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TRAVIS PERKINS PLC

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

STRONG LIKE-FOR-LIKE GROWTH, ADJUSTED PROFIT BEFORE TAX UP 12% AND DIVIDEND INCREASED BY 24%

FINANCIAL HIGHLIGHTS

- Revenue now over £5bn with annual growth of 6.3%, 5.0% on a like-for-like basis
- Operating profit up 10% to £330m
- Adjusted profit before tax up £35m or 12.4% to £321m
- Profit after tax up £16m to £265m
- Adjusted EPS up 14.3% to 103.6p
- Final dividend up 24% to 21p, giving full year dividend of 31p
- Net debt reduced by £104m to £348m

OPERATING HIGHLIGHTS

- All divisions achieved revenue growth
- Strong overhead control throughout the Group
- Operating margin improved by 0.1pp to 6.8%
- 43 new branches and 15 implants opened, including 9 Toolstation openings within Wickes
- Acquisition of Solfex and an online heating products distribution business

	2013		2012
	£m	**%**	£m
			**(Restated)
Revenue	**5,148.7**	**6.3**	4,844.9
Adjusted*:			
Operating profit (note 6a)	**347.6**	**6.7**	325.7
Profit before taxation (note 6b)	**321.1**	**12.4**	285.8
Profit after taxation (note 6b)	**249.5**	**15.6**	215.9
Adjusted earnings per ordinary share (pence) (note 11b)	**103.6**	**14.3**	90.6
Statutory:			
Operating profit	**329.7**	**10.0**	299.6
Profit before taxation	**312.6**	**4.5**	299.2
Profit after taxation	**264.7**	**6.4**	248.7
Basic earnings per ordinary share (pence) (note 11a)	**109.9**	**5.4**	104.3
Total dividend declared per ordinary share (note 12)	**31.0p**	**24.0**	25.0p

* Throughout this Report the term "adjusted" has been used to signify that the effects of exceptional items, amortisation of intangible assets and the associated tax impacts have been excluded from the disclosure being made.

** The Group has adopted the requirements of IAS 19 (revised 2011) for the first time during 2013. As a result the 2012 comparative numbers have been restated to ensure that 2012 and 2013 have been prepared on a comparable basis. Full details of the effect of applying IAS 19 (revised 2011) are given in note 6d.

John Carter, Chief Executive, commented:

"2013 was another good year for Travis Perkins and the momentum in the second half of last year has continued into 2014. The Group is well placed to benefit from the upturn in UK building activity and in particular the strength of housing transactions. We remain focussed on a disciplined approach to investing in the opportunities we see in each of our businesses to grow and improve returns."

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Summary Although it is still early days for the recovery, the outlook for the building materials market continues to improve. In 2013 the Group finally saw its markets come out of recession as confidence in the building industry, driven partly by the Government's Help-to-Buy scheme, picked up. However, it's worth noting that the UK market for building and construction materials is still, at December 2013, 13% below the peak levels of 2008.

The Group's markets began to show consistent growth in 2013 and contributed to another solid year of performance. The merchanting business was the first to experience an improvement in its markets as they picked up during the second quarter. The consumer markets remained subdued until towards the end of the year when they also started to exhibit modest signs of growth.

Turnover and operating margin both increased with costs being well controlled. Gross margins reduced slightly due to a combination of targeted investment in prices to grow volumes, changes in the mix of product sold and competitive pricing.

The Group benefited from slightly higher than expected property profits on disposals completed at the end of the year, a number of one off sourcing gains and income from short term supply contracts.

In September 2013 a new divisional structure was announced. The Group will report on the new divisional basis from 1 January 2014. Accordingly the results for 2013 are reported on the old divisional basis.

Financial Performance Although the poor weather impacted the start to the year, 2013 has been a successful year for the Group. Total revenue increased by 6.3% to £5.1bn (2012: £4.8bn) driven by a combination of a 5.0% increase in like-for-like ("LFL") sales, continued network expansion and one extra trading day in the merchanting and plumbing and heating divisions.

	General Merchanting	Specialist Merchanting	Consumer	Plumbing & Heating	Total
	%	%	%	%	%
Volume	6.7	9.5	4.7	5.2	6.1
Price / mix	-	(0.8)	(3.7)	(0.4)	(1.1)
Like-for-like per day	6.7	8.7	1.0	4.8	5.0
Trading day impact	0.4	0.4	(0.3)	0.4	0.2
Expansion / disposals	1.3	0.3	1.7	0.8	1.1
Total revenue change	8.4	9.4	2.4	6.0	6.3

After a slow start to the year, better weather combined with an increasing level of confidence saw sales improve from April. The trend continued through the year owing in part to the Governments Help-to-Buy scheme, but also to the sustained increase in housing transactions and house prices. By the final quarter of 2013 all divisions were experiencing good volume growth.

The very weak market conditions experienced in the first four months of the year created poor conditions for passing through price increases from suppliers resulting in product sales deflation for the Group of approximately 1.5% in the first half. With the exception of the Consumer division, where Wickes continued to invest in lower prices, and plumbing and heating, which experienced intense competition resulting in deflationary prices throughout the year, the pricing outlook improved as the year went on. By the end of the third quarter the general and specialist merchanting businesses were seeing consistent month-on-month selling price inflation.

The poor weather at the start of 2013 contributed to aggressive price discounting in the critical first quarter when customers' annual contracts are negotiated. Effective cost management helped to offset a slight gross margin decline for the Group as a whole resulting in adjusted operating profit increasing by 6.7% to £348m (2012: £326m) and the related adjusted operating margins growing by 0.1 percentage point to 6.8% (2012: 6.7%).

	General Merchanting	Specialist Merchanting	Consumer	Plumbing and Heating	Total
	%	%	%	%	%
2012 operating margin	11.5	5.2	5.6	4.5	6.7
Gross margin	(0.2)	(1.5)	(1.1)	0.6	(0.4)
Overheads	(0.2)	1.0	0.8	0.3	0.5
Property profits	0.1	(0.1)	-	-	-
2013 operating margin	11.2	4.6	5.3	5.4	6.8

The Group's property team made a further important contribution to profits by realising £17m of gains (2012: £15m) from ten significant projects, the largest of which was the final stage of the St Pancras branch development. This was better than anticipated as a number of smaller projects were completed in the final quarter of the year. Consistently delivering property profits has become a feature of the Group's property management strategy and the intention is to continue to manage the property estate to ensure that the Group has access to the best operating sites whilst at the same time maximising value from its property portfolio over time.

Net finance costs, which comprise interest payable on debt of £23m (2012: £29m), mark-to-market fair value income adjustments of £1m (2012: £3m cost) and other financing type costs associated with pension schemes, provision discounts, fund raising and tax of £4m (2012; £8m), totalled £26m, £14m lower than last year (2012: £40m).

Adjusted profit before tax rose by £35m or 12.4% to £321m (2012: £286m). Reported profit before tax was £14m higher than last year at £313m (2012: £299m) despite lower net exceptional credits of £9m (2012: £31m) arising principally from the fair value accounting treatment of the outstanding Toolstation consideration which is due to be settled during 2014.

The statutory tax charge for the year was £48m (2012: £51m). The underlying tax charge, before exceptional items was £68m (2012: £66m), which represents an effective rate of 22.4% (2012: 24.5%), which is slightly below the standard rate of corporation tax of 23.25% (2012: 24.5%) applicable to profits in the United Kingdom. The difference is mainly due to the value of non-taxable

property profits exceeding the value of expenses not deductible for tax purposes.

Profit after taxation rose by 6.4% to £265m (2012: £249m) which resulted in basic earnings per share growing 5.4% to 109.9 pence (2012: 104.3 pence). There is no significant difference between basic and diluted basic earnings per share.

Adjusted profit after tax was £249m (2012: £216m) which resulted in adjusted earnings per share increasing by 14.3% to 103.6 pence (2012: 90.6 pence).

Strong working capital control in the final quarter of the year enabled net debt to finish the year ahead of the Group's expectations at £348m (31 December 2012: £452m), a reduction of £104m (2012: £131m). Adjusted free cash flow for the period was £240m (2012: £242m) (note 13).

Gross capital and investment expenditure totalled £119m (2012: £110m). Capital replacement expenditure was £44m (2012: £55m) and aggregate expansionary capital was £75m (2012: £55m).

At 31 December 2013 the combined accounting gross deficit of the Group's defined benefit pension schemes, after allowing for the minimum funding schedule of contributions, was £71m (2012: £126m).

Dividend The Board remains confident about the Group's prospects, and believes that it should continue with its progressive policy of increasing dividends at a faster rate than the rate of increase in earnings to achieve its re-stated target dividend cover ratio of between 2.5x and 3.25x from 2014. Accordingly, the Board is pleased to recommend a final dividend for 2013 of 21p per share, giving a total dividend for the year of 31p (2012: 25p), an increase of 24% over 2012. This reduces dividend cover to 3.3 times (2012 3.6 times) adjusted earnings per share. The final dividend will be paid on 30 May 2014 to shareholders on the register on 2 May 2014.

The total cash outflow for dividends declared in 2013 will be approximately £75m.

Markets The Group's businesses supply greater volumes to the more resilient RMI market, albeit with a small but important component of group turnover coming from the supply of material to the new build market. A meaningful recovery has been underway since the first quarter of 2013. The government's action to encourage first time house buyers through initiatives, such as the Help-to-Buy scheme, has helped ease credit supply with the result that secondary housing transactions have shown encouraging growth through the majority of 2013.

The most recent lead indicators suggest consistent signs of improvement across all sectors in which the group operates. Despite a modest improvement in mortgage approvals, owing to easing credit supply, improvements in customer confidence and the government's Help-to-Buy scheme, approvals remain around 65% below the levels achieved in 2007.

Generally an upturn in mortgage approvals leads to an increase in housing transactions. The increase in secondary housing transactions in 2013 appears to have followed this general trend. Similarly to mortgage approvals, secondary housing transactions remain well below the peak volumes achieved in 2006 and 2007.

Consumer confidence, although still negative, began to improve during the year. That said, the return of confidence remains fragile, with consumers circumspect about how much they spend and when and where they invest in their homes.

Divisional Performance

General Merchanting

	2013	2012	Change
Revenue	£1,579m	£1,457m	8.4%
LFL growth			6.7%
Segment profit	£176m	£167m	5.4%
Operating margin	11.2%	11.5%	(0.3)pp

New housing activity continued to drive market volume growth, coupled with improvements in sentiment amongst the Group's trade customers during the second half of 2013. Sales price deflation experienced in the first half, as expected, reversed in the second half of the year. As the demand for heavyside products improved, a number of brick and block products experienced longer supply lead times. These supply constraints added to second half price inflation as manufacturers increased prices in exchange for certainty of supply.

General Merchanting revenue grew by 8.4% and 6.7% on a like-for-like ("LFL") basis. Momentum accelerated from 2.7% LFL in the first half to 10.1% in the second half. All product categories contributed to this recovery, with particularly strong performances in the lightside and tool-hire categories. Gross margin improved in the second half owing to effective price management and volume growth in higher margin categories. Despite robust cost management and operational gearing, operating investments meant there was only a modest reduction in the overhead to sales ratio for the year as a whole.

Travis Perkins continued to develop and trial its new branch format. The Leamington and Luton branches were successfully moved and co-located with other group businesses on two of the Group's Trade Parks. Timber, forest products and lightside categories were reviewed during the year and the "Trade Offers" fixed price promotions continued to help improve price perception. A new multi-channel IT platform implemented across the Group will be extended to Travis Perkins in 2014 and this new platform should enable the introduction of online product ordering to implement the already well established telephone-based ordering and local delivery infrastructure.

The extension of toolhire implants continued with 14 new implants added in the year. Seven new branches were opened along with two new managed service outlets which operate solely to service local authorities, registered social landlords and their contractors. Towards the end of the year the Warrington Regional Distribution Centre ("RDC") was successfully relocated with no service issues. Work started on the Cardiff RDC, which will come on stream during the third quarter of 2014.

These RDCs will enable a wider range of heavyside products to be made more readily available to branches and their customers.

Specialist Merchanting

	2013	2012	Change
Revenue	£660m	£604m	9.4%
LFL growth			8.7%
Segment profit	£30m	£32m	(4.1)%
Operating margin	4.6%	5.2%	(0.6)pp

The division made good progress improving the depth of product range available to its customer base, which was rewarded with strong volume growth.

The division's revenue grew by 9.4% owing to range improvements, selective price investments and the reduction in capacity from a significant competitor failure in 2012. Lack of product inflation, particularly in the first half, competitor activity and a change in sales mix resulted in a reduction in gross margin. The reduction in gross margin was lower in the second half with the onset of more positive trading conditions. An improvement in the overhead to revenue ratio mitigated some of the impact of the decline in gross margin.

Despite the poor weather experienced in the first quarter, Keyline's range extension and customer service focus enabled it to deliver double digit revenue growth in both the first half and second half of the year. Further specialisation improved sales but, in part, resulted in more direct to site sales which attract a lower gross margin. Gross margins improved slightly in the second half.

Investment in expertise to support market specialisation was increased in order to access the rail and utilities markets and in particular in drainage and geotextile products. The expansion of the contractor customer base and access to new customers in the rail and utility markets provides a solid base for future growth. Levels of activity in the new housing market were encouraging and resulted in an increased level of demand by specialist groundwork contractors.

After a sluggish first quarter, CCF's revenue growth improved in each successive quarter, recording double digit growth in the second half and gaining market share for the year. The development of new market sectors for the business, such as the introduction of the Sektor brand in the internal partitions market, and an improving product mix helped to offset gross margin declines in commodity categories which faced intense competitive discounting.

Benchmarx Kitchens and Joinery completed the restructuring of its customer proposition. The end-to-end review of the customer experience, product set and the supply chain started to yield further improvements to profitability in the second half. New standalone branches, which were opened with significantly lower set up costs on the Group's Trade Park sites in Luton and Leamington, have resonated well with customers. On 1 January 2014, twenty seven kitchen fascias in Travis Perkins branches were re-branded Benchmarx. A new website was also developed during the year with encouraging results.

Consumer Division

	2013	**2012**	**Change**
Revenue	£1,180m	£1,152m	2.4%
LFL growth			1.0%
Segment profit	£63m	£65m	(2.7)%
Operating margin	5.3%	5.6%	(0.3)pp

Revenue in the consumer division increased by 2.4% in the year despite a challenging customer environment and inclement weather throughout the first quarter.

Sales improved throughout 2013, following the protracted cold weather at the start of the year. The improvements in gardening related sales in the summer were however less marked in Wickes given its limited range in outdoor categories.

Wickes continued to invest in lower prices through its red pencil price reduction programme and stronger promotional deals. Wickes price investment accelerated in the second half with volumes growing as a result, however, gross margins were impacted by these investments. Improvements in sourcing, changes in the distribution of ordered bathrooms and the removal of the Mycard reward programme helped reduce the impact of the greater price investment and deeper promotional offers.

Wickes increased its focus in reducing operating costs and in doing so reduced its cost to sales ratio during the year. Good progress was made in consolidating warehouse operations, improving labour productivity following the introduction of auto-replenishment systems and through the downsizing and sub-letting of oversized shops. Four stores were relocated or downsized during the year and two new stores were opened. New web and mobile platforms were introduced, offering customers a better online shopping experience.

The significant investments in pricing and promotional offers meant Wickes 2013 profit declined modestly compared to the prior year.

Toolstation had another encouraging year of sales growth and network expansion. Double digit LFL revenue growth was driven by a continued focus on customer service, strong availability and investments in ensuring the lowest prices in the market.

Although it is still early in the development of the proposition, Toolstation implants in Wickes appear to be resonating well with customers. These implants are helping Wickes drive additional footfall and are contributing to rent costs. Toolstation is benefitting from Wickes footfall thereby achieving profitability faster than in many of its new standalone shops.

Plumbing and Heating

	2013	**2012**	**Change**
Revenue	£1,730m	£1,632m	6.0%
LFL growth			4.8%
Segment profit	£94m	£73m	28.8%
Operating margin	5.4%	4.5%	0.9 pp

The challenging trading conditions experienced in 2012 continued into 2013 and were further exacerbated by poor weather in the first quarter. However, trading conditions improved significantly during the year resulting in sales growth of 6.0% and LFL growth of 4.8%.

Demand for domestic plumbing and heating products grew steadily during the year as house builder activity increased. RMI activity also increased and the government backed ECO (Energy Company Obligation) schemes further assisted the number of boiler installations. The ECO schemes will continue through 2014, but most likely at a lower level of activity than experienced in 2013.

The commercial plumbing and heating market displayed good growth during the summer months, however, a number of project delays impacted volumes towards the end of the year.

Despite the commercial and industrial market sectors remaining weak, BSS performed well due to an increased focus on the industrial market. LFL growth was over twice that of the division as a whole. Ten industrial centres of excellence were opened in the year, stocking a wider range of products, coupled with greater service and technical expertise.

Gross margins for the division increased despite market conditions and intense competitive pricing. This was achieved through strong partnerships with key suppliers, and improvements in sourcing and product mix as well as a number of one off short term contract benefits which are not expected to recur at the same level in 2014.

Overheads were well controlled with the ratio of costs to sales reduced during the year. The improvement in the cost ratio was achieved despite further investment in the expansion of toolhire in BSS, and the continued rollout of new showrooms and spares

implants through the existing branch network. Seven BSS toolhire implants opened in the year bringing the total number of branches to 18. Seven PTS and F&P sites were closed in the year with the majority of business transferred to nearby locations. Four new City Plumbing branches were opened and are performing in line with the Group's expectations.

Within CPS, the very successful Endeavour bathroom showroom offer was extended to 76 showrooms. In addition, the spares product category delivered impressive growth and market share gains. Spares service was extended with orders now being taken up until 8pm. for next day delivery.

The BSS industrial network was also expanded during the year with the opening of two new concept branches, one as an implant branch at a Keyline site and one as a standalone small footprint branch. These branches have traded well in the final quarter of the year and give the Group encouragement that these formats could be extended to other catchments.

Supply Chain

During the year significant progress was made implementing the Group's supply chain strategy. The process of rationalising the Group's warehousing infrastructure continued with two sites being consolidated, one relocated and a new Toolstation warehouse opening. In addition the Group completed a tender for the development of new supply chain and warehouse systems as well as announcing further changes to the lightside and heavyside distribution networks which will come on stream in 2014 and 2015.

The supply chain team also achieved a further 30% reduction in time lost to injuries on top of an excellent safety performance in 2012.

Central Services

The streamlining of central services has continued through the devolution of more responsibility to divisional management, whilst retaining the benefits arising from the scale of the Group. Divisional boards have been established and business partnering from central teams implemented.

Projects have started which will see considerable investment in the Group's IT systems in the coming years under two broad themes:

- Investing for the future: developing the Group's new web based trading platforms and other systems to improve customer propositions;
- Re-engineering and Infrastructure: which will result in the replacement of existing heritage platforms that are approaching the end of their useful lives and upgrading networks to support future growth and capacity demands.

Acquisitions and Network Development Expansion into complementary business areas continued to be an important part of the Group's strategy. In January, Solfex was acquired, distributing sustainable solar and heating product installation packages and in July the Group purchased a 51% stake in an online business distributing heating products.

The Group continued to organically grow its trading estate and by 31 December it operated from 1,939 sites (2012: 1,896). The Group accelerated its plans to intensify existing space opening Toolstation concessions within Wickes stores, new Benchmarx kitchen implants in Travis Perkins branches and introducing toolhire outlets in BSS branches.

Strategy The Group undertook a review of its strategy during the year with the new strategy being presented at the Capital Markets day in December 2013. The well documented recovery in the Group's end-user markets means there are more opportunities to invest for organic growth than has been the case for a number of years.

As a result it was right that the Group's financing strategy be reviewed and financial targets and metrics be modified to take account of these investment opportunities. These investment opportunities mean the business is likely to need access to deeper pools of funding to implement this strategy of expansion. To this end, the Group intends to run the business to investment grade metrics. This is important as it will enable the Group to access debt at reasonable cost, diversify its sources of finance to avoid being overly reliant on one form of financing, and improve its covenant in negotiations with landlords, the pension schemes it operates and suppliers.

Over recent years the Group has been reducing on-balance sheet leverage as the availability of bank and other credit has become both scarce and relatively more expensive. This strategy of deleveraging will continue until the Group has access to sufficient capital at reasonable cost and is confident that this position can be maintained. At the same time the Group is cognisant of continuing to provide strong returns to shareholders.

Balancing the desire to access capital at reasonable cost to enable investment for growth, whilst maintaining strong shareholder returns means the key financial metrics of the Group have been modified. The Group's ambition is to achieve set targets over the next three years primarily as a result of increasing the level of earnings.

The Group's strategy is also clear in its ambition to devolve more accountability to the management teams in each business. This means management teams taking a more active role in competing for capital as well as driving earnings growth and therefore it is important to place more weight on lease adjusted return on capital ("LAROCE") than operating margin as a measure of success than has historically been the case.

The revised financial targets of the Group, which were announced on 3 December 2013, are set out as follows:

Measure	Current Performance	Medium Term Ambition
Adjusted earnings per share (note 11b)	103.6p	Double digit growth p.a.
Lease adjusted ROCE (note 15)	10.0%	+200 - 300bps
Lease adjusted debt to EBITDAR (note 16b)	3.0x	2.5x
Fixed charge cover (note 16c)	2.9x	3.5x
Dividend cover (note 12)	3.3x	2.50x - 3.25x

Adjustments to Prior Period Results IAS 19 (revised 2011) and the related consequential amendments have impacted the accounting for the Group's defined benefit schemes, by replacing the interest cost and expected return on plan assets with a net interest charge on the net defined benefit scheme liability. The comparatives for 2012 have been restated with the result that profit before tax decreased by £14.1m and actuarial losses in the statement of other comprehensive income were reduced by £14.1m. The combined net deficit of the schemes at 31 December 2012 was unaffected and there was no impact on reported cash flows.

During 2013 the Financial Reporting Review Panel issued guidance in respect of IFRIC 14 "Prepayments of a Minimum Funding Requirement". This caused the Group to obtain further legal advice, which has resulted in the Group amending its accounting treatment of pension scheme schedules of contributions. In these accounts the Group has included the schedule of contributions in its calculation of pension scheme liabilities recognised in the balance sheet. Although the change has resulted in a restatement of the pension liabilities and associated deferred tax assets for the Travis Perkins scheme for previous year-ends (net adjustment 2012: £53m; 2011: £58m), the change has not impacted upon reported profits or cash flows. Further details are given in note 6d.

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;
- Group management's ability to successfully manage the principal risks and uncertainties during periods of uncertain economic outlook and challenging macro-economic conditions.

Outlook

The outlook for 2014 is encouraging, however the Board will continue to monitor the market carefully for any sign that the recovery may be slowing. Lead indicators suggest that an improvement in the level of housing transactions is well underway with mortgage approvals increasing and consumer confidence growing, although still negative. End-user markets are also showing improving signs and the Group's analysis suggests that in 2014 only new build in the public sector will continue to contract.

After several years of following a policy of targeting investment towards those projects with very short payback periods and maintaining strong control over costs, the Board is now sufficiently confident in the market's prospects to increase investment for the future. The Board therefore expects capital expenditure to increase to around £130m - £150m in 2014. This investment in new stores, implants, supply chain and IT along with the network reconfiguration in the P&H division will also incur additional operating expenditure. The Group will continue to devolve responsibility to its divisions, whilst evolving its portfolio model and increasing the focus on return on capital employed at divisional, business and branch level. This approach should enable the Group to extend its market leading positions.

For the coming year the Board is encouraged by the many positive lead indicators for construction and trade markets. However, it is also cognisant that stimulus measures may be withdrawn and that retail spending remains fragile with customers looking for value when deciding to invest in their homes.

Cautionary Statement

This announcement contains "forward-looking statements" with respect to Travis Perkins' financial condition, results of operations and business and details of plans and objectives in respect to these items. Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as "anticipates", "aims", "due", "could", "may", "will", "should", "expects", "believes", "seeks", "anticipates", "intends", "plans", "potential", "reasonably possible", "targets", "goal" or "estimates", and words of similar meaning. By their very nature forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to, the Principle Risks and Uncertainties disclosed in the Group's Annual Report, changes in the economies and markets in which the Group operates; changes in the legislative, regulatory and competition frameworks in which the Group operates; changes in the capital markets from which the Group raises finance; the impact of legal or other proceedings against or which affect the Group; and changes in interest and exchange rates. All forward-looking statements, made in this announcement or made subsequently, which are attributable to Travis Perkins or any other member of the Group or persons acting on their behalf are expressly qualified in their entirety by the factors referred to above. No assurances can be given that the forward-looking statements in this document will be realised. Subject to compliance with applicable law and regulations, Travis Perkins does not intend to update these forward-looking statements and does not undertake any obligation to do so. Nothing in this document should be regarded as a profits forecast.

Without prejudice to the above:

(a) neither Travis Perkins plc nor any other member of the Group, nor persons acting on their behalf shall otherwise have any liability whatsoever for loss howsoever arising, directly or indirectly, from use of the information contained within this announcement; and

(b) neither Travis Perkins plc nor any other member of the Group, nor persons acting on their behalf makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained within this announcement.

This announcement is current as of 25 February 2014, the date on which it is given. This announcement has not been and will not be updated to reflect any changes since that date.

Past performance of the shares of Travis Perkins plc cannot be relied upon as a guide to the future performance of the shares of Travis Perkins plc.

Consolidated income statement

For the year ended 31 December 2013

	2013			2012		
	Pre-exceptional items	**Exceptional items**	**Total**	Pre-exceptional items *(Restated)	Exceptional items	Total * (Restated)
	£m	**£m**	**£m**	£m	£m	£m
Revenue	**5,148.7**	**-**	**5,148.7**	4,844.9	-	4,844.9
Operating profit before amortisation (note 6a)	**347.6**	**-**	**347.6**	325.7	(8.7)	317.0
Amortisation of intangible assets	**(17.9)**	**-**	**(17.9)**	(17.4)	-	(17.4)
Operating profit	**329.7**	**-**	**329.7**	308.3	(8.7)	299.6
Exceptional investment income (note 6)	**-**	**9.4**	**9.4**	-	39.5	39.5

Finance income (note 9)	**3.7**	**-**	**3.7**	2.7	-	2.7
Finance costs (note 9)	**(30.2)**	**-**	**(30.2)**	(42.6)	-	(42.6)
Profit before tax	**303.2**	**9.4**	**312.6**	268.4	30.8	299.2
Tax (note 10)	**(68.0)**	**20.1**	**(47.9)**	(66.0)	15.5	(50.5)
Profit for the year	**235.2**	**29.5**	**264.7**	202.4	46.3	248.7

Attributable to:						
Owners of the Company	**235.1**	**29.5**	**264.6**	202.4	46.3	248.7
Non-controlling interests	**0.1**	**-**	**0.1**	-	-	-
	235.2	**29.5**	**264.7**	202.4	46.3	248.7

Earnings per ordinary share (note 11a)		
Basic	**109.9p**	104.3p
Diluted	**105.7p**	100.6p
Total dividend declared per ordinary share (note 12)	**31.0p**	25.0p

All results relate to continuing operations.

*Where on the following pages it refers to a restatement it is in respect of the movement in the pension liability recognised due to minimum funding requirements and / or, as in the case of the income statement and statement of comprehensive income, it is due to the adoption of the new International Financial Reporting Standard IAS 19 (revised 2011) (note 6d).

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

Consolidated statement of comprehensive income

For the year ended 31 December 2013

	2013	2012 (Restated)
	£m	£m
Profit for the year	**264.7**	248.7
Items that will not be reclassified subsequently to profit and loss:		
Actuarial gains / (losses) on defined benefit pension schemes	**34.0**	(22.1)
Deferred tax rate change	**(11.5)**	(7.1)
Income tax relating to items not reclassified	**(7.0)**	5.1
	15.5	(24.1)
Items that may be reclassified subsequently to profit and loss:		
Cash flow hedges:		
Losses arising during the year	**(5.0)**	(8.5)
Reclassification adjustments for losses included in profit	**6.1**	8.8
Movement on cash flow hedge cancellation payment	**0.8**	4.1
Income tax relating to items that may be reclassified	**(0.3)**	(0.9)
	1.6	3.5
Other comprehensive income / (loss) for the year	**17.1**	(20.6)
Total comprehensive income for the year	**281.8**	228.1

Consolidated balance sheet

As at 31 December 2013

	2013	2012 (Restated)

	£m	£m
ASSETS		
Non-current assets		
Goodwill	**1,813.9**	1,807.5
Other intangible assets	**409.8**	424.8
Property plant and equipment	**609.9**	578.4
Derivative financial instruments	**9.3**	12.8
Investment property	**0.4**	0.4
Interest in associates	**7.3**	6.7
Available-for-sale investments	**2.7**	2.4
Total non-current assets	**2,853.3**	2,833.0
Current assets		
Inventories	**687.7**	637.1
Trade and other receivables	**822.9**	733.7
Derivative financial instruments	**-**	12.7
Cash and cash equivalents	**79.8**	139.1
Total current assets	**1,590.4**	1,522.6
Total assets	**4,443.7**	4,355.6

Consolidated balance sheet (continued)

As at 31 December 2013

	2013	2012 (Restated)
	£m	£m
EQUITY AND LIABILITIES		
Capital and reserves		
Issued capital	**24.7**	24.5
Share premium account	**498.0**	487.2
Merger reserve	**326.5**	326.5
Revaluation reserve	**18.4**	20.1
Hedging reserve	**-**	(1.6)
Own shares	**(40.6)**	(62.4)
Other reserves	**(1.7)**	-
Accumulated profits	**1,689.9**	1,461.3
Total equity	**2,515.2**	2,255.6
Non-current liabilities		
Interest bearing loans and borrowings	**421.6**	195.2
Derivative financial instruments	**4.5**	4.9
Retirement benefit obligation (note 8)	**71.4**	125.9
Long-term provisions	**20.7**	20.0
Long term other payables	**1.9**	47.0
Deferred tax liabilities	**61.3**	69.1
Total non-current liabilities	**581.4**	462.1

Current liabilities		
Interest bearing loans and borrowings	**5.8**	396.1
Trade and other payables	**1,218.1**	1,107.6
Derivative financial instruments	**1.8**	2.6
Tax liabilities	**73.2**	74.8
Short-term provisions	**48.2**	56.8
Total current liabilities	**1,347.1**	1,637.9
Total liabilities	**1,928.5**	2,100.0
Total equity and liabilities	**4,443.7**	4,355.6

Consolidated statement of changes in equity

For the year ended 31 December 2013

	The Group								
	Issued share capital	Share premium account	Merger reserve	Revaluation reserve	Hedging reserve	Own shares	Other	Accumulated profits	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2012	24.4	480.8	326.5	20.8	(5.1)	(75.2)	-	1,335.6	2,107.8
Prior period restatement	-	-	-	-	-	-	-	(58.4)	(58.4)
At 1 January 2012 (restated)	24.4	480.8	326.5	20.8	(5.1)	(75.2)	-	1,277.2	2,049.4
Profit for the year (restated)	-	-	-	-	-	-	-	248.7	248.7
Other comprehensive income for the period net of tax (restated)	-	-	-	-	3.5	-	-	(24.1)	(20.6)
Total comprehensive income for the year	-	-	-	-	3.5	-	-	224.6	228.1
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 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)	-	1,461.3	2,255.6
Profit for the year	-	-	-	-	-	-	0.1	264.6	264.7
Other comprehensive income for the period net of tax	-	-	-	-	1.6	-	-	15.5	17.1
Total comprehensive income for the year	-	-	-	-	1.6	-	0.1	280.1	281.8
Dividends	-	-	-	-	-	-	-	(65.1)	(65.1)
Issue of share capital	0.2	10.8	-	-	-	21.8	-	(18.9)	13.9
Realisation of revaluation reserve in respect of property disposals	-	-	-	(2.8)	-	-	-	2.8	-
Difference between depreciation of assets on a historical basis and on a revaluation basis	-	-	-	(0.2)	-	-	-	0.2	-
Deferred tax rate change	-	-	-	1.3	-	-	-	-	1.3
Tax on share based payments	-	-	-	-	-	-	-	15.7	15.7
Foreign exchange	-	-	-	-	-	-		0.1	0.1
Fair value of put option	-	-	-	-	-	-	(1.8)		(1.8)
Credit for equity-settled share based payments	-	-	-	-	-	-	-	13.7	13.7
At 31 December 2013	**24.7**	**498.0**	**326.5**	**18.4**	-	**(40.6)**	**(1.7)**	**1,689.9**	**2,515.2**

Consolidated cash flow statement

For the year ended 31 December 2013

	2013	2012 (Restated)

	£m	£m
Operating profit before exceptional items and amortisation	**347.6**	325.7
Adjustments for:		
Depreciation of property, plant and equipment	**71.3**	69.4
Other non cash movements	**13.7**	16.1
Losses of associate	**2.5**	0.3
Gain on disposal of property, plant, equipment and investments	**(18.1)**	(17.1)
Operating cash flows before movements in working capital	**417.0**	394.4
Increase in inventories	**(48.5)**	(19.2)
(Increase) / decrease in receivables	**(83.6)**	5.1
Increase) / (decrease) in payables	**61.5**	(25.0)
Payments on exceptional items	**(4.6)**	(4.7)
Pension payments in excess of the charge to profits	**(22.6)**	(23.0)
Cash generated from operations	**319.2**	327.6
Interest paid	**(21.0)**	(27.4)
Income taxes paid	**(59.2)**	(64.5)
Net cash from operating activities	**239.0**	235.7
Cash flows from investing activities		
Interest received	**0.5**	0.1
Proceeds on disposal of property, plant, equipment and investments	**16.9**	32.6
Purchases of property, plant and equipment	**(107.2)**	(82.3)
Interest in associate	**(2.9)**	(2.9)
Acquisition of businesses net of cash acquired	**(9.3)**	(24.5)
Net cash used in investing activities	**(102.0)**	(77.0)
Financing activities		
Net proceeds from the issue and sale of share capital	**13.9**	8.9
Net movement in finance lease liabilities	**(2.1)**	5.7
Decrease in loans	**(143.0)**	(61.6)
Dividends paid	**(65.1)**	(51.2)
Net cash from financing activities	**(196.3)**	(98.2)
Net (decrease) / increase in cash and cash equivalents	**(59.3)**	60.5
Cash and cash equivalents at beginning of the year	**139.1**	78.6
Cash and cash equivalents at end of the year	**79.8**	139.1

Notes

1. The Group's principal accounting policies are set out in the 2012 annual report, which is available on the Company's website www.travisperkinsplc.com. In 2013 the Group has adopted IAS 19 (revised 2011) and has followed the guidance of the FRRP concerning the application of IFRIC 14. The impact of these changes is shown in note 6d. All other accounting policies have been applied consistently in 2013.
2. The proposed final dividend of 21.0 pence (2012: 17.0 pence) is payable on 30 May 2014. The record date is 2 May 2014.
3. The financial information set out in this statement does not constitute the Company's statutory accounts for the years ended 31 December 2013 or 31 December 2012, but is derived from those accounts. Statutory accounts for 2012 have been delivered to the Registrar of Companies and those for 2013 will be delivered in due course. The auditors have reported on those accounts; their reports were unmodified, did not draw attention to any matters by way of emphasis without modifying 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 25 February 2014.
5. It is intended to post the annual report to shareholders on 25 April 2014 and to hold the Annual General Meeting on 28 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 25 April 2014 or will be available on the Group's website at www.travisperkinsplc.com.
6. **Profit**

(a) Operating profit

	2013	2012 (Restated)
	£m	£m
Revenue	**5,148.7**	4,844.9

Cost of sales	**(3,616.6)**	(3,381.1)
Gross profit	**1,532.1**	1,463.8
Selling and distribution costs	**(941.5)**	(907.8)
Administrative expenses	**(280.7)**	(275.4)
Profit on disposal of properties	**17.4**	15.0
Other operating income	**4.9**	4.3
Share of results of associate	**(2.5)**	(0.3)
Operating profit	**329.7**	299.6
Add back exceptional items	**-**	8.7
Add back amortisation of intangible assets	**17.9**	17.4
Adjusted operating profit	**347.6**	325.7

6. Profit (continued)

(a) Operating profit (continued)

Exceptional items

	2013	2012
	£m	£m
BSS integration costs	**-**	(14.7)
Onerous lease provision release	**-**	6.0
Toolstation investment fair value adjustment	**-**	35.3
Toolstation consideration fair value adjustment	**9.4**	4.2
	9.4	30.8

In accordance with IAS 39 the contingent consideration payable in respect of Toolstation has been reassessed at 31 December 2013 and as a result the discounted amount previously recognised of £47.0m (2011: £51.2m) has been reduced to £37.6m (2012: £47.0m) with the difference of £9.4m (2012: £4.2m) being credited to the income statement as exceptional investment income.

The Group incurred £14.7m of exceptional operating charges in 2012 as a result of the programme to integrate BSS colleagues, systems and processes into the Group.

In 2012, the Group released £6.0m through operating profit as an exceptional item for onerous lease provisions that were no longer required because properties had been sublet.

In 2012, the Group recognised £35.3m 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 resulted in the Group's existing 30% associate interest being re-measured to its fair value at the acquisition date.

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 group income statement.

(b) Adjusted profit before and after tax

	2013	2012 (Restated)
	£m	£m
Profit before tax	**312.6**	299.2
Exceptional items (note 6a)	**(9.4)**	(30.8)
Amortisation of intangible assets	**17.9**	17.4
Adjusted profit before tax	**321.1**	285.8
Profit after tax	**264.7**	248.7
Exceptional items	**(9.4)**	(30.8)
Amortisation of intangible assets	**17.9**	17.4
Tax on exceptional items and amortisation	**(3.6)**	(6.1)
Effect of reduction in corporation tax rate on deferred tax	**(20.1)**	(13.3)
Adjusted profit after tax	**249.5**	215.9

6. Profit (continued)

(c) Adjusted operating margin

	General Merchanting		Specialist Merchanting		Consumer		Plumbing & Heating		Unallocated		Group	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
										(Restated)		(Restated)
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m	**£m**	£m	**£m**	£m
Revenue	1,578.4	1,456.7	660.3	603.6	1,179.8	1,152.5	1,730.2	1,632.1	-	-	5,148.7	4,844.9
Segment result	176.4	167.3	30.2	31.3	58.0	65.8	80.8	45.8	(15.7)	(10.6)	329.7	299.6
Amortisation of intangible assets	-	-	-	-	4.9	4.9	13.0	12.5	-	-	17.9	17.4
Exceptional items	-	-	-	0.2	-	(6.0)		14.5	-	-	-	8.7
Adjusted segment result	176.4	167.3	30.2	31.5	62.9	64.7	93.8	72.8	(15.7)	(10.6)	347.6	325.7
Adjusted operating margin	11.2%	11.5%	4.6%	5.2%	5.3%	5.6%	5.4%	4.5%	-	-	6.8%	6.7%

(d) Prior period restatements

IAS 19 (revised 2011) and the related consequential amendments have impacted the accounting for the Group's defined benefit schemes, by replacing the combined interest cost on liabilities and expected return on plan assets with a net interest charge on the net defined benefit liability. Prior year comparatives have been restated with an increase in the net finance cost of £13.2m in the year ended 31 December 2012. Administration expenses for the schemes, totalling £0.9m, have been deducted from operating profit for the year ended 31 December 2012 and actuarial losses in the statement of other comprehensive income have been reduced by £14.1m for the same period. The combined net deficit of the schemes at 31 December is unaffected. There is no impact on cash flows.

Following recent guidance from the FRRP regarding the treatment of a schedule of contributions in relation to a minimum funding requirement under IFRIC 14, the Group has reconsidered the appropriate accounting treatment for its pension fund obligations. In respect of the Travis Perkins defined benefit pension scheme the pension obligation in the balance sheet has been restated at 1 January 2012 and 31 December 2012 with consequent adjustments to deferred tax. For the BSS scheme no restatement is required, however the 31 December 2013 closing balance sheet position is impacted.

Further details of the impact of the prior period restatements are given in the tables below. The impact of IAS 19 (revised 2011) is restricted to the income statement and statement of comprehensive income. The impact of the reinterpretation of IFRIC 14 affects the balance sheet, statement of comprehensive income and statement of equity.

6. Profit (continued)

(i) Impact on income statement

	Year ended 31 December 2012		
	As previously stated £m	Prior period adjustment £m	As restated £m
Revenue	4,844.9	-	4,844.9
Adjusted operating profit	326.6	(0.9)	325.7
Exceptional items and amortisation	(26.1)	-	(26.1)
Operating profit	300.5	(0.9)	299.6
Exceptional investment income	39.5	-	39.5
Finance income	13.8	(11.1)	2.7
Finance costs	(40.5)	(2.1)	(42.6)
Profit before tax	313.3	(14.1)	299.2
Tax	(53.7)	3.2	(50.5)
Profit after tax	259.6	(10.9)	248.7

(ii) Impact on adjusted profit before tax

	Year ended 31 December 2012		
	As previously stated £m	Prior period adjustment £m	As restated £m
Profit before tax	313.3	(14.1)	299.2
Exceptional items and amortisation	(13.4)	-	(13.4)

Adjusted profit before tax	299.9	(14.1)	285.8

(iii) Impact on adjusted profit after tax

	Year ended 31 December 2012		
	As previously stated £m	Prior period adjustment £m	As restated £m
Profit after tax	259.6	(10.9)	248.7
Exceptional items and amortisation	(32.8)	-	(32.8)
Adjusted profit after tax	226.8	(10.9)	215.9

6. Profit (Continued)

(iv) Impact on earnings per share

	Year ended 31 December 2012		
	As previously stated £m	Prior period adjustment £m	As restated £m
Basic	108.9p	(4.6)p	104.3p
Adjusted basic	95.1p	(4.5)p	90.6p
Diluted	105.0p	(4.4)p	100.6p

(v) Impact on statement of comprehensive income

	Year ended 31 December 2012		
	As previously stated £m	Prior period adjustments £m	As restated £m
Profit after tax	259.6	(10.9)	248.7
Items that will not be reclassified subsequently to profit and loss			
Actuarial losses on defined benefit pension schemes	(45.8)	23.7	(22.1)
Deferred tax rate change	(5.5)	(1.6)	(7.1)
Income taxes relating to items not reclassified	10.4	(5.3)	5.1
	(40.9)	16.8	(24.1)
Items that may be reclassified subsequently to profit and loss	3.5	-	3.5
Total comprehensive income	222.2	5.9	228.1

6. Profit (Continued)

(vi) Impact on group balance sheet

	Year ended 31 December 2012		
	As previously stated £m	Prior period adjustments £m	As restated £m
Deferred tax liability	85.0	(15.9)	69.1
Retirement benefit obligation	59.1	66.8	125.9
Other liabilities	1,905.0	-	1,905.0
Total liabilities	2,049.1	50.9	2,100.0
Accumulated profits	1,513.8	(52.5)	1,461.3
Other capital and reserves	794.3	-	794.3
Total equity and liabilities	4,357.2	(1.6)	4,355.6

	Year ended 31 December 2011		
	As previously stated	Prior period adjustments	As restated
	£m	£m	£m
Deferred tax liability	97.4	(19.6)	77.8
Retirement benefit obligation	65.0	58.7	123.7
Other liabilities	1,921.0	-	1,921.0
Total liabilities	2,083.4	39.1	2,122.5
Accumulated profits	1,335.6	(58.4)	1,277.2
Other capital and reserves	772.2	-	772.2
Total equity and liabilities	4,191.2	(19.3)	4,171.9

7. Business and geographical segments

	2013						
	General Merchanting	Specialist Merchanting	Consumer	Plumbing & Heating	Unallocated	Eliminations	Consolidated
	£m	£m	£m	£m	£m	£m	£m
Revenue	1,578.4	660.3	1,179.8	1,730.2	-	-	5,148.7
Segment result	176.4	30.2	58.0	80.8	(15.7)	-	329.7
Exceptional investment income	-	-	9.4	-	-	-	9.4
Finance income	-	-	-	-	3.7	-	3.7
Finance costs	-	-	-	-	(30.2)	-	(30.2)
Profit before taxation	176.4	30.2	67.4	80.8	(42.2)	-	312.6
Taxation	-	-	-	-	(47.9)	-	(47.9)
Profit for the year	176.4	30.2	67.4	80.8	(90.1)	-	264.7
Segment assets	2,246.5	497.2	1,696.5	1,218.0	96.7	(1,311.2)	4,443.7
Segment liabilities	(724.3)	(14.8)	(413.4)	(239.7)	(1,847.5)	1,311.2	(1,928.5)
Consolidated net assets	1,522.2	482.4	1,283.1	978.3	(1,750.8)	-	2,515.2
Capital expenditure	83.8	6.8	12.7	8.2	-	-	111.5
Amortisation	-	-	4.9	13.0	-	-	17.9
Depreciation	35.1	9.1	17.4	9.7	-	-	71.3

	2012						
	General Merchanting	Specialist Merchanting	Consumer	Plumbing & Heating	Unallocated (Restated)	Eliminations	Consolidated (Restated)
	£m	£m	£m	£m	£m	£m	£m
Revenue	1,456.7	603.6	1,152.5	1,632.1	-	-	4,844.9
Segment result	167.3	31.3	65.8	45.8	(10.6)	-	299.6
Exceptional investment income	-	-	39.5	-	-	-	39.5
Finance income	-	-	-	-	2.7	-	2.7
Finance costs	-	-	-	-	(42.6)	-	(42.6)
Profit before taxation	167.3	31.3	105.3	45.8	(50.5)	-	299.2
Taxation	-	-	-	-	(50.5)	-	(50.5)
Profit for the year	167.3	31.3	105.3	45.8	(101.0)	-	248.7
Segment assets	2,121.7	469.7	1,653.4	1,166.6	177.7	(1,233.5)	4,355.6
Segment liabilities	(659.7)	(13.7)	(415.5)	(232.4)	(2,012.2)	1,233.5	(2,100.0)
Consolidated net assets	1,462.0	456.0	1,237.9	934.2	(1,834.5)	-	2,255.6
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)

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 2013 and 2012, 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

	2013	2012 (Restated)
	£m	£m
Gross deficit at 1 January	**(57.5)**	(45.7)
Service costs charged to the income statement	**(10.3)**	(10.0)
Administration expenses	**(0.8)**	(0.9)
Net interest expense	**(2.1)**	(2.1)
Contributions received by the scheme	**33.7**	32.9
Return on plan assets (excluding amounts included in net interest expense)	**68.0**	42.1
Actuarial losses arising from changes in financial assumptions	**(30.7)**	(52.3)
Actuarial gains and losses arising from experience adjustments	**-**	(21.5)
Gross actuarial surplus / (deficit) at 31 December	**0.3**	(57.5)
Restriction in asset recognised	**(41.1)**	(1.6)
Additional liability recognised in respect of minimum funding requirements	**(30.6)**	(66.8)
Total pension liability	**(71.4)**	(125.9)
Deferred tax	**14.0**	28.9
Net deficit at 31 December	**(57.4)**	(97.0)

In 2014 the total amount payable to the pension schemes in excess of the cost of on-going funding will be £25m.

Restatements

IAS 19 (revised 2011) and the related consequential amendments have impacted the accounting for the Group's defined benefit schemes, by replacing the combined interest cost on liabilities and expected return on plan assets with a net interest charge on the net defined benefit liability. Prior year comparatives have been restated.

Following recent guidance from the FRRP regarding the treatment of a schedule of contributions in relation to a minimum funding requirement under IFRIC 14, the Group has reconsidered the appropriate accounting treatment for its pension funding obligations. As a result, the Group now includes impact of the schedule of contributions within the overall pension liability recorded at the period end.

Full details of both restatements are provided in note 6d.

9. Net finance costs

	2013	2012 (Restated)
	£m	£m
Interest on bank loans and overdrafts*	**(19.4)**	(24.7)
Interest on obligations under finance leases	**(1.3)**	(1.1)
Unwinding of discounts - property provisions	**(1.5)**	(2.5)
Unwinding of discounts - SPV	**(2.5)**	(2.5)
Amortisation of cancellation payment for swaps accounted for as cash flow hedges	**(0.8)**	(4.1)
Other interest	**(1.8)**	(1.7)
Other finance costs - pension scheme	**(2.1)**	(2.1)
Net loss on re-measurement of derivatives at fair value	**(0.8)**	(3.9)
Finance costs	**(30.2)**	(42.6)
Amortisation of cancellation receipt for swap accounted for as fair value hedge	**1.0**	1.0
Net gain on re-measurement of derivatives at fair value	**1.9**	1.3
Interest receivable	**0.8**	0.4
Finance income	**3.7**	2.7
Net finance costs	**(26.5)**	(39.9)

*Includes £1.5m (2012: £1.2m) of amortised bank finance charges.

	2013	2012 (Restated)
	£m	£m

Interest on bank loans and overdrafts	**(19.4)**	(24.7)
Amortised bank finance charges	**1.5**	1.2
Other interest	**(1.8)**	(1.7)
Interest receivable	**0.8**	0.4
Interest for covenant purposes	**(18.9)**	(24.8)
Adjusted interest cover for covenant purposes	**18.3x**	13.1x

Adjusted interest cover is calculated by dividing, adjusted operating profit of £347.6m (2012: £325.7m) less £1.0m (2012: £1.5m) of specifically excluded IFRS adjustments, by the interest for covenant purposes. The unwinding of discounts arises principally from the property provisions created in 2008 and the liability to the pension scheme associated with the SPV.

	2013	2012 (Restated)
	£m	£m
Interest on bank loans and overdrafts	**(19.4)**	(24.7)
Interest on obligations under finance leases	**(1.3)**	(1.1)
Unwinding of discounts -SPV	**(2.5)**	(2.5)
Loan note interest (included in other interest)	**(0.2)**	(0.2)
Interest for fixed charge ratio purposes	**(23.4)**	(28.5)

10. Tax

	2013			2012		
	Pre-exceptional items	**Exceptional items**	**Total**	Pre-exceptional items (Restated)	Exceptional items	Total (Restated)
	£m	**£m**	**£m**	£m	£m	£m
Current tax						
UK corporation tax						
- current year	**68.9**	**-**	**68.9**	68.0	(2.2)	65.8
- prior year	**(1.0)**	**-**	**(1.0)**	(1.1)	-	(1.1)
Total current tax	**67.9**	**-**	**67.9**	66.9	(2.2)	64.7
Deferred tax						
- current year	**1.1**	**(20.1)**	**(19.0)**	(1.6)	(13.3)	(14.9)
- prior year	**(1.0)**	**-**	**(1.0)**	0.7	-	0.7
Total deferred tax	**0.1**	**(20.1)**	**(20.0)**	(0.9)	(13.3)	(14.2)
Total tax charge	**68.0**	**(20.1)**	**47.9**	66.0	(15.5)	50.5

The tax charge includes an exceptional credit of £20.1m (2012: £13.3m) arising from the reduction in the corporation tax rate from 23% to 21% (2012: 25% to 23%) on 1 April 2014 and a further deduction of 1% to 20% from 1 April 2015.

The tax rate for the year of 23.25% is a blended rate of 24% up to 1 April 2013 and 23% thereafter. From 1 April 2015 the statutory tax rate will fall to 20%.

11. Earnings per share

(a) Basic and diluted earnings per share

	2013	2012 (Restated)
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	**264.6**	248.7
Number of shares	**No.**	No.
Weighted average number of shares for the purposes of basic earnings per share	**240,829,833**	238,388,160
Dilutive effect of share options on potential ordinary shares	**9,428,138**	8,809,106
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**250,257,971**	247,197,266

16,833 (2012: 692,839) share options had an exercise price in excess of the average market value of the shares during the year. As a result, these share options were excluded from the calculation of diluted earnings per share.

11. Earnings per share (continued)

(b) Adjusted earnings per share

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

	2013	2012
		(Restated)
	£m	£m
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the Parent Company	264.6	248.7
Exceptional items	(9.4)	(30.8)
Amortisation of intangible assets	17.9	17.4
Tax on amortisation of intangible assets	(3.6)	(3.9)
Tax on exceptional items	-	(2.2)
Effect of reduction in corporation tax rate on deferred tax	(20.1)	(13.3)
Adjusted earnings	249.4	215.9
Adjusted earnings per share	103.6p	90.6p
Adjusted diluted earnings per share	99.7p	87.3p

12. Dividends

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

	2013	2012
	£m	£m
Final dividend for the year ended 31 December 2012 of 17.0p (2011: 13.5p) per ordinary share	40.9	32.1
Interim dividend for the year ended 31 December 2013 of 10.0p (2012: 8.0p) per ordinary share	24.2	19.1
Total dividend recognised during the year	65.1	51.2

The dividends declared for 2013 at 31 December 2013 and for 2012 at 31 December 2012 were as follows:

	2013	2012
	Pence	Pence
Interim paid	10.0	8.0
Final proposed	21.0	17.0
Total dividend for the year	31.0	25.0

The proposed final dividend of 21.0p per ordinary share in respect of the year ended 31 December 2013 was approved by the Board on 25 February 2014.

12. Dividends (continued)

Adjusted dividend cover of 3.3x (2012: 3.6x) is calculated by dividing adjusted earnings per share (note 11b) of 103.6p (2012: 90.6p) by the total dividend for the year of 31.0p (2012: 25.0p).

13. Free cash flow

	2013	2012
	£m	£m
Net debt at 1 January	(452.2)	(583.2)
Net debt at 31 December	(347.6)	(452.2)
Decrease in net debt	104.6	131.0
Dividends paid	65.1	51.2
Net cash outflow for expansion capital expenditure	63.2	27.9
Net cash outflow for acquisitions	9.3	24.5
Amortisation of swap cancellation receipt	(1.0)	(1.1)
Discount unwind on liability to pension scheme	2.5	2.5
Cash impact of exceptional items	4.6	4.7
Interest in associate	2.9	2.9
Shares issued and sale of own shares	(13.9)	(8.9)
Decrease in fair value of debt and exchange movements	(15.8)	(17.1)
Movement in finance charges netted off bank debt	(4.5)	1.2
Special pension contributions	22.6	23.0
Free cash flow	**239.6**	**241.8**

14. Net debt

Balances at 31 December comprise:

	2013	2012
	£m	£m
Cash and cash equivalents	**79.8**	139.1
Non-current interest bearing loans	**(421.6)**	(195.2)
Current interest bearing loans	**(5.8)**	(396.1)
Net debt	**(347.6)**	(452.2)

14, Net debt (continued)

The Group

	Cash and cash equivalents	Finance leases	Term loan and 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 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
At 1 January 2013	(139.1)	25.9	267.4	261.1	36.9	452.2
Cash flow	59.3	(2.1)	(24.5)	(115.6)	(2.9)	(85.8)
Exchange movement	-	-	-	(1.7)	-	(1.7)
Fair value movement	-	-	-	(14.1)	-	(14.1)
Finance charges movement	-	-	(4.5)	-	-	(4.5)
Amortisation of swap cancellation receipt	-	-	-	(1.0)	-	(1.0)
Discount unwind on liability to pension scheme	-	-	-	-	2.5	2.5
31 December 2013	**(79.8)**	**23.8**	**238.4**	**128.7**	**36.5**	**347.6**

	2013	2012
	£m	£m
Net debt under IFRS	**(347.6)**	(452.2)
IAS 17 finance leases	**17.5**	18.7
Unamortised swap cancellation receipt	**1.9**	2.9
Liability to pension scheme	**36.5**	36.9
Fair value adjustment to debt	**3.7**	19.5
Finance charges netted off bank debt	**(4.8)**	(0.3)
Net debt under covenant calculations	**(292.8)**	(374.5)

15. Return on capital ratios

Group return on capital employed is calculated as follows

	2013	2012 (Restated)
	£m	£m
Operating profit	**329.7**	299.6
Amortisation of intangible assets	**17.9**	17.4

Exceptional items	**-**	8.7
Adjusted operating profit	**347.6**	325.7
Opening net assets	**2,255.6**	2,049.4
Net pension deficit	**97.0**	92.7
Goodwill written off	**92.7**	92.7
Net borrowings	**452.2**	583.2
Exchange adjustment	**(19.5)**	(36.6)
Opening capital employed	**2,878.0**	2,781.4
Closing net assets	**2,515.2**	2,255.6
Net pension deficit	**57.4**	97.0
Goodwill written off	**92.7**	92.7
Net borrowings	**347.6**	452.2
Exchange adjustment	**(3.7)**	(19.5)
Closing capital employed	**3,009.2**	2,878.0
Average capital employed	**2,943.6**	2,829.7
Adjusted pre-tax return on capital	**11.8%**	11.5%

Group lease adjusted return on capital employed is calculated as follows:

Adjusted operating profit	**347.6**	325.7
50% of property operating lease rentals	**92.2**	87.8
Lease adjusted operating profit	**439.8**	413.5
Average capital employed	**2,943.6**	2,829.7
Property operating lease rentals x8	**1,474.4**	1,404.8
Lease adjusted capital employed	**4,418.0**	4,234.5
Lease adjusted return on capital employed	**10.0%**	9.8%

16. Leverage ratios

(a) Adjusted ratio of net debt to earnings before interest tax and depreciation ("EBITDA") is derived as follows:

	2013	2012 (Restated)
	£m	£m
Profit before tax	**312.6**	299.2
Net finance costs	**26.5**	39.9
Depreciation and amortisation	**89.2**	86.8
EBITDA under IFRS	**428.3**	425.9
Exceptional operating items	**-**	8.7
Exceptional investment income	**(9.4)**	(39.5)
Adjusted EBITDA	**418.9**	395.1
IFRS adjustments not included in covenant calculations	**(2.6)**	(2.6)
Adjusted EBITDA under covenant calculations	**416.3**	392.5
Net debt under covenant calculations	**292.8**	374.5
Adjusted net debt to EBITDA	**0.70x**	0.95x

(b) Adjusted ratio of net debt to earnings before interest, tax, depreciation, and operating lease rentals ("EBITDAR) is derived as follows:

	2013	2012 (Restated)
	£m	£m
Adjusted EBITDA	**418.9**	395.1
Operating lease rentals	**184.3**	175.6
Adjusted EBITDAR	**603.2**	570.7
Reported net debt	**347.6**	452.2
Operating lease rentals (x 8)	**1,474.4**	1,404.8
Lease adjusted net debt	**1,822.0**	1,857.0

Lease adjusted net debt to EBITDAR	3.0x	3.3x

(c) Fixed charge cover is derived as follows:

	2013	2012 (Restated)
	£m	£m
Adjusted EBITDAR	603.2	570.7
Property operating lease rentals	184.3	175.6
Interest for fixed charge calculation (note 9)	23.4	28.5
Lease adjusted net debt	207.7	204.1
Fixed charge cover	**2.9x**	2.8x

17. Acquisition of businesses

On the 30 January 2013 the Group acquired 88.2% of the issued share capital of Solfex Energy Systems Limited ("Solfex"). Solfex is a specialist distributor of renewables technology. The Group acquired the remaining 11.8% on 31 July 2013.

On the 24 July 2013 the Group acquired 51.0% of the issued share capital of Plumbnation Limited, an online supplier of plumbing and heating products. The Group has options to acquire the remaining 49.0% during the period until October 2016 and consequently a financial liability of the expected value of the put option £1.8m has been recognised. The call option held by the Vendor currently has no fair value. Plumbnation will prepare its financial statements to a 30 June year end.

All acquisitions were accounted for using the purchase method of accounting. Provisional fair values ascribed to identifiable assets as at the date of acquisition are shown in the table below.

	Fair value acquired
	£m
Net assets acquired:	
Property, plant and equipment	0.4
Identifiable intangible assets	2.9
Inventories	1.8
Trade and other receivables	1.6
Cash at bank	4.0
Trade and other payables	(2.7)
	8.0
Goodwill - addition during the period	6.4
	14.4
Satisfied by:	
Cash paid	13.3
Discounted contingent consideration	1.1
	14.4

Contingent consideration payable in 2014 and 2015 is calculated by reference to a multiple of EBITDA which is dependent upon future performance and expansion of the Solfex business over the period to December 2015. After taking into account the requirements of the purchase and sale agreement the total cash payment is expected to be £1.3m.

International Financial Reporting Standard ("IFRS") 3 (2008) requires the consideration transferred in a business combination to be measured at fair value and therefore the future cash consideration has been discounted by £0.2m. If the actual consideration paid in the earn out years differs from the current estimate of £1.1m, then IFRS 3 (2008) will require the difference to pass through the income statement.

In addition, it is currently expected that, dependent on future profits, a further £2.1m will be paid to the previous majority shareholders of the businesses who are still employed by the Group. As required by IFRS 3 (2008), this will be treated as remuneration and charged to the income statement as it is earned.

Total revenue and operating profit for the businesses acquired for the period from acquisition, total £19.8m and £0.8m respectively. If the acquisitions had been completed on the first day of the financial year, group revenues would have been £5,159.0m and the Group's operating profit before amortisation would be £347.9m

Goodwill recognised consists of the benefits from forecast growth and the assembled workforce. None of the goodwill recognised is expected to be deductible for income tax purposes. Acquisition costs charged in administration expenses in the period to 31 December 2013 amounted to £0.4m. The fair value of the acquired receivables is £1.6m and all acquired receivables are expected to be collected in full.

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