20 February 2013

TRAVIS PERKINS PLC

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

SUSTAINED OPERATING MARGIN AND STRONG CASH GENERATION; FULL YEAR DIVIDEND UP 25%

FINANCIAL HIGHLIGHTS

- Group revenue up 1.4% at £4,845m, down 1.4% on a like-for-like basis
- Adjusted operating profit, up 4.3% to £327m, adjusted PBT up 1.1% to £300m, and adjusted EPS up 2.1% to 95.1p
- Reported PBT after exceptional items (note 6 and note 9) up 16.2% to £313m
- Sustained adjusted operating margin to 6.7%
- Free cash flow generated of £242m
- Underlying £155m debt reduction, net debt down to £452m, with lease adjusted net debt to EBITDAR at 3.2x (2011: 3.4x) (note 17)
- Full year dividend of 25p per share up 25%, with adjusted dividend cover now 3.8 times

OPERATING HIGHLIGHTS

- Increased BSS synergy target achieved and integration programme near completion
- Toolstation network expansion to 123 branches and Toolstation Europe trial launched in the Netherlands
- Gross margin before synergies increased by 0.2%
- Tight cost control, like-for-like overheads down 2.3%
- Solfex systems acquired on 30 January 2013 for initial consideration of £8m

	2012		2011
	£m	**%**	£m
Revenue	**4,844.9**	**1.4**	4,779.1
Adjusted*:			
Operating profit (note 6a)	**326.6**	**4.3**	313.2
Profit before taxation (note 6b)	**299.9**	**1.1**	296.7
Profit after taxation (note 6b)	**226.8**	**3.6**	219.0
Adjusted earnings per ordinary share (pence) (note 11b)	**95.1**	**2.1**	93.1
Statutory:			
Operating profit	**300.5**	**3.4**	290.5
Profit before taxation	**313.3**	**16.2**	269.6
Profit after taxation	**259.6**	**22.2**	212.4
Basic earnings per ordinary share (pence)	**108.9**	**20.6**	90.3
Total dividend declared per ordinary share (pence) (note 12)	**25.0p**	**25.0**	20.0p

* Throughout this announcement the term "adjusted" has been used to signify that the effects of the exceptional items, amortisation of intangible assets and the associated tax impacts have been excluded from the disclosure being made. Details of exceptional items are given in notes 6, 9 and 10.

Geoff Cooper, Chief Executive, commented:

"Despite continued tough conditions in construction markets, Travis Perkins has made good progress, with increases in overall turnover and profits, continued strong cash generation and further development of our networks and services in the UK and the launch of a small scale trial in continental Europe.

Whilst there are indications, for the first time in a while, that growth will return to our markets later this year, we anticipate volatile conditions will persist in the short term, further troubling weaker operators.

A gradual recovery in our markets, together with targeted like-for-like volume outperformance and tight control of costs should deliver an expansion of our operating margins. The Group has an excellent track record of deploying self-help initiatives to achieve these goals, and our position as the UK's leader in building materials strengthens our position and prospects."

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Summary The Group made good progress in 2012, despite a challenging construction industry background resulting from a combination of continuing economic uncertainty, the wettest weather conditions in living memory, continued reductions in public sector activity and weak consumer confidence.

Action in both like-for-like and expanded operations has enabled the Group to achieve increases in turnover, adjusted operating profits, profits before tax, earnings per share and to recommend a 25% increase in the full year dividend.

We have continued to execute trading tactics, finely tuned to the current environment, with the aim of maximising operating profits and operating margin. This has meant that for most of our businesses and branches we have focussed on gross margin protection, which has caused us to turn away some unprofitable sales, balancing cost control with protecting service levels and carefully managing working capital.

Our operating margin has improved and we have maintained strong cost control. Even though RPI annual inflation in 2012 was 3.1% we have reduced our like-for-like overheads by 2.3% whilst continuing to invest in the business.

The BSS synergy programme has continued to exceed our expectations. Having beaten our original £8m synergy target for 2011 by £12m, we reset our 2012 target to £30m. Thanks to the excellent work of a large number of colleagues, synergies for 2012 have totalled £32m of which £6m related to overheads and £26m to buying gains. Despite this success, our work to maximise synergies is not yet fully complete. We have identified further opportunities of around £5m for 2013, but these will be more difficult to deliver as it will involve structural change to supply chain activities.

Our balance sheet is stronger, with lease adjusted net debt to adjusted EBITDAR reducing from 3.4 times to 3.2 times.

Financial Performance Total revenue is 1.4% higher than for 2011 at £4,845m (2011: £4,779m), driven by the Toolstation acquisition and the 13 ex-Focus stores opened during the autumn of 2011.

Adjusted operating profit increased by £14m to £327m (2011: £313m), which resulted in adjusted group operating margin of 6.7%, a 0.1% improvement over 2011.

Net financing costs before exceptional charges have increased by £10m to £27m. The primary cause of the increase was £4m of mark-to-market losses (2011: £4m of gains) from revaluing forward currency contracts taken out during the course of the year to fix the exchange rate at which goods sourced in foreign currency will be purchased.

The Group's property team has continued to make an important contribution to group profits by realising £15m of gains (2011: £16m) from 10 projects. The largest contribution came from the St Pancras development, the contract for which became unconditional in July. Property disposals realised £30m of cash in 2012.

Pre-tax exceptional items of £31m net, were credited to the income statement (2011: debit £14m) during the year due to a combination of IFRS accounting adjustments of £40m arising from the Toolstation acquisition, releasing £6m of onerous lease provisions and charging £15m of BSS integration costs.

After exceptional items, profit before tax rose by £43m to £313m, a 16.2% improvement over 2011 (2011: £270m).

The tax charge was £54m (2011: £57m). If the impact of the non-taxable exceptional items is excluded from profit before tax and the £13m (2011: £13m) exceptional deferred tax credit (caused by the 1% corporation tax rate reduction in April 2012) is ignored, the underlying tax charge was £69m (2011: £74m). That represents an effective rate, which is in-line with the statutory rate, of 24.5% (2011: 26.5%). We expect our corporation tax rate to reduce further in the coming years in line with falls in the statutory tax rate outlined in note 10.

Adjusted earnings per share (note 11) increased by 2.1% to 95.1 pence (2011: 93.1 pence). Basic earnings per share were 20.6% higher at 108.9 pence (2011: 90.3 pence). There is no significant difference between basic and diluted earnings per share and between adjusted and diluted adjusted earnings per share.

The underlying net debt reduction (before the Toolstation consideration of £24m), was £155m. Actual net debt was £131m lower than the previous year-end at £452m (2011: £583m). Free cash flow for the year was £242m (2011: £294m) (note 13), lower than 2011, partly as a result of not repeating the prior year tax cash benefit from the BSS acquisition.

Gross capital and investment expenditure totalled £110m (2011: £121m). £54m (£2011: £55m) was spent on capital replacements, and £56m (2011: £54m) on expansion.

Since the year-end there have been several changes to the Group's debt facilities. On 26 January, 7 years after they were issued, $200m of US senior notes fell due for repayment. The Board has decided not to issue replacement notes for the time being, so to increase the Group's liquidity headroom it entered into a new £50m bilateral committed revolving credit facility of fifteen months duration.

Despite making £23m of contributions in excess of the on-going service charge during 2012, at 31 December the combined accounting net deficit of the Group's defined benefit pension schemes was £45m (2011: £34m), which represents an £11m worsening over the course of the year. The benefits of a strong equity performance and lower inflation were outweighed by the effects of a 0.3% reduction in the discount rate and a £21m allowance for scheme experience between the 2008 and 2011 actuarial valuations.

We have now finalised the triennial actuarial valuations of the Travis Perkins and the BSS Group defined benefit schemes. As a result the cash contribution to reduce the combined deficits will increase by £5m in 2013 to £28m before reducing to £26m thereafter.

In 2013 we will apply the new requirements of IAS 19, the accounting standard on pensions, for the first time. This will result in other finance income (a non-cash item) in the income statement reducing by approximately £12m.

Dividend Supported by the good operational delivery and having carefully considered the current condition of the market in which the Group operates the Board has decided it is appropriate to continue increasing dividends ahead of earnings growth, reducing dividend cover towards its previously stated target range of 2.5 times to 3.5 times. The Board is pleased to recommend a final dividend of 17 pence per share, payable to shareholders on the register on 3 May 2013, which will give a total dividend for 2012 of 25 pence per share. With a proposed 25% increase in full year dividend, dividend cover for the year based on adjusted earnings per share is now 3.8x (2011: 4.7x). The total cash outflow for dividends declared in 2012 will be £60m.

Operational Performance We modified our group trading stance to reflect the more competitive environment we have experienced during 2012 with the result that we have traded some volume to protect margin. Even so, by concentrating on our customer propositions, we have continued to outperform the market, which together with our ability to pass through the bulk of cost inflation from suppliers has restricted the like-for-like sales volume reduction to 2.3% in markets that we estimate fell by around 4%.

The pricing environment has weakened as the year has progressed with full year price inflation of 1% rather than a more normal 3%. By quarter 4 year-on-year sales price inflation for the Group was virtually zero, with merchanting slightly positive, consumer flat and plumbing and heating negative due to the impact of reducing basic commodity pricing.

With the exception of the plumbing and heating division, like-for-like volumes improved in the second half of the year when compared with the first half, particularly in our Specialist division where Keyline benefited from the failure of a major competitor.

Sales expansion came primarily from the Toolstation acquisition and our subsequent investment in opening a further 20 new branches and the full year effect of the 13 new Wickes stores opened in 2011. In our plumbing and heating division 2012 total sales show a reduction compared with 2011 principally because of the sale of Buck and Hickman during September 2011.

	General Merchanting %	Specialist Merchanting %	Consumer %	Plumbing & Heating %	Total %
Volume	(1.5)	(0.2)	(6.6)	(1.6)	(2.4)
Price	1.5	2.5	1.0	-	1.0
Like-for-like per day	0.0	2.3	*(5.6)	(1.6)	*(1.4)
Trading day impact	-	-	0.3	-	-
Expansion / disposals	0.9	1.3	18.5	(4.4)	2.8
Total revenue change	0.9	3.6	13.2	(6.0)	1.4

*Including Toolstation on a proforma basis would result in like-for-like sales for Consumer being -3.1% and for the Group being -0.8%.

With a competitive market we concentrated on carefully managing our overhead base with the result that each of our businesses showed an improvement in operating margin, or at worst a very slight decline when compared with 2011. Group operating margin has improved by 0.1% to 6.7% due to an improvement in overall gross margins for the Group and the additional benefits from our synergy programme. Whilst the overhead to sales ratio has increased by 0.3%, this was principally a mix effect of Toolstation being consolidated for the first time.

	General Merchanting %	Specialist Merchanting %	Consumer %	Plumbing & Heating %	Total %
2011 operating margin	11.8	4.5	4.5	4.6	6.6
Gross margin	(0.9)	-	0.4	(0.6)	0.2
Synergies	0.2	0.1	0.1	0.7	0.2
Overheads	0.6	0.5	0.6	(0.2)	(0.3)
2012 property differential	(0.2)	0.1	-	-	-
2012 operating margin	11.5	5.2	5.6*	4.5	6.7

*Excluding Toolstation, gross margin improved by 1.1%, overheads to sales rose by 0.1% and property profits to sales rose by 0.1% giving a year-on-year divisional operating margin increase of 1.2%.

Markets Despite a relatively strong start to 2012, we predicted, in early 2012, that volumes in our markets would fall for the year as a whole. In reality the performances of our end markets have been mixed. Volumes in the merchanting market actually reduced by around 2% whilst retail market volumes are down by around 7% year-on-year, which has resulted in even greater competition for sales.

In the private sector, new build has been relatively flat for most of the year although we have seen some gentle expansion towards the end of the year. Latent demand for new housing has increased, but low consumer confidence and restricted funding availability has caused subdued numbers of mortgage approvals and housing transactions, which remain at half the level they were in 2006. The Government's action to encourage first time buyers through Funding for Lending, Firstbuy and the Newbuy guarantee scheme are to be welcomed, but the overall housing market remains in desperate need of a kick start.

Public sector spend on construction has contracted sharply, particularly in new build as the government cuts have taken effect, but opportunities remain in some segments such as rail and utilities.

Divisional Performance

General Merchanting

	2012	2011	Change
	£m	£m	%
Turnover	1,457	1,443	0.9%
Adjusted segment profit	167	170	(1.9)%

The growth in sales in our General Merchanting division has arisen from the limited expansion we have undertaken during the year – LFL sales growth was zero. Volumes were only 1.5% lower than 2011, whilst sales prices rose by an average of 1.5% over the course of the year.

Gross margin declined by 0.9% due to reduced product inflation (0.5%), customer mix changes arising from the better performance of large contractors compared to their smaller competitors (0.2%), and more competitive market conditions as construction activity fell (0.2%). In a stable, or even a rising market, we would expect each of these drivers to reverse.

The tough gross margin conditions were balanced by management in the division exercising tight cost control, and the overhead to sales ratio improved by 0.6%. Divisional operating margin was only 0.1% below 2011, after adjusting for the change in property profits.

Specialist Merchanting

	2012	2011	Change
	£m	£m	%
Turnover	604	582	3.6%
Adjusted segment profit	32	26	20.2%

The Specialist division recorded a strong performance driven by Keyline, our heavy-side, civils and drainage business. The division gained further market share and reported a 2.3% like-for-like sales growth on the back of above average price inflation. The team did well to protect gross margin recording a flat year-on-year performance in increasingly competitive markets.

The failure of the largest civils merchant brought some short-term benefit to Keyline as both customers and suppliers sought to put more business our way.

As with our other divisions, the Specialist businesses paid close attention to managing the overhead base with the result that the ratio of overheads to sales fell by 0.5% equivalent to savings of approximately £3m.

Consumer

	2012	2011	Change
	£m	£m	%
Turnover	1,152	1,018	13.2%
Adjusted segment profit	65	46	40.7%

Our consumer division has significantly outperformed in 2012, with the Wickes, Tile Giant and Toolstation businesses all producing excellent results. The consumer division markets were the hardest hit of any that our divisions operate in, so that makes the result achieved in 2012 even more encouraging. A combination of careful margin management, strong overhead control and targeted investment resulted in profits rising by 40.7% whilst turnover on a reported basis was up only 13.2%. If Toolstation is excluded from the 2012 result, divisional turnover was flat year-on-year, whilst profits increased by 26.5%.

Overheads were well controlled throughout the division with the ratio of overheads to sales for Wickes and Tile Giant increasing by only 0.1% despite turnover remaining flat. Wickes like-for-like costs fell as a result of changing the store colleague structure late in 2011 and from re-targeting marketing spend.

Plumbing & Heating

	2012	2011	Change
	£m	£m	%
Gross turnover	1,632	1,736	(6.0%)
Adjusted segment profit	73	80	(8.7%)

If the results of Buck and Hickman and 17 P&H branches divested in 2011 are excluded from the 2011 comparative, turnover has decreased by £21m (1.2%), whilst net profit fell by £5m (6.3%).

Throughout 2012, trading in both the commercial and domestic markets has been difficult. The domestic heating market was subdued all year with the markets for the key product groups of boilers and radiators 2% and 10% down year-on-year respectively. The ending of the last phase of government subsidies impacted demand and new initiatives such as Green Deal, Renewable Heat Incentive and the energy company ECO commitments did not have any real impact during the year.

In a low demand market, competition remained intense and throughout the year conscious decisions were taken to improve pricing and monitor customer profitability. In PTS several long standing supply relationships were re-negotiated or terminated altogether where returns were not acceptable.

Expansion On the 3 January 2012 the Group acquired the remaining 70% of the issued share capital of Toolstation Limited for an initial £24m with additional and final consideration becoming payable in early 2014 based upon the performance and expansion of the business in the year ended 31 December 2013. After taking into account the requirements of the purchase and sale agreement the cash payment in 2014 is currently expected to be £51m. The acquisition resulted in goodwill of £103m being recognised in the balance sheet during 2012.

In conjunction with the founder of Toolstation, we have made a small investment of less than €2m in five Toolstation branches located in the Netherlands that were previously franchised to an independent operator.   The initial focus has been on expanding the product range and improving marketing, but much work still needs to be done.

On 30 January 2013 we acquired the renewable energy distribution specialists, Solfex Energy Systems ("Solfex"), a company that in December 2012 was listed as the UK's fifth fastest growing private company in the Sunday Times Virgin Fast Track 100. We expect the renewables market for construction materials to show growth ahead of market averages for some time, as consumers become better informed and invest to reduce their energy costs whilst reducing carbon generated.

Going Concern After reviewing the Group's forecasts and risk assessments and making other enquiries, the Directors have formed a judgement at the time of approving the financial statements, that there is a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

In arriving at their opinion the Directors considered the:

- Group's cash flow forecasts and revenue projections;
- Reasonably possible changes in trading performance;
- Committed facilities available to the Group to late 2016 and the covenants thereon;
- Group's robust policy towards liquidity and cash flow management; and
- Group management's ability to successfully manage the principal risks and uncertainties pertaining to the business during periods of uncertain economic outlook and challenging macro economic conditions.

2013 Trading   It is difficult to draw any conclusions from the first few weeks of trading because the January 2012 comparator was quite strong whilst 2013 has seen a continuation of the poor weather conditions experienced in 2012. Overall group like-for-like sales, on a delivered basis, for the first seven weeks were down 5.1%. We view underlying like-for-like sales in February as broadly flat.

	General Merchanting	Specialist Merchanting	Consumer	Plumbing & Heating	Total
	%	%	%	%	%
Like-for-like	(4.5)	2.0	(7.6)	(5.4)	(5.1)

Outlook   Our like-for-like sales in quarter 4 of 2012 showed an improving trend on the two previous quarters in most of our businesses making it difficult to read for signals of underlying activity. Accordingly, we look to medium term indicators to plan our resource levels for 2013 and beyond.

In the short term, trends will be volatile; we currently anticipate that our markets will be stronger in the second quarter, mainly due to a relatively weak comparator in 2012 and potential recovery from low activity levels expected in first three months of this year.

Whilst this suggests difficult conditions will remain in the first half year, there are reasons to be more optimistic about the second half. The recent rise in mortgage and housing transaction activity should feed into improved volumes in the market by the second half year. In the public sector market, the huge potential spending on various infrastructure programmes announced by the government should begin to gradually show in real activity on (and in) the ground.

Overall we believe that market volumes for 2013 are likely to be lower than 2012, but the rate of decrease will be smaller than last year at around 1% to 2%. Inflation is likely to stay low with early indications suggesting it will be around 1% to 2% for the second year running.

Since the financial crisis in 2008, the term “roller coaster” could fairly be applied to the gradient of annual and monthly change in our markets. Five years later, we have yet to experience a flatter track, and we wait for evidence of a steady recovery from the current unsustainably low levels of activity.

We have an excellent track record of matching our margin and costs to the prevailing market conditions, and we judge our cautious stance to be appropriate. However, we shall be monitoring lead indicators carefully, and expect that our next change will be to a more expansionary stance in volume. We plan to combine this with a restrained approach to costs, so as to benefit from overhead gearing and further improve operating margins. We anticipate increasing expenditure only for unavoidable inflation and pension increases and subject to satisfactory trading continuing, we plan to invest further in pursuing our multichannel strategy.

Whilst, for most of our businesses, our operating margins remain ahead of our competitors, the ‘trough’ levels of market activity are consistent with, against recent history, operating margins which we regard as unsatisfactory for three of our four divisions. For Specialist, P&H and Consumer divisions a combination of self help initiatives and a recovering market should deliver steady growth in operating margins. For General Merchanting, investments in improvements to the proposition will be applied to increasing market share on an LFL basis, whilst sustaining operating margins.

So in summary, we think the performance of our markets in 2013 may begin to turn, but it will be mainly through our own endeavours to outperform our competition and manage our operating margin that the Group will be driven forward.

Consolidated income statement

For the year ended 31 December 2012

	2012			2011		
	Pre-exceptional items	**Exceptional items**	**Total**	Pre-exceptional items	Exceptional items	Total
	£m	**£m**	**£m**	£m	£m	£m
Revenue	**4,844.9**	**-**	**4,844.9**	4,779.1	-	4,779.1
Operating profit before amortisation	**326.6**	**(8.7)**	**317.9**	313.2	(9.8)	303.4
Amortisation of intangible assets	**(17.4)**	**-**	**(17.4)**	(12.9)	-	(12.9)
Operating profit	**309.2**	**(8.7)**	**300.5**	300.3	(9.8)	290.5
Exceptional investment income	**-**	**39.5**	**39.5**	-	-	-
Finance income	**13.8**	**-**	**13.8**	22.4	-	22.4
Finance costs	**(40.5)**	**-**	**(40.5)**	(38.9)	(4.4)	(43.3)
Profit before tax	**282.5**	**30.8**	**313.3**	283.8	(14.2)	269.6
Tax	**(69.2)**	**15.5**	**(53.7)**	(74.5)	17.3	(57.2)
Profit for the year	**213.3**	**46.3**	**259.6**	209.3	3.1	212.4

Earnings per ordinary share		
Basic	**108.9p**	90.3p
Diluted	**105.0p**	87.3p
Total dividend declared per ordinary share	**25.0p**	20.0p

All results relate to continuing operations.

Details of exceptional items are given in notes 6, 9 and 10.

Consolidated statement of comprehensive income

For the year ended 31 December 2012

	2012	2011
	£m	£m
Profit for the year	**259.6**	212.4
Items that will not be reclassified subsequently to profit and loss:		
Actuarial losses on defined benefit pension schemes	**(45.8)**	(49.8)
Deferred tax rate change	**(5.5)**	(4.9)
Income tax relating to items not reclassified	**10.4**	12.6
	(40.9)	(42.1)
Items that may be reclassified subsequently to profit and loss:		
Cash flow hedges:		
Losses arising during the year	**(8.5)**	(4.6)
Reclassification adjustments for losses included in profit	**8.8**	2.8
Movement on cash flow hedge cancellation payment	**4.1**	4.2
Income tax relating to items that may be reclassified	**(0.9)**	(0.6)
	3.5	1.8
Other comprehensive loss for the year	**(37.4)**	(40.3)
Total comprehensive income for the year	**222.2**	172.1

Consolidated balance sheet

As at 31 December 2012

	2012	2011
	£m	£m
ASSETS		
Non-current assets		
Goodwill	**1,807.5**	1,706.2
Other intangible assets	**424.8**	388.9
Property plant and equipment	**578.4**	562.6
Derivative financial instruments	**12.8**	40.3
Investment property	**0.4**	0.4
Interest in associates	**6.7**	51.3
Available-for-sale investments	**2.4**	1.5
Retirement benefit asset	**1.6**	19.3
Total non-current assets	**2,834.6**	2,770.5
Current assets		
Inventories	**637.1**	596.0
Trade and other receivables	**733.7**	743.0
Derivative financial instruments	**12.7**	3.1
Cash and cash equivalents	**139.1**	78.6
Total current assets	**1,522.6**	1,420.7
Total assets	**4,357.2**	4,191.2

Consolidated balance sheet (continued)

As at 31 December 2012

	2012	2011
	£m	£m
EQUITY AND LIABILITIES		
Capital and reserves		
Issued capital	**24.5**	24.4
Share premium account	**487.2**	480.8
Merger reserve	**326.5**	326.5
Revaluation reserve	**20.1**	20.8
Hedging reserve	**(1.6)**	(5.1)
Own shares	**(62.4)**	(75.2)
Accumulated profits	**1,513.8**	1,335.6
Total equity	**2,308.1**	2,107.8
Non-current liabilities		
Interest bearing loans and borrowings	**195.2**	598.2
Derivative financial instruments	**4.9**	5.9
Retirement benefit obligation	**59.1**	65.0
Long-term provisions	**20.0**	28.9
Long term other payables	**47.0**	-
Deferred tax liabilities	**85.0**	97.4
Total non-current liabilities	**411.2**	795.4
Current liabilities		
Interest bearing loans and borrowings	**396.1**	63.6
Trade and other payables	**1,107.6**	1,088.3
Derivative financial instruments	**2.6**	-
Tax liabilities	**74.8**	75.9
Short-term provisions	**56.8**	60.2
Total current liabilities	**1,637.9**	1,288.0
Total liabilities	**2,049.1**	2,083.3
Total equity and liabilities	**4,357.2**	4,191.2

The financial statements of Travis Perkins plc, registered number 824821, were approved by the Board of Directors on 19 February 2013 and signed on its behalf by:

Geoff Cooper
Paul Hampden Smith } *Directors*

Consolidated statement of changes in equity

For the year ended 31 December 2012

	Issued share capital	Share premium account	Merger reserve	Revaluation reserve	Hedging reserve	Own shares	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2011	24.2	471.5	325.9	21.3	(6.9)	(83.4)	1,199.2	1,951.8
Profit for the year	-	-	-	-	-	-	212.4	212.4
Other comprehensive income for the period net of tax	-	-	-	-	1.8	-	(42.1)	(40.3)
Total comprehensive income for the year	-	-	-	-	1.8	-	170.3	172.1
Dividends	-	-	-	-	-	-	(38.8)	(38.8)
Issue of share capital	0.2	9.3	0.6	-	-	8.2	(7.1)	11.2
Realisation of revaluation reserve in respect of property disposals	-	-	-	(1.1)	-	-	1.1	-
Difference between depreciation of assets on a historical basis and on a revaluation basis	-	-	-	(0.3)	-	-	0.3	-
Deferred tax rate change	-	-	-	0.9	-	-	-	0.9
Foreign exchange differences	-	-	-	-	-	-	(0.1)	(0.1)
Tax on share based payments	-	-	-	-	-	-	(3.2)	(3.2)
Credit to equity for equity-settled share based payments	-	-	-	-	-	-	13.9	13.9
At 31 December 2011	24.4	480.8	326.5	20.8	(5.1)	(75.2)	1,335.6	2,107.8
Profit for the year	-	-	-	-	-	-	259.6	259.6
Other comprehensive income for the period net of tax	-	-	-	-	3.5	-	(40.9)	(37.4)
Total comprehensive income for the year	-	-	-	-	3.5	-	218.7	222.2
Dividends	-	-	-	-	-	-	(51.2)	(51.2)
Issue of share capital	0.1	6.4	-	-	-	12.8	(10.4)	8.9
Realisation of revaluation reserve in respect of property disposals	-	-	-	(1.4)	-	-	1.4	-
Difference between depreciation of assets on a historical basis and on a revaluation basis	-	-	-	(0.2)	-	-	0.2	-
Deferred tax rate change	-	-	-	0.9	-	-	-	0.9
Tax on share based payments	-	-	-	-	-	-	4.3	4.3
Credit to equity for equity-settled share based payments	-	-	-	-	-	-	15.2	15.2
At 31 December 2012	**24.5**	**487.2**	**326.5**	**20.1**	**(1.6)**	**(62.4)**	**1,513.8**	**2,308.1**

Consolidated cash flow statement

For the year ended 31 December 2012

	2012 £m	2011 £m
Operating profit before exceptional items and amortisation	**326.6**	313.2
Adjustments for:		
Depreciation of property, plant and equipment	**69.4**	63.9
Other non cash movements	**15.2**	13.9
Losses of associate	**0.3**	0.6
Gain on disposal of property, plant and equipment and investment	**(17.1)**	(17.6)
Operating cash flows before movements in working capital	**394.4**	374.0
Increase in inventories	**(19.2)**	(36.1)
Decrease / (increase) in receivables	**5.1**	(62.0)
(Decrease) / increase in payables	**(25.0)**	107.1
Payments on exceptional items	**(4.7)**	(17.8)
Pension payments in excess of the charge to profits	**(23.0)**	(20.1)
Cash generated from operations	**327.6**	345.1
Interest paid	**(27.4)**	(24.2)
Income taxes paid	**(64.5)**	(26.3)
Net cash from operating activities	**235.7**	294.6
Cash flows from investing activities		
Interest received	**0.1**	0.7
Proceeds on disposal of property, plant and equipment and investment	**32.6**	15.0
Purchases of property, plant and equipment	**(82.3)**	(109.2)
Interest in associate	**(2.9)**	(2.3)
Disposal of business	**-**	26.9
Acquisition of businesses net of cash acquired	**(24.5)**	(9.9)
Net cash used in investing activities	**(77.0)**	(78.8)
Financing activities		
Net proceeds from the issue and sale of share capital	**8.9**	10.6
Net movement in finance lease liabilities	**5.7**	(1.6)
Bank facility fees paid	**-**	(6.1)
Decrease in loans	**(61.6)**	(152.2)
Dividends paid	**(51.2)**	(38.8)
Net cash from financing activities	**(98.2)**	(188.1)
Net increase in cash and cash equivalents	**60.5**	27.7
Cash and cash equivalents at beginning of the year	**78.6**	50.9
Cash and cash equivalents at end of the year	**139.1**	78.6

Notes

1. The Group's principal accounting policies are set out in the 2011 annual report, which is available on the Company's website www.travisperkinsplc.com. They have been applied consistently in 2012.

2. The proposed final dividend is 17.0 pence (2011: 13.5 pence) payable on 30 May 2013. The record date is 3 May 2013.

3. The financial information set out in this statement does not constitute the Company's statutory accounts for the years ended 31 December 2012 or 31 December 2011, but is derived from those accounts. Statutory accounts for 2011 have been delivered to the Registrar of Companies and those for 2012 will be delivered in due course. The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498 (2) or (3) Companies Act 2006. Whilst the financial information included in this announcement has been computed in accordance with International Financial Reporting Standards ("IFRS") this announcement does not itself contain sufficient information to comply with IFRS.

4. This announcement was approved by the Board of Directors on 19 February 2013.

5. It is intended to post the annual report to shareholders on 19 April 2013 and to hold the Annual General Meeting on 23 May 2013. Copies of the annual report prepared in accordance with IFRS will be available from the Company Secretary, Travis Perkins plc, Lodge Way House, Harlestone Road, Northampton NN5 7UG from 19 April 2013 or will be available through the internet on our website at www.travisperkinsplc.com.

6. **Profit**

(a) Operating profit

	2012 £m	2011 £m
Revenue	**4,844.9**	4,779.1
Cost of sales	**(3,381.1)**	(3,355.8)
Gross profit	**1,463.8**	1,423.3
Selling and distribution costs	**(907.8)**	(882.1)
Administrative expenses	**(274.5)**	(270.6)
Other operating income	**19.3**	20.5
Share of results of associate	**(0.3)**	(0.6)
Operating profit	**300.5**	290.5
Add back exceptional items	**8.7**	9.8
Add back amortisation of intangible assets	**17.4**	12.9
Adjusted operating profit	**326.6**	313.2

6. Profit (continued)

(a) Operating profit (continued)

Exceptional operating items

	2012	2011
	£m	£m
BSS integration costs	**(14.7)**	(9.8)
Onerous lease provision release	**6.0**	-
Toolstation investment fair value adjustment	**35.3**	-
Toolstation consideration fair value adjustment	**4.2**	-
	30.8	(9.8)

The Group incurred £15m of exceptional operating charges in 2012 (2011: £10m) as a result of integrating BSS into the Group. The charges arose mainly as a result of the on-going programme to integrate BSS colleagues, systems and processes into the Travis Perkins Group, although in 2011 there was a £2m charge due to the closure or disposal of businesses that were determined to be non-core to the Group's operations.

The Group released £6m through operating profit as exceptional items for onerous lease provisions that are no longer required because the properties have been sublet.

The group recognised £35m of exceptional fair value gains in investment income when the requirements of IFRS 3 (2008) Business Combinations were applied to the investments held in Toolstation. This acquisition has resulted in the existing 30% associate interest being re-measured to its fair value at the acquisition date.

In accordance with IAS 39 the contingent consideration payable in respect of Toolstation has been reassessed at 31 December 2012 and as a result the discounted amount previously recognised of £51m has been reduced to £47m with the difference of £4m being credited to income statement as exceptional investment income.

To enable readers of the financial statements to obtain a clear understanding of underlying trading, the Directors have shown the exceptional items separately in the income statement.

(b) Adjusted profit before and after tax

	2012 **£m**	2011 £m
Profit before tax	**313.3**	269.6
Exceptional items (note 6a and note 9)	**(30.8)**	14.2
Amortisation of intangible assets	**17.4**	12.9
Adjusted profit before tax	**299.9**	296.7
Profit after tax	**259.6**	212.4
Exceptional items	**(30.8)**	14.2
Amortisation of intangible assets	**17.4**	12.9
Tax on exceptional items and amortisation	**(6.1)**	(7.9)
Effect of reduction in corporation tax rate on deferred tax	**(13.3)**	(12.6)
Adjusted profit after tax	**226.8**	219.0

6. Profit (continued)

(c) Operating margin

	General Merchanting		Specialist Merchanting		Consumer		Plumbing & Heating		Unallocated		Group	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m	**£m**	£m	**£m**	£m
Revenue	**1,456.7**	1,443.3	**603.6**	582.2	**1,152.5**	1,017.8	**1,632.1**	1,735.8	**-**	-	**4,844.9**	4,779.1
Segment result	**167.3**	164.6	**31.3**	25.3	**65.8**	46.0	**45.8**	63.6	**(9.7)**	(9.0)	**300.5**	290.5
Amortisation of intangible assets	**-**	-	**-**	-	**4.9**	-	**12.5**	12.9	**-**	-	**17.4**	12.9
Exceptional items	**-**	5.9	**0.2**	0.6	**(6.0)**	-	**14.5**	3.3	**-**	-	**8.7**	9.8
Adjusted segment result	**167.3**	170.5	**31.5**	25.9	**64.7**	46.0	**72.8**	79.8	**(9.7)**	(9.0)	**326.6**	313.2
Adjusted operating margin	**11.5%**	11.8%	**5.2%**	4.4%	**5.6%**	4.5%	**4.5%**	4.6%	-	-	**6.7%**	6.6%

7. Business and geographical segments

2012

	General Merchanting	Specialist Merchanting	Consumer	Plumbing & Heating	Unallocated	Eliminations	Consolidated
	£m	£m	£m	£m	£m	£m	£m
Revenue	1,456.7	603.6	1,152.5	1,632.1	-	-	**4,844.9**
Result							
Segment result	167.3	31.3	65.8	45.8	(9.7)	-	**300.5**
Exceptional investment income	-	-	39.5	-	-	-	**39.5**
Finance income	-	-	-	-	13.8	-	**13.8**
Finance costs	-	-	-	-	(40.5)	-	**(40.5)**
Profit before taxation	167.3	31.3	105.3	45.8	(36.4)	-	**313.3**
Taxation	-	-	-	-	(53.7)	-	**(53.7)**
Profit for the year	167.3	31.3	105.3	45.8	(90.1)	-	**259.6**
Segment assets	2,121.7	469.7	1,653.4	1,166.6	179.3	(1,233.5)	**4,357.2**
Segment liabilities	(659.7)	(13.7)	(415.5)	(232.4)	(1,961.3)	1,233.5	**(2,049.1)**
Consolidated net assets	1,462.0	456.0	1,237.9	934.2	(1,782.0)	-	**2,308.1**
Exceptional items	-	0.2	(6.0)	14.5	-	-	**8.7**
Capital expenditure	44.2	11.5	17.8	11.0	-	-	**84.5**
Amortisation	-	-	4.9	12.5	-	-	**17.4**
Depreciation	33.6	8.3	17.8	9.7	-	-	**69.4**

7. Business and geographical segments (continued)

	2011						
	General Merchanting	Specialist Merchanting	Consumer	Plumbing & Heating	Unallocated	Eliminations	Consolidated
	£m	£m	£m	£m	£m	£m	£m
Revenue	1,443.3	582.2	1,017.8	1,735.8	-	-	4,779.1
Result							
Segment result	164.6	25.3	46.0	63.6	(9.0)	-	290.5
Finance income	-	-	-	-	22.4	-	22.4
Finance costs	-	-	-	-	(43.3)	-	(43.3)
Profit before taxation	164.6	25.3	46.0	63.6	(29.9)	-	269.6
Taxation	-	-	-	-	(57.2)	-	(57.2)
Profit for the year	164.6	25.3	46.0	63.6	(87.1)	-	212.4
Segment assets	2,096.3	457.9	1,520.3	1,145.2	198.7	(1,227.2)	4,191.2
Segment liabilities	(655.6)	(17.6)	(398.7)	(288.9)	(1,949.8)	1,227.2	(2,083.4)
Consolidated net assets	1,440.7	440.3	1,121.6	856.3	(1,751.1)	-	2,107.8
Exceptional items	5.9	0.6	3.3	-	-	-	9.8
Capital expenditure	58.1	14.8	25.8	9.3	0.1	-	108.1
Amortisation	-	-	-	12.9	-	-	12.9
Depreciation	32.6	7.7	13.9	9.7	-	-	63.9

On 1 January 2012 the Group was reorganised into four divisions, General Merchanting, Specialist Merchanting, Consumer and Plumbing and Heating. Prior year figures have been restated to reflect the new segments. All four divisions sell building materials to a wide range of customers, none of which are dominant, and operate almost exclusively in the United Kingdom and consequently no geographical information is presented.

Segment profit represents the profit earned by each segment without allocation of certain central costs, share of losses of associates, finance income and costs and income tax expense. Intersegment sales are eliminated. During 2012 and 2011, there were no impairment losses or reversals of impairment losses recognised in profit or loss or in equity in any of the reportable segments.

8. Pension schemes

	2012	2011
	£m	£m
Gross deficit at 1 January	**(45.7)**	(27.9)
Service costs charged to the income statement	**(10.0)**	(7.1)
Other finance income	**11.1**	11.8
Contributions received by the scheme	**32.9**	27.3
Actuarial losses recognised in the statement of comprehensive income	**(45.8)**	(49.8)
Gross deficit at 31 December	**(57.5)**	(45.7)
Deferred tax	**13.0**	11.4
Net deficit at 31 December	**(44.5)**	(34.3)

8. Pension schemes (continued)

Pension payments

The triennial valuation of the Travis Perkins defined benefit scheme for September 2011 was finalised during the year. The future service contribution rate has been increased to 13.1% (previously 11.5%) of pensionable salaries. In addition, the employing companies have agreed to increase their annual combined deficit cash contribution by £2m to £15m backdated to September 2011. Future deficit contributions will increase, although not significantly, if the Company's investment rating changes or dividends rise above a pre-agreed limit.

The triennial valuation of the BSS defined benefit scheme as at 1 June 2012 has been agreed with the Trustees. The future service contribution rate, based on the projected unit approach is 10.3%. In order to eliminate the deficit, additional payments of £10m per annum will be made over the ten years to May 2022.

In 2013 the total amount payable to the pension schemes in excess of the cost of on-going funding will be £28m.

9. Net finance costs

	2012	2011		
		Pre-exceptional items	Exceptional items	Total
	£m	£m	£m	£m
Interest on bank loans and overdrafts*	**(24.7)**	(26.6)	-	(26.6)
Interest on obligations under finance leases	**(1.1)**	(1.2)	-	(1.2)
Unwinding of discounts	**(5.0)**	(5.7)	-	(5.7)
Amortisation of cancellation payment for swaps accounted for as cash flow hedges	**(4.1)**	(4.2)	-	(4.2)
Other interest	**(1.7)**	(1.2)	-	(1.2)
Net loss on settlement of private placement	**-**	-	(4.4)	(4.4)
Net loss on re-measurement of derivatives at fair value	**(3.9)**	-	-	-
Finance costs	**(40.5)**	(38.9)	(4.4)	(43.3)
Other finance income - pension scheme	**11.1**	11.8	-	11.8
Amortisation of cancellation receipt for swap accounted for as fair value hedge	**1.1**	1.1	-	1.1
Net gain on re-measurement of derivatives at fair value	**1.3**	5.1	-	5.1
Interest receivable	**0.3**	4.4	-	4.4
Finance income	**13.8**	22.4	-	22.4
Net finance costs	**(26.7)**	(16.5)	(4.4)	(20.9)
Adjusted interest cover	**13.1x**			15.4x

*Includes £1.2m (2011: £3.1m) of amortised bank finance charges.

9. Net finance costs (continued)

Adjusted interest cover is calculated by dividing, adjusted operating profit of £327m (2011: £313m) less £2m (2011: £2m) of specifically excluded IFRS adjustments, by the combined value of interest on bank loans and overdrafts (excluding amortised bank finance charges), unsecured loans, other interest payable and interest receivable, which total £25m (2011: £20m).

The unwinding of the discounts charge arises principally from the property provisions created in 2008 and the liability to the pension scheme associated with the SPV.

During 2011 the Group repaid $125m of the BSS unsecured senior notes and terminated the associated derivatives. This resulted in a net loss of £4.4m, which was shown as exceptional.

10. Tax

	2012			2011		
	Pre-exceptional items	**Exceptional items**	**Total**	Pre-exceptional items	Exceptional items	Total
	£m	**£m**	**£m**	£m	£m	£m
Current tax						
UK corporation tax						
- current year	**68.0**	**(2.2)**	**65.8**	72.5	(3.3)	69.2
- prior year	**(1.1)**	**-**	**(1.1)**	(1.1)	(1.4)	(2.5)
Total current tax	**66.9**	**(2.2)**	**64.7**	71.4	(4.7)	66.7
Deferred tax						
- current year	**1.6**	**(13.3)**	**(11.7)**	2.8	(12.6)	(9.8)
- prior year	**0.7**	**-**	**0.7**	0.3	-	0.3
Total deferred tax	**2.3**	**(13.3)**	**(11.0)**	3.1	(12.6)	(9.5)
Total tax charge	**69.2**	**(15.5)**	**53.7**	74.5	(17.3)	57.2

The tax charge includes an exceptional credit of £13m (2011: £13m) arising from the reduction in the corporation tax rate from 25% to 23% (2011: 27% to 25%) on 1 April 2013. In addition there are exceptional tax credits of £2m (2011 £5m) arising in respect of exceptional charges to the income statement during the year.

The tax rate for the year of 24.5% is a blended rate of 26% up to 1 April 2012 and 24% thereafter. From 1 April 2013 the statutory tax rate will fall to 23%. A future change reducing the corporation tax rate by 2% to 21% on 1 April 2014 has been announced, but not substantively enacted. If these changes all take place then the statutory tax rates will be 23.25% for 2013, 21.5% for 2014 and 21.0% for 2015.

11. Earnings per share

(a) Basic and diluted earnings per share

	2012	2011
Earnings	**£m**	£m
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the Parent Company	**259.6**	212.4
Number of shares	**No.**	No.
Weighted average number of shares for the purposes of basic earnings per share	**238,388,160**	235,151,104
Dilutive effect of share options on potential ordinary shares	**8,809,106**	8,057,058
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**247,197,266**	243,208,162

At 31 December 2012, 692,839 (2011: 796,390) share options had an exercise price in excess of the market value of the shares on that day. As a result, these share options were excluded from the calculation of diluted earnings per share.

(b) Adjusted earnings per share

Adjusted earnings per share are calculated by excluding the effect of the exceptional items and amortisation from earnings.

	2012	2011
	£m	£m
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the Parent Company	**259.6**	212.4
Exceptional items	**(30.8)**	14.2
Amortisation of intangible assets	**17.4**	12.9
Tax on amortisation of intangible assets	**(4.0)**	(3.2)
Tax on exceptional items	**(2.1)**	(4.7)
Effect of reduction in corporation tax rate on deferred tax	**(13.3)**	(12.6)
Adjusted earnings	**226.8**	219.0
Adjusted earnings per share	**95.1p**	93.1p
Adjusted diluted earnings per share	**91.7p**	90.0p

12. Dividends

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

	2012	2011
	£m	£m
Final dividend for the year ended 31 December 2011 of 13.5p (2010: 10p) per ordinary share	**32.1**	23.5
Interim dividend for the year ended 31 December 2012 of 8.0p (2011: 6.5p) per ordinary share	**19.1**	15.3
Total dividend recognised during the year	**51.2**	38.8

The dividends declared for 2012 at 31 December 2012 and for 2011 at 31 December 2011 were as follows:

	2012	2011
	Pence	Pence
Interim paid	**8.0**	6.5
Final proposed	**17.0**	13.5
Total dividend for the year	**25.0**	20.0

The proposed final dividend of 17.0p per ordinary share in respect of the year ended 31 December 2012 was approved by the Board on 19 February 2013.

Adjusted dividend cover of 3.8x (2011: 4.7x) is calculated by dividing adjusted earnings per share (note 11b) of 95.1p (2011: 93.1p) by the total dividend for the year of 25.0p (2011: 20.0p).

13. Free cash flow

	2012	2011
	£m	£m
Net debt at 1 January	**(583.2)**	(773.6)
Net debt at 31 December	**(452.2)**	(583.2)
Decrease in net debt	**131.0**	190.4
Dividends paid	**51.2**	38.8
Net cash outflow for expansion capital expenditure	**27.9**	54.4
Net cash outflow for acquisitions	**24.5**	9.9
Disposal of businesses	**-**	(26.9)
Bank fees paid	**-**	6.1
Amortisation of swap cancellation receipt	**(1.1)**	(1.1)
Discount unwind on liability to pension scheme	**2.5**	2.5
Cash impact of exceptional items	**4.7**	17.8
Interest in associate	**2.9**	2.3
Shares issued and sale of own shares	**(8.9)**	(10.6)
Decrease in fair value of debt and exchange	**(17.1)**	(13.3)
Movement in finance charges netted off bank debt	**1.2**	3.1
Special pension contributions	**23.0**	20.1
Free cash flow	**241.8**	293.5

14. Net debt

Balances at 31 December comprise:

	2012	2011
	£m	£m
Cash and cash equivalents	**139.1**	78.6
Non-current interest bearing loans	**(195.2)**	(598.2)
Current interest bearing loans	**(396.1)**	(63.6)
Net debt	**(452.2)**	(583.2)

14. Net debt (continued)

	Cash and cash equivalents	Finance leases	Term loan, revolving credit facility and loan notes	Unsecured senior US$ loan notes	Liability to pension scheme	Total
	£m	£m	£m	£m	£m	£m
At 1 January 2011	(50.9)	21.8	400.6	366.0	36.1	773.6
Cash flow	(27.7)	(1.5)	(78.7)	(72.2)	(1.4)	(181.5)
Fair value of BSS loan	-	-	-	(12.4)	-	(12.4)
Exchange movement	-	-	-	0.5	-	0.5
Fair value movement	-	-	-	(1.5)	-	(1.5)
Finance charges amortised	-	-	3.1	-	-	3.1
Amortisation of swap cancellation receipt	-	-	-	(1.1)	-	(1.1)
Discount unwind on liability to pension scheme	-	-	-	-	2.5	2.5
At 1 January 2012	(78.6)	20.3	325.0	279.3	37.2	583.2
Cash flow	(60.5)	5.7	(58.8)	-	(2.8)	(116.4)
Exchange movement	-	-	-	(2.7)	-	(2.7)
Fair value movement	-	-	-	(14.4)	-	(14.4)
Finance charges amortised	-	-	1.2	-	-	1.2
Amortisation of swap cancellation receipt	-	-	-	(1.1)	-	(1.1)
Lease surrendered	-	(0.1)	-	-	-	(0.1)
Discount unwind on liability to pension scheme	-	-	-	-	2.5	2.5
31 December 2012	(139.1)	25.9	267.4	261.1	36.9	452.2

	2012	2011
	£m	£m
Net debt under IFRS	**(452.2)**	(583.2)
IAS 17 finance leases	**18.7**	20.3
Unamortised swap cancellation receipt	**2.9**	4.0
Liability to pension scheme	**36.9**	37.2
Fair value adjustment to debt	**19.5**	36.6
Finance charges netted off bank debt	**(0.3)**	(1.5)
Net debt under covenant calculations	**(374.5)**	(486.6)

15. Adjusted pre-tax return on capital

	2012 £m	2011 £m
Operating profit	**300.5**	290.5
Amortisation of intangible assets	**17.4**	12.9
Exceptional items	**8.7**	9.8
Adjusted operating profit	**326.6**	313.2
Opening net assets	**2,107.8**	1,951.8
Net pension deficit	**34.3**	20.1
Goodwill written off	**92.7**	92.7
Net borrowings	**583.2**	773.6
Exchange adjustment	**(36.6)**	(52.2)
Opening capital employed	**2,781.4**	2,786.0
Closing net assets	**2,308.1**	2,107.8
Net pension deficit	**44.5**	34.3
Goodwill written off	**92.7**	92.7
Net borrowings	**452.2**	583.2
Exchange adjustment	**(19.5)**	(36.6)
Closing capital employed	**2,878.0**	2,781.4
Average capital employed	**2,829.7**	2,783.7
Adjusted pre-tax return on capital	**11.5%**	11.3%

16. Adjusted earnings before interest, tax and depreciation

	2012 £m	2011 £m
Profit before tax	**313.3**	269.6
Net finance costs	**26.7**	20.9
Depreciation and amortisation	**86.8**	76.7
EBITDA under IFRS	**426.8**	367.2
Exceptional operating items	**8.7**	9.8
Exceptional investment income	**(39.5)**	-
IFRS adjustments not included in covenant calculations	**(2.6)**	(2.7)
Adjusted EBITDA under covenant calculations	**393.4**	374.3
Net debt under covenant calculations	**374.5**	486.6
Adjusted net debt to EBITDA	**0.95x**	1.30x

17. Lease adjusted ratio of net debt to earnings before interest, tax, depreciation, and operating lease rentals

	2012	2011
	£m	£m
EBITDA under IFRS	**393.4**	374.3
Operating lease rentals	**189.0**	176.0
EBITDAR	**582.4**	550.3
Net debt under covenant calculations	**374.5**	486.6
Operating lease rentals (x 8)	**1,512.0**	1,408.0
Lease adjusted net debt	**1,886.5**	1,894.6
Lease adjusted net debt to EBITDAR	**3.2x**	3.4x

18. Acquisition of Toolstation

On the 3 January 2012 the Group acquired the remaining 70% of the issued share capital of Toolstation Limited. The Group had previously acquired 30% in April 2008 which included an option to purchase the remaining 70%. The acquisition was accounted for using the acquisition method of accounting. In accordance with the requirements of the acquisition method of accounting the existing 30% holding has been re-valued to fair value. The aggregate consideration paid following the payment on 3 January was £41.5m. At that date, future consideration, which was dependent upon future performance and expansion of the business over the period to December 2013 was estimated to be £65m. The deferred consideration is payable in 2014 and consequently the deferred consideration has been discounted over a two year period from acquisition to final settlement.

Fair values ascribed to identifiable assets as at 3 January 2012 are shown in the table below:

	2012 Fair value acquired
Net assets acquired:	**£m**
Property, plant, equipment and investments	**7.7**
Identifiable intangible assets	**53.3**
Cash at bank	**0.8**
Inventories	**21.4**
Trade and other receivables	**4.3**
Trade and other payables	**(25.8)**
Deferred tax liabilities	**(6.4)**
Loans repayable to Travis Perkins plc	**(39.6)**
	15.7
Goodwill	**102.9**
	118.6

18. Acquisition of Toolstation (continued)

Satisfied by:	£m
Cash paid in prior periods	**17.3**
Cash paid in current period	**24.2**
Contingent consideration at the date of acquisition	**65.0**
	106.5
Revaluation of pre existing holdings	**33.1**
Discount on contingent consideration	**(13.8)**
Losses previously recognised	**(7.2)**
	118.6

In accordance with IAS 39 the contingent consideration payable has been reassessed at 31 December 2012 and as a result the amount previously recognised of £65m, then discounted to £51.2m has been reduced to £47.0m with the difference of £4.2m being credited to the income statement as exceptional investment income.

Toolstation Limited contributed £135.3m revenue and £6.5m to the Group's operating profit for the period between the date of acquisition and the balance sheet date. This period also comprises the Group's financial year.

Goodwill recognised is driven from significant value in forecast growth, forecast new customers and the value of the assembled workforce. None of the goodwill is expected to be deductible for tax purposes.

The fair value of the acquired receivables is £0.4m. All acquired receivables are expected to be collected in full.

Acquisition costs included in administration expenses amount to £0.3m.