

30 July 2008

TRAVIS PERKINS PLC
INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

FINANCIAL HIGHLIGHTS

- REVENUE UP 5.4% TO £1,671M
- OVERALL LIKE-FOR-LIKE SALES GROWTH OF 0.8%
- OPERATING PROFIT UP 0.2% TO £156M
- CASH FLOW CONVERSION AFTER REPLACEMENT CAPEX UP 19% TO £212M
- IMPROVED CREDIT RATIOS
- ADJUSTED EPS UP 3.0% TO 74.4P
- INTERIM DIVIDEND MAINTAINED AT 14.5P PER SHARE

OPERATING HIGHLIGHTS

- CONTINUED LIKE-FOR-LIKE MARKET SHARE GAINS IN BOTH MERCHANTING AND RETAIL DIVISIONS
- TIGHT CONTROL OF COSTS AND STRONG CASH GENERATION
- ENTRY INTO DIRECT SALES CHANNEL THROUGH INVESTMENT IN TOOLSTATION
- REDUCED RATE OF ESTATE EXPANSION IN SECOND QUARTER
- LIQUIDITY HEADROOM INCREASED THROUGH NEW 5 YEAR £1 BN BANK FACILITY

	Six months to 30 June 2008		Six months to 30 June 2007
	£m	%	£m
Revenue	1,671.0	5.4	1,585.8
Operating profit	155.8	0.2	155.5
Profit before taxation	124.5	(3.2)	128.6
Adjusted basic earnings per share*	74.4p	3.0	72.2p
Interim dividend per share	14.5p	0.0	14.5p

*Adjusted 2007 results are stated before an exceptional deferred tax credit of £4.3m arising from the reduction in the corporation tax rate to 28%.

Throughout the interim accounts the term adjusted has been used to indicate that the effect of the exceptional tax credit has been excluded from the disclosure being made. Further details are given in note 6.

Geoff Cooper, Chief Executive, commented:

“As we anticipated and observed in our last full year results statement, 2008 has become a more challenging market and we expect our markets to weaken further as the year progresses.

“We expect to continue to gain market share on a like-for-like basis across our merchandising and retail brands which will partially compensate for lower market activity.

“The Group will also continue to take action to counteract market conditions and accelerate the reduction in net debt through a combination of lowering overheads and by reducing working capital and constraining capital expenditure.

“Whilst the outlook is more challenging than we have experienced for some years, we have the management and resources to deal with these difficulties and position the Group for further growth when more favourable conditions return.”

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GROUP OVERVIEW

The 2008 half year results show good progress throughout the Group against a background of weakening markets. We have continued to gain like-for-like market share in both our merchanting and retail divisions whilst preserving our gross margins and managing our costs in anticipation of a further contraction of our markets. Overall, our like-for-like sales rose by 0.8%.

For the six months to 30 June 2008 revenue at £1,671 million was up by 5.4% compared with the same period last year. Group operating profits rose by 0.2% to £156 million with the Group's operating margin at 9.3% against 9.8% last half-year. Profit before tax declined by 3.2% to £125 million, reflecting higher financing costs. Adjusted basic earnings per share increased by 3.0% to 74.4 pence reflecting both a lower effective tax rate and a weighted average 3.9% fewer shares in issue.

We generated strong cash flow in the period, increasing our cash flow from operations after out-flows associated with net replacement capital expenditure by 19% to £212 million, giving cash flow conversion on this measure of 136%, up from 114% in the first half last year. We invested £106 million in capital expenditure and acquisitions. The latter occurred mainly in the first quarter when the availability of acquisition opportunities increased in advance of the capital gains tax changes implemented from April.

Overall, despite this outflow on investing activities we reduced our net debt from £941 million at the previous year end to £911 million at the end of June. On a rolling 12-month basis our net debt/ebitda ratio is 2.45 times and our interest cover 5.06 times.

We increased our liquidity headroom during the first half-year through a refinancing of our UK bank debt, securing a new £1 billion, 5 year facility in April. This facility, combined with \$400m of US private placement notes expiring in 2013 and 2016, has given us a long-term maturity of borrowings, with headroom in the second quarter ranging between £150 million and £250 million.

Our gross pension fund deficit has increased from £16 million to £42.6 million over the period reflecting a weakening in investment values partly compensated for by an increase in the liability discount rate from 5.8% to 6.4%.

DIVIDEND MAINTAINED

As a reflection of our caution in current difficult markets we are maintaining our interim dividend at last year's level of 14.5p.

MARKETS

The Group's businesses serve a diverse range of construction activities. However, the performance of, and prospects for, our markets have been dominated by the negative flow of news and forecasts for UK housing. Although new housing related activity currently represents about 18% of Group revenue, it is a smaller contributor to profit. Within this segment house building customers represent around 6% of Group revenue, with the remainder comprising contractors who serve both house builders and other construction activities such as commercial and government construction and general repair, maintenance and improvement ("RMI") work.

In contrast to housing, activity levels have been strong in the government and commercial construction sectors and have held up well for general repair, maintenance and improvement ("RMI") work both in the retail DIY market and in the merchanting market. Against relatively strong growth in the first half of last year, we estimate that available volume (i.e. at constant prices) in the first half was down year-on-year by about 5% in our merchanting market and by 7% in the retail market.

We now expect that the very negative trends in mortgage approvals, secondary housing transactions and new domestic construction will result in a contraction in the RMI market in the second half of 2008 and into 2009. We also now expect that this contraction will be more rapid than previously expected. In contrast, contractors' forward order books for large construction projects, boosted by the

Olympics and Thames Gateway programmes, indicate we can expect this source of business to remain firm in 2008, but with a contraction beginning in 2009.

Despite the more challenging conditions in our markets, capacity has still increased, albeit at a much reduced rate. As conditions deteriorate in the second half of this year, we expect capacity reductions in both markets, with a number of weaker merchants and retailers exiting our sector.

The trend of high product cost inflation continues, driven by high energy and commodity cost inflation. We experienced product cost inflation of 4.9% in our merchanting division and 1.8% in our retail division in the first half, with the difference due to product mix. With reducing volume available in the market and high cost inflation, competition has intensified and our businesses have worked hard to maintain gross margins, using increased benefits from our global sourcing programme.

We estimate sales price inflation in the merchanting market was 5.2%, with 1.9% in the retail market. Whilst we expect competition to remain tough, we see little appetite for a significant intensification of price competition since many companies in our markets operate with a sub-economic return. Our global sourcing programmes are expanding, giving us further opportunities to protect gross margins in each of our markets.

OPERATIONAL PERFORMANCE

Merchanting

Turnover in the merchanting division was up by 4.7%, and EBIT increased by £0.1 million to £125.6 million. Like-for-like turnover per trading day was up by 1.6%, with weaker sales trends experienced in the second quarter compared to the first three months of the year. We estimate our like-for-like sales performance to have remained some 1% to 2% ahead of the overall merchanting market.

Our general merchanting business, operating in four distinct business units under the Travis Perkins brand, continued to outperform the market and increased turnover and profits in the first half of 2008. With their diverse range of customers, the general merchanting businesses are the least sensitive to the reducing purchase requirements of the house builders, and recorded a like-for-like increase in turnover per trading day of 1.7%. Against a background of sharply varying prospects faced by the different types of customer we serve, the Travis Perkins businesses launched initiatives to target new customers and increase their share of spending from existing, higher growth building firms.

Travis Perkins has enjoyed particular success in growing turnover from dedicated public sector supply operations for social housing. We also targeted and successfully expanded our business with major contractors serving the stronger parts of the construction market such as regulated industries, infrastructure and PFI projects. These initiatives delivered good like-for-like growth, which, together with new branches, meant that our general merchanting turnover grew sales overall by 4.9%, and increased its EBIT.

Total turnover in our specialist merchanting businesses grew by 7.7%, with like-for-like turnover per working day up just less than in general merchanting at 1.3%, reflecting the stronger presence of house builders and their key sub-contractors as customers of CCF and Keyline, two of the four businesses that make up this division. Volume and pricing conditions in this market, together with start-up costs associated with our branch expansion programme meant that EBIT in specialist merchanting declined slightly.

Our overall gross margin increased by 30 basis points in the merchanting division. Whilst we experienced some pressure from the more competitive market conditions brought on by the more challenging outlook for builders, these were compensated by a number of positive factors. These included further gains from active margin management, reduced costs of products from enhancement of our supply chain technology and facilities, and beneficial changes in mix, mainly due to a lower proportion of less profitable supply to the house building sector.

Given the worsening conditions in the housing market, cost containment and reduction programmes have been in place since mid-2007. These programmes comprise a number of separate plans each with an escalating level of targeted cost reduction. Following the more rapid weakening in our markets

experienced through the first half, we have progressively implemented these plans, and have retained the flexibility to go further as our trading outlook develops.

Whilst these actions have eliminated costs from the business, they are not expected to offset the effect of lower volume and an acceleration in inflation on bought in goods and services, particularly fuel and energy. These reductions are mainly being achieved by avoiding discretionary expenditure, postponing development projects and reducing headcount by not filling vacancies as they arise. Re-organisation charges associated with these initiatives are not expected to be significant.

Our actions on sales and costs will help to ensure that our mature branches continue to make a positive contribution. Apart from the normal rationalisation of a small number of branches that takes place every year, we do not anticipate significant numbers of branch closures in 2008 or 2009.

Overall headcount in the merchanting division is some 700 (7%) below plan at the end of June and is expected to exit 2008 some 1,000 (10%) lower than plan.

Overall, our merchanting division achieved an operating margin of 10.7%, a reduction of some 50 basis points over the first half last year caused by lower overhead recovery from reducing base volumes of 80 basis points exceeding gross margin improvements of 30 basis points. Start-up costs associated with our accelerated branch opening programme accounted for about half this decline, with the remainder reflecting the market conditions experienced, notably lower overhead recovery from reducing base volumes.

Retail

In challenging markets, our retail businesses performed well, growing turnover whilst delivering EBIT broadly level with last year at £31.3 million.

Total turnover in the retail division for the first half was up by 6.3%. Tile Giant represented 2.3% of this increase and Wickes 4.0%. For this period, Wickes like-for-like sales per trading day were down 1.1%, with core products down 1.0% and showroom sales down 1.3%. With price inflation of 2.3%, like-for-like volume in core products was down by 3.3%. Sales trends in the second quarter strengthened slightly, with total like-for-like daily turnover in the last eight weeks up 2.3% over the equivalent period last year.

We estimate that Wickes has increased its rate of sales out-performance against the market. This reflects Wickes' unique positioning with 'cash-based' tradesmen and 'serious' DIY customers, where these customers have sustained their spending on materials compared with the relatively weaker trend of more discretionary spending from 'casual' practitioners of DIY.

The stronger performance of the 'cash-based' tradesman when compared to many traditional building firms is another example underlining the rationale for the Group addressing a wider market through the entry into additional distribution channels such as Wickes. There is also some evidence that DIY customers, in a period of economic uncertainty and low consumer confidence, are increasingly attracted to the superior value represented by Wickes' low prices compared with rival DIY outlets.

Evidence that homeowners are spending on home improvements in circumstances where moving house is unattractive is, as yet, anecdotal. The relative improvement in the like-for-like trend of our showroom sales compared to core products would support this proposition; however, we believe this improvement reflects higher market share gains in this sector as a result of the logistics problems experienced by a competitor.

In addition to good market positioning and an attractive proposition, Wickes has continued to improve operational standards in stores and to refine its product ranges to closely match the requirements of its particular customers. This is reflected in an increase of 4.3% in Wickes' average transaction value for core products.

Wickes has also further developed its channel strategy, boosting sales through its website and trialling a transactional catalogue in the Midlands. Apart from growing sales and making a positive

contribution to EBIT, this has increased footfall in our store network as customers increasingly research their requirements online before visiting a retail outlet.

Following its acquisition in November 2007, we have continued to integrate, grow and develop Tile Giant. The management team has been strengthened to support the rapid growth of this business and they have delivered strong sales and profit growth. We have yet to extract synergies from tile procurement that we expect will deliver good sourcing gains in the Wickes and City Plumbing businesses, since the Tile Giant team have so far concentrated their efforts on growing their own network.

Overall headcount in the retail division is some 200 below plan at June and is expected to exit 2008 around 300 (6%) below at the end of the year. We are seeing good productivity gains from our labour scheduling initiative.

We keep under review the profit and cash contribution of each of our retail outlets. We do not anticipate closing any stores in 2008 or 2009, except where we re-locate to newly opened units or take advantage of property opportunities.

Overall, the retail division achieved an operating margin of 6.25%, a decrease of 42 basis points mainly reflecting lower overhead recovery of 52 basis points and gross margin improvements of 10 basis points, but still comfortably ahead of competitors in this market.

DEVELOPMENT

The Group is currently trading from 1,206 locations, with a further 20 branches operated by our new associate company, Toolstation. Taken together, this represents an increase of 101 over the number trading at the end of 2007, with branches added to all of our businesses other than CCF. Non like-for-like branches boosted sales by 4.7% in the period, in line with our medium term objective.

Merchandising

Our merchandising division has added a net 34 new branches since the end of 2007, comprising 24 brownfield openings and 10 new sites from acquisitions. The Travis Perkins general merchandising business added a net 24 new branches, with 10 added in the specialist businesses – comprising 3 in Keyline, 4 in CPS and 3 in Benchmarx.

Retail

The highest rate of expansion occurred in the retail division, with the addition of 38 new tile outlets and 9 new Wickes stores. The tile growth comprised two acquisitions – Tile-It-All and Tile Magic – that brought us 33 branches, and 5 brownfield openings. These new businesses have already been integrated in to the Tile Giant network and are performing in line with expectations. Consistent with our market entry strategy, these branches are delivering strong return on capital and have confirmed our view that this adjacent market represents a good avenue for long-term growth for the Group.

Toolstation

In April, the Group acquired a 30% equity interest in Toolstation, a rapidly growing direct retailer of lightside products from its founding shareholders for £5 million. Since then it has provided an initial loan of £7 million to allow Toolstation to repay its outstanding early stage loan capital.

Through an earn-out formula Travis Perkins has the right to acquire the outstanding 70% of Toolstation's equity after four years on a multiple of profits with payments in 2012 and 2014. The present owners have the right to require Travis Perkins to acquire the outstanding 70% of its equity at these dates provided that profits are above a minimum threshold.

Toolstation sells a wide range of tools, fixings, hardware, electrical and plumbing and heating materials to retail and merchandising customers throughout the United Kingdom and through a franchised operation in the Netherlands.

Toolstation's facilities comprise a main distribution warehouse with trade counter in Bridgewater, Somerset and 19 more trade counters located across the UK. It plans to continue its successful strategy of branch network expansion, with the aim of operating from at least 80 trade counters within the next five years.

Travis Perkins will use its buying scale, global sourcing capabilities, supply chain facilities and property expertise with the aim of accelerating Toolstation's rate of growth. Through this investment Travis Perkins has also acquired the right to use Toolstation's ecommerce, warehousing and fulfilment software for direct selling of Travis Perkins' existing merchanting and retailing brands.

Property

We continue actively to pursue projects aimed at extracting value from our property portfolio. This programme, which has generated £36 million of cash and a contribution of £22 million to the Group's profits from 46 individual properties since its inception in 2006, has 9 projects in progress. In the first half of 2008 3 projects were completed, generating £2.2 million in cash and a profit contribution of £3.1 million. The Group remains confident that it will meet its medium term objective of generating profits and cash each year from this approach, whilst enhancing the strength of its trading locations.

Expansion criteria

During the first half of 2008, the Group completed its annual review of returns generated from its expansion programme. This again confirmed that the overall returns achieved from its new brownfield sites and merchanting acquisitions exceed those predicted at the time of approval of each project.

The changes to the tax rules on business taper relief introduced in the current tax year meant that acquisition and expansion activity was unusually high in the first quarter.

In view of the challenging outlook in our markets the Group has introduced new criteria for branch openings aimed at increasing returns, reducing payback periods and prioritising those projects with a strong cash-flow profile. In addition, the Group has sought to reduce prices paid for acquired businesses and as a result has withdrawn from negotiations for a number of potential mid-sized acquisitions.

We anticipate that our disciplined approach will lead to a significant reduction in our rate of expansion, with only previously approved projects already in our pipeline providing further expansion of our network in 2008 and 2009.

HEALTH, SAFETY AND ENVIRONMENT

The Group has significantly improved its health and safety capabilities over the last two years, with greatly increased investment in procedures, training and communications. As noted in last year's interim report to shareholders, we forecast that the increased concentration on health and safety, particularly on the introduction of more open reporting systems, would result in a rise in accident rates. During the first half, our accident frequency rate increased by 33% and our severity rate increased by 4%. Our new Group health and safety function has been able to identify particular causes of accidents using our improved reporting systems and has launched a number of new initiatives aimed at improving health and safety performance. These include significant communication programmes and new investment in training for manual handling and for drivers. Our work in this area is now monitored by the new health and safety committee of the board, established in December 2007.

We continue to develop our environmental strategy and have introduced new targets whilst making satisfactory progress towards meeting our existing targets. A new packaging waste target has been established with the aim of reducing the aggregated weight of packaging used by 20% in the next 5 years.

We have opened our fourth environmental technology centre to promote and sell micro renewable

energy generation and energy efficiency equipment and we remain committed to helping manufacturers and customers access carbon efficient building technologies.

We remain on track to meet our carbon reduction target for the end of 2008 mainly due to our purchase of renewable energy via the national grid. We expect to meet our waste recycling target through 'backhauling' waste from branches to distribution centres. We believe there is now sufficient stakeholder interest in widening the scope of waste targets to include water efficiency. We have developed a target to reduce water use by 5% in the next 5 years.

PEOPLE AND ORGANISATION

With the exception of our investment in Toolstation, there has been no major change to the Group's organisation. With the arrival of more challenging trading conditions in 2008, our focus has been on deploying our management resources at every level to current business performance rather than on work aimed at longer-term development of our organisation's capabilities. With the present trading environment set to continue for some time, we expect to maintain this approach.

OUTLOOK

We expect our markets to weaken further as the year progresses, confirmed by trading in July.

Lower mortgage liquidity, falling house prices and consequently lower housing transactions are expected to impact our future activity levels. In this more challenging market we expect to continue to gain market share on a like-for-like basis across our merchanting and retail brands which will partially compensate for lower market activity. The Group will also continue to take action to counteract market conditions so as to strengthen financial performance. In particular, we aim to accelerate the reduction of the Group's net debt through a combination of lowering overheads, reducing working capital and constraining capital expenditure.

Whilst the outlook is more challenging than we have experienced for some years, we have the management and resources to deal with these difficulties and position the Group for further growth when more favourable conditions return.

Responsibility statement

We confirm that to the best of our knowledge:

(a) the condensed set of financial statements has been prepared in accordance with IAS 34 “Interim Financial Reporting”;

(b) the Chairman’s and Chief Executive’s reports include a fair review of the information required by DTR 4.2 .7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

(c) the Chairman’s and Chief Executive’s reports include a fair review of the information required by DTR 4.2.8R (disclosure of related parties transactions and changes therein).

By order of the Board

G. I. Cooper
Chief Executive
29 July 2008

P. N. Hampden Smith
Finance Director

Condensed consolidated income statement

	Six months 30 June 2008 (Reviewed)	Six months 30 June 2007 (Reviewed)	Year 31 Dec 2007 (Audited)
	£m	£m	£m
Revenue	1,671.0	1,585.8	3,186.7
Operating profit	155.8	155.5	319.9
Finance income (note 5)	2.8	3.0	3.7
Finance costs (note 5)	(34.1)	(29.9)	(62.2)
Profit before tax	124.5	128.6	261.4
Tax before exceptional tax credit	(37.5)	(40.7)	(80.3)
Exceptional tax credit	-	4.3	4.2
Tax (note 6)	(37.5)	(36.4)	(76.1)
Profit for the period	87.0	92.2	185.3
Earnings per share (note 7)			
Basic	74.4p	75.7p	153.3p
Diluted	73.9p	75.0p	151.9p
Proposed dividend per share (note 8)	14.5p	14.5p	30.4p

All results relate to continuing operations.

Condensed statement of recognised income and expense

	Six months 30 June 2008 (Reviewed) £m	Six months 30 June 2007 (Reviewed) £m	Year 31 Dec 2007 (Audited) £m
Actuarial (loss) / gains on defined benefit pension scheme	(33.9)	75.9	51.9
Gains on cash flow hedges	12.6	5.5	0.4
Tax on items taken directly to equity	9.5	(22.8)	(15.7)
Net income recognised directly in equity	(11.8)	58.6	36.6
Transferred to income statement on cash flow hedges	(2.1)	(0.9)	(1.4)
Tax on items transferred from equity	-	(0.2)	0.4
Profit for the period	87.0	92.2	185.3
Total recognised income and expense for the period	73.1	149.7	220.9

Condensed consolidated balance sheet

	As at 30 June 2008 (Reviewed) £m	As at 30 June 2007 (Reviewed) £m	As at 31 Dec 2007 (Audited) £m
ASSETS			
Non-current assets			
Property, plant and equipment	540.1	450.1	505.0
Goodwill	1,351.6	1,296.5	1329.7
Retirement benefit asset	-	1.1	-
Other intangible assets	162.5	162.5	162.5
Interest in associates	13.0	-	-
Derivative financial instruments	13.4	8.5	3.0
Investment property	3.4	3.9	3.5
Available-for-sale investments	2.1	2.0	2.0
Deferred tax asset	11.9	-	4.5
Total non-current assets	2,098.0	1,924.6	2,010.2
Current assets			
Inventories	330.8	319.6	330.2
Trade and other receivables	486.3	438.8	421.9
Derivative financial instruments	1.0	1.9	0.7
Cash and cash equivalents	27.3	39.7	26.3
Total current assets	845.4	800.0	779.1
Total assets	2,943.4	2,724.6	2,789.3

Condensed consolidated balance sheet (continued)

	As at 30 June 2008 (Reviewed) £m	As at 30 June 2007 (Reviewed) £m	As at 31 Dec 2007 (Audited) £m
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	12.3	12.2	12.3
Share premium account	179.4	175.7	178.9
Revaluation reserves	24.0	24.7	24.2
Hedging reserve	13.4	8.4	2.9
Own shares	(83.9)	(7.9)	(83.9)
Accumulated profits	931.3	845.4	902.5
Total equity	1,076.5	1,058.5	1,036.9
Non-current liabilities			
Interest bearing loans and borrowings	928.5	701.4	863.9
Derivative financial instruments	29.2	43.2	29.8
Retirement benefit obligation	42.6	-	16.0
Long-term provisions	18.3	15.9	13.7
Deferred tax liabilities	76.2	68.6	75.3
Total non-current liabilities	1,094.8	829.1	998.7
Current liabilities			
Interest bearing loans and borrowings	1.8	89.3	88.0
Unsecured loan notes	7.6	7.8	15.4
Derivative financial instruments	-	0.3	-
Trade and other payables	693.2	671.1	585.0
Tax liabilities	33.1	35.1	32.3
Short-term provisions	36.4	33.4	33.0
Total current liabilities	772.1	837.0	753.7
Total liabilities	1,866.9	1,666.1	1,752.4
Total equity and liabilities	2,943.4	2,724.6	2,789.3

The interim financial statements were approved by the board of directors on 29 July 2008.

Signed on behalf of the board of directors.

G. I. Cooper)

P. N. Hampden Smith) *Directors*

Condensed consolidated cash flow statement

	Six months 30 June 2008 (Reviewed) £m	Six months 30 June 2007 (Reviewed) £m	Year 31 Dec 2007 (Audited) £m
Operating profit	155.8	155.5	319.9
Adjustments for:			
Depreciation of property, plant and equipment	31.3	27.5	56.3
Other non cash movements	2.6	2.9	3.7
Gain on disposal of property, plant and equipment	(3.7)	(2.3)	(7.6)
Operating cash flows before movements in working capital	186.0	183.6	372.3
Decrease / (increase) in inventories	4.7	(22.7)	(30.1)
Increase in receivables	(60.8)	(68.3)	(39.8)
Increase in payables	106.2	103.0	11.1
Cash payments to the pension scheme in excess of the charge to income statement	(4.9)	(4.4)	(9.6)
Cash generated from operations	231.2	191.2	303.9
Interest paid	(31.5)	(29.0)	(72.7)
Income taxes paid	(34.4)	(37.4)	(74.5)
Net cash from operating activities	165.3	124.8	156.7
Cash flows from investing activities			
Interest received	0.1	0.1	0.2
Acquisition of shares in unit trust	(0.3)	-	-
Proceeds on disposal of property, plant and equipment	4.1	2.5	4.8
Interest in associate (note 11)	(13.0)	-	-
Purchases of property, plant and equipment	(69.5)	(49.1)	(123.7)
Acquisition of businesses net of cash acquired	(23.5)	(17.9)	(47.2)
Net cash used in investing activities	(102.1)	(64.4)	(165.9)
Financing activities			
Proceeds from the issue of share capital	0.5	3.5	6.8
Bank facility fee	(9.3)	-	-
Purchase of own shares	-	-	(76.0)
Payment of finance lease liabilities	(1.2)	(1.2)	(1.9)
Repayment of unsecured loan notes	(7.8)	(0.1)	(0.2)
Decrease / (increase) in bank loans	(8.8)	(48.4)	98.6
Dividends paid	(35.6)	(30.8)	(48.1)
Net cash used in financing activities	(62.2)	(77.0)	(20.8)
Net increase / (decrease) in cash and cash equivalents	1.0	(16.6)	(30.0)
Cash and cash equivalents at beginning of period	26.3	56.3	56.3
Cash and cash equivalents at end of period	27.3	39.7	26.3

Notes to the interim financial statements

1 General information and accounting policies

The Interim Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union, and on the historic cost basis, except that derivative financial instruments are stated at their fair value. The Interim Financial Statements include the accounts of the company and all its subsidiaries.

The financial information for the six months ended 30 June 2008 and 30 June 2007 is unaudited and does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. This information has been reviewed by Deloitte & Touche LLP, the Group's auditors, and a copy of their review report appears on page 22 of this Interim Report. A copy of the statutory accounts for the year ended 31 December 2007 as prepared under IFRS has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified.

The accounting policies adopted by Travis Perkins plc are set out in the 2007 full year financial statements which are available on the Travis Perkins' web site www.travisperkins.co.uk. These accounting policies have been consistently applied in all the periods presented.

2 Business segments

For management purposes, the Group is currently organised into two operating divisions – Merchancing and Retail. These divisions are the basis on which the Group reports its primary segment information. Segment results include items directly attributable to segments as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate expenses.

Segment information

Six months ended 30 June 2008

	Merchancing	Retail	Eliminations	Consolidated
	£m	£m	£m	£m
Revenue	1,170.0	501.0	-	1,671.0
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Result				
Segment result	125.6	31.3	-	156.9
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Unallocated corporate expenses				(0.9)
Share of losses of associate				(0.2)
Finance costs				(31.3)
<hr/>				
Profit before taxation				124.5
Taxation				(37.5)
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Profit for the period				87.0
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Notes to the interim financial statements

2 Business segments (continued)

Six months ended 30 June 2007

	Merchanting	Retail	Eliminations	Consolidated
	£m	£m	£m	£m
Revenue	1,117.6	471.5	(3.3)	1,585.8
Result				
Segment result	125.5	31.4	-	156.9
Unallocated corporate expenses				(1.4)
Net finance costs				(26.9)
Profit before taxation				128.6
Taxation				(36.4)
Profit for the period				92.2

Year ended 31 December 2007

	Merchanting	Retail	Eliminations	Consolidated
	£m	£m	£m	£m
Revenue	2,254.2	932.5	-	3,186.7
Result				
Segment result	260.3	62.2	-	322.5
Unallocated corporate expenses				(2.6)
Net finance costs				(58.5)
Profit before taxation				261.4
Taxation				(76.1)
Profit for the year				185.3

3 Seasonality

The Group's operations are mainly unaffected by seasonal or cyclical factors. In 2007 the period to 30 June accounted for 49.8% of the annual turnover (2006: 49.6%) and 48.6% (2006: 48%) of operating profit.

Notes to the interim financial statements

4 Pension scheme

	£m
Gross deficit 1 January 2008	(16.0)
Current service costs	(4.6)
Contributions	9.5
Other finance income	2.4
Actuarial losses	(33.9)
Gross deficit at 30 June 2008	(42.6)
Deferred tax asset	11.9
Net deficit at 30 June 2008	(30.7)

5 Finance costs

	Six months 30 June 2008 £m	Six months 30 June 2007 £m	Year 31 Dec 2007 £m
Interest on bank loans and overdrafts*	(32.6)	(28.3)	(58.6)
Interest on unsecured loans	-	-	(0.5)
Interest on obligations under finance leases	(0.8)	(1.0)	(1.9)
Unwinding of discounts in provisions	(0.7)	(0.5)	(1.2)
Net loss on re-measurement of derivatives at fair value	-	(0.1)	-
Finance costs	(34.1)	(29.9)	(62.2)
Interest on bank deposits	-	0.1	0.1
Net gain on re-measurement of derivatives at fair value	0.4	1.3	0.3
Other finance income – pension schemes	2.4	1.6	3.3
Finance income	2.8	3.0	3.7
Net finance costs	(31.3)	(26.9)	(58.5)
*Includes amortisation of issue costs of bank loans	(0.5)	(0.3)	(1.7)

Notes to the interim financial statements

6. Tax

	Six months 30 June 2008 £m	Six months 30 June 2007 £m	Year 31 Dec 2007 £m
Current tax			
UK corporation tax			
- current year	35.3	40.0	73.6
- prior year	-	-	(1.0)
Total current tax charge	35.3	40.0	72.6
Deferred tax			
- current year	2.2	(3.6)	3.2
- prior year	-	-	0.3
Total deferred tax	2.2	(3.6)	3.5
Total tax charge	37.5	36.4	76.1

Tax for the interim period is charged at 30.1% on profits before tax (Year to 31 December 2007 30.7% before impact of exceptional tax credit arising from rate change), representing the best estimate of the weighted average annual corporation tax rate expected for the full financial year. 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 resulted in an exceptional deferred tax credit of £4.3 million in the six months to 30 June 2007.

7 Earnings per share

a) Basic and diluted earnings per share

	Six months 30 June 2008 £m	Six months 30 June 2007 £m	Year 31 Dec 2007 £m
Earnings			
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the Parent	87.0	92.2	185.3
Number of shares	No.	No.	No.
Weighted average number of shares for the purposes of basic earnings per share	116,987,414	121,700,084	120,839,499
Dilutive effect of share options on potential shares	713,174	1,195,633	1,109,765
Weighted average number of shares for the purposes of diluted earnings per share	117,700,588	122,895,717	121,949,264

Notes to the interim financial statements**7 Earnings per share (continued)****b) Adjusted earnings per share**

Adjusted earnings per share is calculated by excluding the effect of the exceptional tax credit from earnings.

	Six months 30 June 2008 £m	Six months 30 June 2007 £m	Year 31 Dec 2007 £m
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the Parent	87.0	92.2	185.3
Exceptional tax credit	-	(4.3)	(4.2)
Earnings for adjusted earnings per share	87.0	87.9	181.1
Adjusted basic earnings per share	74.4p	72.2p	149.8p
Adjusted diluted earnings per share	73.9p	71.5p	148.4p

8 Dividends

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

	Six months 30 June 2008 £m	Six months 30 June 2007 £m	Year 31 Dec 2007 £m
Final dividend for the year ended 31 December 2007 of 30.4 pence (2006 25.3 pence) per share	35.6	30.8	30.8
Interim dividend for the year ended 31 December 2007 of 14.5 pence per share	-	-	17.3

The proposed interim dividend of 14.5 pence per ordinary share in respect of the year ending 31 December 2008 was approved by the Board on 29 July 2008 and has not been included as a liability as at 30 June 2008. It will be paid on 3 November 2008 to shareholders on the register on 3 October 2008. The shares will be quoted ex-dividend on 1 October 2008.

Notes to the interim financial statements

9 Borrowings

At 30 June 2008 the Group had the following borrowing facilities available:

	30 June 2008 £m	30 June 2007 £m	31 Dec 2007 £m
Drawn facilities			
US guaranteed senior notes	203.2	189.6	203.3
5 year term loan	525.0	227.0	183.6
5 year revolving credit facility	185.0	345.0	535.0
	913.2	761.6	921.9
Undrawn facilities			
5 year revolving credit facility	290.0	355.0	165.0
Bank overdrafts	50.0	25.0	50.0
	340.0	380.0	215.0

10 Share capital

	Authorised		Allotted	
	No.	£m	No.	£m
Ordinary shares of 10p				
At 1 January 2008	135,000,000	13.5	122,641,849	12.3
Allotted under share option schemes	-	-	77,265	-
At 30 June 2008	135,000,000	13.5	122,719,114	12.3

11 Acquisition of businesses

During the period the Group has acquired 10 limited companies with 42 branches for a combined value of £23.5 million (after adjusting for cash acquired at the date of acquisition) that resulted in goodwill of £21.9 million. Details of the acquisitions on an individual and on an aggregate basis are not material to the financial statements. All the acquisitions were accounted for using the purchase method of accounting.

On 4 April 2008 Travis Perkins plc acquired a 30% investment in Toolstation Limited for a total consideration of £5.2 million. In addition Travis Perkins plc has provided a non revolving loan facility totalling £7.8 million.

Notes to the interim financial statements

12 Net debt reconciliation

	30 June	30 June	31 Dec
	2008	2007	2007
	£m	£m	£m
Net debt at 1 January	(941.0)	(804.4)	(804.4)
Increase / (decrease) in cash and cash equivalents	1.0	(16.6)	(30.0)
Cash flows from debt	17.8	49.7	(96.5)
Fair value of derivatives	0.1	11.4	(2.3)
Increase / (decrease) in finance charges netted off bank debt	8.8	(0.3)	(1.7)
Finance lease surrendered	2.7	1.4	1.6
Loan notes issued	-	-	(7.7)
Net debt at 30 June / 31 December	(910.6)	(758.8)	(941.0)

13 Adjusted operating cash flow conversion rate

	Six months	Six months	Year
	30 June	30 June	31 Dec
	2008	2007	2007
	£m	£m	£m
Cash generated from operations	231.2	191.2	303.9
Special pension contributions	4.9	4.4	9.6
Net replacement capital expenditure	(24.1)	(17.9)	(36.7)
Adjusted operating cash flow	212.0	177.7	276.8
Operating profit	155.8	155.5	319.9
Adjusted operating cash flow conversion rate	136%	114%	87%

Independent Review Report to Travis Perkins plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 which comprises the income statement, the balance sheet, the statement of recognised income and expense, the cash flow statement and related notes 1 to 13. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements 2410 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte & Touche LLP
Chartered Accountants
Birmingham, UK
29 July 2008