Travis Perkins plc

Interim results for the six months ended 30th June 2016

Continued growth momentum and investing for medium term returns

£m	H1 2016	H1 2015	Change
Revenue	**3,113**	2,943	5.8%
Like-for-like revenue[(1)]			3.1%
Adjusted operating profit[(2)]	**194**	185	4.9%
Adjusted profit before taxation[(2)]	**184**	167	10.2%
Adjusted profit after taxation[(2)]	**145**	134	8.2%
Adjusted earnings per share[(2)(3)] (pence)	**58.4p**	54.2p	7.7%
Dividend per share (pence)	**15.25p**	14.75p	3.4%
Revised lease adjusted ROCE[(4)]	**10.9%**	11.1%	(20)bps
Adjusted free cash flow[(5)]	**165**	156	5.8%
Operating profit	**186**	176	5.7%
Profit before taxation	**176**	159	10.7%
Profit after taxation	**139**	127	9.4%
Basic earnings per share[(3)] (pence)	**55.7p**	51.3p	8.6%
Cash generated from operations	**212**	190	11.6%

[(1)]Details of non-GAAP measures can be found in notes 7, 11 and 12

[(2)]The term "adjusted" is used to signify that the effects of exceptional items, impairment of goodwill and other intangible assets, amortisation of intangible assets and the associated tax impacts have been excluded from the disclosure being made

[(3)]Share count in H1 2016 was 248,833,390 (2015: 246,949,512)

[(4)]Lease adjusted ROCE has been revised to account for the goodwill and other intangible asset impairments in prior periods together with a revision to rental income receivable. Details in note 12

[(5)]Adjusted free cash flow excludes an exceptional tax payment of £42.5m to HMRC in respect of amounts previously provided for against disputed tax items

Highlights

- Revenue increased by 5.8% with like-for-like sales up 3.1% (9.0% on a two-year basis) demonstrating continued outperformance of the market
- Adjusted operating profit increased by 4.9% to £194m
- Adjusted EPS increased by 7.7% to 58.4p
- Interim dividend increased by 3.4% to 15.25p per share
- Good adjusted free cash flow generation of £165m, with cash conversion of 85%
- Gross capital investment of £120m, including £49m of freehold property investments
- Strong balance sheet, with committed long-term funding and significant liquidity headroom to continue investing
- Network expansion of net 14 new branches and stores opened in the half

John Carter – Chief Executive Officer said:

"The solid performance in the first half of 2016 reflects our leading market positions, the hard work of our teams and the investments we have been making to improve all aspects of our business. The investments to extend our range, build out our distribution infrastructure, expand our network and accelerate our online growth have helped us continue to win market share and to position us well for the future. We plan to continue to invest in our businesses where we can generate strong returns and create value for our shareholders over the long-term.

It is clear that the result of the EU referendum has created significant uncertainty in the outlook for our end markets and we did experience weaker demand in the run up to and immediately following the referendum. Our two-year like-for-like sales in July have been below the levels we experienced in the second quarter, however we have seen a gradual improvement through the course of the month. In our view it is too early to precisely predict end market demand and we will continue to monitor the lead indicators we track and will react accordingly.

We have a proven track record of reacting swiftly to changes in market conditions, and the strength of the Group's balance sheet, the competitive advantage we have created through the investments we have made and our ability to flex the cost base leaves us well positioned to continue to win market share and drive shareholder value over the medium term."

Divisional Performance

	Revenue		**Adjusted Operating Margin**				**LAROCE**	
			Inc. Property profits		*Exc. Property profits*			
	Total	LFL	**H1 2016**	H1 2015	**H1 2016**	H1 2015	**H1 2016**	H1 2015
General Merchanting	6.7%	2.9%	**10.0%**	9.4%	**9.6%**	9.3%	**16%**	16%
Plumbing & Heating revised[(6)]	1.8%	0.4%	**2.7%**	3.1%	**2.8%**	3.1%	**7%**	10%[(6)]
Contracts	3.0%	2.7%	**5.9%**	6.3%	**5.9%**	6.3%	**14%**	15%
Consumer	10.5%	6.5%	**5.7%**	5.9%	**5.7%**	5.6%	**8%**	7%
Group revised[(6)]	5.8%	3.1%	**6.2%**	6.3%	**6.1%**	6.2%	**10.9%**	11.1%[(6)]

[(6)]Lease adjusted ROCE revised to account for the £140.6m impairment in Plumbing & Heating recognised in H2 2015; details can be found in note 12

General Merchanting

- Revenue increased by 6.7%, and like-for-like sales by 2.9%. This strong revenue growth was in part due to the conversion of 13 Keyline branches to Travis Perkins, the opening of 10 new Benchmarx branches and one extra trading day in the period.
- After a strong first quarter, like-for-like sales growth slowed in the second quarter, owing to a number of factors including the deferral of projects ahead of the EU referendum.
- Adjusted operating margin improved, driven by continued focus on operating efficiency, as well as further improvements to the profitability of Benchmarx.

Plumbing & Heating

- Revenue grew by 1.8% in the first half with like-for-like sales growth of 0.4%. Challenging trading conditions in the heating market continued, with on-going commodity price deflation in a competitive market impacting sales in PTS and F&P. Revenue growth in converted City Plumbing branches and the existing estate has been encouraging as the physical changes completed last year were bedded down.
- Despite a reduction in Q2 like-for-like sales of (1.4)% for the division, two-year like-for-like sales increased by over 4ppts compared to the first quarter.
- Revised LAROCE reduced to 7% from 10%, with 2ppts of the reduction owing to £12m of property profits recognised in H2 2014 not recurring in H2 2015.
- The PTS branch network was further consolidated, with the net closure of six branches, which are expected to underpin future improvements in operating efficiency and returns.

Contracts

- Revenue growth was 3.0%, with like-for-like growth of 2.7%. Like-for-like growth was particularly strong given the growth experienced in the corresponding period in 2015 resulting in two-year like-for-like growth of 17%.

- The conversion of 13 Keyline branches to Travis Perkins reduced revenue growth in the division by 2.5%.
- The six CCF branches opened at the end of 2015 performed well and in line with expectations. The additional branches are freeing up capacity in the network to enable further share gains.
- Adjusted operating margin reduced by 40 bps. Faster growth of CCF and Keyline continued to change the mix of business, lowering the overall divisional margin, whilst BSS continued to experience more challenging market conditions. Operating profits declined by £1m in the division owing to the conversion of profitable, mature Keyline branches, and the opening of new CCF branches which have yet to make a significant contribution.

Consumer

- Total revenue growth was 10.5%, with like-for-like growth of 6.5%. Wickes sales continued to grow strongly delivering significant market share gains.
- Adjusted operating margin reduced by 20 bps. Excluding the impact of property, adjusted operating margins improved by 10 bps owing to the strong growth in sales and improved efficiency.
- The Toolstation network continues to grow, with 16 branches added in the first half of 2016. The roll out of new Wickes format stores accelerated with 14 store refits, one new store and one store relocated during the period.

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Cautionary Statement

The Interim Management Report (IMR) has been prepared solely to provide additional information to shareholders as a body to assess the Group's strategies and the potential for those strategies to succeed, and should not be relied on by any party for any other purpose.

The IMR contains certain forward looking statements. These statements have been made by Directors in good faith based on the information available to them up to the time of their approval of this report, but such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying such forward looking information.

Summary

During the first half of 2016 the Group made further progress towards delivering the plan set out in December 2013. The Group continued to make investments that are expected to improve returns, focusing on the four areas of value creation: customer innovation; optimising the network; building on structural advantage; and managing the portfolio.

Whilst the referendum decision for the UK to leave the European Union has reduced certainty in the outlook for the Group's end markets, the Group is in a strong position to continue to outperform its markets. The earliest signs from the lead indicators the Group tracks have been mixed and the Group is therefore taking a more cautious stance to end market demand in Q4 2016 and 2017. That said, July trading gradually improved through the month.

The investments that have been made over the last two and a half years have enhanced the Group's ability to react to changes in market volume quickly and effectively. The quality of the branch and store estate has improved, customer propositions have been significantly enhanced, there has been a catch up in IT spend and vehicle replacement programmes and the distribution network has been radically overhauled providing a significant competitive advantage over the long term.

Looking forward, the Group will continue to monitor lead indicators as they emerge and adjust the Group's trading stance accordingly. It is likely to take some time for any clear trends in the key lead indicators of consumer confidence and secondary housing transactions to emerge. Until that point the Group will concentrate on the deployment of capital in areas that generate strong marginal returns, and will modify its investment plans in line with market performance. However, key capital investment programmes including the replacement of the core merchanting IT systems, which will enable a more efficient operation and enhanced customer interaction in the future, the continued investment in Wickes refits and the expansion of high returning businesses such as Toolstation, will continue.

The Group enters this period of uncertainty in a strong position, both with regards to the Group's financial strength and its competitive position. The Group's balance sheet is in good order with solid progress towards its targets for both leverage and fixed charge cover. Over the past two years the Group has refinanced and significantly extended the duration of all of its facilities and has diversified its sources of funds to provide significant liquidity headroom and capacity to invest.

The Group has a proven track record of carefully managing variable costs consistent with market demand. The supply chain investments made over the last two years give the Group more agility; enabling it to work better with suppliers to maintain availability of a broad range of products with shorter lead times, and at the same time efficiently managing inventory levels.

The Board remains confident in the Group's ability to fund returns to shareholders, and the dividend is increased by 3.4%, consistent with the Board's objective to grow dividends more in line with earnings, to 15.25p.

As a result of the investments made by the Group, its considerable balance sheet strength and proven track record of managing the cost base the Group is in a very strong position to continue to execute its strategy.

Taking each of the Group's strategic priorities in turn:

Innovation in customer propositions

The Group has continued to focus on enhancing the value it offers to customers, improving its breadth of range, the speed of product availability, its ability to offer market leading expertise and to extend trade credit.

- Investment in value in Wickes and Toolstation has continued to ensure they offer the best value building materials to DIY and small trade customers in the UK. Wickes has maintained its competitive position enabled through its lower operating cost base, owing in part to its smaller store format and lower rents supplemented with extended online range. Toolstation continued to leverage its highly efficient supply chain and low cost operating model to offer the lowest prices and unrivalled product availability in lightside and specialist plumbing and electrical categories.

- The roll out of new format Wickes stores continued in the first half of 2016, with one new store opened, one relocated and 14 stores refitted. This takes the number of new format stores to 32 with further store conversions planned in the second half of the year.
- Wickes, Travis Perkins and Toolstation continued to invest in their online propositions, growing sales ahead of their respective branch and store networks. Wickes began a trial to enhance service and reduce cost-to-serve by using local delivery providers. Toolstation extended its online-only range to 850 products. A new Travis Perkins transactional website was launched making the fixed priced 'trade offers' range available to customers online for the first time.
- Travis Perkins trialled new pricing mechanisms and moved a number of categories to 'best-in-market' shelf edge pricing. The early results are encouraging and further work will be undertaken in the second half of the year.
- In the General Merchanting and Plumbing & Heating divisions the investments made in the supply chain increased the number of products available to customers within 48 hours to over 30,000 which underpins the longer term opportunity to extend these ranges online.
- Innovation of store formats continued in Travis Perkins with a new branch opened at Staples Corner in London. This branch is trialling longer in-day opening hours, seven day opening, and a new counter format that allows considerably higher product density within the branch.

Optimising the Group's network

The Group continued to optimise its network of branches and stores in the first half of the year through:

- Network expansion; including 16 new Toolstation branches in the UK, five in the Netherlands, and 10 new Benchmarx branches, of which seven were opened in standalone sites.
- Work continued to ensure branches are located on the appropriate site. In January 2016, 13 branches were transferred from the Keyline business to Travis Perkins as the customers served, and product ranges offered, were better suited to the general building market. This has allowed Keyline to focus more directly on heavy civils products and larger, contract based customers.
- The programme to optimise the network of existing branches continued, with five new Travis Perkins branch openings offset by the closure of five underperforming branches.
- More progress was made to intensify the use of existing sites, improving sales density and returns. Three Benchmarx depots were opened in Travis Perkins branches, 14 new Endeavour bathroom showrooms were opened in City Plumbing branches and the roll out of Tool Hire counters in Travis Perkins, Keyline and BSS branches continued.

Leveraging the Group's structural advantage

- The Group continued to rationalise product ranges and consolidate volume across divisions further enabling direct sourcing from manufacturers in Europe and Asia as well as supporting branded manufacturers to reduce their cost to serve utilising the Group's distribution centres.
- The combination of branded product ranges and own-brand alternatives continues to be important for customers, with further development of both own label and exclusive brands. In the first half of 2016 the management of various exclusive brands, such as Bullet wood screws, Hold-on hand tools and Punk power tool accessories was moved to the Travis Perkins business to drive range consolidation and offer better value to customers.
- The development of the centralised distribution centre network in the General Merchanting and Plumbing & Heating divisions continued. The heavyside range centres in Warrington, Cardiff and Tilbury, which serve over 60% of Travis Perkins branches, are now supplied with almost 7,000 products by around 100 suppliers. The proposition to offer this extended range to

customers with fast availability is working well, with nearly two-thirds of throughput resulting directly from specific customer orders for extended ranges.

- Blueprints are now in place for the replacement of the core merchant IT systems, and a specialist IT vendor has been selected to partner the Group through development and implementation. Selectively sharing IT systems across all the merchant businesses will reduce cost, provide an enhanced customer experience and make it easier and more efficient for colleagues to serve customers.

Managing the portfolio

- The outperformance delivered by the Group in the first half demonstrates the focus each of the divisions' management teams now has on building better propositions to meet their respective customers' needs, aligned with appropriate incentive structures.
- The depth and quality of local management teams has significantly improved over the last two years and continues to be enhanced through new skills in digital development, supply chain, and category management.
- The Group remains focused on deploying capital to achieve accretive returns with a constant focus on the deployment of new capital and the re-allocation of capital where required.

Market Outlook

There is more uncertainty in the outlook for the Group's end markets following the European Union referendum. The long term drivers of RMI expenditure, which accounts for nearly 80% of the Group's revenues, however, remain robust. The 28 million homes in the UK continue to lack appropriate investment, and new house building supply continues to fall short of demand.

The rate of secondary housing transactions remained strong through the first half of 2016. Allowing for volatility caused by high levels of buy-to-let transactions in March 2016 ahead of stamp duty changes, the underlying rate of homeowner transactions remained positive, with volumes improving through May and June. However, if uncertainty arising from the referendum decision continues then this is likely to have an adverse impact on RMI, new construction and infrastructure spending.

The Group hedges its direct currency exposures with committed orders hedged for the second half of 2016. However, the Group also purchases products which have input costs in foreign currencies but which are denominated in Sterling. It is expected that the devaluation of Sterling will lead to cost price inflation for these products. The Group has numerous strategies to deal with cost price inflation, including switching to UK sourced products, increasing sourcing direct from manufacturers and improving efficiencies, as well as passing genuine cost inflation through to customers where it cannot be avoided. Given all UK based building material distributors are likely to be in a similar position the Group is well placed to deal with these effects.

2016 Full-year guidance

The decision to leave the European Union has created significant uncertainty and the effects on the Group's two key leading indicators, secondary housing transactions and consumer confidence, remain unclear though they are unlikely to be positive. The Group has therefore adopted a cautious stance until end market demand becomes clearer. Whilst it is harder to forecast market volume growth the Group is in a good position to continue to outperform its markets and provides the following financial guidance for the remainder of the year, based on current plans:

- Property profits are expected to be around £20m.
- Capital expenditure, including investment in freehold property, is expected to be around £200m.
- Investment in freehold property will continue in the second half of 2016 where suitable opportunities arise on a selective basis.
- The Group expects an effective tax rate of around 20%.
- Dividend cover to continue in the targeted medium-term cover range of 2.5x to 3.25x.

Financial Performance

Group revenue growth was strong in the first half of 2016, increasing by £170m, or 5.8%, to £3,113m. New branch and store openings contributed 1.9ppts to revenue growth and one extra day a further 0.8ppts, with like-for-like sales growing by 3.1%.

Adjusted operating profits increased by 4.9% to £194m. At a divisional level, good growth in adjusted operating profits in General Merchanting and Consumer was partially offset by a modest decline in Plumbing & Heating.

Adjusted operating margin reduced by 10 bps to 6.2%. Excluding changes in divisional property profits, higher operating margins in General Merchanting and Consumer were offset by lower operating margins in Plumbing & Heating and Contracts. As expected, profit from property transactions will be weighted towards the second half of 2016, with £3m recognised in the first half of the year (H1 2015: £3m). There is no change to the £20m guidance for property profits in the year.

Finance charges reduced from £18m in 2015 to £11m mainly due to non-cash gains on the mark-to-market valuation of foreign exchange contracts. The tax charge for the first half of the year was £36m (2015: £32m), with the effective tax rate marginally higher than for prior periods at 20.7% (2015: 20.0%).

Adjusted earnings per share (EPS) increased by 4.2 pence per share to 58.4 pence, a 7.7% increase. The growth of EPS ahead of adjusted operating profit was predominantly driven by the non-cash gain on mark-to-market valuation of foreign exchange contracts.

Net working capital grew by £29m, following an expected increase in trade receivables as more trade credit was extended to customers in line with higher sales to larger contractors. Inventory reduced by £22m despite higher sales and more stores and branches, demonstrating very good stock control achieved through better systems, devolved supply chain management in each division and the benefits of investments made in distribution infrastructure.

The Group generated £165m of adjusted free cash flow in the half, compared to £156m in the first half of 2015. This excludes an exceptional net tax payment of £42m to HM Revenue and Customs ("HMRC") in respect to disputed tax charges which arose in prior periods. Cash conversion remained strong at 85% (2015: 84%).

Capital investment of £120m, excluding £4m in respect of acquisitions (2015: £14m), was £11m lower than in the corresponding period in 2015. This included £49m invested in freehold properties. The Group continued to make strategic investments in the branch and store network and in improving its customer propositions to drive sales performance ahead of the market and to grow returns to shareholders over the long-term.

Revised lease adjusted ROCE decreased to 10.9% from 11.1% in the first half primarily owing to continued investment of capital in the business; and in particular the £108m invested in freehold property sites since June 2015. Whilst these sites are not yet contributing to earnings, they will begin to contribute as they become operational over the next 12 to 18 months.

The Directors have reviewed the Group's forecasts and projections in the light of the UK's decision to leave the European Union. They have flexed these forecasts to take account of varying degrees of risk and have concluded that it is appropriate to prepare the interim statement on a going concern basis and none of the Group's assets are impaired.

Business Performance

Revenue

Total Group revenue grew by 5.8% and like-for-like sales by 3.1% in the first half of 2016.

Like-for-like revenue growth	General Merchanting	Plumbing & Heating	Contracts	Consumer	**Group**
Q1 2016	4.7%	2.2%	2.1%	7.3%	**4.2%**
Q2 2016	1.1%	(1.4)%	3.1%	6.4%	**2.3%**
First half 2016	2.9%	0.4%	2.7%	6.5%	**3.1%**
H1 two-year like-for-like	9.8%	(2.5)%	17.0%	13.4%	**9.0%**

Like-for-like sales growth of 3.1% in the half was encouraging given the strong comparative results in the first half of 2015. Group like-for-like sales growth slowed in the second quarter to 2.3%, reflecting stronger comparatives in the second quarter of 2015 and some larger contractors experiencing the effect of project deferrals ahead of the European Union referendum.

In General Merchanting, following strong like-for-like growth in the first quarter growth rates slowed during May and June, particularly to larger customers purchasing heavyside products.

The end markets of the Plumbing & Heating division continued to be difficult, with pricing in the contract customer segment of the market particularly competitive. This was compounded by further deflation in commodity-rich products, such as copper, steel and plastic tube, and boilers. City Plumbing branches showed positive like-for-like sales growth, winning market share in this section of the market. The increased pricing pressure on independent plumbing merchants has negatively impacted the F&P wholesale business in the first half of the year.

In the Contracts division like-for-like sales in the first quarter of 2.1% were affected by the 20% increase in CCF capacity from six new branch openings in the final quarter of 2015. During the half customers were transferred to the new branches, freeing up capacity in the existing network which has subsequently enabled these branches to win new business. This contributed to improved like-for-like sales growth of 3.1% in the second quarter combined with positive growth in BSS despite significant deflation.

Strong Consumer like-for-like sales growth continued, driven by an excellent sales performance in Wickes, as the transformation plan progressed. The Toolstation network continues to mature well, with like-for-like growth well ahead of the market.

H1 2016 revenue	General Merchanting	Plumbing & Heating	Contracts	Consumer	**Group**
Volume	3.4%	3.5%	3.5%	8.8%	**4.7%**
Price and mix	(0.5)%	(3.1)%	(0.8)%	(2.3)%	**(1.6)%**
Like-for-like revenue growth	2.9%	0.4%	2.7%	6.5%	**3.1%**
Network expansion and acquisitions	1.5%	0.6%	2.0%	3.2%	**1.9%**
Branch rebranding	1.5%	-	(2.5)%	-	**-**
Trading day differences	0.8%	0.8%	0.8%	0.8%	**0.8%**
Revenue growth	6.7%	1.8%	3.0%	10.5%	**5.8%**

The trade businesses within the Group benefitted from one extra trading day in the first half of 2016, and the retail businesses benefitted from an extra day as a result of the leap year adding 0.8% to revenue. Like-for-like sales volume growth of 4.7% was partially offset by a 1.6ppts reduction in pricing, primarily owing to commodity deflation in plumbing related businesses and continued value investment in the consumer businesses.

General Merchanting:

- Like-for-like volume growth of 3.4% resulted from good growth in heavyside categories through the utilisation of the range centre network and the expansion of the roofing products range.
- Pricing was modestly deflationary, primarily because of slightly lower heavyside price pass through.
- Network expansion of 1.5ppts from 28 new Benchmarx branches opened since June 2015 and on-going site rebalancing in Travis Perkins.
- Thirteen Keyline branch conversions contributed 1.5ppts to revenue.

Plumbing & Heating:

- Volume growth of 3.5% was offset by commodity price deflation on copper, steel and plastic plumbing products of 3.1ppts.
- The Underfloor Heating Store, which was acquired in H2 2015, contributed the majority of the 0.6ppts step up in non-like-for-like sales.

Contracts:

- Volume growth of 3.5% was partially offset by 0.8ppts of deflation, principally in BSS.
- The six new CCF branches opened in Q4 2015 contributed 2.0ppts to revenue growth.
- The conversion of 13 Keyline branches to TP reduced sales growth by 2.5ppts.

Consumer:

- Strong volume growth continued, up 8.8%. Price deflation of 2.3ppts was as a result of continued investment in value in the period in both Wickes and Toolstation.
- Network expansion contributed 3.2ppts to revenue with the opening of 43 new Toolstation and four new Wickes stores since June 2015.

Adjusted Operating Margin

Change in margin	General Merchanting	Plumbing & Heating	Contracts	Consumer	**Group**
H1 2015 adjusted operating margin	9.4%	3.1%	6.3%	5.9%	**6.3%**
Gross margin	(1.1)%	(0.5)%	(1.0)%	(0.4)%	**(0.5)%**
Operating costs	1.4%	0.2%	0.6%	0.5%	**0.5%**
Adjusted operating margin excluding change in property profits	9.7%	2.8%	5.9%	6.0%	**6.3%**
Change in property profits	0.3%	(0.1)%	-	(0.3)%	**(0.1)%**
H1 2016 adjusted operating margin	10.0%	2.7%	5.9%	5.7%	**6.2%**

Group adjusted operating margins reduced by 10 bps to 6.2% in the first half of 2016, and excluding changes in property profits were consistent with 2015 at 6.3%. The reduction in gross margins of 50bps owing to competitive merchant markets and continued consumer value investment was offset by a corresponding reduction in operating costs achieved through continued strong cost management. There was a small impact from property profits compared to 2015, with the majority of forecast property profits due in the second half of the year.

In the General Merchanting division adjusted operating margins excluding property profits increased by 30 bps. Gross margin reduced by 110 bps compared to the first half of 2015, primarily driven by strong price pass through in the prior year and more pricing pressure in the first half of 2016. The reduction in gross margin was more than offset by good operating cost management.

The Plumbing & Heating division adjusted operating margin excluding changes in property profits fell by 30 bps in the period. The reduction in gross margin was the result of continued pricing pressure in the large, contract installer market, served by the PTS business, and weak volumes in the wholesale market served by F&P. This gross margin reduction was not wholly offset by the growth in higher margin sales in City Plumbing.

In the Contracts division gross margin reduced by 100 bps, primarily owing to competing with more aggressive pricing strategies by competitors in weaker markets, the continued shift in sales mix within the division, in particular towards CCF, and the effect of higher margin Keyline branches transferring to Travis Perkins. The reduction in gross margins was partially offset by lower operating costs through investments in more efficient delivery and a focus on reducing costs to serve in all three businesses.

In the Consumer division adjusted operating margins, excluding property profits, increased by 10 bps. Gross margins reduced by 40 bps as both Wickes and Toolstation continued to invest in their value propositions. The reduction was offset by improvements in operating efficiency and operating leverage.

Reconciliation from reported to adjusted earnings

Reconciliation from reported to adjusted earnings	**H1 2016**		H1 2015	
	Earnings	**EPS**	Earnings	EPS
Basic earnings and EPS	**£138.5m**	**55.7p**	£126.8m	51.3p
Amortisation of acquired intangible assets	**£8.3m**	**3.3p**	£8.9m	3.6p
Tax on amortisation of acquired intangible assets	**£(1.5)m**	**(0.6)p**	£(1.8)m	(0.7)p
Adjusted earnings and EPS	**£145.3m**	**58.4p**	£133.9m	54.2p

Balance Sheet and Cash Flow

The Group made steady progress towards the targeted financial metrics set out in 2013, and continued to rebalance the debt structure of the Group towards more on-balance sheet debt.

	Medium Term Guidance	**H1 2016**	FY 2015	H1 2015
Net debt		**£510m**	£447m	£395m
Lease debt		**£1,484m**	£1,444m	£1,409m
Lease adjusted net debt		**£1,994m**	£1,891m	£1,804m
Lease adjusted gearing		**45.8%**	44.6%	43.5%
Fixed charge cover	*3.5x*	**3.3x**	3.3x	3.3x
LA net debt : EBITDAR	*2.5x*	**2.9x**	2.8x	2.8x

The Group's funding structure has been further strengthened in the first half of 2016, with the repayment of US private placement loans in January and the issue of a £300m GBP denominated public bond on 12 May 2016 at a fixed coupon of 4.5%. The depth and tenor of the Group's facilities mean that the Group has significant liquidity headroom to continue to invest despite the uncertainty resulting from the European Union referendum.

The Group's net debt position increased by £63m, primarily as a result of an exceptional tax payment to HMRC of £42m in respect of a disputed tax item previously provided for, and continued investment in attractive freehold properties. Lease debt increased by £40m following the significant CCF and Toolstation network expansion, resulting in an increase in overall lease adjusted debt of £103m. The

Weighted Average Lease Expiry (WALE) of the leased portfolio reduced to 9.1 years as the Group continues to focus on negotiating shorter term leases providing it with more operating flexibility.

Lease adjusted gearing increased slightly in the half to 45.8% owing to the increase in lease adjusted net debt. Fixed charge cover was maintained at 3.3x, nearing the medium target of 3.5x set out in December 2013. The ratio of lease adjusted net debt to EBITDAR increased slightly to 2.9x. All measures are expected to benefit from bringing the significant number of freehold sites the Group has acquired into operation over the next 12 - 18 months.

Free cash flow

Free cash flow (£m)	**H1 2016**	H1 2015
EBITA	**194**	185
Depreciation of PPE and other non-cash movements	**57**	49
Net gain on disposal of PPE	**2**	3
Change in working capital	**(29)**	(31)
Maintenance capex	**(20)**	(26)
Net interest paid	**(12)**	(10)
Tax paid	**(27)**	(14)
Adjusted Free Cash Flow(7)	**165**	156
Adjusted free cash flow conversion rate	**85%**	84%
Exceptional tax payment	**(42)**	-
Free cash flow	**123**	156

(7) Adjusted free cash flow excludes an exceptional tax payment made to HMRC in respect of amounts previously provided for with respect to disputed tax items

The Group generated £165m of adjusted free cash flow, with a conversion rate of 85%. The adjusted free cash flow excludes an exceptional tax payment of £42m made to HMRC in the period relating to amounts previously provided for with respect to disputed tax items.

A net working capital outflow of £29m resulted from strong management of inventories, which reduced by £22m in the half, whilst trade receivables increased more significantly by around £130m owing to the strong growth in credit sales in trade businesses.

Net interest payments were £2m higher in the half following the issuance of the public bond in May 2016 and the slightly higher net debt position through the period.

The cash payment of the prior year final dividend increased to £73m (2015: £64m). Additional contributions to the Group's pension schemes reduced to £7m (2015: £9m) following the completion of the triennial review.

Investment continued to improve customer propositions, drive market outperformance and deliver sustained growth in returns. In the first half of 2016 growth capital investment was slightly lower at £51m (2015: £60m). This reflects fewer new branch and store openings, the completion of the Plumbing & Heating restructuring programme and significant changes made to the distribution network in 2015, offset by higher investment in IT and the accelerating Wickes refit programme.

Capital investment	£m	**H1 2016**	H1 2015
Extending leadership	New TP / Wickes / Toolstation / CCF / Benchmarx branches / implants	**13**	20
Investing to grow	New Wickes / TP formats Distribution centres	**20**	25
Re-engineering and infrastructure build	Multi-channel development IT infrastructure upgrades	**18**	15
Growth capital investment		**51**	60
	Freehold property	**49**	45
	Maintenance	**20**	26
Total capital investment		**120**	131

The Group continued to make investments in freehold sites across the UK in the first half of 2016, with sites acquired for future Travis Perkins branches, Wickes stores and multi-fascia trade parks. Increasing the level of freehold property assets enables the Group to secure very attractive operating sites that might otherwise not be available, gives operating flexibility, allows it to benefit from capital appreciation and development gains and provides greater resilience to earnings if end market demand falls.

Alongside the investments to expand the Group's branch network, improvements were made to the customer propositions through new store formats, enabling infrastructure to support wider ranges and better availability and continued investment in new information technology. The pace of refit work in Wickes accelerated in the half, with 16 stores opened or refitted taking the total number of stores operating in the new format to 32.

A specialist IT vendor has been selected to partner the Group through the development and implementation of new core systems for the merchant businesses. These systems, which are replacing existing systems following over 30 years of operation, will allow the merchant businesses to reduce cost, provide an enhanced customer experience and make it easier and more efficient for colleagues to serve customers.

General Merchanting

	H1 2016	H1 2015	Change
Total revenue	**£1,045m**	£979m	6.7%
Like-for-like growth			2.9%
Adjusted operating profit	**£104m**	£92m	13.0%
Adjusted operating margin	**10.0%**	9.4%	60bps
Adjusted operating profit excluding property profits	**£100m**	£91m	9.9%
Adjusted operating margin excluding property profits	**9.6%**	9.3%	30bps
LAROCE	**16%**	16%	-
Branch network	**836**	813[8]	23

[8]Branch numbers at 31 December 2015

Strong growth in the first quarter of the year has been followed by a more challenging second quarter, most notably in the lead up to the referendum which saw some customers' projects being deferred.

Sales growth in heavyside categories continues to be strong, supported by the heavyside range centre network, which now offers an extended range of over 3,000 products for next-day delivery, with a further 400 products added in the first half, and a further 7,000 products available from suppliers on short lead times. Over 60% of range centre volume is currently composed of specific orders for customers who are utilising Travis Perkins' ability to supply an extended range of products on short lead times.

The programme to optimise the Travis Perkins network continued, with 13 branches converted from Keyline where the customer base and product range is better suited to a General Merchanting branch rather than a specialist in heavy civils and drainage products. A further five new Travis Perkins branches were opened, offset by the closure of five underperforming branches. Three branches were relocated, improving both the location and layout to improve the customer experience and operating efficiency.

A new branch, opened at Staples Corner in London, is trialling several new concepts, including extended in-day opening hours, seven-day opening, and a new counter format that maximises the range of products that can be held in store. Initial customer feedback has been positive.

Range reviews have been completed in hand tools and timber and the revised ranges will be rolled out across the network in the second half of the year. The management of exclusive own brands was moved under Travis Perkins' control in the half, and this has allowed these brands to be fully incorporated into the range review activity, aligning ranges to customers' requirements.

Benchmarx continues to perform well with sales growth from new branch openings and in existing branches. Ten branches opened in the first half of the year, including three as implants in existing Travis Perkins sites. Benchmarx continues to win market share in the trade kitchens market, and the marginal return on investment in new Benchmarx branches continues to be very strong.

General Merchanting adjusted operating profits increased to £104m in the first half of the year, growing by 13.0% compared to H1 2015 and by 9.9% excluding property profits. Gross margins were lower than in the first half of 2015 owing to mix changes and reduced market demand in the second quarter leading to greater pricing competition. Operating costs were further reduced as focus was maintained on improving operational efficiency and rigorously assessing all revenue investments.

Plumbing & Heating

	H1 2016	H1 2015	Change
Total revenue	**£679m**	£667m	1.8%
Like-for-like growth			0.4%
Adjusted operating profit	**£18m**	£21m	(14.3)%
Adjusted operating margin	**2.7%**	3.1%	(40)bps
Adjusted operating profit excluding property profits	**£19m**	£21m	(9.5)%
Adjusted operating margin excluding property profits	**2.8%**	3.1%	(30)bps
LAROCE[(4)]	**7%**	10%	(3)ppt
Network expansion (no. branches)	**449**	463[(8)]	(14)

[(4)]Lease adjusted ROCE has been revised to account for the £140.6m impairment in P&H recognised in H2 2015, details can be found in note 12

[(8)]Branch numbers at 31 December 2015

Revenue grew by 1.8%, and by 0.4% on a like-for-like basis, which reflected a slowdown in the second quarter and stronger comparatives in the prior year. Despite a reduction in Q2 like-for-like sales of (1.4%) for the division, two-year like-for-like sales stepped up by over 4 ppts compared to the first quarter. The Plumbing & Heating division's end markets continued to be extremely competitive, particularly in the contract installer market, leading to pricing pressure in the first half of the year. Volume demand in the wholesale market was also weak, impacting the sales of F&P.

The local bathroom installer market has been stronger, and City Plumbing has demonstrated encouraging sales growth in both the original branch network and in those branches converted from PTS since July 2014. These branches are maturing in line with expectations, and are on track to deliver accretive returns for the division.

Revenue has also been impacted across the Plumbing & Heating division by deflation in many product categories. In particular, copper, steel and plastic tubing have seen continued significant deflation in the period in line with commodity price falls more generally.

Adjusted operating margin fell by 40 bps in the period. Whilst 10 bps of this reduction can be attributed to a small loss on disposal of properties recognised in the first half gross margins also reduced. Continued pricing pressure in the market serving large, contract installer customers, served by the PTS business, and weak demand in F&P's wholesale market was not wholly offset by the growth in higher margin sales in City Plumbing.

The PTS branch network was further consolidated with the closure of six branches as leases expired with the network now consisting of 89 branches. The F&P network, including Primaflow, also underwent further consolidation, with five sites closed in the half, leaving a combined network of seven depots. The programme to extract capital from these businesses in more challenging segments of the market will continue alongside improvements in operational efficiency to improve returns.

Revised LAROCE reduced to 7% from 10% for H1 2015, with 2ppts of the drop owing to the non-recurrence of £12m of property profits recognised in H2 2014, with the remainder owing to the reduction in adjusted operating profits caused by the on-going difficult market conditions.

Contracts

	H1 2016	H1 2015	Change
Total revenue	**£623m**	£605m	3.0%
Like-for-like growth			2.7%
Adjusted operating profit	**£37m**	£38m	(2.6)%
Adjusted operating margin	**5.9%**	6.3%	(40)bps
Adjusted operating profit excluding property profits	**£37m**	£38m	(2.6)%
Adjusted operating margin excluding property profits	**5.9%**	6.3%	(40)bps
LAROCE[(4)]	**14%**	15%	(1)ppt
Network expansion (no. branches)	**168**	181[(8)]	(13)

[(4)]LAROCE has been revised to exclude goodwill written off to reserves in 1998. See note 12 for details.

[(8)]Branch numbers at 31 December 2015

Revenue grew by 3.0%, and by 2.7% on a like-for-like basis. The conversion of 13 Keyline branches to Travis Perkins reduced revenue by 2.5ppts. The like-for-like growth rate was diluted by the opening of six new CCF branches at the end of 2015. During the half customers were transferred to the new branches, freeing up capacity in the existing network which has subsequently enabled these branches to win new business. This contributed to an improved like-for-like performance of 3.1% in the second quarter.

All businesses grew revenues in the first half, with CCF growing ahead of Keyline and BSS which both experienced lower growth in May and June as some customers' projects were deferred ahead of the UK referendum on European Union membership. Despite this weaker market environment in the second quarter of the year and more aggressive market pricing, all three businesses were able to grow market share. BSS continued to experience significant price deflation although this is expected to reverse in the second half owing to commodity inflation and currency devaluation.

Contracts division adjusted operating margins reduced by 40 bps in the first half of the year, primarily owing to the mix of business and elevated levels of price deflation. The growth of CCF sales ahead of the higher margin BSS business contributed most significantly to the change in mix. Operating profits declined by £1m in the division owing to the conversion of profitable, mature Keyline branches to Travis Perkins and the opening of six new CCF branches in December 2015. The reduction in LAROCE by 1ppt to 14% reflects the recent CCF branch openings.

Further investments have been made in improving customer service, with the roll out of Electronic Proof of Delivery in CCF and Keyline, enhancements to broaden specialist ranges of civils and drainage products in Keyline, and a new pricing guidance scheme which is providing customers with greater price consistency.

The six new CCF branches opened at the end of 2015 are maturing well, with sales in line with expectations, although they are yet to contribute to profitability. As a result of these changes, customer service improved through a reduction in necessary travel times and costs to serve were reduced. Thirteen Keyline branches were converted to Travis Perkins in January. These branches were selected because their customer base and product range were better suited to a general merchanting branch, allowing the remaining Keyline branches to focus on heavy civils and drainage products and larger contract customers alongside growing their specialist rail and utilities product ranges.

Further work in BSS continued to drive lower costs to serve including increasing the small vehicle delivery fleet across the network.

Consumer

	H1 2016	H1 2015	Change
Total revenue	**£766m**	£693m	10.5%
Like-for-like growth			6.5%
Adjusted operating profit	**£44m**	£41m	7.3%
Adjusted operating margin	**5.7%**	5.9%	(20)bps
Adjusted operating profit excluding property profits	**£44m**	£39m	12.8%
Adjusted operating margin excluding property profits	**5.7%**	5.6%	10bps
LAROCE	**8%**	7%	1ppt
Network expansion (no. branches)	**589**	571[8]	18

[8]Branch numbers at 31 December 2015

The Consumer division delivered another very strong performance and good revenue growth in both the first and second quarters. Both Wickes and Toolstation recorded market leading like-for-like sales growth, with both gaining significant share.

In Wickes, the roll out of new store formats continued with 14 stores refitted, one new store opened and one store relocated. There are now 32 new format stores in the network of 236 shops, and all are meeting or exceeding expectations driving good growth in returns. The programme to roll out further new formats will continue in the second half of the year.

Both Wickes and Toolstation continued to invest to provide the best value building materials to DIY and small trade customers in the UK. Wickes has been able to maintain this competitive position utilising its lower operating cost base, particularly through its property footprint of considerably smaller stores with low rents. Focused promotional activity, particularly around Easter and on seasonal products contributed to higher footfall and the growth in market share.

Range review activity continued in Wickes, albeit at a slower pace than in 2015. Work has continued to develop ranges with clearer pricing and quality architecture to cover the full breadth of customer demands. A new Wickes employee incentive scheme was introduced which has contributed to measurably improved customer service.

Toolstation continued to leverage its highly efficient supply chain and low cost operating model to offer the best value and unrivalled product availability in lightside and specialist electrical and plumbing categories. Toolstation opened 16 new stores in the UK, and an additional five new stores in the Netherlands. The strong returns generated from these investments mean the store network expansion programme will continue.

Division adjusted operating profits, excluding property profits, increased by 10 bps as lower gross margins were more than offset by improved operating leverage and efficiency. This has driven growth in LAROCE to 8% and towards a more acceptable return for shareholders.

Principal Risks and Uncertainties

The principal risks and uncertainties faced by the Group have been, and are expected to remain, consistent with those described on pages 65 to 69 of the 2015 Annual Report and Accounts. The UK's decision to leave the European Union may affect future market conditions, the impact of which was set out in the 2015 Annual Report. It is too early to determine the effect of the decision to leave, but the Board will continue to closely monitor market conditions and will react accordingly.

Details are provided for risks relating to market conditions, competitive pressures, information technology, colleague recruitment, retention and succession, supplier dependency and direct sourcing, defined benefit pension scheme funding, future expansion and further business transformation.

Condensed consolidated income statement

	Six months ended 30 Jun 2016 (Unaudited)	Six months ended 30 Jun 2015 (Unaudited)	Year ended 31 Dec 2015 (Audited)
	£m	£m	£m
Revenue	**3,113.3**	2,943.0	5,941.6
Operating profit before amortisation and exceptional items	**194.4**	185.2	412.6
Impairment of goodwill and other intangible assets	**-**	-	(140.6)
Amortisation of goodwill and acquired intangible assets	**(8.3)**	(8.9)	(18.0)
Operating profit	**186.1**	176.3	254.0
Net finance costs (note 5)	**(10.6)**	(17.7)	(30.5)
Profit before tax	**175.5**	158.6	223.5
Tax before exceptional items	**(36.4)**	(31.8)	(71.8)
Tax on exceptional items	-	-	16.0
Tax (note 6)	**(36.4)**	(31.8)	(55.8)
Profit for the period	**139.1**	126.8	167.7
Attributable to:			
Owners of the Company	**138.5**	126.8	167.6
Non-controlling interests	**0.6**	-	0.1
	139.1	126.8	167.7
Earnings per ordinary share (note 7)			
Basic	**55.7p**	51.3p	67.8p
Diluted	**54.7p**	50.1p	66.2p
Total dividend declared per share (note 8)	**15.25p**	14.75p	44.0p

All results relate to continuing operations.

Condensed consolidated statement of comprehensive income

	Six months ended 30 Jun 2016 (Unaudited)	Six months ended 30 Jun 2015 (Unaudited)	Year ended 31 Dec 2015 (Audited)
	£m	£m	£m
Profit for the period	**139.1**	126.8	167.7
Items that will not be reclassified subsequently to profit and loss:			
Actuarial (losses) / gains on defined benefit pension schemes	**(2.4)**	(12.5)	24.8
Deferred tax rate change on actuarial movement	**-**	-	(1.4)
Income taxes relating to items not reclassified	**0.5**	2.5	(4.7)
	(1.9)	(10.0)	18.7
Items that may be reclassified subsequently to profit and loss:			
Cash flow hedges:			
Losses arising during the year	**-**	(2.7)	(0.3)
Reclassification adjustment for losses included in profit	**0.1**	2.6	-
Other	**0.1**	-	-
	0.2	(0.1)	(0.3)
Other comprehensive (loss) / income for the period net of tax	**(1.7)**	(10.1)	18.4
Total comprehensive income for the period	**137.4**	116.7	186.1
Attributable to:			
Owners of the Company	**136.8**	116.7	186.0
Non-controlling interests	**0.6**	-	0.1
	137.4	116.7	186.1

Condensed consolidated balance sheet

	As at 30 Jun 2016 (Unaudited)	As at 30 Jun 2015 (Unaudited)	As at 31 Dec 2015 (Audited)
	£m	£m	£m
ASSETS			
Non-current assets			
Goodwill	**1,741.2**	1,824.4	1,740.2
Other intangible assets	**373.3**	408.2	371.7
Property, plant and equipment	**906.4**	761.8	849.1
Derivative financial instruments	**19.4**	3.9	6.3
Investment property	**0.4**	0.4	0.4
Interest in associates	**10.3**	3.2	7.9
Investments	**7.8**	3.2	7.8
Total non-current assets	**3,058.8**	3,005.1	2,983.4
Current assets			
Inventories	**740.1**	745.2	761.8
Trade and other receivables	**1,087.6**	1,024.7	986.9
Derivative financial instruments	**3.2**	8.9	16.2
Cash and cash equivalents	**134.1**	128.0	83.8
Total current assets	**1,965.0**	1,906.8	1,848.7
Total assets	**5,023.8**	4,911.9	4,832.1

Condensed consolidated balance sheet (continued)

	As at 30 Jun 2016 (Unaudited) £m	As at 30 Jun 2015 (Unaudited) £m	As at 31 Dec 2015 (Audited) £m
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	**25.0**	24.9	25.0
Share premium account	**520.6**	511.3	518.9
Merger reserve	**326.5**	326.5	326.5
Revaluation reserve	**18.4**	18.1	18.4
Hedging reserve	**-**	0.1	(0.1)
Own shares	**(10.1)**	(16.5)	(15.5)
Other reserves	**(1.3)**	(1.5)	(1.4)
Retained earnings	**1,982.7**	1,875.6	1,918.1
Equity attributable to owners of the Company	**2,861.8**	2,738.5	2,789.9
Non-controlling interests	**6.5**	-	5.9
Total equity	**2,868.3**	2,738.5	2,795.8
Non-current liabilities			
Interest bearing loans and borrowings	**662.0**	400.6	411.4
Retirement benefit obligations (note 4)	**49.1**	102.4	52.2
Long-term provisions	**7.3**	9.1	7.4
Deferred tax liabilities	**63.1**	63.6	61.3
Total non-current liabilities	**781.5**	575.7	532.3
Current liabilities			
Interest bearing loans and borrowings	**1.0**	133.4	139.8
Derivative financial instruments	**-**	2.3	-
Trade and other payables	**1,277.2**	1,304.6	1,235.5
Tax liabilities	**56.5**	89.8	90.2
Short-term provisions	**39.3**	67.6	38.5
Total current liabilities	**1,374.0**	1,597.7	1,504.0
Total liabilities	**2,155.5**	2,173.4	2,036.3
Total equity and liabilities	**5,023.8**	4,911.9	4,832.1

The interim condensed financial statements of Travis Perkins plc, registered number 824821, were approved by the Board of Directors on 1 August 2016 and signed on its behalf by:

John Carter	**Tony Buffin**
Chief Executive Officer	Chief Financial Officer

Condensed consolidated statement of changes in equity

Six Months Ended 30 June 2016

	Issued share capital £m	Share premium account £m	Merger reserve £m	Revaluation reserve £m	Hedging reserve £m	Own shares £m	Other £m	Retained earnings £m	Total equity before non-controlling interest £m	Non-controlling interest £m	Total equity £m
At 1 January 2016 (Audited)	25.0	518.9	326.5	18.4	(0.1)	(15.5)	(1.4)	1,918.1	2,789.9	5.9	2,795.8
Profit for the period	-	-	-	-	-	-	-	138.5	138.5	0.6	139.1
Other comprehensive income for the period net of tax	-	-	-	-	0.1	-	0.1	(1.9)	(1.7)	-	(1.7)
Total comprehensive income for the period	-	-	-	-	0.1	-	0.1	136.6	136.8	0.6	137.4
Dividends	-	-	-	-	-	-	-	(72.8)	(72.8)	-	(72.8)
Issue of share capital	-	1.7	-	-		5.4	-	(5.2)	1.9	-	1.9
Tax on share based payments	-	-	-	-	-	-	-	(1.4)	(1.4)	-	(1.4)
Foreign exchange	-	-	-	-	-	-	-	(0.4)	(0.4)	-	(0.4)
Credit to equity for equity-settled share based payments	-	-	-	-	-	-	-	7.8	7.8	-	7.8
At 30 June 2016 (Unaudited)	**25.0**	**520.6**	**326.5**	**18.4**	**-**	**(10.1)**	**(1.3)**	**1,982.7**	**2,861.8**	**6.5**	**2,868.3**

Condensed consolidated statement of changes in equity (continued)

Six Months Ended 30 June 2015

	Issued share capital £m	Share premium account £m	Merger reserve £m	Revaluation reserve £m	Hedging reserve £m	Own shares £m	Other £m	Retained earnings £m	Total equity before non-controlling interest £m	Non-controlling interest £m	Total equity £m
At 1 January 2015 (Audited)	24.9	510.5	326.5	18.1	0.2	(28.5)	(1.5)	1,827.5	2,677.7	-	2,677.7
Profit for the period	-	-	-	-	-	-	-	126.8	126.8	-	126.8
Other comprehensive income for the period net of tax	-	-	-	-	(0.1)	-	-	(10.0)	(10.1)	-	(10.1)
Total comprehensive income for the period	-	-	-	-	(0.1)	-	-	116.8	116.7	-	116.7
Dividends	-	-	-	-	-	-	-	(63.7)	(63.7)	-	(63.7)
Issue of share capital	-	0.8	-	-	-	1.4	-	-	2.2	-	2.2
Own shares	-	-	-	-	-	10.6	-	(10.6)	-	-	-
Tax on share based payments	-	-	-	-	-	-	-	0.6	0.6	-	0.6
Foreign exchange	-	-	-	-	-	-	-	(0.3)	(0.3)	-	(0.3)
Credit to equity for equity-settled share based payments	-	-	-	-	-	-	-	5.3	5.3	-	5.3
At 30 June 2015 (Unaudited)	24.9	511.3	326.5	18.1	0.1	(16.5)	(1.5)	1,875.6	2,738.5	-	2,738.5

Condensed consolidated statement of changes in equity (continued)

Year ended 31 December 2015

	Issued share capital £m	Share premium account £m	Merger reserve £m	Revaluation reserve £m	Hedging reserve £m	Own shares £m	Other £m	Retained earnings £m	Total Equity before non-controlling interest £m	Non-controlling interest £m	Total equity £m
At 1 January 2015 (Audited)	24.9	510.5	326.5	18.1	0.2	(28.5)	(1.5)	1,827.5	2,677.7	-	2,677.7
Profit for the year	-	-	-	-	-	-	0.1	167.6	167.7	-	167.7
Other comprehensive income for the year net of tax	-	-	-	-	(0.3)	-	-	18.7	18.4	-	18.4
Total comprehensive income for the year	-	-	-	-	(0.3)	-	0.1	186.3	186.1	-	186.1
Dividends	-	-	-	-	-	-	-	(100.2)	(100.2)	-	(100.2)
Issue of share capital	0.1	8.4	-	-	-	13.0	-	(11.5)	10.0	-	10.0
Realisation of revaluation reserve in respect of property disposals	-	-	-	(0.5)	-	-	-	0.5	-	-	-
Difference between depreciation of assets on a historical basis and on a revaluation basis	-	-	-	(0.1)	-	-	-	0.1	-	-	-
Deferred tax rate change	-	-	-	0.9	-	-	-	-	0.9	-	0.9
Tax on share based payments	-	-	-	-	-	-	-	1.9	1.9	-	1.9
Arising on acquisition	-	-	-	-	-	-	-	-	-	5.9	5.9
Foreign exchange	-	-	-	-	-	-	-	(0.2)	(0.2)	-	(0.2)
Credit to equity for equity-settled share based payments	-	-	-	-	-	-	-	13.7	13.7	-	13.7
At 31 December 2015 (Audited)	25.0	518.9	326.5	18.4	(0.1)	(15.5)	(1.4)	1,918.1	2,789.9	5.9	2,795.8

Condensed consolidated cash flow statement

	Six months ended 30 Jun 2016 (Unaudited) £m	Six months ended 30 Jun 2015 (Unaudited) £m	Year ended 31 Dec 2015 (Audited) £m
Operating profit before amortisation and exceptional items	**194.4**	185.2	412.6
Adjustments for:			
Depreciation of property, plant and equipment	**41.5**	41.9	83.0
Amortisation of internally generated intangibles	**7.4**	1.2	3.1
Other non-cash movements – share based payments	**7.8**	5.0	13.7
Other	**(0.4)**	-	0.7
Gains / (losses) of associates	**1.0**	0.8	(2.7)
Gains on disposal of property, plant and equipment	**(3.9)**	(4.3)	(26.3)
Operating cash flow	**247.8**	229.8	484.1
Decrease / (increase) in inventories	**22.3**	(0.9)	(14.1)
Increase in receivables	**(122.4)**	(82.2)	(43.0)
Increase / (decrease) in payables	**71.1**	52.5	(38.8)
Payments on exceptional items	-	-	(14.6)
Pension payments in excess of the charges to profits	**(6.5)**	(9.2)	(23.3)
Cash generated from operations	**212.3**	190.0	350.3
Interest paid	**(14.2)**	(9.8)	(19.9)
Current income taxes paid	**(26.5)**	(14.0)	(47.8)
Exceptional income tax payments (Note 6)	**(42.5)**	-	-
Total income taxes paid	**(69.0)**	(14.0)	(47.8)
Net cash from operating activities	**129.1**	166.2	282.6
Cash flows from investing activities			
Interest received	**1.9**	0.2	0.2
Proceeds on disposal of property, plant and equipment	**5.5**	6.6	50.8
Development of software	**(11.8)**	(9.3)	(23.9)
Purchases of property, plant and equipment	**(107.8)**	(121.5)	(268.7)
Interests in associates	**(3.4)**	(2.3)	(3.5)
Investments	**-**	-	(5.3)
Acquisition of businesses net of cash acquired	**(3.5)**	(14.0)	(26.0)
Net cash used in investing activities	**(119.1)**	(140.3)	(276.4)
Financing activities			
Net proceeds from the issue of share capital	**2.0**	2.2	10.0
Movement in finance lease liabilities	**9.5**	(1.3)	(2.7)
Debt arrangement fees	**(2.5)**	-	(3.9)
Repayment of loan notes	**-**	(40.3)	(40.8)
(Decrease) / increase in loans, liabilities to pension scheme and loan notes	**(195.9)**	96.9	106.9
Issue of Sterling bond	**300.0**	-	-
Dividends paid	**(72.8)**	(63.7)	(100.2)
Net cash inflow / (outflow) from financing activities	**40.3**	(6.2)	(30.7)
Net increase / (decrease) in cash and cash equivalents	**50.3**	19.7	(24.5)
Cash and cash equivalents at the beginning of the period	**83.8**	108.3	108.3
Cash and cash equivalents at the end of the period	**134.1**	128.0	83.8

Notes to the interim financial statements

1. General information and accounting policies

The interim financial statements have been prepared on the historical cost basis, except that derivative financial instruments are stated at their fair value. The condensed interim financial statements include the accounts of the Company and all its subsidiaries ("the Group").

Basis of preparation

The financial information for the six months ended 30 June 2016 and 30 June 2015 is unaudited. This has been reviewed by KPMG LLP, the Group's auditor, and a copy of their review report appears on page 43 of this interim report. The financial information for the year ended 31 December 2015 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for the year ended 31 December 2015 as prepared under IFRS as adopted by the E.U. has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The unaudited interim financial statements for the six months ended 30 June 2016 have been prepared in accordance with IAS 34 "Interim Financial Reporting" and have been prepared on the basis of IFRSs as adopted by the European Union.

The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 31 December 2015.

The accounting policies adopted by Travis Perkins plc are set out in the 2015 full year financial statements, which are available on the Travis Perkins web site www.travisperkinsplc.co.uk.

The Director's going concern considerations have been made against the backdrop of uncertainty caused by the UK's vote to leave the European Union. In preparing the interim statement management have carefully considered the potential impacts of that decision together with the other significant risks and uncertainties, which could affect the Group's ability to meet its forecasts and projections, operate within its facilities, comply with its banking covenants and meet its obligations as they fall due.

The directors believe that the Group has the flexibility to react to changing market conditions and is adequately placed to manage its business risks successfully. After making enquiries, the Directors have formed a judgement that there is a reasonable expectation that the Group has the resources to continue in operational existence for the foreseeable future. For this reason, the interim financial statements have been prepared on the going concern basis.

Impacts of standards and interpretations in issue but not yet effective

At the date of authorisation of these condensed interim financial statements, the following standards and interpretations, which have not yet been applied in these financial statements, were in issue, but not yet effective:

- IFRS 9 - Financial Instruments
- Annual improvements to IFRSs 2012-2014 cycle
- IFRS 15 - Revenue Recognition
- Amendments to IAS 1 – Disclosure Initiative
- Amendments to IAS 7 – Disclosure Initiatives (effective date 1 January 2017)
- Amendments to IFRS 10 and IAS 28 – Sale of Contribution of Assets between Investor and its Associate of Joint Venture
- Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations (effective date 1 January 2016)
- Amendments to IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses (effective date 1 January 2017)
- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciations and Amortisation
- Amendments to IAS 27 – Equity Method in Separate Financial Statements

Notes to the interim financial statements

1. General information and accounting policies (continued)

The Directors anticipate that adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Group.

IFRS 16 – In January 2016 the IASB issued IFRS 16 on accounting for leases which is yet to be endorsed by the European Union. This standard will have a material effect on the Group because of the value of operating leases it has entered into. The Group is in the process of determining what the effect may be which given the complexity of the standard and volume of leases is expected to take a considerable time.

2. Business segments

As required by IFRS 8 the operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the CODM which is considered to be the Board of Directors to assess their performance. 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. Segment profit represents the profit earned by each segment without allocation of certain central costs, finance income and costs and income tax expense. Unallocated segment assets and liabilities comprise financial instruments, current and deferred taxation, cash and borrowings and pension scheme assets and liabilities.

Six months ended 30 June 2016

	General Merchanting £m	Plumbing & Heating £m	Contracts £m	Consumer £m	Unallocated £m	Consolidated £m
Revenue	**1,045.0**	**679.2**	**623.1**	**766.0**	**-**	**3,113.3**
Result						
Segment result before amortisation and property profits	**99.8**	**19.2**	**36.6**	**43.7**	**(7.5)**	**191.8**
Property profits/(losses)	**3.8**	**(1.1)**	**(0.1)**	**-**	**-**	**2.6**
Segment result before amortisation	**103.6**	**18.1**	**36.5**	**43.7**	**(7.5)**	**194.4**
Amortisation of acquired intangible assets	**-**	**(2.8)**	**(3.0)**	**(2.5)**	**-**	**(8.3)**
Segment result	**103.6**	**15.3**	**33.5**	**41.2**	**(7.5)**	**186.1**
Finance income	**-**	**-**	**-**	**-**	**1.9**	**1.9**
Finance costs	**-**	**-**	**-**	**-**	**(12.5)**	**(12.5)**
Profit before taxation	**103.6**	**15.3**	**33.5**	**41.2**	**(18.1)**	**175.5**
Taxation	-	-	-	-	**(36.4)**	**(36.4)**
Profit for the period	**103.6**	**15.3**	**33.5**	**41.2**	**(54.5)**	**139.1**

Notes to the interim financial statements

2. Business segments (continued)

Six months ended 30 June 2015

	General Merchanting £m	Plumbing & Heating £m	Contracts £m	Consumer £m	Unallocated £m	Consolidated £m
Revenue	978.9	667.1	604.5	692.5	-	2,943.0
Result						
Segment result before amortisation and property profits	91.7	21.2	38.0	38.7	(7.8)	181.8
Property profits	0.6	-	0.4	2.4	-	3.4
Segment result before amortisation	92.3	21.2	38.4	41.1	(7.8)	185.2
Amortisation of acquired intangible assets	-	(3.4)	(3.1)	(2.4)	-	(8.9)
Segment result	92.3	17.8	35.3	38.7	(7.8)	176.3
Finance income	-	-	-	-	0.7	0.7
Finance costs	-	-	-	-	(18.4)	(18.4)
Profit before taxation	92.3	17.8	35.3	38.7	(25.5)	158.6
Taxation	-	-	-	-	(31.8)	(31.8)
Profit for the period	92.3	17.8	35.3	38.7	(57.3)	126.8

Year ended 31 December 2015

	General Merchanting £m	Plumbing & Heating £m	Contracts £m	Consumer £m	Unallocated £m	Consolidated £m
Revenue	1,971.5	1,370.7	1,213.6	1,385.8	-	5,941.6
Result						
Segment result before amortisation and property profits	182.0	45.6	78.6	92.4	(9.9)	388.7
Property profits	16.8	0.1	4.6	2.4	-	23.9
Segment result before exceptional items and amortisation	198.8	45.7	83.2	94.8	(9.9)	412.6
Exceptional items	-	(140.6)	-	-	-	(140.6)
Amortisation of acquired intangible assets	-	(7.2)	(5.9)	(4.9)	-	(18.0)
Segment result	198.8	(102.1)	77.3	89.9	(9.9)	254.0
Finance income	-	-	-	-	1.2	1.2
Finance costs	-	-	-	-	(31.7)	(31.7)
Profit before taxation	198.8	(102.1)	77.3	89.9	(40.4)	223.5
Taxation	-	-	-	-	(55.8)	(55.8)
Profit for the year	198.8	(102.1)	77.3	89.9	(96.2)	167.7

Notes to the interim financial statements

2. Business segments (continued)

Segment Assets	30 Jun 2016	30 Jun 2015	31 Dec 2015
	£m	£m	£m
General Merchanting	**1,639.4**	1,477.4	1,540.2
Plumbing & Heating	**823.8**	949.4	856.0
Contracts	**860.6**	831.3	833.7
Consumer	**1,524.2**	1,486.7	1,479.1
Unallocated	**175.8**	167.1	123.1
Total assets	**5,023.8**	4,911.9	4,832.1

Segment Liabilities	30 Jun 2016	30 Jun 2015	31 Dec 2015
	£m	£m	£m
General Merchanting	**(380.1)**	(441.4)	(437.8)
Plumbing & Heating	**(286.6)**	(217.2)	(293.4)
Contracts	**(267.4)**	(329.2)	(244.8)
Consumer	**(395.3)**	(361.5)	(283.8)
Unallocated	**(826.1)**	(824.1)	(776.5)
Total liabilities	**(2,155.5)**	(2,173.4)	(2,036.3)

3. Seasonality

The Group's trading operations when assessed on a half yearly basis are mainly unaffected by seasonal factors. In 2015, the period to 30 June accounted for 49.5% of the Group's annual revenue (2014: 49.0%)

Notes to the interim financial statements

4. Retirement benefit obligations

a) Pension scheme movement	Six months ended 30 Jun 2016 £m	Six months ended 30 Jun 2015 £m	Year ended 31 Dec 2015 £m
Actuarial deficit	**(52.2)**	(80.8)	(95.6)
Additional liability recognised for minimum funding requirements	**-**	(16.7)	(1.9)
Opening gross deficit at 30 June / 31 December	**(52.2)**	(97.5)	(97.5)
Service costs charged to the income statement	**(4.3)**	(7.1)	(16.6)
Net interest expense	**(0.9)**	(1.6)	(2.9)
Contributions from sponsoring companies	**10.7**	16.3	39.9
Foreign exchange	**-**	-	0.1
Return on plan assets (excluding amounts included in net interest)	**72.7**	6.2	(22.8)
Actuarial gains arising from changes in demographic assumptions	**-**	-	47.8
Actuarial (losses) / gains arising from changes in financial assumptions	**(124.5)**	11.8	35.2
Actuarial (losses) / gains arising from experience adjustments	**(0.6)**	28.3	13.2
Decrease / (increase) arising from IFRIC 14 restriction	**50.0**	(58.8)	(48.6)
Closing gross deficit at 30 June / 31 December	**(49.1)**	(102.4)	(52.2)
Actuarial deficit	**(46.9)**	(26.9)	(1.1)
Restriction of asset recognised	**-**	-	(34.4)
Additional liability recognised for minimum funding requirements	**(2.2)**	(75.5)	(16.7)
Gross deficit at 30 June / 31 December	**(49.1)**	(102.4)	(52.2)

b) Net pension scheme deficit	30 Jun 2016 £m	30 Jun 2015 £m	31 Dec 2015 £m
Gross deficit at 30 June / 31 December	**(49.1)**	(102.4)	(52.2)
Deferred tax	**9.3**	20.5	9.8
Net deficit at 30 June / 31 December	**(39.8)**	(81.9)	(42.4)

Notes to the interim financial statements

4. Retirement benefit obligations (continued)

c) Amounts recognised in the statement of comprehensive income	Six months ended 30 Jun 2016 £m	Six months ended 30 Jun 2015 £m	Year ended 31 Dec 2015 £m
Return on plan assets (excluding amounts included in net interest)	**72.7**	6.2	(22.8)
Actuarial gains arising from changes in demographic assumptions	**-**	-	47.8
Actuarial (losses) / gains arising from changes in financial assumptions	**(124.5)**	11.8	35.2
Actuarial (losses) / gains arising from experience adjustments	**(0.6)**	28.3	13.2
Decrease / (increase) arising from IFRIC 14 restriction	**50.0**	(58.8)	(48.6)
Actuarial (losses) / gains on defined benefit pension schemes	**(2.4)**	(12.5)	24.8

Notes to the interim financial statements

5. Finance income and finance costs

a) Net finance costs	Six months ended 30 Jun 2016 £m	Six months ended 30 Jun 2015 £m	Year ended 31 Dec 2015 £m
Interest receivable	**0.1**	0.2	0.3
Amortisation of cancellation receipt for swap accounted for as fair value hedge	**-**	0.5	0.9
Net gain on re-measurement or settlement of derivatives at fair value	**1.8**	-	-
Finance income	**1.9**	0.7	1.2
Interest on bank loans and overdrafts	**(2.8)**	(5.0)	(10.2)
Interest on sterling bonds	**(5.5)**	(3.6)	(7.4)
Amortisation of issue costs of bank loans	**(0.6)**	(1.0)	(3.8)
Other interest	**(1.0)**	(1.4)	(2.7)
Interest on obligations under finance leases	**(0.4)**	(0.4)	(0.7)
Unwinding of discounts – liability to pension scheme	**(1.2)**	(1.2)	(2.5)
Unwinding of discounts – property provisions	**(0.1)**	(0.5)	(0.3)
Other finance costs – pension scheme	**(0.9)**	(1.6)	(2.9)
Net loss on re-measurement or settlement of derivatives at fair value	**-**	(3.7)	(1.2)
Finance costs	**(12.5)**	(18.4)	(31.7)
Net finance costs	**(10.6)**	(17.7)	(30.5)

b) Interest for non-statutory measures (unaudited)	Year ended 30 Jun 2016 £m	Year ended 30 Jun 2015 £m	Year ended 31 Dec 2015 £m
Interest on bank loans and overdrafts	**(8.0)**	(10.0)	(10.2)
Interest on sterling bond	**(9.3)**	(5.7)	(7.4)
Other interest	**(2.3)**	(3.5)	(2.7)
Interest receivable	**0.2**	0.6	0.3
Net interest for covenant purposes	**(19.4)**	(18.6)	(20.0)
Interest on bank loans and overdrafts	**(8.0)**	(10.0)	(10.2)
Interest on sterling bonds	**(9.3)**	(5.7)	(7.4)
Amortisation of issue costs of bank loans	**(3.9)**	(1.9)	(3.8)
Interest on obligations under finance leases	**(0.6)**	(1.2)	(0.7)
Unwinding of discounts – liability to pension scheme	**(2.5)**	(2.4)	(2.5)
Loan note interest	**-**	(0.7)	(0.3)
Interest for fixed charge cover purposes	**(24.3)**	(21.9)	(24.9)

Notes to the interim financial statements

6. Tax

	Six months ended 30 Jun 2016 £m	Six months ended 30 Jun 2015 £m	Year ended 31 Dec 2015 £m
Current tax			
UK corporation tax			
- current year	**(36.2)**	(32.8)	(71.8)
- prior year	**-**	-	1.3
Total current tax	**(36.2)**	(32.8)	(70.5)
Deferred tax			
- current year	**(0.2)**	1.0	16.1
- prior year	**-**	-	(1.4)
Total deferred tax	**(0.2)**	1.0	14.7
Total tax charge	**(36.4)**	(31.8)	(55.8)

Tax for the interim period is charged on profits before tax, based on the best estimate of the corporate tax rate for the full financial year.

During the period, following a change in legislation, HMRC issued a payment demand for £52.5m of unpaid tax relating to historic tax disputes. As shown in the cash-flow statement, the Group made exceptional tax payments of £42.5m. The remaining £10m was settled by allocating against the outstanding amount of £10m, historic tax overpayments that were already held by HMRC.

7. Earnings per share

a) Basic and diluted earnings per share

Earnings	Six months ended 30 Jun 2016 £m	Six months ended 30 Jun 2015 £m	Year ended 31 Dec 2015 £m
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity share holders of the Parent Company	**138.5**	126.8	167.6
Number of shares	No.	No.	No.
Weighted average number of shares for the purposes of basic earnings per share	**248,833,390**	246,949,512	247,302,865
Dilutive effect of share options on potential ordinary shares	**4,471,772**	5,942,074	5,681,972
Weighted average number of shares for the purposes of diluted earnings per share	**253,305,162**	252,891,586	252,984,837

Notes to the interim financial statements

b) Adjusted earnings per share

Adjusted earnings per share are calculated by excluding the effects of amortisation of intangible assets and exceptional items in 2016 and 2015 from earnings.

	Six months ended 30 Jun 2016 £m	Six months ended 30 Jun 2015 £m	Year ended 31 Dec 2015 £m
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity share holders of the Parent Company	**138.5**	126.8	167.6
Exceptional items	**-**	-	140.6
Amortisation of acquired intangible assets	**8.3**	8.9	18.0
Tax on amortisation of acquired intangible assets	**(1.5)**	(1.8)	(3.4)
Tax on exceptional items	**-**	-	(7.5)
Effect of reduction in corporation tax rate on deferred tax	**-**	-	(8.5)
Earnings for adjusted earnings per share	**145.3**	133.9	306.8
Adjusted earnings per share	**58.4p**	54.2p	124.1p
Adjusted diluted earnings per share	**57.4p**	52.9p	121.3p

8. Dividends

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

	Six months ended 30 Jun 2016 £m	Six months ended 30 Jun 2015 £m	Year ended 31 Dec 2015 £m
Final dividend for the year ended 31 December 2015 of 29.25 pence (2014: 25.75 pence) per share	**72.8**	63.7	63.7
Interim dividend for the year ended 31 December 2015 of 14.75 pence per share	**-**	-	36.5

The proposed interim dividend of 15.25p per share in respect of the year ending 31 December 2016 was approved by the Board on 1 August 2016 and has not been included as a liability as at 30 June 2016. It will be paid on 8 November 2016 to shareholders on the register at close of business on 7 October 2016. The shares will be quoted ex-dividend on 6 October 2016.

Notes to the interim financial statements

9. Borrowings

At the period end, the Group had the following borrowing facilities available:

	As at 30 Jun 2016 £m	As at 30 Jun 2015 £m	As at 31 Dec 2015 £m
Drawn facilities:			
Unsecured senior notes	**-**	130.3	137.0
5 year committed revolving credit facility	**40.0**	100.0	110.0
Sterling bond issued in 2014	**269.4**	253.9	254.0
Sterling bond issued in 2016	**300.0**	-	-
	609.4	484.2	501.0
Undrawn facilities:			
5 year committed revolving credit facility	**510.0**	450.0	440.0
Bank overdraft	**30.0**	30.0	30.0
	540.0	480.0	470.0

On 10 May 2016 the Group issued £300m 4.5% guaranteed notes due 2023. The £550m revolving credit facility expires in December 2020.

10. Share capital

	Allotted	
Ordinary shares of 10p	No.	£m
At 1 January 2016	**249,814,722**	25.0
Allotted under share option schemes	**186,853**	-
At 30 June 2016	**250,001,575**	25.0

11. Net debt reconciliation

	Six months ended 30 Jun 2016 £m	Six months ended 30 Jun 2015 £m	Year ended 31 Dec 2015 £m
Net debt at 1 January	**(447.4)**	(358.1)	(358.1)
Increase / (decrease) in cash and cash equivalents	**50.3**	19.7	(24.5)
Cash flows from debt	**(111.1)**	(55.3)	(59.4)
Finance charges movement	**(0.6)**	(1.0)	(3.8)
Amortisation of swap cancellation receipt	**-**	0.5	0.9
Discount unwind on liability to pension scheme	**(1.2)**	(1.2)	(2.5)
Net debt at 30 June / 31 December	**(510.0)**	(395.4)	(447.4)

Notes to the interim financial statements

12. Non-statutory information

a) Adjusted operating profit

Adjusted operating profit is calculated by excluding the effects of amortisation of intangible assets and exceptional items in 2016 and 2015 from operating profit.

	Six months ended 30 Jun 2016 £m	Six months ended 30 Jun 2015 £m	Year ended 31 Dec 2015 £m
Operating profit	**186.1**	176.3	254.0
Exceptional items	**-**	-	140.6
Amortisation of acquired intangible assets	**8.3**	8.9	18.0
Adjusted operating profit	**194.4**	185.2	412.6

b) Adjusted profit before tax

Adjusted profit before tax is calculated by excluding the effects of amortisation of intangible assets and exceptional items in 2016 and 2015 from profit before tax.

	Six months ended 30 Jun 2016 £m	Six months ended 30 Jun 2015 £m	Year ended 31 Dec 2015 £m
Profit before tax	**175.5**	158.6	223.5
Exceptional items	**-**	-	140.6
Amortisation of acquired intangible assets	**8.3**	8.9	18.0
Adjusted profit before tax	**183.8**	167.5	382.1

c) Net debt under covenant calculations

	As at 30 Jun 2016 £m	As at 30 Jun 2015 £m	As at 31 Dec 2015 £m
Reported net debt	**(510.0)**	(395.4)	(447.4)
IAS 17 finance leases	**13.6**	15.2	14.3
Unamortised swap cancellation receipt	**-**	0.4	-
Liability to pension scheme	**33.4**	34.1	35.4
Finance charges netted off borrowings	**(7.9)**	(4.7)	(6.0)
Net debt under covenant calculations	**(470.9)**	(350.4)	(403.7)

Notes to the interim financial statements

12. Non-statutory information (continued)

d) Covenant calculations (rolling 12 months)

	30 Jun 2016 £m	30 Jun 2015 £m	31 Dec 2015 £m
EBIT	**263.8**	353.0	254.0
Depreciation and amortisation	**109.3**	99.6	104.1
EBITDA	**373.1**	452.6	358.1
Exceptional items	**140.6**	23.3	140.6
Adjusted EBITDA	**513.7**	475.9	498.7
Reversal of IFRS effect	**1.2**	(2.4)	-
EBITDA under covenant calculations	**514.9**	473.5	498.7
Net debt under covenant calculations (note 12c)	**470.9**	350.4	403.7
Adjusted net debt to EBITDA (maximum 3x)	**0.91x**	0.74x	0.81x
Adjusted operating profit	**421.8**	349.0	412.6
Net interest payable under covenant calculations (rolling 12 months)	**19.4**	18.6	20.0
Interest cover (minimum 3.5x)	**21.8x**	21.2x	20.6x

e) Ratio of lease adjusted net debt to EBITDAR (rolling 12 months)

	30 Jun 2016 £m	30 Jun 2015 (Restated*) £m	31 Dec 2015 £m
Adjusted EBITDA	**513.7**	475.9	498.7
Property operating lease rentals	**185.5**	176.1	180.4
Adjusted EBITDAR	**699.2**	652.0	679.1
Reported net debt	**510.0**	395.4	447.4
Property operating rentals x8	**1,484.0**	1,408.8	1,443.2
Lease adjusted net debt	**1,994.0**	1,804.2	1,890.6
Lease adjusted net debt to adjusted EBITDAR	**2.9x**	2.8x	2.8x

*The June 2015 operating lease rentals were revised to reflect a refinement to the calculations to include £2.5m of rental income receivable on leased property that has been sublet.

Notes to the interim financial statements

12. Non-statutory information (continued)

f) Fixed charge cover (rolling 12 months)

	30 Jun 2016 £m	30 Jun 2015 (Restated*) £m	31 Dec 2015 £m
Adjusted EBITDAR	**699.2**	652.0	679.1
Property operating lease rentals	**185.5**	176.1	180.4
Interest for fixed charge cover (note 5)	**24.3**	21.9	24.9
Fixed charge	**209.8**	198.0	205.3
Fixed charge cover	**3.3x**	3.3x	3.3x

*The June 2015 operating lease rentals were revised to reflect a refinement to the calculations to include £2.5m of rental income receivable on leased property that has been sublet.

g) Adjusted free cash flow

	Six months ended 30 Jun 2016 £m	Six months ended 30 Jun 2015 £m	Year ended 31 Dec 2015 £m
Operating profit before amortisation and exceptional items	**194.4**	185.2	412.6
Depreciation and amortisation of internally generated intangible assets	**48.9**	43.1	86.1
Other non-cash movements	**8.3**	5.8	11.7
Gain on disposal of property plant and equipment	**(3.9)**	(4.3)	(26.3)
Movement on working capital	**(29.0)**	(30.6)	(95.9)
Net interest paid	**(12.4)**	(9.6)	(19.7)
On-going income tax paid	**(26.5)**	(14.0)	(47.8)
Replacement capital expenditure	**(19.9)**	(25.8)	(54.9)
Proceeds from disposal of property, plant and equipment	**5.5**	6.6	50.8
Adjusted free cash flow	**165.4**	156.4	316.6

Notes to the interim financial statements

12. Non-statutory information (continued)

h) Return on capital ratios (rolling 12 months)

(i) Group capital employed is calculated as follows

	30 Jun 2016 £m	30 Jun 2015 (Revised*) £m	31 Dec 2015 £m
Operating profit	**263.8**	353.0	254.0
Amortisation of acquired intangible assets	**17.4**	17.7	18.0
Exceptional items	**140.6**	23.3	140.6
Adjusted operating profit	**421.8**	394.0	412.6
Opening net assets	**2,738.5**	2,589.8	2,677.7
Net pension deficit	**81.9**	52.4	78.3
Net borrowings	**406.0**	296.7	375.2
Exchange and fair value adjustment	**(10.6)**	1.3	(17.1)
Opening capital employed	**3,215.8**	2,940.2	3,114.1
Closing net assets	**2,868.3**	2,738.5	2,795.8
Net pension deficit	**39.8**	81.9	42.4
Net borrowings	**529.4**	406.0	467.4
Exchange and fair value adjustment	**(19.4)**	(10.6)	(20.0)
Closing capital employed	**3,418.1**	3,215.8	3,285.6
Average capital employed	**3,316.9**	3,078.0	3,199.9

*The average capital employed at 30 June 2015 has been revised to exclude £92.7m of goodwill written off to reserves in 1998 that was previously added back to the opening and closing capital employed when calculating lease adjusted return on capital employed.

Notes to the interim financial statements

12. Non-statutory information (continued)

h) Return on capital ratios (rolling 12 months) continued

(ii) Revised group lease adjusted return on capital employed is calculated as follows:

	30 Jun 2016 £m	30 Jun 2015 (Revised*) £m	31 Dec 2015 (Revised*) £m
Opening capital employed as per note 12h(i)	**3,215.8**	2,940.2	3,114.1
Impairment of goodwill and other intangibles	**(140.6)**	(140.6)	(140.6)
Tax on impairment of goodwill and other intangibles	**7.5**	7.5	7.5
Revised opening capital employed	**3,082.7**	2,807.1	2,981.0
Closing capital employed as per note 12h(i)	**3,418.1**	3,215.8	3,285.6
Impairment of goodwill and other intangibles	**-**	(140.6)	-
Tax on impairment of goodwill and other intangibles	**-**	7.5	-
Revised closing capital employed	**3,418.1**	3,082.7	3,285.6
Revised average capital employed	**3,250.4**	2,944.9	3,133.3

*To ensure that lease adjusted return on capital employed is consistently calculated, capital employed at 1 July 2014, 1 January 2015 and 1 July 2015 has been revised to deduct the impairment to goodwill and other intangible assets written off in December 2015 and therefore eliminated from capital employed at 31 December 2015.

(iii) Revised group lease adjusted return on capital employed is calculated as follows:

	30 June 2016 £m	30 Jun 2015 (Revised*,**) £m	31 Dec 2015 (Revised**) £m
Adjusted operating profit	**421.8**	394.0	412.6
50% of property operating lease rentals	**92.7**	88.1	90.2
Lease adjusted operating profit	**514.5**	482.1	502.8
Revised average capital employed per note 12h(ii)	**3,250.4**	2,944.9	3,133.3
Property operating lease rentals x8	**1,484.0**	1,408.8	1,443.2
Revised lease adjusted capital employed	**4,734.4**	4,353.7	4,576.5
Revised lease adjusted return on capital employed	**10.9%**	11.1%	11.0%

*The June 2015 operating lease rentals were revised to reflect a refinement to the calculations to include £2.5m of rental income receivable on leased property that has been sublet.

**Revised for the change to the capital employed calculation in notes 12h(i) and 12h(ii).

i) Lease adjusted gearing

	As at 30 Jun 2016 £m	As at 30 Jun 2015 (Restated*) £m	As at 31 Dec 2015 £m
Reported net debt	**510.0**	395.4	447.4
Property operating lease rentals x8	**1,484.0**	1,408.8	1,443.2
Lease adjusted net debt	**1,994.0**	1,804.2	1,890.6
Property operating lease rentals x8	**1,484.0**	1,408.8	1,443.2
Total equity	**2,868.3**	2,738.5	2,795.8
	4,352.3	4,147.3	4,239.0
Lease adjusted gearing	**45.8%**	43.5%	44.6%

*The June 2015 operating lease rentals were revised to reflect a refinement to the calculations to include £2.5m of rental income receivable on leased property that is sublet.

j) Like-for-like sales

Like-for-like sales are a measure of underlying sales performance for two successive periods. Branches contribute to like-for-like sales once they have been trading for more than twelve months. Revenue included in like-for-like sales is for the equivalent periods in both years being compared. When branches close, revenue is excluded from the prior year figures for the months equivalent to the post closure period in the current year.

13. Financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- Foreign currency forward contracts are measured using quoted forward exchange rates;
- Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates; and
- Deferred consideration liabilities are calculated using forecasts of future performance of acquisitions discounted to present value. The total deferred consideration creditor of £1.0m, all of which is included in trade and other payables, represents estimated amounts payable on the acquisition of Plumbnation.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between levels during the year. There are no non-recurring fair value measurements.

Notes to the interim financial statements

13. Financial instruments (continued)

Included in assets

Level 2	As at 30 Jun 2016 £m	As at 30 Jun 2015 £m	As at 31 Dec 2015 £m
Foreign currency forward contracts at fair value through profit and loss	**3.2**	-	1.3
Interest rate swaps designated and effective as hedging instruments carried at fair value	**19.4**	3.9	6.3
Foreign currency forward contracts designated and effective as hedging instruments carried at fair value	**-**	-	3.2
Cross currency interest rate swaps designated and effective as hedging instruments carried at fair value	**-**	8.9	11.7
	22.6	12.8	22.5
Current assets	**3.2**	8.9	16.2
Non-current assets	**19.4**	3.9	6.3
	22.6	12.8	22.5

Included in liabilities

Level 2	As at 30 Jun 2016 £m	As at 30 Jun 2015 £m	As at 31 Dec 2015 £m
Foreign currency forward contracts at fair value through profit and loss	**-**	1.2	-
Foreign currency forward contracts designated and effective as hedging instruments carried at fair value	**-**	1.1	-
Level 3			
Deferred consideration at fair value through profit and loss	**1.0**	1.2	1.2
	1.0	3.5	1.2
Current liabilities	**1.0**	3.5	1.2
Non-current liabilities	**-**	-	-
	1.0	3.5	1.2

14. Related party transactions

The Group has a related party relationship with its subsidiaries and with its directors. Transactions between group companies, which are related parties, have been eliminated on consolidation and are not disclosed in this note. There have been no related party transactions with directors other than in respect of remuneration. The Group advanced funds in the first half of 2016 of £3.4m (2015: £2.3m) in the form of loans to its associates. Operating transactions with associated companies were not significant during the period.

Notes to the interim financial statements

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the EU;

- The Interim Management Report includes a fair review of the information required by:
  (a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  (b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

John Carter	**Tony Buffin**
Chief Executive Officer 1 Aug 2016	Chief Financial Officer 1 Aug 2016

INDEPENDENT REVIEW REPORT TO TRAVIS PERKINS PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the interim results for the six months ended 30 June 2016 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of equity, the condensed consolidated cash flow statement and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim results for the six months ended 30 June 2016 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Greg Watts
for and on behalf of KPMG LLP
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

1 August 2016