Travis Perkins plc
Interim results for the six months ended 30 June 2017
Executed well against a challenging market backdrop

£m	*Note*	**H1 2017**	H1 2016	*Change*
Revenue		**3,221**	3,113	*3.5%*
Like-for-like revenue growth[1]	*14h*	**2.7%**	3.1%	
Adjusted operating profit[1]	*14a*	**190**	194	*(2.1)%*
Adjusted profit before taxation[1]	*14b*	**175**	184	*(4.9)%*
Adjusted earnings per share[1]	*7b*	**55.8p**	58.4p	*(4.5)%*
Net debt[1]	*11*	**377**	510	
Dividend per share (pence)	*8*	**15.5p**	15.25p	*1.6%*
Lease adjusted ROCE[1][2]	*14f*	**10.6%**	10.9%	*(0.3)ppt*
Operating profit		**183**	186	*(1.6)%*
Profit before taxation		**168**	176	*(4.5)%*
Basic earnings per share (pence)	*7a*	**53.6p**	55.7p	*(3.8)%*

[1] Alternative performance measures are used to provide a guide to underlying performance and details of the calculations can be found in the notes listed

[2] LAROCE comparator from 2016 is for the 12 month period ending 31 December 2016 which has been adjusted to exclude from opening capital employed the impairment to goodwill and other intangible assets written off at 31 December 2016 and already deducted from Capital Employed at that date

Highlights

- Revenue grew by 3.5% in the first half of the year, and by 2.7% on a like-for-like basis
- Adjusted operating profit 2.1% lower at £190m largely due to the challenging Plumbing & Heating market and recent investments, including in information systems
- Free cash flow of £188m was generated, with strong cash conversion of 99%
- Net debt of £377m, lower than June 2016 by £133m, and in line with December 2016
- Interim dividend of 15.5p, an increase of 1.6% reflecting strong cash performance

John Carter – Chief Executive Officer said:

"We executed our plan well and delivered a solid overall performance in the first half of 2017 against a challenging market backdrop of pronounced input cost inflation and market volatility. The robust growth and outperformance in our Contracts and Consumer divisions build on strong customer propositions and successful investments in those businesses.

In the first half of the year, the Group made a conscious decision to recover input cost inflation selectively through disciplined pricing activity. Whilst this had some impact on trading volume, it enabled us to maintain Group gross margins and positions the business well for the future.

Today we have announced a comprehensive transformation plan in our Plumbing & Heating division which is designed to stabilise performance and to create more options to maximise shareholder value. Whilst we remain cautious on the macro-economic outlook for the second half, the Group remains focused on executing the clear plans it has in place which will deliver strong cash generation and maximise returns."

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Cautionary Statement:

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

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This announcement is current as of 2 August 2017, the date on which it is given. This announcement has not been and will not be updated to reflect any changes since that date.

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

Summary

The first half of 2017 has seen a number of macroeconomic headwinds affect our business, including weakening housing transactions and consumer confidence, as well as industry input cost inflation.

Despite the difficult market background, the Group has again demonstrated its ability to grow, both in absolute and like-for-like terms. The Consumer and Contracts divisions have continued to demonstrate above market revenue growth, driven by strong customer propositions and the benefits of recent investments in the businesses. Both divisions grew sales volumes driving growth in operating profit.

In the General Merchanting division, a deliberate trading stance was taken early in the year to recover cost price inflation, caused by both currency exchange rate volatility and commodity price pressure. At the same time, a new pricing tool was rolled out across the division. This provides better guidance to branch colleagues and results in more consistent pricing to customers whilst enabling the business to maintain gross margins.

The markets served by the Plumbing & Heating division continued to be particularly challenging. In the contract channel, growth with house builders was not sufficient to offset the reduction in volumes in social housing and reduced trade with one of our largest customers. The remaining Plumbing & Heating businesses, encompassing our local installer, online businesses and wholesaling operations, delivered growth in revenues following recent actions to improve the customer propositions. Following the strategic review of the Plumbing & Heating division, a comprehensive plan has been put in place to stabilise the business and provide the Group with more options to enhance shareholder value in the future.

The Group remains focused on disciplined capital management. Net debt remained in line with the prior year end, and was £133m lower than 30 June 2016. Whilst there was an expected, seasonal working capital outflow in the first half, underlying working capital management was encouraging. As planned, given the uncertain outlook for the Group's end markets, capital expenditure was lower year-on-year, and the programme to recycle capital invested in property continued with a sale and leaseback transaction completed in the first half of the year.

The Group has continued to make focused investments that will drive improving returns. The expansion of the Toolstation and Benchmarx networks has continued at pace, and the Wickes store refit programme is generating higher sales and corresponding returns.

Investment in the Group's merchant systems continued, with construction of the new system now well underway. The new system will make it easier for customers to transact with the Group, at the same time making it easier for colleagues to service customers. It will also provide significantly more data with greater accuracy, which will enable better decision making.

Plumbing & Heating transformation plan

The Plumbing & Heating division has under-performed in recent years, with weakening sales and reducing profitability. Both the contract and local installer markets have been increasingly competitive, with the traditional national plumbing merchants under pressure from the significant expansion of online and fixed price multichannel operators and strong local and regional independents.

In the first half of 2017 the new leadership team has undertaken a comprehensive strategic review of the business. The resulting plan builds on the foundations put in place by the 2014 restructuring programme. The near-term focus is on arresting the decline in profits with actions being taken to address the issues faced, including a reduction in capacity at all points in the supply chain. The plan seeks to improve all aspects of the business and create more options to maximise shareholder value in the future.

By reducing capital employed in the business, the plan is expected to be broadly cash neutral, whilst the likely income statement charge for the restructuring will be approximately £30m-40m over the next 12 months.

The key elements of the transformation plan build on some of the successful work previously undertaken to reduce capacity, acquire a number of digital businesses and invest in the bathrooms, renewables and spares categories. The comprehensive and wide-ranging improvement plan covers all of the Plumbing & Heating businesses and is designed to bring a more customer focused approach to developing the propositions, as well as driving greater efficiency to underpin profitability. The main pillars of the plan are:

1. **An integrated City Plumbing and PTS branch network:** to be run under a single management team providing customers with more convenience and improved service. Online brands, where they are valued by customers, will form an important range extension solution for customers supported by the branch network.

2. **A simplification of the business operating model:** the integrated branch network and online channels will form the core of the business with a number of the smaller businesses integrated. The wholesale business will increasingly operate on a standalone basis. These changes will reduce operating costs as well as provide a more coherent customer proposition.

3. **An overhaul of the customer proposition** with broader ranges, better availability, more consistent pricing and online development, alongside improvements to specialist categories and selective category extension.

4. **A dedicated supply chain** will be formed to support the P&H business, decoupled from the group infrastructure, and making better use of the primary distribution centre in Warrington.

Whilst the trading performance in Plumbing & Heating is expected to continue to soften in the second half of the year, profitability is expected to stabilise in 2018.

Outlook

The long term drivers of market growth remain strong, centred on the UK's requirement for more homes and the structural underinvestment in the repair, maintenance and improvement of existing dwellings and infrastructure. Macro-economic data has been weaker in the first half of 2017, and recent lead indicators, including consumer confidence and housing transactions, have painted a mixed picture for the near-term performance of the Group's end markets and this is expected to continue in the second half of 2017.

The Group will continue to focus on executing the clear plans it has in place whilst ensuring that it responds quickly to any changes in market conditions. The investments made in recent years leave the Group well positioned for the future.

Technical guidance

The Group is maintaining the technical guidance for 2017 as issued in March 2017:

- Effective tax rate of around 20%
- Finance charges will be similar to 2016
- Capital expenditure of around £170m - £190m, excluding investment in freehold property
- Property profits of around £20m
- Progressive dividend policy, underpinned by strong cash generation

Divisional performance

The divisional profit performance in the following section excludes all property profits which are now shown separately as a Group related activity.

General Merchanting

	H1 2017	H1 2016	*Change*
Total revenue	**£1,055m**	£1,045m	*1.0%*
Like-for-like growth			*(0.1)%*
Adjusted operating profit	**£97m**	£100m	*(3.0)%*
Adjusted operating margin	**9.2%**	9.6%	*(40)bps*
LAROCE*	**15%**	15%	-
Branch network*	**851**	833	*18*

*Comparison data from 31 December 2016

Financial performance

Revenue performance in the first half of the year was in line with expectations, against strong comparators from 2016. The division experienced significant cost price inflation and executed a disciplined pricing strategy to recover the impact. This put pressure on trading volumes in the short term, but has achieved the aim of protecting gross margins.

Adjusted operating profit declined by 3% in the half as operating costs rose following investment in IT capabilities, extension of the reach of the heavyside range centre network and the opening of new branches.

Operational highlights

- The roll-out of the new pricing framework continued, including selective price investment, which has improved the value proposition for customers without negatively impacting margins.
- Utilisation of the range centres made further progress, with an additional 37 branches served by the delivery network in the first half of 2017, and a plan for a further c.140 to be added in the second half, extending coverage to all of England and Wales. Performance is ahead of expectations with a good uptake of customers making use of access to the extended range of an additional 6,500 products, driving promising returns.
- Further progress has been made towards an improved multi-channel proposition. The Travis Perkins transactional website now offers a two hour click & collect service, and whilst still at an early stage of development, online sales have been strong.
- Eleven new Benchmarx branches were opened during the half contributing additional revenue on top of a good like-for-like performance from the existing network.

Plumbing & Heating

	H1 2017	H1 2016	*Change*
Total revenue	**£669m**	£679m	*(1.5)%*
Like-for-like growth			*(1.2)%*
Adjusted operating profit	**£13m**	£19m	*(31.6)%*
Adjusted operating margin	**1.9%**	2.8%	*(90)bps*
LAROCE*	**9%**	10%	*(1)ppt*
Branch network*	**428**	439	*(11)*

*Comparison data from 31 December 2016

Financial performance

Plumbing & Heating revenue reduced by 1.5% in the half and by 1.2% on a like-for-like basis. Growth in the first quarter was stronger than the second quarter, as expected, owing to trade customers buying in advance of manufacturer led cost price increases. Performance reflected the continued difficult market conditions in the large contract installer market, impacting PTS, where growth in the new build market was not enough to offset continued declines in social housing and reduced trade with one of our largest customers.

City Plumbing showed solid growth in the half, with improving like-for-like sales. The wholesale business also delivered positive sales growth with an improving trend through the second quarter.

Operating profit declined in the first half as a result of lower operating leverage resulting from the decrease in volume in addition to the very competitive market.

Operational highlights

The focus in the first half of the year has been the establishment of a new management team under the Group COO and a comprehensive strategic review. Actions have been taken to stabilise performance and improve the focus on customers with encouraging early signs. These include:

- Simplified operating, sales and commercial team structures
- Restructured branch manager incentives to reward outstanding performance
- Selectively extended bathroom showroom opening hours to better meet end-consumer needs, delivering a step up in performance
- Rolling out 1,100 best-selling lines to City Plumbing branches
- An enhanced promotional programme, doubling customer participation in Q2
- Improved digital capabilities, including the launch of a transactional website for City Plumbing and the upgrade of a number of specialist websites with improved layouts and search facilities
- Improved customer service and upselling in the wholesale business

Contracts

	H1 2017	H1 2016	*Change*
Total revenue	**£675m**	£623m	*8.3%*
Like-for-like growth			*9.1%*
Adjusted operating profit	**£41m**	£37m	*10.8%*
Adjusted operating margin	**6.1%**	5.9%	*20bps*
LAROCE*	**13%**	12%	*1ppt*
Branch network*	**168**	167	*1*

*Comparison data from 31 December 2016

Financial performance

The division delivered strong sales growth at 8.3% and 9.1% on a like-for-like basis. All businesses demonstrated excellent growth, with CCF the stand out performer.

The division experienced significant input cost inflation in the half. Gross margin performance in the division was good as all three businesses focused on pricing activity to recover the input cost inflation. Adjusted operating margin expanded by 20bps with improvements from operating leverage partially offset by the shift in sales mix towards CCF and Keyline.

Divisional LAROCE improved from 12% to 13% driven by the maturing of new branches.

Operational highlights

- The CCF branches opened in late 2015 continue to mature driving sales growth and operating leverage
- A new sales team structure in CCF ensures that high levels of customer service are provided across large, medium and smaller customers
- Keyline continued to focus on specific product categories and customer groups enabling it to provide a customer specified proposition and to continue to gain market share
- A national administration team was launched to support the BSS network which has reduced costs and allows branch colleagues to focus on customers
- In April 2017 the Group acquired TF solutions, a ventilation and air conditioning distributor which adds adjacent product categories to the BSS business

Consumer

	H1 2017	H1 2016	*Change*
Total revenue	**£822m**	£766m	*7.3%*
Like-for-like growth			*4.7%*
Adjusted operating profit	**£45m**	£44m	*2.3%*
Adjusted operating margin	**5.5%**	5.7%	*(20)bps*
LAROCE*	**8%**	8%	-
Branch network*	**642**	617	*25*

*Comparison data from 31 December 2016

Financial performance

The division delivered a strong revenue performance with Wickes outperforming a tough DIY market, and continued strong growth in Toolstation through network expansion and accelerating like-for-like growth in existing stores.

Despite continuing to invest in value to maintain price leadership in both Wickes and Toolstation, gross margin was unchanged in the period. Adjusted operating margins fell by 20bps primarily due to the on-going investments in store refits and new store openings, together with the Group's increasing investment to expand Toolstation in Europe.

Operational highlights

Wickes

- The programme to roll out store refits continued in the half with a further 18 completed. These continue to deliver strong growth in sales in both showroom and core DIY categories with 82 new store formats now in operation
- The Kitchen & Bathroom showroom activity delivered excellent growth in the first half through its compelling range and targeted promotional activity, albeit this is expected to moderate in the second half
- Further progress was made to improve the online proposition, with new range extensions and same-day, one-hour delivery slots

Toolstation

- Toolstation retained its Which? 'Retailer of the Year' award in 2017 and continued to achieve industry leading TrustPilot scores
- UK network expansion continued at pace, with 19 new stores opened
- Improvements to the digital customer experience, including reducing click & collect times, extending online only ranges and improving product reviews, local search, and personalised offers drove a significant step up in sales growth
- The expansion of the Dutch Toolstation network continued, with an additional 5 stores opened bringing the total to 17, and very encouraging like-for-like performance. Web sales in France and Germany also grew well and a new website was launched in Belgium in Q1.

Property

The Group continued to leverage its property portfolio with selected investment in freeholds combined with a disciplined disposal programme to realise embedded value in fully developed properties.

The Group invested £23m in new freehold properties and construction in the half and completed a sale and lease back transaction on a portfolio of eight properties which realised £38m of cash, and £1m of property profits.

Overall the Group recognised profits on the disposal of properties of £7m (H1 2016: £3m), with a net release of cash after new freehold acquisitions of £27m.

Financial Performance

Revenue

Group revenue growth was solid in the first half of 2017, with absolute growth of 3.5%, and 2.7% on a like-for-like basis.

Volume, price and mix analysis

Total revenue	**General Merchanting**	**Plumbing & Heating**	**Contracts**	**Consumer**	**Group**
Volume	(2.5)%	(4.4)%	4.2%	3.0%	**(0.2)%**
Price and mix	2.4%	3.2%	4.9%	1.7%	**2.9%**
Like-for-like revenue growth	(0.1)%	(1.2)%	9.1%	4.7%	**2.7%**
Network changes	1.1%	(0.3)%	(1.2)%	2.6%	**0.7%**
Acquisitions	-	-	0.4%	-	**0.1%**
Total revenue growth	**1.0%**	**(1.5)%**	**8.3%**	**7.3%**	**3.5%**

Quarterly like-for-like revenue analysis

Like-for-like revenue growth	General Merchanting	Plumbing & Heating	Contracts	Consumer	**Group**
Q1 2017	(0.3)%	(1.1)%	12.1%	2.9%	**2.7%**
Q2 2017	0.3%	(1.9)%	6.4%	6.5%	**2.7%**
Half year 2017	**(0.1)%**	**(1.2)%**	**9.1%**	**4.7%**	**2.7%**

New branch and net store openings contributed 0.8% to revenue growth. There were no trading day differences in the first half of 2017 compared to 2016. Across the Group volumes were broadly flat, with all of the 2.7% like-for-like growth coming from price increases and mix changes. This was in line with expectations as the Group's businesses focused on mitigating the impact of cost price inflation.

Operating profit and margin

£m	H1 2017	H1 2016	
General Merchanting	97	100	*(3.0)%*
Plumbing & Heating	13	19	*(31.6)%*
Contracts	41	37	*10.8%*
Consumer	45	44	*2.3%*
Property	7	3	*133.3%*
Unallocated central costs	(13)	(9)	*44.4%*
Adjusted operating profit	190	194	*(2.1)%*
Amortisation of acquired intangibles	(7)	(8)	
Operating profit	183	186	*(1.6)%*

Operating profit reduced slightly by 1.6% to £183m (H1 2016: £186m), with profit before tax declining by 4.5% to £168m due to higher finance charges.

Adjusted operating profit reduced by 2.1% to £190m (H1 2016: £194m). Profit growth in Contracts, Consumer and through property transactions was offset by a decline in profits in General Merchanting, the expected decline in Plumbing & Heating and an increase in unallocated costs as the Group invests in its IT capabilities.

Adjusted operating margin

	General Merchanting	Plumbing & Heating	Contracts	Consumer	Group
H1 2016 adjusted operating margin (excluding property profits)	9.6%	2.8%	5.9%	5.7%	**6.1%**
Change in gross margin	0.0%	(1.0)%	0.3%	0.0%	**0.1%**
Margin impact of change in operating costs	(0.4)%	0.1%	(0.1)%	(0.2)%	**(0.5)%**
H1 2017 adjusted operating margin (excluding property profits)	**9.2%**	**1.9%**	**6.1%**	**5.5%**	**5.7%**

The Group's gross margin was maintained in the half through pricing activity to recover input cost inflation. In Plumbing & Heating, the intense competitive pricing environment led to a decline in gross margin which was fully offset, primarily by the Contracts division.

Across the Group operating costs increased in the half, primarily due to the opening of new branches together with store refits, and investments made in IT systems.

Finance charge

Net finance charges increased to £16m (2016: £11m). The increase in finance charges reflects a full half year of interest on the £300m public bond issued in May 2016, partially offset by lower borrowings on the revolving credit facility.

Pensions

The Group made £10m (H1 2016: £11m) of cash contributions to its defined benefit schemes in the first half of the year.

At 30 June 2017, the combined gross accounting deficit for the Group's final salary pension schemes was £47m (31 December 2016: £127m), which equated to a net deficit after tax of £38m (31 December 2016: £103m). The reduction in the deficit was primarily due to strong returns on plan assets, and favourable changes in demographic assumptions together with a change in gilt yields which reduced scheme liabilities.

Taxation

The tax charge for the first half of the year was £32.2m (2016: £36.4m), an effective tax rate of 19.2% (2016: 20.7%). The difference in effective rate between 2017 and 2016 was due to a lower statutory tax rate and a higher deferred tax charge on share based payments in 2017.

Earnings per share

Profit after taxation decreased by 2.9% to £135m (H1 2016: £139m) resulting in basic earnings per share decreasing by 3.8% to 53.6 pence (H1 2016: 55.7 pence). There is no significant difference between basic and diluted basic earnings per share.

Adjusted profit after tax reduced by 3.3% to £141m (H1 2016: £145m) resulting in adjusted earnings per share (note 11) decreasing by 4.5% to 55.8 pence (H1 2016: 58.4 pence). There is no significant difference between adjusted basic and adjusted diluted earnings per share.

Reconciliation of reported to adjusted earnings

	H1 2017		**H1 2016**	
	Earnings	**EPS**	**Earnings**	**EPS**
Basic earnings and EPS attributable to shareholders	£135m	53.6p	£139m	55.7p
Amortisation of acquired intangible assets	£7m	2.7p	£8m	3.3p
Tax on amortisation of acquired intangible assets	£(1)m	(0.5p)	£(2)m	(0.6p)
Adjusted earnings and EPS attributable to shareholders	**£141m**	**55.8p**	**£145m**	**58.4p**

Dividend

The Group has a progressive dividend policy reflecting the on-going strength of cash generation by the Group and the continued confidence in the Group's outlook over the medium term.

The dividend for the half year 2017 of 15.5 pence (H1 2016: 15.25 pence) results in a 1.6% increase. The interim dividend will be paid on 07 November 2017, at a cash cost of approximately £39m.

Cash flow and balance sheet

Free cash flow

The Group generated strong free cash flow of £188m, at a conversion rate of 99%.

(£m)	**H1 2017**	H1 2016
EBITA	**190**	194
Depreciation of PPE and other non-cash movements	**65**	57
Disposal proceeds in excess of property profits	**41**	2
Change in working capital*	**(54)**	(29)
Maintenance capital expenditure	**(25)**	(20)
Net interest	**(2)**	(12)
Tax paid	**(27)**	(27)
Adjusted free cash flow	**188**	165
One-off tax payment	**-**	(42)
Free cash flow	**188**	123
Underlying cash conversion rate	**99%**	85%

*2017 Change in net working capital figure excludes £5m in relation to the development of cloud-based software

On a broadly similar earnings figure, the stronger cash generation was driven by the sale and lease back transaction, and a shift in the timing of interest payments on the Group's borrowings to the second half.

Inventories were held broadly flat in the half, improving stock turnover against higher sales. An increase in trade receivables was partially offset by growth in trade payables, with both representing the seasonal nature of the business, and the typically higher working capital requirements in the first half of the year.

Investment in maintenance capex was £25m, slightly higher than in 2016, and on track to meet expectations for the full year.

Additional cash payments to the defined benefit pension schemes, above the P&L charge, were £5m (2016: £7m). The cash cost in the half of utilisation of exceptional provisions incurred in prior years was £6m.

Capital Investments

In April 2017 the Group acquired TF solutions, a ventilation and air conditioning distributor that adds adjacent product categories to the BSS business in the Contracts division. Net cash invested in acquisitions in the first half of the year was £7m (2016: £4m).

Investments to extend branch networks and further improve propositions in advantaged businesses continued in the first half of 2017, with £81m invested in capex, in addition to £23m spent on purchasing and developing freehold sites to sustain the future pipeline of network expansion.

The network expansion programmes continued in Toolstation and Benchmarx, in addition to new branches opened in Wickes and Travis Perkins. Three new trade parks were opened in the period, in Welwyn Garden City, Leicester and South Shields, with multiple trading fascias sharing a single site, improving sales density and creating a trade destination.

	(£m)	**H1 2017**	H1 2016
Extending leadership	New TP / Wickes / Toolstation / CCF / Benchmarx branches Benchmarx implants / showrooms / tool hire implants	**15**	13
Investing to grow	New Wickes / TP formats Distribution centres	**17**	20
Re-engineering and infrastructure build	Multi-channel development IT infrastructure upgrades	**24**	18
Growth capex		**56**	51
	Freehold property	**23**	49
	Maintenance	**25**	20
Total capex		**104**	120

The programme to deliver new systems to support the merchanting businesses has entered the construction phase. The modernised system will enable branch staff to provide a better and more efficient service to customers, as well as providing considerably better data and information to the business. The programme is on plan, and is due to be piloted in one of the Group's businesses in H2 2018.

Net debt and funding

Net debt of £377m was in line with 31 December 2016, which is a reduction of £133m since 30 June 2016.

Lease debt also remained largely unchanged from the end of 2016. Lease adjusted net debt was therefore also largely unchanged compared with 31 December 2016.

At 30 June 2017, the Group had funding of £1.1bn committed until at least December 2020.

The Group's credit rating, issued by Standard and Poors, was maintained at BB+ stable following its review in April 2017.

Details of non-statutory disclosures are shown in note 14.

	Medium Term Guidance	**H1 2017**	FY 2016	H1 2016
Net debt		**£377m**	£378m	£510m
Lease debt		**£1,502m**	£1,506m	£1,484m
Lease adjusted net debt		**£1,879m**	£1,884m	£1,994m
Lease adjusted gearing		**43.4%**	45.3%	45.8%
Fixed charge cover	3.5x	**3.3x**	3.3x	3.3x
LA net debt : EBITDAR	2.5x	**2.6x**	2.7x	2.9x

The Group has maintained the fixed charge cover ratio of 3.3x. The LA net debt/EBITDAR ratio reduced further, to 2.6x, very close to the Group's medium term target.

Return on capital measures

The Group's lease adjusted return on capital employed fell to 10.6% from 10.9% in December 2016. The fall was primarily due to the lower profits generated and the additional capital invested in the business over the last 12 months.

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 37 to 43 of the 2016 Annual Report and Accounts. 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 funding liquidity, further business transformation, performance of the Plumbing and Heating division, Brexit, legislation and corporation tax.

Condensed consolidated income statement

	Six months ended 30 Jun 2017 (Unaudited)	Six months ended 30 Jun 2016 (Unaudited)	Year ended 31 Dec 2016 (Audited)
	£m	£m	£m
Revenue	**3,220.8**	3,113.3	6,217.2
Operating profit before amortisation and exceptional items	**190.2**	194.4	409.0
Impairment of assets and other exceptional items	**-**	-	(292.0)
Amortisation of goodwill and acquired intangible assets	**(6.9)**	(8.3)	(16.6)
Operating profit	**183.3**	186.1	100.4
Net finance costs (note 5)	**(15.7)**	(10.6)	(27.7)
Profit before tax	**167.6**	175.5	72.7
Tax before exceptional items	**(32.2)**	(36.4)	(77.1)
Tax on exceptional items	**-**	-	18.5
Tax (note 6)	**(32.2)**	(36.4)	(58.6)
Profit for the period	**135.4**	139.1	14.1
Attributable to:			
Owners of the Company	**134.9**	138.5	12.7
Non-controlling interests	**0.5**	0.6	1.4
	135.4	139.1	14.1
Earnings per ordinary share (note 7)			
Basic	**53.6p**	55.7p	5.1p
Diluted	**53.2p**	54.7p	5.0p
Total dividend declared per share (note 8)	**15.5p**	15.25p	45.0p

All results relate to continuing operations.

Condensed consolidated statement of comprehensive income

	Six months ended 30 Jun 2017 (Unaudited) £m	Six months ended 30 Jun 2016 (Unaudited) £m	Year ended 31 Dec 2016 (Audited) £m
Profit for the period	**135.4**	139.1	14.1
Items that will not be reclassified subsequently to profit and loss:			
Actuarial gains / (losses) on defined benefit pension schemes	**76.8**	(2.4)	(86.9)
Income taxes relating to items not reclassified	**(14.5)**	0.5	16.5
	62.3	(1.9)	(70.4)
Items that may be reclassified subsequently to profit and loss:			
Cash flow hedges:			
Losses arising during the year	**-**	-	0.1
Reclassification adjustment for losses included in profit	**-**	0.1	-
Other	**-**	0.1	-
	-	0.2	0.1
Other comprehensive income / (loss) for the period	**62.3**	(1.7)	(70.3)
Total comprehensive income / (loss) for the period	**197.7**	137.4	(56.2)

Attributable to:			
Owners of the Company	**197.2**	136.8	(57.6)
Non-controlling interests	**0.5**	0.6	1.4
	197.7	137.4	(56.2)

Condensed consolidated balance sheet

	As at 30 Jun 2017 (Unaudited) £m	As at . 30 Jun 2016 (Unaudited) £m	As at 31 Dec 2016 (Audited) £m
ASSETS			
Non-current assets			
Goodwill	**1,536.1**	1,741.2	1,528.3
Other intangible assets	**368.1**	373.3	360.8
Property, plant and equipment	**930.8**	906.4	929.5
Derivative financial instruments	**-**	19.4	-
Interest in associates	**15.6**	10.3	11.5
Investments	**9.0**	8.2	9.1
Other receivables	**13.3**	-	8.3
Total non-current assets	**2,872.9**	3,058.8	2,847.5
Current assets			
Inventories	**767.1**	740.1	768.0
Trade and other receivables	**1,148.2**	1,087.6	1,059.3
Derivative financial instruments	**1.5**	3.2	1.7
Cash and cash equivalents	**245.3**	134.1	250.5
Total current assets	**2,162.1**	1,965.0	2,079.5
Total assets	**5,035.0**	5,023.8	4,927.0

Condensed consolidated balance sheet (continued)

	As at 30 Jun 2017 (Unaudited) £m	As at . 30 Jun 2016 (Unaudited) £m	As at 31 Dec 2016 (Audited) £m
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	**25.1**	25.0	25.1
Share premium account	**531.6**	520.6	528.5
Merger reserve	**326.5**	326.5	326.5
Revaluation reserve	**16.8**	18.4	16.8
Hedging reserve	**-**	-	-
Own shares	**(9.0)**	(10.1)	(8.7)
Other reserves	**(4.0)**	(1.3)	-
Retained earnings	**1,884.2**	1,982.7	1,760.1
Equity attributable to owners of the Company	**2,771.2**	2,861.8	2.648.3
Non-controlling interests	**10.2**	6.5	7.3
Total equity	**2,781.4**	2,868.3	2,655.6
Non-current liabilities			
Interest bearing loans and borrowings	**618.9**	662.0	621.1
Derivative financial instrument	**4.0**	-	-
Retirement benefit obligations (note 4)	**46.9**	49.1	127.3
Long-term provisions	**21.2**	7.3	21.2
Deferred tax liabilities	**58.2**	63.1	45.8
Total non-current liabilities	**749.2**	781.5	815.4
Current liabilities			
Interest bearing loans and borrowings	**3.5**	1.0	6.9
Trade and other payables	**1,395.2**	1,277.2	1,348.3
Tax liabilities	**51.0**	56.5	43.8
Short-term provisions	**54.7**	39.3	57.0
Total current liabilities	**1,504.4**	1,374.0	1,456.0
Total liabilities	**2,253.6**	2,155.5	2,271.4
Total equity and liabilities	**5,035.0**	5,023.8	4,927.0

The interim condensed financial statements of Travis Perkins plc, registered number 824821, were approved by the Board of Directors on 1 August 2017 and signed on its behalf by:

John Carter	Alan Williams
Chief Executive Officer	Chief Financial Officer

Condensed consolidated statement of changes in equity

	Issued share capital	Share premium account	Merger reserve	Revaluation reserve	Own shares	Other	Retained earnings	Total equity before non-controlling interest	Non-controlling interest	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2017 (Audited)	25.1	528.5	326.5	16.8	(8.7)	-	1,760.1	2,648.3	7.3	2,655.6
Profit for the period	-	-	-	-	-	-	134.9	134.9	0.5	135.4
Other comprehensive income for the period net of tax	-	-	-	-	-	-	62.3	62.3	-	62.3
Total comprehensive income for the period	-	-	-	-	-	-	197.2	197.2	0.5	197.7
Dividends	-	-	-	-	-	-	(74.6)	(74.6)	-	(74.6)
Issue of share capital	-	3.1	-	-	(8.9)	-	-	(5.8)	-	(5.8)
Tax on share based payments	-	-	-	-	-	-	(0.3)	(0.3)	-	(0.3)
Options on non-controlling interest	-	-	-	-	-	(4.0)	-	(4.0)	-	(4.0)
Own shares movement	-	-	-	-	8.6	-	(8.6)	-	-	-
Arising on acquisition	-	-	-	-	-	-	-	-	2.4	2.4
Foreign exchange	-	-	-	-	-	-	0.5	0.5	-	0.5
Credit to equity for equity-settled share based payments	-	-	-	-	-	-	9.9	9.9	-	9.9
At 30 June 2017 (Unaudited)	25.1	531.6	326.5	16.8	(9.0)	(4.0)	1,884.2	2,771.2	10.2	2,781.4

Condensed consolidated statement of changes in equity (continued)

	Issued share capital	Share premium account	Merger reserve	Revaluation reserve	Own shares	Other	Retained earnings	Total equity before non-controlling interest	Non-controlling interest	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2016 (Audited)	25.0	518.9	326.5	18.4	(15.5)	(1.5)	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/(expense) for the period net of tax	-	-	-	-	-	0.2	(1.9)	(1.7)	-	(1.7)
Total comprehensive income for the period	-	-	-	-	-	0.2	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)

	Issued share capital	Share premium account	Merger reserve	Revaluation reserve	Own shares	Other	Retained earnings	Total Equity before non-controlling interest	Non-controlling interest	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2016 (Audited)	25.0	518.9	326.5	18.4	(15.5)	(1.5)	1,918.1	2,789.9	5.9	2,795.8
Profit for the year	-	-	-	-	-	-	12.7	12.7	1.4	14.1
Other comprehensive income/(expense) for the year net of tax	-	-	-	-	-	0.1	(70.4)	(70.3)	-	(70.3)
Total comprehensive income for the year	-	-	-	-	-	0.1	(57.7)	(57.6)	1.4	(56.2)
Dividends	-	-	-	-	-	-	(110.5)	(110.5)	-	(110.5)
Issue of share capital	0.1	9.6	-	-	-	-	-	9.7	-	9.7
Realisation of revaluation reserve in respect of property disposals	-	-	-	(1.8)	-	-	1.8	-	-	-
Difference between depreciation of assets on a historical basis and on a revaluation basis	-	-	-	(0.2)	-	-	0.2	-	-	-
Deferred tax rate change	-	-	-	0.4	-	-	-	0.4	-	0.4
Tax on share based payments	-	-	-	-	-	-	(1.1)	(1.1)	-	(1.1)
Reserves adjustment	-	-	-	-	-	1.4	(1.4)	-	-	-
Own shares movement	-	-	-	-	6.8	-	(6.8)	-	-	-
Credit to equity for equity-settled share based payments	-	-	-	-	-	-	17.5	17.5	-	17.5
At 31 December 2016 (Audited)	25.1	528.5	326.5	16.8	(8.7)	-	1,760.1	2,648.3	7.3	2,655.6

Condensed consolidated cash flow statement

	Six months ended 30 Jun 2017 (Unaudited) £m	Six months ended 30 Jun 2016 (Unaudited) £m	Year ended 31 Dec 2016 (Audited) £m
Operating profit before acquired intangible amortisation and exceptional items	**190.2**	194.4	409.0
Adjustments for:			
Depreciation of property, plant and equipment	**49.0**	41.5	97.6
Amortisation of internally generated intangibles	**5.6**	7.4	7.5
Other non-cash movements – share based payments	**9.9**	7.8	17.5
Other	**0.3**	(0.4)	0.2
Losses of associates	**0.7**	1.0	1.1
Gains on disposal of property, plant and equipment	**(8.9)**	(3.9)	(18.0)
Operating cash flow	**246.8**	247.8	514.9
Decrease / (increase) in inventories	**0.9**	22.3	(5.7)
Increase in receivables	**(104.4)**	(122.4)	(83.3)
Increase in payables	**44.1**	71.1	93.9
Payments on exceptional items	**(6.0)**	-	(11.6)
Pension payments in excess of the charges to profits	**(5.2)**	(6.5)	(13.5)
Cash generated from operations	**176.2**	212.3	494.7
Interest paid	**(2.6)**	(14.2)	(22.6)
Current income taxes paid	**(27.4)**	(26.5)	(62.2)
Exceptional income tax payments (note 6)	**-**	(42.5)	(42.5)
Total income taxes paid	**(27.4)**	(69.0)	(104.7)
Net cash from operating activities	**146.2**	129.1	367.4
Cash flows from investing activities			
Interest received	**0.2**	1.9	0.4
Proceeds on disposal of property, plant and equipment	**50.3**	5.5	42.9
Development of software	**(19.8)**	(11.8)	(30.8)
Purchases of property, plant and equipment	**(84.3)**	(107.8)	(197.5)
Interests in associates	**(4.9)**	(3.4)	(4.6)
Investments	**-**	-	(1.1)
Acquisition of businesses net of cash acquired	**(6.6)**	(3.5)	(3.2)
Net cash used in investing activities	**(65.1)**	(119.1)	(193.9)
Financing activities			
Net proceeds from the issue of share capital	**3.2**	2.0	9.7
Movement in finance lease liabilities	**(2.6)**	9.5	15.9
Debt arrangement fees	**-**	(2.5)	(2.4)
Repayment of loans	**-**	-	(123.1)
Shares purchased	**(8.9)**	-	-
Decrease in loans, liabilities to pension scheme and loan notes	**(3.2)**	(195.9)	(113.2)
Gain on settlement of swap contracts	**-**	-	16.8
Issue of in sterling bond	**-**	300.0	300.0
Dividends paid	**(74.8)**	(72.8)	(110.5)
Net cash (outflow) / inflow from financing activities	**(86.3)**	40.3	(6.8)
Net increase in cash and cash equivalents	**(5.2)**	50.3	166.7
Cash and cash equivalents at the beginning of the period	**250.5**	83.8	83.8
Cash and cash equivalents at the end of the period	**245.3**	134.1	250.5

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 2017 and 30 June 2016 is unaudited. The June 2017 information has been reviewed by KPMG LLP, the Group's auditor, and a copy of their review report appears at the end of this interim report. The June 2016 information was also reviewed by KPMG LLP. The financial information for the year ended 31 December 2016 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 2016 as prepared under International Financial Reporting Standards as adopted by the EU ("IFRS") 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 2017 have been prepared in accordance with IAS 34 "Interim Financial Reporting" and have been prepared on the basis of IFRS.

The annual financial statements of the Group are prepared in accordance with IFRS. 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 2016.

The accounting policies adopted by Travis Perkins plc are set out in the 2016 full year financial statements, which are available on the Travis Perkins web site www.travisperkinsplc.co.uk.

The Directors are currently of the opinion that the Group's forecasts and projections show that the Group should be able to operate within its current facilities and comply with its banking covenants. The Group is however exposed to a number of significant risks and uncertainties, which could affect the Group's ability to meet management's projections.

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, interim financial statements have been prepared on a going concern basis.

Impacts of standards and interpretations in issue but not yet effective

In January 2016 the IASB issued IFRS 16 "Leases", which is yet to be endorsed by the European Union. This Standard will have a material effect on the Group because the value of the operating leases it has entered into will be included in the balance sheet in future as lease liabilities and associated right-of-use assets. An associated finance charge and depreciation charge will replace the operating lease charge and as a result there is expected to be an impact on operating profit and on profit after tax in future periods. The Group is midway through a project to implement this new standard and will provide an update on the anticipated impact in its 2017 Annual Report.

IFRS 15 "Revenue from contracts with customers" supersedes IAS 18 "Revenue". The new standard provides a single model for revenue recognition based on when identified performance obligations are satisfied. The approach now focuses on the transfer of control rather than the transfer of risks and rewards. On initial assessment, management do not expect there to be a material effect on revenue recognition or measurement as revenue is recognised at the point of sale of a product for branch revenue, revenue from the installation of kitchens and bathrooms is recognised when the Group has fulfilled all its obligations under the installation contract and online revenue is recognised on either dispatch or delivery. This is currently consistent with the passing of control under IFRS 15.

Notes to the interim financial statements

1. General information and accounting policies (continued)

IFRS 9 "Financial Instruments" supersedes IAS 39 "Financial Instruments: Recognition and Measurement". The new standard introduces a principles-based approach to the classification and measurement of financial instruments, a new impairment model to be applied and changes to hedge accounting. Upon initial assessment, management do not expect there to be a material effect on the financial statements

There are no other new standards, amendments to existing standards or interpretations that are not yet effective that would be expected to have a material impact on the Group.

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 Chief Operating Decision Maker ("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 2017

	General Merchanting	Plumbing & Heating	Contracts	Consumer	Unallocated	Consolidated
	£m	£m	£m	£m	£m	£m
Revenue	1,054.7	669.2	674.8	822.1	-	3,220.8
Result						
Segment result before amortisation and property profits	97.3	13.2	41.2	45.4	(13.9)	183.2
Property profits	6.0	0.1	0.2	0.7	-	7.0
Segment result before amortisation	103.3	13.3	41.4	46.1	(13.9)	190.2
Amortisation of acquired intangible assets	-	(0.5)	(4.0)	(2.4)	-	(6.9)
Segment result	103.3	12.8	37.4	43.7	(13.9)	183.3
Finance income	-	-	-	-	0.4	0.4
Finance costs	-	-	-	-	(16.1)	(16.1)
Profit / (loss) before taxation	103.3	12.8	37.4	43.7	(29.6)	167.6
Taxation	-	-	-	-	(32.2)	(32.2)
Profit / (loss) for the period	103.3	12.8	37.4	43.7	(61.8)	135.4

Notes to the interim financial statements

2. Business segments (continued)

Six months ended 30 June 2016

	General Merchanting	Plumbing & Heating	Contracts	Consumer	Unallocated	Consolidated
	£m	£m	£m	£m	£m	£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	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 / (loss) before taxation	103.6	15.3	33.5	41.2	(18.1)	175.5
Taxation	-	-	-	-	(36.4)	(36.4)
Profit / (loss) for the period	103.6	15.3	33.5	41.2	(54.5)	139.1

Year ended 31 December 2016

	General Merchanting	Plumbing & Heating	Contracts	Consumer	Unallocated	Consolidated
	£m	£m	£m	£m	£m	£m
Revenue	2,073.4	1,358.9	1,266.7	1,518.2	-	6,217.2
Result						
Segment result before amortisation and property profits	193.9	36.0	76.3	101.0	(14.8)	392.4
Property profits	13.6	3.3	(0.3)	-	-	16.6
Segment result before exceptional items and amortisation	207.5	39.3	76.0	101.0	(14.8)	409.0
Exceptional items	(11.3)	(232.3)	(9.7)	(36.4)	(2.3)	(292.0)
Amortisation of acquired intangible assets	-	(5.3)	(6.3)	(5.0)	-	(16.6)
Segment result	196.2	(198.3)	60.0	59.6	(17.1)	100.4
Finance income	-	-	-	-	0.7	0.7
Finance costs	-	-	-	-	(28.4)	(28.4)
Profit / (loss) before taxation	196.2	(198.3)	60.0	59.6	(44.8)	72.7
Taxation	-	-	-	-	(58.6)	(58.6)
Profit / (loss) for the year	196.2	(198.3)	60.0	59.6	(103.4)	14.1

Notes to the interim financial statements

2. Business segments (continued)

	30 Jun 2017 £m	30 Jun 2016 £m	31 Dec 2016 £m
Segment assets:			
General Merchanting	**1,702.1**	1,639.4	1,661.5
Plumbing & Heating	**607.9**	823.8	613.1
Contracts	**877.3**	860.6	831.4
Consumer	**1,545.9**	1,524.2	1,526.4
Unallocated	**301.8**	175.8	294.6
Total assets	**5,035.0**	5,023.8	4,927.0

	30 Jun 2017 £m	30 Jun 2016 £m	31 Dec 2016 £m
Segment liabilities:			
General Merchanting	**(415.3)**	(380.1)	(388.5)
Plumbing & Heating	**(299.6)**	(286.6)	(332.5)
Contracts	**(295.9)**	(267.4)	(255.9)
Consumer	**(447.8)**	(395.3)	(409.0)
Unallocated	**(795.0)**	(826.1)	(885.5)
Total liabilities	**(2,253.6)**	(2,155.5)	(2,271.4)

3. Seasonality

The Group's trading operations when assessed on a half yearly basis are mainly unaffected by seasonal factors. In 2016 the period to 30 June accounted for 50.1% of the Group's annual revenue (2015: 49.5%).

Notes to the interim financial statements

4. Retirement benefit obligations

(a) Pension scheme deficit movement

	Six months ended 30 Jun 2017 £m	Six months ended 30 Jun 2016 £m	Year ended 31 Dec 2016 £m
Actuarial deficit at 1 July / 1 January	**(127.3)**	(1.1)	(1.1)
Restriction of asset recognised	**-**	(34.4)	(34.4)
Additional liability recognised for minimum funding requirements	**-**	(16.7)	(16.7)
Gross deficit at 1 July / 1 January	**(127.3)**	(52.2)	(52.2)
Service costs charged to the income statement	**(4.7)**	(4.3)	(8.7)
Net interest expense	**(1.6)**	(0.9)	(1.7)
Contributions from sponsoring companies	**9.9**	10.7	22.2
Return on plan assets (excluding amounts included in net interest)	**44.0**	72.7	184.3
Actuarial gains arising from changes in demographic assumptions	**26.0**	-	4.8
Actuarial gains / (losses) arising from changes in financial assumptions	**13.5**	(124.5)	(335.6)
Actuarial (losses) / gains arising from experience adjustments	**-**	(0.6)	6.4
(Increase) / decrease arising from IFRIC 14 restriction	**(6.7)**	50.0	53.2
Gross deficit at 30 June / 31 December	**(46.9)**	(49.1)	(127.3)
Actuarial deficit	**(40.2)**	(46.9)	(127.3)
Additional liability recognised for minimum funding requirements	**(6.7)**	(2.2)	-
Gross deficit at 30 June / 31 December	**(46.9)**	(49.1)	(127.3)

(b) Net pension scheme deficit

	30 Jun 2017 £m	30 Jun 2016 £m	31 Dec 2016 £m
Gross deficit at 30 June / 31 December	**(46.9)**	(49.1)	(127.3)
Deferred tax	**9.0**	9.3	24.1
Net deficit at 30 June / 31 December	**(37.9)**	(39.8)	(103.2)

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 2017 £m	Six months ended 30 Jun 2016 £m	Year ended 31 Dec 2016 £m
Return on plan assets (excluding amounts included in net interest)	**44.0**	72.7	184.3
Actuarial gains arising from changes in demographic assumptions	**26.0**	-	4.8
Actuarial gains / (losses) arising from changes in financial assumptions	**13.5**	(124.5)	(335.6)
Actuarial (losses) / gains arising from experience adjustments	**-**	(0.6)	6.4
(Increase) / decrease arising from IFRIC 14 restriction	**(6.7)**	50.0	53.2
Actuarial gains / (losses) on defined benefit pension schemes	**76.8**	(2.4)	(86.9)

Notes to the interim financial statements

5. Finance costs

a) Net finance costs

	Six months ended 30 Jun 2017 £m	Six months ended 30 Jun 2016 £m	Year ended 31 Dec 2016 £m
Interest receivable	**0.4**	0.1	0.4
Net gain on re-measurement or settlement of derivatives at fair value	**-**	1.8	0.3
Finance income	**0.4**	1.9	0.7
Interest on bank loans and overdrafts	**(1.0)**	(2.8)	(4.2)
Interest on sterling bonds	**(10.4)**	(5.5)	(16.1)
Amortisation of issue costs of bank loans	**(0.7)**	(0.6)	(1.9)
Other interest	**(0.3)**	(1.0)	(1.2)
Interest on obligations under finance leases	**(0.3)**	(0.4)	(0.6)
Unwinding of discounts – liability to pension scheme	**(1.2)**	(1.2)	(2.4)
Unwinding of discounts – property provisions	**(0.4)**	(0.1)	(0.3)
Other finance costs – pension scheme	**(1.6)**	(0.9)	(1.7)
Net loss on re-measurement or settlement of derivatives at fair value	**(0.2)**	-	-
Finance costs	**(16.1)**	(12.5)	(28.4)
Net finance costs	**(15.7)**	(10.6)	(27.7)

b) Interest for non-statutory measures

	Year ended 30 Jun 2017 £m	Year ended 30 Jun 2016 £m	Year ended 31 Dec 2016 £m
Interest on bank loans and overdrafts	**(2.4)**	(8.0)	(4.2)
Interest on sterling bonds	**(21.0)**	(9.3)	(16.1)
Amortisation of issue costs of bank loans	**(1.5)**	(3.9)	(1.9)
Interest on obligations under finance leases	**(0.5)**	(0.6)	(0.6)
Unwinding of discounts – liability to pension scheme	**(2.4)**	(2.5)	(2.4)
Interest for fixed charge ratio purposes	**(27.8)**	(24.3)	(25.2)

Notes to the interim financial statements

6. Tax

	Six months ended 30 Jun 2017 £m	Six months ended 30 Jun 2016 £m	Year ended 31 Dec 2016 £m
Current tax			
UK corporation tax			
- current year	**(34.7)**	(36.2)	(63.1)
- prior year	**-**	-	3.7
Total current tax	**(34.7)**	(36.2)	(59.4)
Deferred tax			
- current year	**2.5**	(0.2)	4.6
- prior year	**-**	-	(3.8)
Total deferred tax	**2.5**	(0.2)	0.8
Total tax charge	**(32.2)**	(36.4)	(58.6)

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

7. Earnings per share

a) Basic and diluted earnings per share

	Six months ended 30 Jun 2017 £m	Six months ended 30 Jun 2016 £m	Year ended 31 Dec 2016 £m
Earnings			
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity share holders of the Parent Company	**134.9**	138.5	12.7
	No.	No.	No.
Number of shares			
Weighted average number of shares for the purposes of basic earnings per share	**251,798,828**	248,833,390	249,073,416
Dilutive effect of share options on potential ordinary shares	**1,825,582**	4,471,772	4,029,146
Weighted average number of shares for the purposes of diluted earnings per share	**253,624,410**	253,305,162	253,102,562

Notes to the interim financial statements

7. Earnings per share

b) Adjusted earnings per share

Adjusted earnings per share are calculated by excluding the effects of amortisation of intangible assets and exceptional items in 2017 and 2016 from earnings.

	Six months ended 30 Jun 2017 £m	Six months ended 30 Jun 2016 £m	Year ended 31 Dec 2016 £m
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity share holders of the Parent Company	**134.9**	138.5	12.7
Exceptional items	**-**	-	292.0
Amortisation of acquired intangible assets	**6.9**	8.3	16.6
Tax on amortisation of acquired intangible assets	**(1.3)**	(1.5)	(2.9)
Tax on exceptional items	**-**	-	(15.1)
Effect of reduction in corporation tax rate on deferred tax	**-**	-	(3.4)
Earnings for adjusted earnings per share	**140.5**	145.3	299.9
Adjusted earnings per share	**55.8p**	58.4p	120.4p
Adjusted diluted earnings per share	**55.4p**	57.4p	118.5p

8. Dividends

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

	Six months ended 30 June 2017 £m	Six months ended 30 Jun 2016 £m	Year ended 31 Dec 2016 £m
Final dividend for the year ended 31 December 2016 of 29.25 pence (2015: 29.25 pence) per share	**74.8**	72.5	72.5
Interim dividend for the year ended 31 December 2016 of 15.25 pence per share	**-**	-	38.0

The proposed interim dividend of 15.5p per share in respect of the year ending 31 December 2017 was approved by the Board on 1 August 2017 and has not been included as a liability as at 30 June 2017. It will be paid on 10 November 2017 to shareholders on the register at close of business on 29 September 2017. The shares will be quoted ex-dividend on 28 September 2017.

Notes to the interim financial statements

9. Borrowings

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

	As at 30 Jun 2017 £m	As at 30 Jun 2016 £m	As at 31 Dec 2016 £m
Drawn facilities:			
5 year committed revolving credit facility	**-**	40.0	-
Sterling bond 2014 (due 2021)	**264.1**	269.4	266.0
Sterling bond 2016 (due 2023)	**300.0**	300.0	300.0
	564.1	609.4	566.0
Undrawn facilities:			
5 year committed revolving credit facility (expires December 2020)	**550.0**	510.0	550.0
Bank overdraft	**30.0**	30.0	30.0
	580.0	540.0	580.0

10. Share capital

	Allotted	
	No.	£m
Ordinary shares of 10p		
At 1 January 2017	**250,804,680**	25.1
Allotted under share option schemes	**280,944**	-
At 30 June 2017	**251,085,624**	25.1

11. Net debt reconciliation

	Six months ended 30 Jun 2017 £m	Six months ended 30 Jun 2016 £m	Year ended 31 Dec 2016 £m
Net debt at 1 January	**(377.5)**	(447.4)	(447.4)
Increase in cash and cash equivalents	**(5.2)**	50.3	166.7
Cash flows from debt	**5.9**	(111.1)	(93.8)
Exchange gain on settlement on US$ notes	**-**	-	0.1
Finance charges movement	**(0.7)**	(0.6)	(1.4)
Amortisation of swap cancellation receipt	**1.7**	-	0.7
Discount unwind on liability to pension scheme	**(1.2)**	(1.2)	(2.4)
Net debt at 30 June / 31 December	**(377.0)**	(510.0)	(377.5)

Notes to the interim financial statements

12. 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 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.

	As at 30 Jun 2017 £m	As at 30 Jun 2016 £m	As at 31 Dec 2016 £m
Included in assets			
Level 2			
Foreign currency forward contracts at fair value through profit and loss	**1.5**	3.2	1.7
Interest rate swaps designated and effective as hedging instruments carried at fair value	**-**	19.4	-
	1.5	22.6	1.7
Current assets	**1.5**	3.2	1.7
Non-current assets	**-**	19.4	-
	1.5	22.6	1.7

	As at 30 Jun 2017 £m	As at 30 Jun 2016 £m	As at 31 Dec 2016 £m
Included in liabilities			
Level 3			
Option on non-controlling interest at fair value through reserves	**4.0**	-	-
Deferred consideration at fair value through profit and loss	**-**	1.0	-
	4.0	1.0	-
Current liabilities	**-**	1.0	-
Non-current liabilities	**4.0**	-	-
	4.0	1.0	-

13. 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. In the first half of 2017 the Group made loans to associates of £4.8m (2016: £3.4m). Operating transactions with associated companies were not significant during the period.

14. Non-statutory information

a) Adjusted operating profit

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

	Six months ended 30 Jun 2017 £m	Six months ended 30 Jun 2016 £m	Year ended 31 Dec 2016 £m
Operating profit	**183.3**	186.1	100.4
Exceptional items	**-**	-	292.0
Amortisation of acquired intangible assets	**6.9**	8.3	16.6
Adjusted operating profit	**190.2**	194.4	409.0

b) Adjusted profit before taxation

Adjusted profit before taxation is calculated by excluding the effects of amortisation of intangible assets and exceptional items from profit before taxation.

	Six months ended 30 Jun 2017 £m	Six months ended 30 Jun 2016 £m	Year ended 31 Dec 2016 £m
Profit before taxation	**167.6**	175.5	72.7
Exceptional items	**-**	-	292.0
Amortisation of acquired intangible assets	**6.9**	8.3	16.6
Adjusted profit before taxation	**174.5**	183.8	381.3

Notes to the interim financial statements

14. Non-statutory information (continued)

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

	30 Jun 2017 £m	30 Jun 2016 £m	31 Dec 2016 £m
EBIT	**97.6**	263.8	100.4
Depreciation and amortisation	**126.0**	109.3	121.7
EBITDA	**223.6**	373.1	222.1
Exceptional items	**292.0**	140.6	292.0
Adjusted EBITDA	**515.6**	513.7	514.1
Property operating lease rentals	**187.8**	185.5	188.3
Adjusted EBITDAR	**703.4**	699.2	702.4
Reported net debt	**377.0**	510.0	377.5
Property operating rentals x8	**1,502.4**	1,484.0	1,506.4
Lease adjusted net debt	**1,879.4**	1,994.0	1,883.9
Lease adjusted net debt to adjusted EBITDAR	**2.7x**	2.9x	2.7x

d) Fixed charge cover (rolling 12 months)

	30 Jun 2017 £m	30 Jun 2016 £m	31 Dec 2016 £m
Adjusted EBITDAR	**703.4**	699.2	702.4
Property operating lease rentals	**187.8**	185.5	188.3
Interest for fixed charge cover (note 5)	**27.8**	24.3	25.2
Fixed charge	**215.6**	209.8	213.5
Fixed charge cover	**3.3x**	3.3x	3.3x

Notes to the interim financial statements

14. Non-statutory information (continued)

e) Adjusted free cash flow

	Six months ended 30 Jun 2017 £m	Six months ended 30 Jun 2016 £m	Year ended 31 Dec 2016 £m
Operating profit before acquired intangible amortisation and exceptional items	**190.2**	194.4	409.0
Depreciation and amortisation of internally generated intangible assets	**54.6**	48.9	105.1
Other non-cash movements	**10.9**	8.3	19.0
Gain on disposal of property plant and equipment	**(8.9)**	(3.9)	(18.0)
Movement on working capital*	**(54.4)**	(29.0)	13.2
Net interest paid	**(2.4)**	(12.4)	(22.2)
Non-exceptional income tax paid	**(27.4)**	(26.5)	(62.2)
Replacement capital expenditure	**(25.0)**	(19.9)	(50.4)
Proceeds from disposal of property, plant and equipment	**50.3**	5.5	42.9
Adjusted free cash flow	**187.9**	165.4	436.4

*Excludes £5m in relation to the development of cloud-based software (31 December 2016: £8.3m; 30 June 2016: £nil).

Notes to the interim financial statements

14. Non-statutory information (continued)

f) Capital ratios (rolling 12 months)

(i) Revised group lease adjusted capital employed

	30 Jun 2017 £m	30 Jun 2016 (Revised) £m	31 Dec 2016 (Revised) £m
Opening 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)
Opening capital employed as previously stated	**3,418.1**	3,215.8	3,285.6
Impairment of goodwill and other intangibles	**(235.4)**	(376.0)	(235.4)
Tax on impairment of goodwill and other intangibles	**3.8**	11.3	3.8
Revised opening capital employed	**3,186.5**	2,851.1	3,054.0
Closing net assets	**2,781.4**	2,868.3	2,655.6
Net pension deficit	**37.9**	39.8	103.2
Net borrowings	**377.0**	529.4	377.5
Exchange and fair value adjustment	**-**	(19.4)	-
Closing capital employed as previously stated	**3,196.3**	3,418.1	3,136.3
Impairment of goodwill and other intangibles	**-**	(235.4)	-
Tax on impairment of goodwill and other intangibles	**-**	3.8	-
Revised closing capital employed	**3,196.3**	3,186.5	3,136.3
Revised average capital employed	**3,191.4**	3,018.8	3,095.2
Property operating lease rentals x8	**1,502.4**	1,484.0	1,506.4
Revised lease adjusted capital employed	**4,693.8**	4,502.8	4,601.6

To calculate revised group lease adjusted capital employed, capital employed at 1 July 2015, 1 January 2016 and 1 July 2016 has been adjusted to exclude the impairments to goodwill and other intangible assets written off at 31 December 2015 and 31 December 2016 and already deducted from capital employed at that date.

Notes to the interim financial statements

14. Non-statutory information (continued)

f) Capital ratios (rolling 12 months) (continued)

(ii) Revised group lease adjusted return on capital employed

	30 June 2017 £m	30 Jun 2016 (Revised) £m	31 Dec 2016 (Revised) £m
Operating profit	**97.6**	263.8	100.4
Amortisation of acquired intangible assets	**15.2**	17.4	16.6
Exceptional items	**292.0**	140.6	292.0
Adjusted operating profit	**404.8**	421.8	409.0
50% of property operating lease rentals	**93.9**	92.7	94.1
Revised lease adjusted operating profit	**498.7**	514.5	503.1
Revised lease adjusted capital employed	**4,693.8**	4,502.8	4,601.6
Revised lease adjusted return on capital employed	**10.6%**	11.4%	10.9%

g) Lease adjusted gearing

	As at 30 Jun 2017 £m	As at 30 Jun 2016 £m	As at 31 Dec 2016 £m
Reported net debt	**377.0**	510.0	377.5
Property operating lease rentals x8	**1,502.4**	1,484.0	1,506.4
Lease adjusted net debt	**1,879.4**	1,994.0	1,883.9
Property operating lease rentals x8	**1,502.4**	1,484.0	1,506.4
Total equity	**2,781.4**	2,868.3	2,655.6
	4,283.8	4,352.3	4,162.0
Lease adjusted gearing	**43.9%**	45.8%	45.3%

Notes to the interim financial statements

14. Non-statutory information (continued)

h) Like-for-like sales

	General Merchanting	Plumbing & Heating	Contracts	Consumer	Total
	£m	£m	£m	£m	£m
2016 H1 revenue	1,045.0	679.2	623.1	766.0	3,113.3
Like-for-like revenue	(1.0)	(8.4)	56.7	36.3	83.6
	1,044.0	670.8	679.8	802.3	3,196.9
New branch opening	17.9	-	5.3	21.7	44.9
Closures	(7.2)	(1.6)	(13.2)	(1.6)	(23.6)
Acquisitions	-	-	2.9	-	2.9
Trading days	-	-	-	(0.3)	(0.3)
2017 H1 revenue	1,054.7	669.2	674.8	822.1	3,220.8

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 times 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.

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	Alan Williams
Chief Executive Officer	Chief Financial Officer
1 August 2017	1 August 2017

INDEPENDENT REVIEW REPORT TO TRAVIS PERKINS PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2017 which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated balance sheet, condensed consolidated statement of changes in equity, condensed consolidated cash flow statement and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2017 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

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. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) 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. .

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 International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 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.

The purpose of our review work and to whom we owe our responsibilities

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 DTR of 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.

Greg Watts

for and on behalf of KPMG LLP

Chartered Accountants

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B4 6GH

1 August 2017