982.4
Pension deficit	56.6	99.9
Opening capital employed	1,874.0	1,933.0
Closing net assets	1,036.9	933.1
Equity impact of exceptional property profit	-	(12.8)
Goodwill written off	92.7	92.7
Net borrowings	941.0	804.4
Pension deficit	11.5	56.6
Closing adjusted capital employed	2,082.1	1,874.0
Average adjusted capital employed	1,978.1	1,903.5
Adjusted return on capital	16.2%	14.6%

13. Adjusted earnings before interest, tax and depreciation

	2007	2006
	£m	£m
Profit before taxation	261.4	231.9
Finance costs	58.5	57.7
Depreciation and impairments	56.3	53.7
EBITDA under IFRS	376.2	343.3
Exceptional property profits	-	(11.6)
Reversal of IFRS effect	2.8	4.0
Adjusted EBITDA as defined in UK banking agreements	379.0	335.7
Net debt under 2004 UK GAAP (note 14)	940.1	804.9
Adjusted net debt to EBITDA	2.48x	2.40x

14. Net debt

	2007	2006
	£m	£m
Net debt at 1 January	(804.4)	(982.4)
(Decrease) / increase in cash and cash equivalents	(30.0)	0.2
Cash flows from debt	(96.5)	146.8
(Increase) / reduction in fair value of debt	(2.3)	31.6
Lease surrender	1.6	-
Additional finance charges netted off bank debt	(1.7)	(0.6)
Loan notes issued	(7.7)	-
Actual net debt 31 December	(941.0)	(804.4)
IAS 17 finance leases	28.8	31.5
Fair value adjustments to debt	(27.9)	(30.3)
Finance charges netted off debt	-	(1.7)
Net debt under 2004 UK GAAP	(940.1)	(804.9)

15. Adjusted free cash flow

	2007	2006
	£m	£m
Net debt at 1 January	(804.4)	(982.4)
Net debt at 31 December	(941.0)	(804.4)
(Increase) / decrease in net debt	(136.6)	178.0
Dividends	48.1	42.5
Net cash outflow for expansion capital expenditure	82.2	31.6
Net cash outflow for acquisitions	47.2	10.9
Net cash outflow for acquisition of investments	-	2.0
Own shares purchased	76.0	-
Shares issued	(6.8)	(6.9)
Non cash movements	10.1	(31.0)
Special pension contributions	9.6	21.0
Free cash flow	129.8	248.1
Additional payment run on 53 rd Monday	28.0	-
Cash impact of exceptional property profits	-	(31.5)
Adjusted free cash flow	157.8	216.6