TRAVIS PERKINS PLC

A Leader in Builders' Merchanting and Home Improvement Retailing

2005

INTERIM REPORT

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Financial highlights

£m	Six months to 30 June 2005 (Reviewed)	2004 (Reviewed)
Turnover	**1,291.2**	913.6
Operating profit	**137.4**	106.5
Profit before taxation	**110.0**	100.6
Profit after taxation	**74.5**	68.8
Total equity	**692.0**	532.5
Earnings per ordinary share:		
Basic	**61.8p**	60.6p
Diluted	**61.0p**	59.6p
Proposed dividend per ordinary share	**11.0p**	9.5p

Turnover up 41.3%

Profit before taxation up 9.3%

Basic earnings per share up 2.0%

Proposed dividend per share up 15.8%

Like-for-like free cash flow up 21.6% (Note 15)

Chairman's interim statement

This is our first set of results since the strategically important acquisition of Wickes in February this year. I am pleased to report good progress across our enlarged group in what has proved to be a more difficult market than we have experienced for some years.

Turnover at £1,291.2 million was 41.3 per cent ahead of the previous year. Operating profit was £137.4 million, compared with £106.5 million in 2004, an increase of 29 per cent and profit before tax, at £110 million is up by 9.3 per cent. Our operating margin decreased from 11.7 per cent to 10.6 per cent, reflecting the structural changes following the incorporation of Wickes in the group's results for the first time (0.7 percent) and acceleration of our brown field branch opening programme (0.2 per cent). Turnover and profit before tax in the non-Wickes related operations were £938.5 million and £101.6 million respectively and in respect of the Wickes acquisition £352.7 million and £8.4 million respectively.

The results are presented for the first time under International Financial Reporting Standards ("IFRS"). Profit before taxation is £5.1 million lower under IFRS than UK GAAP (excluding the effect of goodwill amortisation). A provision of £3.0 million for outstanding holiday entitlement at June 30, and the £1.3 million cost of share option schemes are the major components of the difference.

Basic earnings per share were up 2.0 per cent at 61.8 pence, compared with 60.6 pence in 2004.

Operating cash flows before movements in working capital at £165.4 million were 32.9 per cent higher than in the first half of 2004. Like-for-like free cash flow (as shown in note 15), calculated before expansionary capital expenditure, special pension contributions and dividends, was up 21.6 per cent at £104.2 million against £85.7 million in 2004. In addition to the £1,004.1 million net outlay on Wickes, cash outflow on expansion capital expenditure and acquisitions amounted to £39.1 million in the period compared to £35.1 million last year. Interest cover was lower but still comfortable at 5.7 times for the six months to June.

The Wickes acquisition increased proforma bank debt (as shown in note 13) at 31 December 2004, by £1,004.1 million, and the adoption of IAS 17 increased finance lease debt by a further £20 million. After allowing for these, our strong cash flows have reduced debt by £40.9 million over the six months to the end of June 2005.

An amount of £1.5 million in excess of normal contributions of £9.5 million was paid to reduce the pension fund deficit in the first half. There will be a further payment during the second half of approximately £20 million. At 30 June 2005, the pension deficit net of tax was £125.7 million comprising £94.5 million attributable to the TP scheme and £31.2 million to the Wickes' scheme. Over the period, the decline in the discount rate increased liabilities by more than the positive effect of increased contributions and good investment performance. Allowing for the acquisition of Wickes, the increase in the net deficit was £4.7 million.

Equity increased by £41.4 million during the first half to £692.0 million. Gearing reduced from a proforma level of 156.9 per cent (as shown in note 13) at 31 December 2004 to 142.6 per cent (as shown in note 12) at 30 June 2005. Our return on equity (as shown in note 17) in the period was 25.2 per cent compared to 29.2 per cent for the year ended 31 December 2004.

The board is increasing the interim dividend by 15.8 per cent from 9.5 pence to 11.0 pence, reflecting its continued confidence in the future prospects of the company.

Although we anticipate that the market will remain tough at least for the rest of this year, we are confident that the Group will continue to make further progress.

Tim Stevenson Chairman

2 September 2005

Chief executive's interim report

Markets

Underlying drivers of long-term growth in our markets remain strong. Demand for new dwellings continues to run ahead of current supply, with a 2005 forecast of 183,000 completions, some 90,000 short of the estimated annual requirement. Government surveys of the backlog of investment in public sector infrastructure such as schools and hospitals, including repairs and new builds, indicates significant extra investment is still required. The estimates of "non-decent" homes provided by local authorities and social housing schemes that require repair ranges between 1.2 and 2.2 million. Similarly, surveys of the state of dilapidation in private housing indicate over 30 per cent of homes require renovation. By early 2006 we expect to see the beneficial effect of infrastructure investment related to the 2012 London Olympics, estimated to contribute between half and one per cent annually to the national construction market.

During the first half, those elements of our markets related to government and commercial projects remained robust. However, the weakness in consumer spending experienced after the post-Christmas sales season particularly affected the home improvement market, with a sharp decline experienced in February exacerbated by the poor weather. Trading has remained fragile and those elements of our business directly serving retail customers – for example in Wickes and in showrooms in our merchant outlets – have not achieved expected volumes of activity.

In contrast, activity in the trade related parts of our business, including approximately one-third of Wickes activity, which is represented by trade customers, continued at satisfactory levels through the first quarter. We subsequently saw a small dip in trade market activity in the second quarter. Activity in trade markets has remained steady at this slightly lower level, with little perceptible change in levels of customer confidence.

We have also experienced an acceleration in product cost inflation to an average of 4.8 per cent in the merchant business, as manufacturers seek to compensate for the recent sharp increase in input costs. This has particularly affected metal products, cement, and oil-based products such as plastic drainage.

Capacity in both the merchant and retail sectors of the building materials distribution market has continued to expand. We estimate the annual rate of expansion for 2005 at 4.2 per cent overall in merchanting, with the greatest increase in plumbing and heating, and 5.3 per cent in home improvement retailing. Our own rate of expansion in merchanting is in line with the market rate.

Performance

Overall group turnover was up by 41.3 per cent, with 38.6 per cent contributed by the acquisition of Wickes. Like-for-like turnover per working day was down by 0.5 per cent, with an increase of 1.6 per cent in the Travis Perkins' builders merchant business and a decrease of 4.1 per cent in the specialist merchanting division (when combined defined as "Non-Wickes related" or "existing business"). This mainly reflected tough trading conditions in the plumbing and heating market. Like-for-like turnover in Wickes' core business (representing 83 per cent of its turnover) in the 26 weeks to June 26, 2005 was down by 4.2 per cent, whilst turnover in its showroom business was down by 8.4 per cent. Overall Wickes like-for-like turnover was lower by 4.9 per cent. The relatively poorer performance in the showroom category reflected both reduced consumer spending on 'big ticket' items within home improvement and the entry of new competitors.

The lower levels of activity in both the retail and trade segments of the repair, maintenance and improvement ("RMI") market were not fully compensated for by government and commercial sectors, so volumes of business fell short of our expectations. Our managers responded to the more challenging conditions and managed successfully to maintain trading margins, principally through improved mix, notwithstanding the impact of increased product inflation.

Product cost inflation eased deflationary pressures in the retail market as home improvement retailers sought to offset lower volumes with higher margins. Wickes also reined back expenditure on planned marketing and brand building activity in response to consumers' unwillingness to maintain spending levels. Recent data shows Wickes gaining market share slightly on a like-for-like basis. This supports our view that the Wickes proposition has enduring appeal to home improvers, and is less susceptible to seasonal and fashion-related trends than its competitors.

Against the background of a tough trading environment, our businesses reduced costs, tightened controls on discretionary expenditures and took steps to improve productivity. Group like-for-like sales per employee

increased by 4.7 per cent compared to the first half last year, with like-for-like numbers employed over the period falling by 451 (4.7%) in the merchanting businesses and by 284 (6.1%) in the retail business.

These actions have enabled us to mitigate much of the effect of the lower than anticipated volumes traded, with profit before tax in the existing business £1m ahead at £101.6 million, group operating profit up by 29 per cent and profit before tax, but after interest costs, including those associated with the acquisition of Wickes, up by 9.3 per cent.

Development of the group

The acquisition of the home improvement retailer, Wickes, was completed in February, adding a significant new channel to the group's building materials distribution business, which now comprises eight distinct operations serving over 190,000 trade customers and millions of consumers. Following the acquisition, a major integration programme was launched to pursue the synergies identified from the combination of the Wickes' retail business with the merchanting businesses of Travis Perkins. The bulk of this work involves teams of executives from Wickes and Travis Perkins working together on a series of projects to achieve lower costs in both goods-for-resale and bought in goods and services. At the same time, each team of executives was tasked with achieving a further set of stretched targets to build a contingency against possible price pressure in our markets and improve the overall resilience of the programme. The overall benefits achieved from the programme are running ahead of our original expectations and, despite lower than anticipated base volumes in both retailing and merchanting, we expect to beat our targets for benefits from this work for both 2005 and 2006.

In addition to 171 Wickes' branches, the group added 37 new branches to its merchanting operations, comprising 9 acquisitions and 28 brown field openings ahead of the record level achieved in the first half last year. Of these, 28 new branches were in the Travis Perkins builders merchant division, with 8 branches added to the specialist merchanting businesses, and 1 to the retail division. Our potential deal flow remains strong, and we expect to exceed the full year 2004 total of 51 net new branches in the merchanting division. Since the end of June we have added a further 15 new branches to all our businesses and we now trade from 972 locations in the UK. Given current market conditions, an increasing number of independent merchants are seeking to sell. Our regular post-investment audits continue to show that our new branches exceed the predicted financial performance made at the time of acquisition or opening, making a positive impact on overall return on capital.

People and organisation

Following the acquisition of Wickes, we have implemented a series of changes to our management arrangements and strengthened our management capabilities. A new executive committee of the board has been constituted, comprising the executive directors together with selected managing directors from the group's eight businesses and central functions. The executive committee formalises pre-existing arrangements and facilitates more effective management of the wider span of activities now represented in the group. In addition, the Wickes' board members have joined the pre-existing group trading board.

We have strengthened our property management through the appointment of Martin Meech as Group Property Director, who joins us in September from a FTSE 100 retailer. This will help us in an important aspect of our plans for the further development of the group through network expansion. We replaced the head of our plumbing and heating business with John Frost, the Managing Director responsible for building our highly successful Travis Perkins business in the South West. Norman Bell an external appointee with experience in both the trade and retail sectors, including a brief period at Wickes, has taken over responsibility for the South West.

Health and safety

The company remains committed to maintaining and improving its long-standing record of good performance. Accident frequency and severity rates in the existing business improved by 10 per cent and 12 per cent respectively over the first half last year and we are pleased to report there were no workplace fatalities. There was one prosecution during the six months to June 2005 relating to an incident that occurred in the Wickes organisation prior to the acquisition by the group.

Environment

We have continued to implement our environmental improvement programme across the group during 2005. In relation to timber procurement, the certified proportion of raw material content has continued to rise and, including Wickes, has now reached 70% overall. In addition, we have now achieved FSC and PEFC chain of custody certification for all generalist merchant branches that sell timber products and FSC chain of custody certification for all Wickes stores. The group is now well positioned to be able to supply well-managed timber across a wide range of products nationwide.

Outlook

With the acquisition of Wickes, the group has considerably improved its potential to grow in the UK building materials distribution market through a combination of acquisition and brown field openings. We intend to maintain the increased pace of branch expansion, increasing our ability to compete through scale advantages, and growing group returns. The strength of our current pipeline, for both new merchant outlets and retail sites, gives us confidence we will meet our business expansion targets.

The excellent progress made on the integration of Wickes and on achieving our stretched targets for benefits will help us cope with the adverse effects of the downturn in consumer sentiment. We aim to drive further improvements in performance to achieve the originally predicted level of shareholder value. To this end, we have accelerated integration of back office and other functions at Wickes with their counterparts at Travis Perkins and are taking steps to improve the attractiveness of the Wickes' proposition.

We expect the tougher trading environment experienced in recent months to continue for the remainder of the year. Since the end of the first half-year, the merchanting market has been stable and the trend of our like-for-like sales per working day in July and August improved slightly to minus 0.1%. However, the UK retail environment has experienced a tough summer, with the DIY sector suffering more than most other non-food sectors. Our retail like-for-like sales per working day in July and August were down 7.4% on last year, in the core business. The recent cut in interest rates, although helpful, has not resulted in a significant change in sentiment. Further reductions in borrowing costs and in other pressures on disposable incomes are likely to be necessary before the group can expect stronger markets in 2006.

With anticipated lower volume growth, we have taken early action to cut costs, reduce headcount, and to build on our traditional strengths to serve customers better. Looking beyond 2005, we intend to continue this approach to drive further improvements in performance so as to combat anticipated market conditions and deal with impending cost pressures, particularly in energy, fuel and pensions.

Our executive teams have managed the challenging conditions well and this gives us confidence that, as we leverage our increased scale we can continue to grow profits and return on capital.

Geoff Cooper Chief Executive

2 September 2005

Independent review report to Travis Perkins plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2005 which comprises the income statement, the balance sheet, the cash flow statement, the statement of recognised income and expense and related notes 1 to 17. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with Bulletin 1999/4 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 interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

International Financial Reporting Standards

As disclosed in note 1, the next annual financial statements of the group will be prepared in accordance with International Financial Reporting Standards as adopted for use in the EU. Accordingly, the interim report has been prepared in accordance with the recognition and measurement criteria of IFRS and the disclosure requirements of the Listing Rules. The accounting policies are consistent with those that the directors intend to use in the annual financial statements. There is, however, a possibility that the directors may determine that some changes to these policies are necessary when preparing the full annual financial statements for the first time in accordance with IFRS, as adopted for use in the EU. This is because, as disclosed in note 1, the directors have anticipated that the European Commission will endorse the amendment to IAS 19 "Employee Benefits" – Actuarial Gains and Losses, Group Plans and Disclosures issued by the International Accounting Standards Board in December 2004.

Independent review report (continued)

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2005.

Deloitte & Touche LLP

Chartered Accountants

Birmingham

2 September 2005

Consolidated income statement

£m	Non-Wickes related	Impact of Wickes (Note below)	Six months 30 June 2005 Total (Reviewed)	Six months 30 June 2004 (Reviewed) (Restated)	Year 31 Dec 2004 (Audited) (Restated)
Revenue	938.5	352.7	**1,291.2**	913.6	1,828.6
Operating profit	106.2	31.2	**137.4**	106.5	217.7
Finance costs (Note 4)	(4.6)	(22.8)	**(27.4)**	(5.9)	(11.2)
Profit before taxation	101.6	8.4	**110.0**	100.6	206.5
Income tax expense (Note 5)	(32.3)	(3.2)	**(35.5)**	(31.8)	(64.4)
Retained profit transferred to reserves	69.3	5.2	**74.5**	68.8	142.1
Earnings per ordinary share (Note 6):					
Basic			**61.8p**	60.6p	124.4p
Diluted			**61.0p**	59.6p	123.0p
Proposed dividend per ordinary share (Note 7)			**11.0p**	9.5p	30.5p

All results relate to continuing operations.

Note:
The column headed "Impact of Wickes" includes the post acquisition result of Wickes, together with the synergies that have arisen, and the additional finance costs incurred by the group, as a result of the acquisition.

Statement of recognised income and expense

£m	Six months 30 June 2005 (Reviewed)	Six months 30 June 2004 (Reviewed) (Restated)	Year 31 Dec 2004 (Audited) (Restated)
Actuarial gains and losses on defined benefit pension scheme	**(8.6)**	10.8	(32.5)
Deferred tax on pension deficit	**1.7**	(4.8)	2.0
Net income recognised directly in equity	**(6.9)**	6.0	(30.5)
Profit for the period	**74.5**	68.8	142.1
Total recognised income and expense for the period	**67.6**	74.8	111.6

Consolidated balance sheet

£m	As at 30 June 2005 (Reviewed)	As at 30 June 2004 (Reviewed) (Restated)	As at 31 Dec 2004 (Audited) (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	452.3	320.9	340.7
Goodwill	1,239.2	294.1	304.8
Other intangible assets	162.5	–	–
Investment property	4.0	4.2	4.2
Deferred tax asset	53.8	31.7	38.5
Total non-current assets	1,911.8	650.9	688.2
Current assets			
Inventories	277.2	184.6	200.6
Trade and other receivables	361.8	308.6	287.8
Cash and cash equivalents	26.1	33.9	116.9
Total current assets	665.1	527.1	605.3
Total assets	2,576.9	1,178.0	1,293.5

Consolidated balance sheet (continued)

£m	As at 30 June 2005 (Reviewed)	As at 30 June 2004 (Reviewed) (Restated)	As at 31 Dec 2004 (Audited) (Restated)
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	12.1	11.3	12.1
Share premium account	161.8	70.0	159.2
Revaluation reserves	26.5	27.1	26.7
Hedging reserve	(5.3)	–	–
Accumulated profits	496.9	424.1	452.6
Total equity	692.0	532.5	650.6
Non-current liabilities			
Interest bearing loans and borrowings	1,025.8	142.9	137.8
Deferred tax liabilities	79.0	28.6	38.3
Retirement benefit obligation	179.5	105.7	128.3
Long-term provisions	7.6	–	–
Total non-current liabilities	1,291.9	277.2	304.4
Current liabilities			
Trade and other payables	490.3	293.7	272.5
Tax liabilities	61.2	51.5	43.5
Interest bearing loans and borrowings	5.3	1.2	0.8
Unsecured loan notes	8.9	10.6	9.0
Short-term provisions	27.3	11.3	12.7
Total current liabilities	593.0	368.3	338.5
Total liabilities	1,884.9	645.5	642.9
Total equity and liabilities	2,576.9	1,178.0	1,293.5

The interim financial statements were approved by the board of directors on 2 September 2005.

Signed on behalf of the board of directors.

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

Consolidated cash flow statement

£m	Six months 30 June 2005 (Reviewed)	Six months 30 June 2004 (Reviewed) (Restated)	Year 31 Dec 2004 (Audited) (Restated)
Operating profit	**137.4**	106.5	217.7
Adjustments for:			
Depreciation of property, plant and equipment	**26.8**	16.0	33.1
Other non cash movements	**1.3**	2.3	(0.3)
Gain on disposal of property, plant and equipment	**(0.1)**	(0.3)	(0.2)
Operating cash flows before movements in working capital	**165.4**	124.5	250.3
Increase in inventories	**(3.9)**	(2.3)	(15.7)
Increase in receivables	**(44.0)**	(37.8)	(14.3)
Increase in payables	**42.0**	49.7	28.4
Additional cash payments to the pension scheme	**(1.5)**	(5.1)	(25.8)
Cash generated from operations	**158.0**	129.0	222.9
Interest paid	**(14.7)**	(3.6)	(8.5)
Income taxes paid	**(26.7)**	(26.9)	(54.2)
Net cash from operating activities	**116.6**	98.5	160.2
Cash flows from investing activities			
Interest received	**0.2**	0.2	0.5
Proceeds on disposal of property, plant and equipment	**3.1**	1.3	2.2
Purchases of property, plant and equipment	**(39.7)**	(33.5)	(67.3)
Acquisition of businesses net of cash acquired	**(1,020.7)**	(21.0)	(39.0)
Net cash used in investing activities	**(1,057,1)**	(53.0)	(103.6)
Financing activities			
Proceeds from issuance of share capital	**2.6**	0.6	90.6
Dividends paid	**(25.3)**	(19.0)	(30.0)
Payment of finance leases liabilities	**(1.1)**	(0.5)	(1.0)
Repayment of unsecured loan notes	**(0.1)**	(1.6)	(3.2)
Increase/(decrease) in bank loans	**873.6**	(25.0)	(30.0)
Net cash from/(used in) financing activities	**849.7**	(45.5)	26.4
Net (decrease)/increase in cash and cash equivalents	**(90.8)**	–	83.0
Cash and cash equivalents at beginning of period	**116.9**	33.9	33.9
Cash and cash equivalents at end of period	**26.1**	33.9	116.9

Notes to the interim financial statements

1. General information and accounting policies

Basis of preparation

From 2005 the group will prepare its consolidated accounts in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union. The group's first IFRS based results are its interim results for the six months ended 30 June 2005 and the first Annual Report under IFRS will be for the year ending 31 December 2005. As a result, the comparative amounts included in these Interim Financial Statements that are shown in the consolidated balance sheet, consolidated income statement and statement of recognised income and expense have been restated under IFRS from the UK Financial Reporting Standard ("UK GAAP") values originally published by the group.

Reconciliations of the group's UK GAAP balance sheets to its preliminary IFRS balance sheets at 1 January 2004 ("the opening balance sheet"), 30 June 2004 and 31 December 2004 together with reconciliations of the group's UK GAAP profit and loss accounts to its preliminary IFRS income statement for the six months to 30 June 2004 and year to 31 December 2004 are shown in note 11. These preliminary IFRS financial statements will form the basis of the comparative information in the group's first IFRS Annual Report.

IFRS are subject to continuing review and amendment by the International Accounting Standards Board ("IASB") and subsequent endorsement by the European Commission and therefore are subject to change. Therefore, in determining the group's IFRS accounting policies, the Board of Directors has used its best endeavours in making assumptions about those IFRS expected to be effective or available for adoption when the first IFRS annual financial statements are prepared for the year ending 31 December 2005. In particular, the Directors have assumed that the European Commission will endorse the amendment to IAS 19 "Employee Benefits" – Actuarial Gains and Losses, Group Plans and Disclosures issued by the International Accounting Standards Board in December 2004. In addition, the Directors have taken advantage of the exemption available under IFRS 1 to only apply IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement" from 1 January 2005. As the accounting policies used to prepare the Interim Financial Statement may need to be updated for any subsequent amendment to IFRS required for first time adoption, or any new IFRS the group may elect to adopt early, it is possible that the preliminary opening balance sheet and IFRS comparatives may require adjustment before being finalised.

The Interim Financial Statements have been prepared on the historic cost basis, except that derivative financial instruments are stated at their fair value. The consolidated Interim Financial Statements include the accounts of the company and all its subsidiaries.

The financial information for the six months ended 30 June 2005 and 30 June 2004 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 pages 9 and 10 of this Interim Report. A copy of the statutory accounts for the year ended 31 December 2004 as prepared under UK GAAP has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified.

The principal accounting policies applied in preparing the Interim Financial Statement are set out below:

Revenue recognition

Revenue is recognised when goods or services are received by the customer and the risks and rewards of ownership have passed to them. Revenue is measured at the fair value of consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and value added tax.

Business combinations

All business combinations are accounted for using the purchase method. In accordance with the transitional provisions of IFRS 1, the basis of accounting for pre-transition (1 January 2004) combinations under UK GAAP has not been revisited. The initial carrying amount of assets and liabilities acquired in such business combinations is deemed to be equivalent to cost.

1. General information and accounting policies (continued)

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

Goodwill

Goodwill represents the excess of the cost of acquisition over the share of the fair value of identifiable net assets (including intangible assets) of a business or a subsidiary at the date of acquisition. In accordance with IFRS 3, with effect from 1 January 2004, goodwill allocated to cash generating units is not amortised, but is reviewed annually for impairment and as such is stated in the balance sheet at cost less any provision for impairment in value.

Intangible assets

Intangible assets identified as part of the assets of an acquired business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition. Intangible assets are amortised to the consolidated income statement on a straight-line basis over a maximum of 20 years except where they are considered to have an indefinite useful life. In the latter instance they are reviewed annually for impairment.

Property, plant and equipment

Property, plant and equipment is stated at cost or deemed cost less accumulated depreciation and any impairment in value. Assets are depreciated to their estimated residual value on a straight-line basis over their estimated useful lives as follows:

- Buildings – 50 years or if lower, the estimated useful life of the building or the life of the lease.
- Plant and equipment – 4 to 10 years.
- Land is not depreciated.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter the term of the lease.

Properties held for resale

Properties held for resale are surplus to the group's requirements and are transferred to current assets and shown at the lower of cost and net realisable value. The appropriate transfer from revaluation reserves is offset against the value transferred from fixed assets. Profits on the sale of properties are calculated by deducting the amounts at which they were stated in the balance sheet from the sale proceeds net of expenses.

Investment properties

Investment properties are properties held to earn rental income and are stated at cost less depreciation. Properties are depreciated to their estimated residual value on a straight-line basis over their estimated useful lives, up to a maximum of 50 years.

Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease.

Leases

Finance leases, which transfer to the group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Operating lease rental payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

1. General information and accounting policies (continued)

Impairment

The carrying amounts of the group's assets other than inventories are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated and compared to its carrying value. Where the carrying value exceeds the recoverable amount a provision for the impairment loss is established with a charge being made to the income statement.

For goodwill and intangible assets that have an indefinite useful life the recoverable amount is estimated at each annual balance sheet date.

Impairment losses recognised in respect of cash generating units ("CGU") are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

Goodwill was tested for impairment at the date of transition to IFRS, 1 January 2004, even though no indication of impairment existed.

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price less the estimated costs of disposal.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and short term draw downs of the revolving credit facility which form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purposes of the statement of cash flows.

Arrangement fees

Costs associated with arranging a bank facility are recognised in the income statement over the life of the facility.

Derivative financial instruments

The group uses derivative financial instruments to hedge its exposure to interest rate risks arising from financing activities. The group does not enter into speculative financial instruments. In accordance with its treasury policy, the group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The fair value of interest rate derivatives is the estimated amount the group would receive or pay to terminate the derivative at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

Where conditions for hedge accounting are met the portion of the gains or losses on the hedging instrument that are determined to be an effective hedge are recognised directly in equity and the ineffective portion is recognised in the income statement. The gains or losses that are recognised in equity are transferred to the income statement in the same period in which the hedged firm commitment affects the income statement.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement.

Derivatives embedded in commercial contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the underlying contracts, with unrealised gains or losses being reported in the income statement.

1. General information and accounting policies (continued)

Taxation

The tax expense represents the sum of the tax currently payable and the deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items which are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Pensions and other post-employment benefits

For defined benefit schemes, operating profit is charged with the cost of providing pension benefits earned by employees in the period. The expected return on pension scheme assets less the interest on pension scheme liabilities is shown as a finance cost within the income statement.

Actuarial gains and losses arising in the period from the difference between actual and expected returns on pension scheme assets, experience gains and losses on pension scheme liabilities and the effects of changes in demographics and financial assumptions are included in the statement of recognised income and expense.

Recoverable pension scheme surpluses and pension scheme deficits and the associated deferred tax balances are recognised in full in the period to which they occur and are included in the balance sheet.

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Employee share incentive plan

The group issues equity-settled share-based payments to certain employees (Executive share options and Save As You Earn), which do not include market related conditions. These payments are measured at fair value at the date of grant by use of the Black Scholes model taking into account the terms and conditions upon which the options were granted. The cost of equity settled awards is recognised on a straight-line basis over the vesting period, based on the group's estimate of the number of shares that will eventually vest. No cost is recognised for awards that do not ultimately vest.

Provisions

A provision is recognised in the balance sheet when the group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Dividends

Dividends proposed by the board of directors and unpaid at the period end are not recognised in the financial statements until they have been approved by shareholders at the Annual General Meeting.

2. Business segments

For management purposes, the group is currently organised into two operating divisions – Builders Merchanting and DIY Retailing. These divisions are the basis on which the group reports its primary segment information. Segment information about these businesses for the six months ended 30 June 2005 is presented below.

£m	Builders Merchanting	DIY Retailing	Eliminations	Consolidated
Revenue	938.5	352.7	–	**1,291.2**
Result				
Segment result	107.0	31.2	–	**138.2**
Unallocated corporate expenses				**(0.8)**
Finance costs				**(27.4)**
Profit before taxation				**110.0**
Taxation				**(35.5)**
Net profit				**74.5**

There are no inter-segment sales or charges.

Other information				
Segment assets	1,233.1	1,316.9	–	**2,550.0**
Unallocated corporate assets				**26.9**
Consolidated total assets				**2,576.9**
Segment liabilities	(503.4)	(298.8)	–	**(802.2)**
Unallocated corporate liabilities				**(1,082.7)**
Consolidated total liabilities				**(1,884.9)**
Consolidated net assets	729.7	1,018.1		
Capital expenditure	30.9	8.8		**39.7**
Depreciation	18.9	7.9		**26.8**

3. Pension scheme

£m	Builders Merchanting	DIY Retailing	Total
Gross deficit 1 January 2005	(128.3)	–	(128.3)
Deficit at date of acquisition	–	(45.4)	(45.4)
Current service costs	(6.0)	–	(6.0)
Contributions	11.0	–	11.0
Other finance costs	(1.6)	(0.6)	(2.2)
Actuarial (loss)/gain – corporate bond yields	(27.0)	(0.3)	(27.3)
– return on assets	10.4	1.2	11.6
– other	6.6	0.5	7.1
Gross deficit at 30 June 2005	(134.9)	(44.6)	(179.5)
Deferred tax asset	40.4	13.4	53.8
Net deficit at 30 June 2005	(94.5)	(31.2)	(125.7)

4. Finance costs

£m	Six months 30 June 2005	Six months 30 June 2004	Year 31 Dec 2004
Loan and other bank interest	23.9	4.1	8.4
Finance lease charges	1.3	–	–
Other finance costs – pension schemes	2.2	1.8	2.8
	27.4	5.9	11.2
Interest cover (times)	5.7	26.0	25.9

Interest cover is calculated by dividing operating profit by loan and other bank interest.

5. Income tax expense

£m		Six months 30 June 2005	Six months 30 June 2004	Year 31 Dec 2004
Current tax:				
UK corporation tax	– current year	36.0	30.5	54.3
	– prior year	–	–	0.9
Total current tax		36.0	30.5	55.2
Deferred tax:	– current year	(0.5)	1.3	10.1
	– prior year	–	–	(0.9)
Total deferred tax		(0.5)	1.3	9.2
Total tax charge		35.5	31.8	64.4

Tax for the interim period is charged at 32.3% (2004: Year to 31 December 2004 31.2%), representing the best estimate of the weighted average annual corporation tax rate expected for the full financial year.

6. Earnings per share

£m	Six months 30 June 2005	Six months 30 June 2004	Year 31 Dec 2004
Earnings			
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	74.5	68.8	142.1
Number of shares			
Weighted average number of ordinary shares for the purposes of basic earnings per share	120,657,659	113,452,820	114,232,096
Dilutive effect of share options on potential ordinary shares	1,538,168	2,023,619	1,322,132
Weighted average number of ordinary shares for the purposes of diluted earnings per share	122,195,827	115,476,439	115,554,228

7. Dividends

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

£m	Six months 30 June 2005	Six months 30 June 2004	Year 31 Dec 2004
Final dividend for the year ended 31 December 2004 of 21.0 pence (2003: 16.8 pence) per ordinary share	25.3	19.0	19.0
Interim dividend for the year ended 31 December 2004 of 9.5 pence per ordinary share			11.0

The proposed interim dividend of 11.0 pence per ordinary share in respect of the year ending 31 December 2005 was approved by the Board on 2 September 2005 and in accordance with IFRS has not been included as a liability as at 30 June 2005. It will be paid on 28 October 2005 to shareholders on the register on 30 September 2005.

8. Bank overdrafts and loans

On completion of the acquisition of Wickes Limited on 11 February 2005, a new five-year facility comprising a £500 million term loan and a £700 million revolving credit facility was partly drawn. At 30 June 2005 the group had the following bank facilities available:

£m	30 June 2005	30 June 2004	31 Dec 2004
Drawn facilities			
5 year term loan	500.0	–	–
5 year revolving credit facility	500.0	–	–
Bilateral loans	–	125.0	120.0
	1,000.0	125.0	120.0
Undrawn facilities			
5 year term loan	–	–	500.0
5 year revolving credit facility	200.0	–	700.0
Bank overdrafts	25.0	54.0	54.0
364 day uncommitted facilities	–	78.0	78.0
	225.0	132.0	1,332.0

9. Share capital

	Authorised		Allotted	
Ordinary shares of 10p	No.	£m	No.	£m
At 1 January 2005	135,000,000	13.5	120,519,379	12.1
Allotted under share option schemes	–	–	290,692	–
At 30 June 2005	135,000,000	13.5	120,810,071	12.1

10. Acquisition of businesses

On 11 February 2005, the group acquired 100% of the issued share capital of Wickes Limited for cash consideration of £1,010.8 million. This transaction has been accounted for by the purchase method of accounting.

Wickes fair value table

£m	IFRS book value	Provisional fair value adjustments	Provisional fair value
Net assets acquired			
Property, plant and equipment	105.4	(6.0)	99.4
Inventories	69.4	0.4	69.8
Trade and other receivables	27.6	(1.7)	25.9
Cash and cash equivalents	6.7	–	6.7
Trade and other payables	(190.1)	(11.5)	(201.6)
Retirement benefit obligations	(12.1)	(19.7)	(31.8)
Tax liabilities	(0.6)	4.9	4.3
	6.3	(33.6)	(27.3)
Other intangible assets (net of deferred tax)			113.7
Goodwill			917.5
Costs not charged to goodwill			6.9
			1,010.8
Satisfied by:			
Cash			994.3
Directly attributable costs included in goodwill			9.6
			1,003.9
Directly attributable costs not included in goodwill			6.9
			1,010.8

The net amount paid after deducting £6.7m of cash in Wickes at the date of acquisition was £1,004.1m.

In addition during the period the group has acquired 7 new businesses with 9 branches for a combined value of £23.5m (after adjusting for cash acquired at the date of acquisition) which resulted in goodwill of £16.9m.

11. Explanation of transition to IFRS

The reconciliations of equity at 1 January 2004 (date of transition to IFRS), at 31 December 2004 (date of last UK GAAP financial statements) and at 30 June 2004 have been included below to enable a comparison of the 2005 published interim figures with those published in the corresponding period of the previous financial year. In addition, there is also the reconciliation of the UK GAAP profit for the year ended 31 December 2004 and six months ended 30 June 2004 to the profit restated under IFRS.

The significant changes as a result of the transition to IFRS and of adopting the IFRS group accounting policies are described below.

IFRS 2 Share-based payments

In accordance with IFRS 2, the group has recognised a charge reflecting the fair value of outstanding share options granted to employees since 7 November 2002. The fair value has been calculated using the Black Scholes valuation model and is charged to profit over the relevant option vesting period, adjusted to reflect actual and expected levels of vesting. The impact of this change has been a charge of £1.4m to operating profit for the year to 31 December 2004 and of £0.7m for the six months to 30 June 2004.

11. Explanation of transition to IFRS (continued)

IFRS 3 Business combinations

IFRS 3 prohibits the amortisation of goodwill. The standard requires goodwill to be carried at cost less impairment. Impairment reviews should be carried out annually and also when there are indications that the carrying value may not be recoverable. As permitted by IFRS 1, the Group has chosen to apply IFRS 3 prospectively from 1 January 2004, the date of transition, and has chosen not to restate previous business combinations. Therefore, goodwill is stated in the opening balance sheet at 1 January 2004 at its UK GAAP carrying value of £285.7m with the subsequent 2004 amortisation being reversed. The impact on operating profit is a credit of £17.4m for the year ended 31 December 2004 and a credit of £8.5m for the six months ended 30 June 2004.

IAS 12 Income taxes

IAS 12 requires entities to calculate deferred taxation based on temporary differences, which are defined as the difference between the carrying amount of assets/liabilities and their tax base. As a result, the group has provided an additional £19.1m of deferred tax liabilities in its opening balance sheet, £16.7m at 30 June 2004 and £18.8m at 31 December 2004 that were not required under UK GAAP. These arise from the potential tax gains on the revaluation of fixed assets, on certain acquired buildings that do not qualify for industrial building allowances and from the effect of implementing IFRS 2. Where required, deferred tax has been provided on all other IFRS adjustments.

IAS 16 Property, plant and equipment

In accordance with IFRS 1, the group has elected, where appropriate, to use the revaluation carrying amount of certain properties as the "deemed cost" on transition to IFRS.

IAS 17 Leases

Under IAS 17, a lease is classified as a finance lease if it transfers substantially all the risks and rewards of ownership to the lessee. Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the lower of the fair value of the property and the present value of the minimum lease payments at inception of the leases. The impact of the new standard means that a number of property leases will now be capitalised. This has resulted in an increase to fixed assets of £14.4m and creditors of £18.5m giving a net decrease to net assets of £4.1m and a credit of £1.0m to operating profit for the year to 31 December 2004, with a decrease to net assets of £4.2m and a credit of £0.5m to operating profit (£0.1m to profit before tax) for the six months to 30 June 2004.

IAS 19 Employee benefits

As the group has an obligation to its employees to pay accrued holiday entitlement, IAS 19 requires it to accrue for holidays earned by its employees, but not taken by the balance sheet date. Whilst the holiday pay year is co-terminus with the statutory year-end, at the half-year employees have earned but not taken holidays. Therefore, whilst it is expected that the accrual in the Interim Financial Statements will be broadly similar in magnitude each year, there is a balance sheet movement and income statement impact between the first and second half of the financial year. This has resulted in a charge of £2.5m to operating profit for the six months ended 30 June 2004, which has been reversed in the second half.

IAS 37 Provisions

Under IAS 37, a provision should only be recognised when there is a present legal or constructive obligation to transfer resources. For Travis Perkins plc, no such obligation to pay a dividend exists until the shareholders give formal approval to the proposed dividend at the annual general meeting. Therefore under IFRS, the group will no longer accrue unapproved dividends at period ends. This has resulted in an increase in net assets of £19.0m at 1 January 2004, the opening balance sheet date, £10.8m at 30 June 2004 and £25.3m at 31 December 2004.

IAS 32 Financial instruments: Disclosure and presentation and IAS 39 Financial instruments: Recognition and measurement

The group has elected not apply IAS 32 and IAS 39 to periods ended on or prior to 31 December 2004. The company has not identified any significant adjustments would be required to prior periods if IAS 32 and IAS 39 were applied retrospectively.

11. Explanation of transition to IFRS (continued)

IAS 40 Investment properties

IAS 40 allows the group to recognise investment properties at cost and depreciate them over their estimated useful lives or at fair value. The group has chosen to adopt the cost model with the result that operating profits for the year ended 31 December 2004 were reduced by £0.1m (6 months ended 30 June 2004 £0.1m). The carrying value of investment properties at 31 December 2004 was increased by £0.3m to £4.2m after depreciation.

In accordance with the transitional rules set out in IFRS 1 the cost of investment properties held at 1 January 2004 is deemed to be the same as the fair value of the properties at the date.

Reconciliations

The following tables reconcile the previously reported UK GAAP numbers with those now prepared under IFRS.

Reconciliation of UK GAAP profit to IFRS profit for the six months ended 30 June 2004

£m	UK GAAP	Effect of transition to IFRS	IFRS
Revenue	913.6	–	913.6
Operating profit	100.8	5.7	106.5
Finance costs	(5.5)	(0.4)	(5.9)
Profit before taxation	95.3	5.3	100.6
Tax expense	(31.4)	(0.4)	(31.8)
Net profit	63.9	4.9	68.8
Basic earnings per share	56.3p	4.3p	60.6p
Diluted earnings per share	55.3p	4.3p	59.6p
Adjusted earnings per share (earnings before goodwill amortisation)	63.8p	(3.2)p	60.6p

Reconciliation of UK GAAP profit to IFRS profit for the year ended 31 December 2004

£m	UK GAAP	Effect of transition to IFRS	IFRS
Revenue	1,828.6	–	1,828.6
Operating profit	200.8	16.9	217.7
Finance costs	(10.4)	(0.8)	(11.2)
Profit before taxation	190.4	16.1	206.5
Tax expense	(60.3)	(4.1)	(64.4)
Net profit	130.1	12.0	142.1
Basic earnings per share	113.9p	10.5p	124.4p
Diluted earnings per share	112.6p	10.4p	123.0p
Adjusted earnings per share (earnings before goodwill amortisation)	129.1p	(4.7)p	124.4p

11. Explanation of transition to IFRS (continued)

Reconciliation of UK GAAP equity shareholders' funds to IFRS equity shareholders' funds

	At 1 January 2004			At 31 December 2004		
£m	UK GAAP	Effect of transition to IFRS	IFRS	UK GAAP	Effect of transition to IFRS	IFRS
Property, plant and equipment	284.7	15.1	299.8	326.3	14.4	340.7
Goodwill	285.7	–	285.7	287.4	17.4	304.8
Investment property	4.3	–	4.3	3.9	0.3	4.2
Deferred tax asset	–	36.5	36.5	–	38.5	38.5
Total non-current assets	574.7	51.6	626.3	617.6	70.6	688.2
Inventories	178.1	–	178.1	200.6	–	200.6
Trade and other receivables	265.6	–	265.6	287.8	–	287.8
Cash and cash equivalents	33.9	–	33.9	116.9	–	116.9
Total current assets	477.6	–	477.6	605.3	–	605.3
Total assets	1,052.3	51.6	1,103.9	1,222.9	70.6	1,293.5
Issued capital	11.3	–	11.3	12.1	–	12.1
Share premium account	69.4	–	69.4	159.2	–	159.2
Revaluation reserve	30.6	(3.5)	27.1	29.8	(3.1)	26.7
Accumulated profits	365.7	(0.9)	364.8	429.4	23.2	452.6
Total equity	477.0	(4.4)	472.6	630.5	20.1	650.6
Interest bearing loans and borrowings	150.0	18.3	168.3	120.0	17.8	137.8
Deferred tax liability	10.2	19.1	29.3	19.5	18.8	38.3
Employee benefits	85.1	36.5	121.6	89.8	38.5	128.3
Total non-current liabilities	245.3	73.9	319.2	229.3	75.1	304.4
Trade and other payables	264.4	(19.0)	245.4	297.8	(25.3)	272.5
Current tax liability	43.3	–	43.3	43.5	–	43.5
Interest bearing loans and borrowings	0.2	1.1	1.3	0.1	0.7	0.8
Unsecured loan notes	12.2	–	12.2	9.0	–	9.0
Short-term provisions	9.9	–	9.9	12.7	–	12.7
Total current liabilities	330.0	(17.9)	312.1	363.1	(24.6)	338.5
Total liabilities	575.3	56.0	631.3	592.4	50.5	642.9
Total equity and liabilities	1,052.3	51.6	1,103.9	1,222.9	70.6	1,293.5

11. Explanation of transition to IFRS (continued)

Reconciliation of UK GAAP equity shareholders' funds to IFRS equity shareholders' funds as at 30 June 2004

£m	UK GAAP	Effect of transition to IFRS	IFRS
Property, plant and equipment	306.1	14.8	320.9
Goodwill	285.6	8.5	294.1
Investment property	4.3	(0.1)	4.2
Deferred tax asset	–	31.7	31.7
Total non-current assets	596.0	54.9	650.9
Inventories	184.6	–	184.6
Trade and other receivables	308.6	–	308.6
Cash and cash equivalents	33.9	–	33.9
Total current assets	527.1	–	527.1
Total assets	1,123.1	54.9	1,178.0
Issued capital	11.3	–	11.3
Share premium account	70.0	–	70.0
Revaluation reserve	30.6	(3.5)	27.1
Accumulated profits	424.8	(0.7)	424.1
Total equity	536.7	(4.2)	532.5
Interest bearing loans and borrowings	125.0	17.9	142.9
Deferred tax liability	11.9	16.7	28.6
Employee benefits	74.0	31.7	105.7
Total non-current liabilities	210.9	66.3	277.2
Trade and other payables	302.0	(8.3)	293.7
Current tax liability	51.5	–	51.5
Interest bearing loans and borrowings	0.1	1.1	1.2
Unsecured loan notes	10.6	–	10.6
Short-term provisions	11.3	–	11.3
Total current liabilities	375.5	(7.2)	368.3
Total liabilities	586.4	59.1	645.5
Total equity and liabilities	1,123.1	54.9	1,178.0

12. Gearing

£m	30 June 2005	30 June 2004	31 Dec 2004
Net debt	(1,013.9)	(120.8)	(30.7)
IAS 17 Finance leases	33.3	19.0	18.5
Finance charges netted off bank debt	(6.5)	–	–
Adjusted net debt	(987.1)	(101.8)	(12.2)
Total equity	692.0	532.5	650.6
Gearing (adjusted net debt divided by total equity)	142.6%	19.1%	1.9%

13. 31 December 2004 proforma net debt and proforma gearing

	£m
Net debt at 31 December 2004	(30.7)
Debt to acquire Wickes (Note 10)	(1,010.8)
Finance leases acquired	(20.0)
Cash acquired	6.7
Proforma net debt at 31 December 2004	(1,054.8)
Net debt at 30 June 2005	(1,013.9)
Net debt reduction in 2005	40.9
Proforma net debt at 31 December 2004	(1,054.8)
IAS 17 finance leases	33.7
Adjusted net debt	(1,021.1)
Total equity	650.6
Proforma gearing	156.9%

14. Reconciliation of movement in cash and cash equivalents to net debt

£m	30 June 2005	30 June 2004	31 Dec 2004
Net debt at 1 January	(30.7)	(147.9)	(147.9)
(Decrease)/increase in cash and cash equivalents	(90.8)	–	83.0
Cash flows from debt	(872.0)	27.1	34.2
Amortisation of finance charges	(0.4)	–	–
Finance leases acquired	(20.0)	–	–
Net debt at 30 June/31 December	(1,013.9)	(120.8)	(30.7)

15. Like-for-like free cash flow

£m	Six months 30 June 2005	Six months 30 June 2004	Year 31 Dec 2004
Net debt at 1 January	(30.7)	(147.9)	(147.9)
Net debt at 30 June/31 December	(1,013.9)	(120.8)	(30.7)
Movement in net debt	(983.2)	27.1	117.2
Wickes finance leases acquired	20.0	–	–
Dividends	25.3	19.0	30.0
Net cash outflow for expansion capital expenditure	22.5	14.1	29.3
Net cash outflow for acquisitions	1,020.7	21.0	39.0
Shares issued	(2.6)	(0.6)	(90.6)
Special pension contributions	1.5	5.1	25.8
Like-for-like free cash flow	104.2	85.7	150.7

16. Reconciliation of UK GAAP profit to IFRS profit for the six months ended 30 June 2005

£m	UK GAAP	Effect of IFRS	IFRS
Revenue	1,291.2	–	1,291.2
Profit on operating activities before amortisation and impairment charges	141.0	(3.6)	137.4
Amortisation and impairment of intangibles	(28.9)	28.9	–
Operating profit	112.1	25.3	137.4
Finance costs	(25.9)	(1.5)	(27.4)
Profit before taxation	86.2	23.8	110.0
Tax expense	(36.2)	0.7	(35.5)
Net profit	50.0	24.5	74.5
Basic earnings per share	41.5p	20.3p	61.8p
Diluted earnings per share	41.0p	20.0p	61.0p
Adjusted earnings per share (earnings before goodwill amortisation)	65.4p	(3.6)p	61.8p

17. Return on equity

Return on equity, as referred to in the chairman's statement, is derived as follows:

£m	30 June 2005	30 June 2004	31 Dec 2004
Profit before taxation	**110.0**	100.6	206.5
Closing equity	**692.0**	532.5	650.6
Net pension deficit	**125.7**	74.0	89.8
Closing goodwill written off	**92.7**	92.7	92.7
	910.4	699.2	833.1
Opening equity	**650.6**	472.6	472.6
Net pension deficit	**89.8**	85.1	85.1
Opening goodwill written off	**92.7**	92.7	92.7
	833.1	650.4	650.4
Average net assets*	**871.8**	674.8	707.8
Return on equity	**25.2%**	29.8%	29.2%

*Due to the £75.5 million share issue in December 2004, a weighted average net assets has been used to calculate the average net assets for the year ended 31 December 2004.

Other information

Directors

T. E. P. Stevenson CHAIRMAN
G. I. Cooper CHIEF EXECUTIVE
P. N. Hampden Smith FINANCE DIRECTOR
J. P. Carter DIRECTOR

E. C. Adams NON-EXECUTIVE
C. J. Bunker NON-EXECUTIVE
J. Coleman NON-EXECUTIVE
M. B. Dearden NON-EXECUTIVE
P. J. Maydon NON-EXECUTIVE

Company secretary

A. S. Pike

Registered office

Lodge Way House, Harlestone Road, Northampton NN5 7UG

Principal operating subsidiaries

The principal operating subsidiaries of the group and their registered offices are:

Travis Perkins Trading Company Limited (Builders merchants)	Lodge Way House, Harlestone Road, Northampton NN5 7UG
Keyline Builders Merchants Limited (Builders merchants)	Southbank House, 1 Strathkelvin Place, Kirkintilloch, Glasgow G66 1HX
Wickes Building Supplies Limited (DIY retailers)	Lodge Way House, Harlestone Road, Northampton NN5 7UG
City Plumbing Supplies Holdings Limited (Plumbers merchants)	Lodge Way House, Harlestone Road, Northampton NN5 7UG
CCF Limited (Ceiling & dry lining distribution)	Lodge Way House, Harlestone Road, Northampton NN5 7UG
Travis Perkins (Properties) Limited (Property management company)	Lodge Way House, Harlestone Road, Northampton NN5 7UG

Shareholder enquiries

Shareholder enquiries should be directed to the company secretary at the company's registered office (telephone 01604 752 424 email cosec@travisperkins.co.uk).

Low cost postal dealing service

An on-line and telephone dealing service is available through the company's share registrars, Capita IRG, by logging on to www.capitadeal.com or telephoning 0870 458 4577. For the on-line service their commission rates are 1 per cent of the value of the deal (minimum £17.50, maximum £40) and for the telephone service their commission rates are 1.25 per cent of the value of the deal (minimum £20, maximum £50).

Internet

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

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

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

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Travis Perkins, Lodge Way House, Harlestone Road, Northampton NN5 7UG Tel: 01604 752 424