

# WOLSELEY PLC

## Results for the year ended 31 July 2012

£m	2012	2011	Change	Like-for-like Change <sup>(3)</sup>
Revenue of ongoing <sup>(1)</sup> businesses	12,716	12,061	+5.4%	+3.8%
Total revenue	13,421	13,558		
Trading profit <sup>(2)</sup> of ongoing businesses	658	596	+10.4%	
Total trading profit <sup>(2)</sup>	665	622		
Goodwill impairment	(353)	(39)		
Profit before tax	198	391		
Headline earnings per share <sup>(2)</sup>	168.4p	142.9p	+17.8%	
Net cash / (debt)	45	(523)		
Total dividend per share	60p	45p	+33.3%	
Special dividend	£350m	-		

### Financial highlights

- Revenue of the ongoing businesses 5.4% ahead of last year.
- Trading profit of the ongoing businesses £658 million, 10.4% ahead of last year.
- Restructuring charges of £17 million (2011: £nil) charged to trading profit.
- Non-cash goodwill impairment of £353 million relating to acquisitions in 2003 to 2007.
- Headline earnings per share of 168.4 pence, 17.8% ahead of last year.
- Strong cash generation with net cash of £45 million, £568 million better than 31 July 2011.
- Proposed final dividend of 40 pence bringing total for the year to 60 pence, 33.3% ahead.
- Proposed capital return of £350 million via a special dividend and share consolidation.

### Operating and corporate highlights

- Good growth in USA and Canada, recovery in UK and weakness in Continental Europe.
- Gross margin in the ongoing business of 27.5%, 0.2% below last year despite significant pricing pressure and 0.1% adverse impact of non-recurring charges.
- Further gains in productivity and flow through of incremental revenue to trading profit.
- Trading margin for the ongoing businesses of 5.2%, 0.3% higher than last year.
- Nine bolt-on acquisitions with annualised revenue of £125 million.
- Disposals of Build Center, Brossette, Encon, Bathstore and residual stake in Stock Building Supply completed; and Woodcote sold since the year end.
- Ongoing review of future strategic options in France, as announced in July.

(1) 'Ongoing businesses' excludes businesses that have been sold or are held for sale.

(2) Before exceptional items, the amortisation and impairment of acquired intangibles and with respect to headline earnings per share before non-recurring tax credits.

(3) The increase or decrease in revenue excluding the effect of currency exchange, acquisitions and disposals, trading days and branch openings and closures.

**Ian Meakins, Chief Executive, commented:**

*“The Group continued to make progress in a year of slowing economic growth and considerable uncertainty in the Eurozone. Underpinning this were three main factors: a continued focus on customer service in all of our business units, implementation of successful initiatives to drive like-for-like revenue growth, and our ongoing focus on operational efficiency which has delivered further improvements in the trading margin.”*

*“We are committed to generating attractive returns for shareholders by maintaining strong capital discipline. The Board is recommending a final dividend of 40 pence per share which brings the total dividend for the year to 60 pence per share, a year-on-year increase of 33%. Wolseley continues to be highly cash generative and we have adequate resources to fund future investment in the business alongside growth in ordinary dividends. We are today proposing a special dividend of £350 million which reflects the Group’s strong financial position and our desire to maintain an efficient and sustainable balance sheet.”*

**Commenting on the outlook, Ian Meakins said:**

*“Demand across our markets remains mixed and the economic outlook continues to be uncertain. Revenue growth rates in the new financial year have been similar to the fourth quarter of last year. We will continue to reduce our cost base to protect profitability but also to make investments in our businesses that will improve the quality of our operations and generate growth in the future. Whilst we remain cautious about the outlook for our markets, we are confident that Wolseley will make good progress in the year ahead.”*

**For further information please contact**

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There will be an analyst and investor presentation at 0930 (UK time) today at Deutsche Bank, The Auditorium, 1 Great Winchester Street, London EC2N 2DB. A live video webcast and slide presentation of this event will be available on [www.wolseley.com](http://www.wolseley.com). We recommend you register at 0915 (UK time). Photographs are available at [www.newscast.co.uk](http://www.newscast.co.uk).

## FULL YEAR RESULTS FOR THE YEAR ENDED 31 JULY 2012

### Group results

The Group delivered a decent overall result against a backdrop of deteriorating demand in the second half in Continental Europe, a weak market in the UK and steady market conditions in the USA and Canada. Demand in the Repairs, Maintenance and Improvement (RMI) markets remained stable in most countries. However, modest growth of new construction markets in the USA and Canada was partially offset by weaker markets in Continental Europe in the second half. Most of our major businesses continued to take market share.

The Group generated revenue of £13,421 million (2011: £13,558 million). Revenue from the ongoing businesses was 5.4% ahead, including like-for-like growth of 3.8%. Trading profit of £665 million (2011: £622 million) includes £7 million (2011: £26 million) for businesses sold or held for sale. Trading profit of the ongoing businesses was 10.4% ahead of last year and is stated after £17 million (2011: £nil) of restructuring charges including the costs of eliminating unrecovered overheads from recent disposals. Our cost base continues to be tightly controlled and in light of market conditions in Continental Europe the Group is expected to incur further restructuring charges of up to £25 million this year, which are expected to be charged to trading profit.

The gross margin in the ongoing business was slightly lower at 27.5% (2011: 27.7%) as a result of very competitive market conditions, price deflation in some product categories and the supplier settlement noted in the first half. Operating expenses in the ongoing business were 4% higher in constant currency of which 1% arose from increases in pensions and share-based payments. The trading margin for the ongoing business increased to 5.2% (2011: 4.9%). There was an additional trading day in the year which added approximately £6 million to trading profit. Foreign exchange movements were not material in the year, but at September month-end exchange rates trading profit will be £16 million less in the current year.

Exceptional charges of £40 million (2011: £51 million) relate to losses on disposal or closure of businesses and revaluation of assets held for sale. The normal amortisation charge in relation to the Group's intangible assets was £60 million (2011: £75 million). As announced in July, in accordance with accounting standards, the Group has reviewed the carrying value of goodwill and intangible assets and recorded an impairment charge of £353 million in respect of businesses in France (£133 million) and the Nordics (£220 million) reflecting the deterioration in trading conditions in Europe.

Net finance costs reduced to £30 million (2011: £66 million) reflecting the lower level of net debt and the benefits of the refinancing completed in 2011. The effective tax rate on trading profit less net finance costs was 25% (2011: 27%) as a result of the full year effect of redomiciliation. Headline earnings per share were 168.4 pence (2011: 142.9 pence) an increase of 17.8%, reflecting the growth in trading profit and lower interest and tax charges. Basic earnings per share from continuing operations were 21.2 pence (2011: 99.4 pence).

## Operating and Financial Review

Further details of the financial performance and market conditions in the Group's ongoing businesses and the reconciliation to reported results are set out below.

### Quarterly like-for-like revenue growth

	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012
USA	+7.4%	+10.2%	+7.4%	+9.4%	<b>+6.7%</b>
Canada	(2.2%)	+1.7%	+4.9%	+7.9%	<b>+4.5%</b>
UK	(2.9%)	(3.3%)	(2.4%)	(0.4%)	<b>+3.5%</b>
Nordic	+1.6%	+2.3%	+6.6%	(1.7%)	<b>(2.9%)</b>
France	+1.7%	+2.5%	+4.4%	(6.1%)	<b>(5.6%)</b>
Central Europe	+0.6%	+0.5%	+2.2%	(0.1%)	<b>+0.7%</b>
Ongoing businesses	+3.2%	+4.8%	+5.0%	+3.8%	<b>+2.9%</b>

### Geographical analysis

£ million	Revenue 2012	Revenue 2011	Change	Like-for-like Change	Trading profit 2012	Trading profit 2011
Ongoing businesses						
USA	<b>6,168</b>	5,500	+12.1%	+8.4%	<b>389</b>	314
Canada	<b>850</b>	811	+4.8%	+4.5%	<b>49</b>	39
UK	<b>1,670</b>	1,655	+1.0%	(0.8%)	<b>92</b>	89
Nordic	<b>2,062</b>	2,060	+0.1%	+1.1%	<b>96</b>	113
France	<b>1,252</b>	1,317	(4.9%)	(1.4%)	<b>30</b>	46
Central Europe	<b>714</b>	718	(0.6%)	+0.8%	<b>30</b>	31
Central and other costs					<b>(28)</b>	(36)
	<b>12,716</b>	12,061	+5.4%	+3.8%	<b>658</b>	596
Sold or held for sale	<b>705</b>	1,497			<b>7</b>	26
Group	<b>13,421</b>	13,558			<b>665</b>	622

### USA (48% of ongoing Group revenue)

Revenue in the USA was 8% ahead of last year on a like-for-like basis. This includes the impact of price inflation which is estimated at about 2% at the start of the year, though lower towards the year-end partly as a result of falling copper prices. The RMI segment remained resilient and the modest recovery in levels of new residential construction continued. The major business units of Blended Branches, Waterworks and Industrial continued to gain market share.

Gross margins declined slightly as contracted business became increasingly competitive, copper prices fell and also as a result of the one-off supplier settlement of £11 million in the first half. Operating expenses were 6% higher in constant currency, including £15 million of costs to reinstate 401k pension contributions and share-based payment charges, principally in the first half. Nevertheless trading profit was 24% ahead.

Blended Branches continued to grow well. The business protected gross margins which contributed to good profit flow through. The Waterworks and Industrial businesses grew strongly though Industrial growth was restricted in the fourth quarter as demand weakened in the oil and gas sectors. The Heating, Ventilation and Air Conditioning business remained subdued due to the removal of government tax incentives last year. Build.com, our consumer internet business, continued to grow strongly and achieved a very good operating result.

Four acquisitions were completed in the year, two in our Blended Branches business and one in each of the Waterworks and Industrial businesses, and acquisitions accounted for 1.3% of revenue growth in the region. Since the end of the year we have completed the acquisition of Power Equipment Direct, an online retailer of generators and power equipment with revenue of £53 million in its last financial year. We opened 29 new branches principally in the Waterworks and Industrial segments. Headcount at 31 July 2012 was 764 higher at 18,245, half from acquired businesses.

The USA trading margin was 6.3% (2011: 5.7%).

As at the date of this statement no significant claims have arisen from the unintentional supply of mislabelled gaskets notified to customers in December 2011.

### **Canada (7% of ongoing Group revenue)**

In Canada revenue was 5% ahead on a like-for-like basis including price inflation of approximately 1%. New residential markets remained buoyant and infrastructure spending continued to grow.

Gross margins were ahead of last year with operating cost growth restricted to 1% in constant currency and net staff numbers were reduced by 86 to 2,607. This led to strong flow through to trading profit of £49 million, which was £10 million higher than last year and included £1 million of one-off restructuring costs.

Blended Branches grew modestly and improved profitability. Industrial continued to grow strongly. Waterworks and HVAC traded slightly lower against very strong comparators due to reductions in government infrastructure investment.

The trading margin was 5.8% (2011: 4.8%).

### **UK (13% of ongoing Group revenue)**

Revenue in the ongoing UK business declined 1% on a like-for-like basis. However, the business made excellent progress in replacing the volumes represented by the previously announced large contract loss in April 2011. Demand in the heating market declined throughout the year, although demand for other product categories performed better. There is no evidence yet of improving market conditions and therefore growth will only come from market share gains in the short term. Price inflation in the ongoing businesses was approximately 1%. The major business units of Plumb and Parts Center, Pipe and Climate Center and Drain Center gained market share.

Despite strong competition and some copper price deflation, the ongoing gross margin was well ahead of last year due to favourable sales mix and a sharp focus on pricing and procurement. Operating expenses were 3% higher including £4 million of restructuring costs and staff costs were well controlled as headcount was reduced by 321 to 5,913. Trading profit for the ongoing business of £92 million was £3 million ahead of last year after restructuring charges. In addition, we invested £2 million in a new e-commerce platform.

Plumb and Parts Center achieved a good performance in lacklustre markets and increased gross margins despite strong competition. Pipe and Climate Center continued to perform well, generating good growth and higher trading profits. Activity levels in Drain Center slowed in the second half and the business protected gross margins. On 1 August 2012 we launched our

consumer internet business for the UK market – [www.tapoutlet.co.uk](http://www.tapoutlet.co.uk) using the infrastructure of our successful Build.com business in the USA.

The trading margin for the ongoing UK business was 5.5% (2011: 5.3%).

### **Nordic (16% of ongoing Group revenue)**

After a reasonable first half construction markets in the Nordics deteriorated sharply with weak consumer confidence also affecting RMI markets across most of the region. Like-for-like revenue growth was 1% in the year, principally due to price inflation. We believe the businesses in the Nordics performed in line with the market overall.

During the second half gross margins declined as a result of competitive pressure, particularly in Denmark and cost control measures in the second half were not sufficient to prevent profits declining. During the year operating expenses increased by 3% in constant currency, of which £4 million was due to the impact of acquisitions and investment in 9 new branches. Trading profit for the ongoing business declined by £17 million to £96 million, including £1 million of restructuring costs.

The building materials business in Denmark increased revenue although gross margins were lower as a result of pricing pressure and a higher level of lower margin direct business. The DIY business in Denmark performed better with tight cost control leading to an improved performance. Revenue was slightly lower in Finland and Sweden and despite tight control of costs trading profit was lower. In Norway conditions were more stable with revenue and gross margins ahead although trading profit was slightly lower due to investment. In light of current weak market conditions we are planning further cost reductions in the region. We completed five small acquisitions in the year including two bolt-on acquisitions in Denmark, two in Sweden and one in Norway.

The trading margin for ongoing Nordic businesses was 4.6% (2011: 5.5%).

### **France (10% of ongoing Group revenue)**

Revenue in France declined by 1% on a like-for-like basis, including approximately 3% inflation. New construction markets weakened substantially in the second half. Government incentives put in place in the last two years are ending and demand is expected to continue to decline in the current year.

Réseau Pro, our building materials business, increased revenue whilst Wood Solutions was lower as activity slowed in the second half. Overall gross margins were slightly lower.

Full year operating expenses in the ongoing businesses were 1% higher than last year at constant currency, including £9 million of restructuring charges. Labour costs were lower as headcount was reduced by 128 to 5,293. Trading profit for the ongoing business was £30 million (2011: £46 million) including restructuring charges. Given the continued weak market conditions in France we are evaluating ways to reduce the cost base further.

As announced in July the Group is currently reviewing the future strategic options for the business in France.

The trading margin in the ongoing businesses in France was 2.4% (2011: 3.5%).

## **Central Europe (6% of ongoing Group revenue)**

In Central Europe like-for-like revenue was 1% ahead of last year. In Switzerland, price deflation as a result of the appreciation of the Swiss Franc was offset by volume growth. We generated decent growth in Austria, while revenue was slightly lower in the Netherlands as a result of exiting unprofitable business. Management focus remains on improving profitability in Austria, including the re-organisation of distribution centre facilities, similar to the successful project in Switzerland two years ago.

The gross margin in the period was ahead of last year. Operating cost growth of 4% in constant currency included investment in new sales staff and products which are expected to generate good growth in the future. Trading profit in the ongoing businesses was £30 million (2011: £31 million) after £2 million of restructuring costs.

The trading margin in the ongoing businesses was 4.2% (2011: 4.3%).

## **Businesses sold or held for sale**

The disposals of Build Center, Encon, Bathstore, Brossette and the Group's residual stake in Stock Building Supply were completed in the year. Since the year end the Nordic region sold Woodcote a building materials businesses in Eastern Europe which generated revenue of £63 million in the year ended 31 July 2012. Combined revenue for the businesses sold and held for sale in the period was £705 million (2011: £1,497 million) and trading profit was £7 million (2011: £26 million).

## **Financing and tax**

Net finance costs fell to £30 million (2011: £66 million) as a result of the lower level of net debt and savings arising from the 5¼ year revolving credit facilities put in July 2011. During the year the Group swapped £420 million of term debt into fixed rates and this will lead to higher finance charges next year. The tax charge of £138 million was net of a £20 million credit for tax on exceptional items and acquired intangible assets and the underlying charge of £158 million represents an effective rate of 25%.

## **Cash flow**

The Group generated EBITDA of £790 million (2011: £775 million). Asset and business disposals (net of acquisitions) reduced net debt by £276 million. The Group made a one-off payment of £60 million to the UK defined benefit pension scheme from the Build Center disposal proceeds. Interest and tax payments amounted to £105 million and dividends were £142 million (2011: £42 million). Capital investment amounted to £135 million which included £28 million of investment in new branches, formats and channels including e-commerce platforms. In 2013 we expect to increase capital investment to approximately £175 million including further incremental investment in organic growth.

## **Net debt**

The Group's reported net cash at 31 July 2012 was £45 million (31 July 2011: net debt of £523 million) a reduction of £568 million, although net debt would have been approximately £100 million after having taken into account the timing of year-end supplier payment runs.

The Group has a strong liquidity position with credit facilities of £1.4 billion committed for more than one year. The Group aims to operate within investment grade metrics and with a net debt/ EBITDA ratio of no more than 1x to 2x.

## **Pension obligations**

The Group's pension obligations under IAS 19 at 31 July 2012 were £358 million (31 July 2011: £360 million). The £60 million one-off contribution to the UK pension scheme compensated for actuarial losses arising from a reduction in discount rates. All of the Group's companies are now reviewing their pension arrangements and this may lead to further cash contributions in the year ahead in the range of £100 million to £150 million.

## **Acquisitions**

The Group completed 9 acquisitions during the year in the USA and Nordics for a total consideration of £46 million. The pipeline of acquisitions continues to improve and, subject to the Group's return criteria, investment in acquisitions may be somewhat higher in the current year.

## **Dividend**

The Board is committed to generating attractive and sustainable financial returns for shareholders. During the year the dividend was rebased to deliver an improved return for shareholders commensurate with the Group's strong cash flows, solid earnings and excellent future growth prospects. The Board will recommend a final dividend of 40 pence per share (2011: 30 pence per share) for payment on 30 November 2012 to shareholders on the register on 10 October 2012. This brings the total dividend for the year to 60 pence per share (2011: 45 pence per share) costing £172 million, which is a year-on-year increase of 33%. The Board is committed to a progressive dividend policy.

## **Return of capital**

The Group's cash generation has been strong and this has enabled the elimination of reported net debt. Whilst the outlook remains uncertain, the Board believes that the Group has adequate resources to fund future investment in the business alongside sustainable growth in ordinary dividends through the economic cycle and to fund bolt-on acquisitions from future free cash flow. During the year, cash proceeds from the sale of businesses and other assets amounted to £317 million. These proceeds are surplus to the reinvestment requirement of the Group and therefore, in line with the Company's policy, we are proposing a special dividend to shareholders of £350 million which is expected to be paid in December. The special dividend and share consolidation will be subject to shareholder approval at the Annual General Meeting (AGM) on 29 November 2012. The ex-dividend, record and payment dates for the special dividend and the share consolidation factor will be announced in due course and will be set out in the documents available for shareholders in connection with the AGM.

## **Board Changes**

In July Karen Witts was appointed CFO of Kingfisher plc and consequently resigned as a Non-Executive Director to avoid any risk of a conflict of interest. We thank her for her contribution to the Board and wish her well in her new role. The Board is seeking a replacement for Karen and is also considering the succession plan for Andrew Duff, our Senior Independent Director and Remuneration Committee Chairman, who is expected to retire by rotation in 2013. As a result there are likely to be further changes to the Board during 2013 as we continue to ensure that the Board operates with a broad and diverse range of complementary skills and specialised knowledge.



## **Outlook**

Demand across our markets remains mixed and the economic outlook continues to be uncertain. Revenue growth rates in the new financial year have been similar to the fourth quarter last year. We will continue to reduce our cost base to protect profitability but also to make investments in our businesses that will improve the quality of our operations and generate growth in the future. Whilst we remain cautious about the outlook for our markets, we are confident that Wolseley will make good progress in the year ahead.

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## Notes to statement

### 1. About Wolseley

Wolseley plc is the world's largest specialist trade distributor of plumbing and heating products to professional contractors and a leading supplier of building materials in North America, the UK and Continental Europe. Group revenue for the year ended 31 July 2012 was £13,421 million and trading profit was £665 million. Wolseley has approximately 41,000 employees, is listed on the London Stock Exchange (LSE: WOS) and is in the FTSE 100 index of listed companies. For more information, please visit [www.wolseley.com](http://www.wolseley.com) or follow us on Twitter <https://twitter.com/wolseleyplc>.

### 2. Financial Calendar

Wolseley will announce its Q1 Interim Management Statement for the period ending 31 October 2012 on 4 December 2012.

### 3. Timetable for the Final Dividend

The timetable for payment of the final dividend of 40 pence per share is as follows:

Ex dividend date:	10 October 2012
Record date:	12 October 2012
Payment date:	30 November 2012

A dividend reinvestment plan is in operation. Those shareholders who have not elected to participate in this plan, and who would like to participate with respect to the 2012 final dividend, may do so by contacting Equiniti on 0871 384 2934. The last day for election for the proposed final dividend is 9 November 2012 and any requests should be made in good time ahead of that date.

### 4. Legal Disclaimer

Certain information included in this announcement is forward-looking and involves risks, assumptions and uncertainties that could cause actual results or events to differ materially from those expressed or implied by forward-looking statements. Forward-looking statements cover all matters which are not historical facts and include, without limitation, projections relating to results of operations and financial conditions and the Company's plans and objectives for future operations, including, without limitation, discussions of expected future revenues, financing plans, expected expenditures and divestments, risks associated with changes in economic conditions, the strength of the plumbing and heating and building materials market in North America and Europe, fluctuations in product prices and changes in exchange and interest rates. Forward-looking statements can be identified by the use of forward-looking terminology, including terms such as "believes", "estimates", "anticipates", "expects", "forecasts", "intends", "plans", "projects", "goal", "target", "aim", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. Forward-looking statements are not guarantees of future performance. All forward-looking statements in this announcement are based upon information known to the Company on the date of this announcement. Accordingly, no assurance can be given that any particular expectation will be met and readers are cautioned not to place undue reliance on forward-looking statements, which speak only at their respective dates. Additionally, forward-looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure and Transparency Rules of the Financial Services Authority), the Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. Nothing in this announcement shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.

# Group income statement

Year ended 31 July 2012

	Notes	2012 Before exceptional items £m	2012 Exceptional items (note 3) £m	2012 Total £m	2011 Before exceptional items £m	2011 Exceptional items (note 3) £m	2011 Total £m
Revenue	2	13,421	–	13,421	13,558	–	13,558
Cost of sales		(9,724)	–	(9,724)	(9,776)	–	(9,776)
Gross profit		3,697	–	3,697	3,782	–	3,782
Operating costs:							
amortisation of acquired intangibles		(60)	–	(60)	(75)	–	(75)
impairment of acquired intangibles		(353)	–	(353)	(39)	–	(39)
other		(3,032)	(40)	(3,072)	(3,160)	(51)	(3,211)
Operating costs		(3,445)	(40)	(3,485)	(3,274)	(51)	(3,325)
Operating profit	2	252	(40)	212	508	(51)	457
Finance income		2	–	2	7	–	7
Finance costs	4	(32)	–	(32)	(73)	–	(73)
Profit on disposal of associate		–	16	16	–	–	–
Profit before tax		222	(24)	198	442	(51)	391
Taxation	5	(144)	6	(138)	(117)	7	(110)
Profit from continuing operations		78	(18)	60	325	(44)	281
Loss from discontinued operations	6	–	(3)	(3)	–	(10)	(10)
Profit for the year attributable to shareholders of the Company		78	(21)	57	325	(54)	271
Earnings per share	9						
<i>Continuing operations and discontinued operations</i>							
Basic earnings per share				20.1p			95.9p
Diluted earnings per share				19.9p			95.1p
<i>Continuing operations only</i>							
Basic earnings per share				21.2p			99.4p
Diluted earnings per share				21.0p			98.6p
Non-GAAP performance measures	8,9						
Trading profit		665			622		
EBITDA before exceptional items		790			775		
Profit before tax, exceptional items and the amortisation and impairment of acquired intangibles		635			556		
Headline earnings per share		168.4p			142.9p		
Headline diluted earnings per share		166.7p			141.8p		

# Group statement of comprehensive income

Year ended 31 July 2012

	2012 £m	2011 £m
Profit for the year	57	271
Other comprehensive income:		
Exchange (loss)/gain on translation of overseas operations	(143)	67
Exchange gain on translation of borrowings and derivatives designated as hedges of overseas operations	7	12
Cumulative currency translation differences on disposals recycled to income statement	2	1
Actuarial (loss)/gain on retirement benefit plans	(84)	5
Valuation losses on cash flow hedges reclassified to income statement	–	3
Tax on gains and losses not recognised in the income statement	26	(9)
Other comprehensive (expense)/income for the year	(192)	79
Total comprehensive (expense)/income for the year attributable to shareholders of the Company	(135)	350

# Group statement of changes in equity

Year ended 31 July 2012	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Retained earnings		Total equity £m
					Own shares £m	Profit and loss account £m	
Total comprehensive (expense)/income	–	–	(136)	2	–	(1)	(135)
New share capital subscribed	–	13	–	–	–	–	13
Credit to equity for share-based payments	–	–	–	–	–	21	21
Dividends paid	–	–	–	–	–	(142)	(142)
Net addition to/(reduction in) shareholders' equity	–	13	(136)	2	–	(122)	(243)
Opening shareholders' equity	28	6	380	(2)	(78)	3,042	3,376
Closing shareholders' equity	28	19	244	–	(78)	2,920	3,133

Year ended 31 July 2011	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Retained earnings		Total equity £m
					Own shares £m	Profit and loss account £m	
Total comprehensive income	–	–	80	3	–	267	350
Reclassification on group reconstruction	(213)	3,805	–	–	–	(3,592)	–
Capital reduction	–	(4,961)	–	–	–	4,961	–
New share capital subscribed	–	6	–	–	–	–	6
Credit to equity for share-based payments	–	–	–	–	–	3	3
Dividends paid	–	–	–	–	–	(42)	(42)
Net addition to/(reduction in) shareholders' equity	(213)	(1,150)	80	3	–	1,597	317
Opening shareholders' equity	241	1,156	300	(5)	(78)	1,445	3,059
Closing shareholders' equity	28	6	380	(2)	(78)	3,042	3,376

# Group balance sheet

As at 31 July 2012

	Notes	2012 £m	2011 £m
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets: goodwill	10	860	1,236
Intangible assets: other	10	300	392
Property, plant and equipment	10	1,195	1,249
Financial assets: available-for-sale investments		3	3
Deferred tax assets		203	241
Trade and other receivables		144	131
Derivative financial assets		58	59
		2,763	3,311
<b>Current assets</b>			
Inventories		1,606	1,596
Trade and other receivables		1,875	1,928
Current tax receivable		20	7
Derivative financial assets		14	5
Financial receivables: construction loans (secured)		6	33
Cash and cash equivalents		813	403
		4,334	3,972
Assets held for sale		43	595
<b>Total assets</b>		<b>7,140</b>	<b>7,878</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		2,241	2,292
Current tax payable		98	82
Bank loans and overdrafts		106	197
Obligations under finance leases		10	10
Derivative financial liabilities		–	2
Provisions	11	82	98
Retirement benefit obligations	12	29	26
		2,566	2,707
<b>Non-current liabilities</b>			
Trade and other payables		76	74
Bank loans		681	739
Obligations under finance leases		43	42
Deferred tax liabilities		140	166
Provisions	11	161	186
Retirement benefit obligations	12	329	334
		1,430	1,541
Liabilities held for sale		11	254
<b>Total liabilities</b>		<b>4,007</b>	<b>4,502</b>
<b>Net assets</b>		<b>3,133</b>	<b>3,376</b>
<b>Equity attributable to shareholders of the Company</b>			
Called up share capital		28	28
Share premium account		19	6
Foreign currency translation reserve		244	380
Retained earnings		2,842	2,962
<b>Shareholders' equity</b>		<b>3,133</b>	<b>3,376</b>

# Group cash flow statement

Year ended 31 July 2012

	Notes	2012 £m	2011 £m
<b>Cash flows from operating activities</b>			
Cash generated from operations	13	747	16
Interest received		2	7
Interest paid		(21)	(57)
Tax paid		(86)	(162)
<b>Net cash generated from / (used by) operating activities</b>		<b>642</b>	<b>(196)</b>
<b>Cash flows from investing activities</b>			
Acquisition of businesses (net of cash acquired)	14	(41)	(12)
Disposals of businesses (net of cash disposed of)	15	256	115
Purchases of property, plant and equipment		(123)	(74)
Proceeds from sale of property, plant and equipment and assets held for sale		45	67
Purchases of intangible assets		(12)	(19)
Proceeds from disposals of investments		16	–
<b>Net cash generated from investing activities</b>		<b>141</b>	<b>77</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of shares to shareholders		13	6
Proceeds from new borrowings		–	136
Repayments of borrowings and derivatives		(122)	(208)
Finance lease capital payments		(11)	(20)
Dividends paid to shareholders		(142)	(42)
<b>Net cash used by financing activities</b>		<b>(262)</b>	<b>(128)</b>
<b>Net cash generated / (used)</b>		<b>521</b>	<b>(247)</b>
Cash of disposal groups transferred to held for sale		(42)	(11)
Effects of exchange rate changes		(37)	15
<b>Net increase / (decrease) in cash, cash equivalents and bank overdrafts</b>		<b>442</b>	<b>(243)</b>
Cash, cash equivalents and bank overdrafts at the beginning of the year	16	332	575
<b>Cash, cash equivalents and bank overdrafts at the end of the year</b>	<b>16</b>	<b>774</b>	<b>332</b>

# Notes to the full year results announcement

Year ended 31 July 2012

## 1. Basis of preparation

The full year results announcement for the year ended 31 July 2012, which is an abridged statement of the full Annual Report, has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The full year results announcement has been prepared on a going concern basis. The Directors are confident that on the basis of current financial projections and facilities available and after considering sensitivities, the Group has sufficient resources for its operational needs and will remain in compliance with the financial covenants in its bank facilities for at least the next 12 months.

The Company is incorporated in Jersey under the Companies (Jersey) Law 1991 and is headquartered in Switzerland.

The financial information for the year ended 31 July 2012 does not constitute the statutory financial statements of the Group. The statutory financial statements for the year ended 31 July 2011 have been filed with the Jersey Registrar of Companies. The auditors have reported on those accounts and on the statutory financial statements for the year ended 31 July 2012 which will be filed with the Jersey Registrar of Companies following the Annual General Meeting. Both the audit reports were unqualified and did not contain any statements under Article 111(2) or Article 111(5) of the Companies (Jersey) Law 1991 or under section 498 of the Companies Act 2006.

## 2. Segmental analysis

Wolseley's reportable segments are the operating businesses overseen by distinct divisional management teams responsible for their performance. All reportable segments derive their revenue from a single business activity, the distribution of plumbing and heating products and building materials.

The Group's business is not highly seasonal half on half. The Group's customer base is highly diversified, with no individually significant customer.

Revenue by reportable segment is as follows:

	2012 £m	2011 £m
USA	6,168	5,500
Canada	850	811
UK	1,898	2,404
Nordic	2,125	2,128
France	1,666	1,943
Central Europe	714	772
Group	13,421	13,558

Trading profit/(loss) (note 8) and operating profit/(loss) by reportable segment for the year ended 31 July 2012 are as follows:

	Trading profit/(loss) £m	Exceptional items £m	Amortisation and impairment of acquired intangibles £m	Operating profit/(loss) £m
USA	389	(2)	(19)	368
Canada	49	–	–	49
UK	93	(32)	(1)	60
Nordic	94	(5)	(257)	(168)
France	38	(1)	(135)	(98)
Central Europe	30	–	(1)	29
Central and other costs	(28)	–	–	(28)
Group	665	(40)	(413)	212
Finance revenue				2
Finance costs				(32)
Profit on disposal of associate				16
Profit before tax				198

# Notes to the full year results announcement

Year ended 31 July 2012

## 2. Segmental analysis continued

Trading profit/(loss) (note 8) and operating profit/(loss) by reportable segment for the year ended 31 July 2011 are as follows:

	Trading profit/(loss) £m	Exceptional items £m	Amortisation and impairment of acquired intangibles £m	Operating profit/(loss) £m
USA	314	2	(22)	294
Canada	39	–	–	39
UK	109	(50)	(46)	13
Nordic	113	(1)	(43)	69
France	53	3	(2)	54
Central Europe	30	(2)	(1)	27
Central and other costs	(36)	(3)	–	(39)
Group	622	(51)	(114)	457
Finance revenue				7
Finance costs				(73)
Profit before tax				391

The change in revenue and trading profit between the years ended 31 July 2011 and 31 July 2012 are analysed in the following tables into the effects of changes in exchange rates, disposals and acquisitions with the remainder being organic change.

When entities are disposed in the year, the difference between the revenue and trading profit in the current year up to the date of disposal and the revenue and trading profit in the equivalent portion of the prior year is included in organic change.

Analysis of change in revenue	2011 £m	Exchange £m	Disposals £m	Acquisitions £m	Organic change £m	2012 £m
USA	5,500	64	–	73	531	6,168
Canada	811	(2)	–	–	41	850
UK	2,404	–	(517)	–	11	1,898
Nordic	2,128	(49)	(1)	14	33	2,125
France	1,943	(55)	(213)	–	(9)	1,666
Central Europe	772	(5)	(53)	–	–	714
Group	13,558	(47)	(784)	87	607	13,421

Analysis of change in trading profit (note 8)	2011 £m	Exchange £m	Disposals £m	Acquisitions £m	Organic change £m	2012 £m
USA	314	3	–	1	71	389
Canada	39	–	–	–	10	49
UK	109	–	(16)	–	–	93
Nordic	113	(2)	–	–	(17)	94
France	53	(1)	(9)	–	(5)	38
Central Europe	30	–	1	–	(1)	30
Central and other costs	(36)	–	–	–	8	(28)
Group	622	–	(24)	1	66	665



# Notes to the full year results announcement

Year ended 31 July 2012

## 2. Segmental analysis continued

A number of Group entities have been disposed of or classified as held for sale in 2012 and 2011. The revenue and trading profit of the Group's segments excluding those entities ("ongoing segments") is analysed in the following table. The comparative figures for 2011 have been restated to reflect new disposals in 2012. This is non-GAAP information.

	Revenue		Trading Profit	
	2012 £m	2011 £m	2012 £m	2011 £m
Ongoing segments				
USA	6,168	5,500	389	314
Canada	850	811	49	39
UK	1,670	1,655	92	89
Nordic	2,062	2,060	96	113
France	1,252	1,317	30	46
Central Europe	714	718	30	31
Central and other costs	–	–	(28)	(36)
	12,716	12,061	658	596
Entities disposed of or classified as held for sale	705	1,497	7	26
Group	13,421	13,558	665	622

## 3. Exceptional items

Exceptional items are those material items which, by virtue of their size or incidence, are presented separately in the income statement to enable a full understanding of the Group's financial performance. If provisions have been made for exceptional items in previous years, then any write-back of those provisions is shown as exceptional.

Exceptional items included in operating profit from continuing operations are analysed by purpose as follows:

	2012 £m	2011 £m
Staff redundancy write-back	–	5
Asset write-downs, disposals and other property related restructuring credits	–	6
Restructuring credits	–	11
Impairment of software assets under construction	–	(3)
(Loss)/gain on disposal of businesses	(35)	5
Loss on closure of businesses and revaluations of disposal groups	(5)	(64)
Total included in operating profit	(40)	(51)

Exceptional profit on disposal of associate: On 17 November 2011 the Group disposed of its remaining minority stake in its associate, Saturn Acquisition Holdings LLC (the holding company of Stock Building Supply), for a cash consideration of £16 million. The associate was held at nil carrying value at 31 July 2011 and as a result an exceptional profit on disposal of associate of £16 million was generated.

Exceptional items relating to discontinued operations are detailed in note 6.

## 4. Finance costs

	2012 £m	2011 £m
Interest payable		
– Bank loans and overdrafts	19	46
– Unwind of fair value adjustment to senior unsecured loan notes	(10)	–
– Finance lease charges	3	3
Discount charge on receivables funding arrangements	1	7
Net pension finance cost (note 12)	8	15
Unwind of discount on provisions	1	3
Valuation (gains)/losses on financial instruments		
– Derivatives held at fair value through profit and loss	(5)	1
– Loans in a fair value hedging relationship	15	(5)
– Valuation losses on cash flow hedges reclassified from equity	–	3
Total finance costs	32	73

# Notes to the full year results announcement

Year ended 31 July 2012

## 5. Taxation

	2012 £m	2011 £m
Current year tax charge	118	65
Adjustments to tax charge in respect of prior years	(8)	(3)
Total current tax charge	110	62
Deferred tax charge: origination and reversal of temporary differences	28	48
Tax charge	138	110

The current tax prior year credit is £8 million. The overall prior year tax credit on continuing operations taking into account prior year movements in deferred tax is £2 million.

## 6. Discontinued operations

The results from the discontinued operations, which have been included in the Group income statement, are as follows:

	2012			2011		
	Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items £m	Exceptional items £m	Total £m
Loss on disposal	–	(3)	(3)	–	(3)	(3)
Tax charge on loss on disposal	–	–	–	–	(7)	(7)
Loss from discontinued operations	–	(3)	(3)	–	(10)	(10)

Amounts charged to discontinued operations are generated from movements in tax, provisions and other items arising from the sale of Stock Building Supply in 2009.

## 7. Dividends

	2012		2011	
	£m	Pence per share	£m	Pence per share
Amounts recognised as distributions to equity shareholders:				
Interim dividend for the year ended 31 July 2011	–	–	42	15p
Final dividend for the year ended 31 July 2011	85	30p	–	–
Interim dividend for the year ended 31 July 2012	57	20p	–	–
Dividends paid	142	50p	42	15p

After the reporting date the Directors proposed a final dividend of £115 million (40 pence per share) and a special dividend of £350 million. These dividends are subject to approval by the shareholders at the Annual General Meeting and therefore have not been included as a liability in these financial statements in accordance with accounting standards.

# Notes to the full year results announcement

Year ended 31 July 2012

## 8. Non-GAAP performance measures

Trading profit is defined as operating profit before exceptional items and the amortisation and impairment of acquired intangibles. It is a non-GAAP measure. The Group considers that trading profit, and other performance measures based on it, including EBITDA before exceptional items, present valuable additional information to users of the financial statements.

	2012 £m	2011 £m
Operating profit	212	457
Add back: amortisation and impairment of acquired intangibles	413	114
Add back: exceptional items in operating profit	40	51
Trading profit	665	622
Depreciation, amortisation and impairment of property, plant and equipment and software excluding exceptional items	125	153
EBITDA before exceptional items	790	775
Profit before tax	198	391
Add back: amortisation and impairment of acquired intangibles	413	114
Add back: exceptional items in profit before tax	24	51
Profit before tax and exceptional items and the amortisation and impairment of acquired intangibles	635	556
Tax expense	(138)	(110)
Add back: deferred tax credit on the amortisation and impairment of acquired intangibles	(14)	(15)
Add back: tax credit on exceptional items	(6)	(7)
Add back: non-recurring tax credit relating to prior years	–	(20)
Adjusted tax expense	(158)	(152)
Profit from continuing operations	60	281
Add back: amortisation and impairment of acquired intangibles after tax	399	99
Add back: exceptional items after tax	18	44
Less: non-recurring tax credit relating to prior years	–	(20)
Headline profit after tax from continuing operations	477	404

Applying the adjusted tax expense of £158 million to the profit before tax, exceptional items and the amortisation of acquired intangibles of £635 million gives an effective tax rate of 25% (2011: 27%).

## 9. Earnings per share

	2012			2011		
	Earnings £m	Basic earnings per share Pence	Diluted earnings per share Pence	Earnings £m	Basic earnings per share Pence	Diluted earnings per share Pence
Headline profit after tax from continuing operations	477	168.4	166.7	404	142.9	141.8
Exceptional items (net of tax)	(18)	(6.3)	(6.3)	(44)	(15.6)	(15.5)
Amortisation and impairment of acquired intangibles (net of deferred tax)	(399)	(140.9)	(139.4)	(99)	(35.0)	(34.7)
Non-recurring tax credit relating to prior years	–	–	–	20	7.1	7.0
Profit from continuing operations	60	21.2	21.0	281	99.4	98.6
Discontinued operations	(3)	(1.1)	(1.1)	(10)	(3.5)	(3.5)
Profit from continuing and discontinued operations	57	20.1	19.9	271	95.9	95.1

The weighted average number of ordinary shares in issue during the year, excluding those held by Employee Benefit Trusts, was 283.3 million (2010: 282.6 million). The impact of all potentially dilutive share options on earnings per share would be to increase the weighted average number of shares in issue to 286.2 million (2010: 285.0 million).

# Notes to the full year results announcement

Year ended 31 July 2012

## 10. Intangible and tangible assets

	Goodwill £m	Acquired intangible assets £m	Software £m	Property, plant and equipment £m	Total intangible and tangible assets £m
Net book value at 1 August 2011	1,236	362	30	1,249	2,877
Additions	–	–	11	140	151
Acquisitions	14	6	–	7	27
Disposal of businesses	(2)	–	–	(5)	(7)
Disposals and transfers	–	–	(1)	(14)	(15)
Reclassified as held for sale	–	–	–	(9)	(9)
Depreciation and amortisation	–	(60)	(12)	(113)	(185)
Impairment	(340)	(13)	–	–	(353)
Exchange rate adjustment	(48)	(22)	(1)	(60)	(131)
Net book value at 31 July 2012	860	273	27	1,195	2,355

Impairment tests were performed for all of the Group's cash generating units or groups of cash generating units ('CGUs') during the year ended 31 July 2012. These impairment reviews have resulted in the recording of the following impairment charges.

CGU	Goodwill impairment charge £m	Other acquired intangibles £m	Total £m
Stark	166	–	166
Silvan	34	6	40
Neumann	14	–	14
Nordic segment	214	6	220
France segment - PBM	126	7	133
Total	340	13	353

As highlighted in the Group's announcement in July 2012, the businesses in Denmark have continued to experience challenging market conditions and this has been reflected in reduced expectations of future profitability in the value in use calculations for Stark and Silvan. The carrying value of the remaining goodwill and other acquired intangible assets relating to Stark, Silvan and Neumann was £142 million, £32 million and £27 million respectively at 31 July 2012.

Market conditions have also been more challenging than expected in France and the outlook has become increasingly uncertain. As a result, expectations of profitability for PBM have been reduced resulting in the impairment of all its goodwill and acquired intangible assets.

Pre-tax discount rates of between 11-12 per cent (2011:10-12 per cent) and long term growth rates between 1.5-2.0 per cent have been used in the value in use models for the Nordic and France segments.

# Notes to the full year results announcement

Year ended 31 July 2012

## 11. Provisions and contingent liabilities

	Environmental and legal £m	Wolseley Insurance £m	Restructuring £m	Other provisions £m	Total £m
At 31 July 2010	67	55	139	85	346
Utilised in the year	(8)	(12)	(66)	(5)	(91)
Amortisation of discount	–	–	3	–	3
Charge/(credit) for the year	21	16	(7)	4	34
Disposal of businesses and reclassified as held for sale	(1)	–	(7)	4	(4)
Exchange differences	(3)	(2)	1	–	(4)
At 31 July 2011	76	57	63	88	284
Utilised in the year	(26)	(26)	(28)	(20)	(100)
Amortisation of discount	7	–	1	–	8
Charge for the year	6	13	11	3	33
Disposal of businesses and reclassified as held for sale	(1)	–	1	14	14
Exchange differences	3	2	–	(1)	4
At 31 July 2012	65	46	48	84	243
Current	14	20	19	29	82
Non-current	51	26	29	55	161

Wolseley Insurance provisions represent an estimate, based on historical experience, of the ultimate cost of settling outstanding claims and claims incurred but not reported on certain risks retained by the Group (principally US casualty and global property damage).

The environmental and legal provision includes £52 million (2011: £44 million) for the estimated liability for asbestos litigation on a discounted basis using a long-term discount rate of 2.2 per cent (2011: 3.8 per cent). This amount has been actuarially determined as at 31 July 2012 based on advice from independent professional advisers. The Group has insurance that it currently believes is sufficient to cover the estimated liability and accordingly an equivalent insurance receivable has been recorded in other receivables. Based on current estimates, the amount of performing insurance cover available significantly exceeds the expected level of future claims and no material profit or cash flow impact is therefore expected to arise in the foreseeable future. There were 155 claims outstanding at 31 July 2012 (31 July 2011: 160).

Restructuring provisions include provisions for staff redundancy costs and future lease rentals on closed branches. In determining the provision for onerous leases, the cash flows have been discounted on a pre-tax basis using appropriate government bond rates. The weighted average maturity of these obligations is approximately five years.

Other provisions include the Group's best estimate of the cost of potential product and service warranty claims arising in Stock Building Supply before its disposal on 6 May 2009, and other warranty and separation costs relating to businesses disposed. Other provisions also include rental commitments on vacant properties other than those arising from restructuring actions, dilapidations on leased properties and warranties. The weighted average maturity of these obligations is approximately three years.

# Notes to the full year results announcement

Year ended 31 July 2012

## 12. Retirement benefit obligations

Analysis of balance sheet liability	2012 £m	2011 £m
Fair value of plan assets:		
UK	767	696
Non-UK	194	193
	961	889
Present value of defined benefit obligation:		
UK	(983)	(946)
Non-UK	(336)	(303)
	(1,319)	(1,249)
Net deficit recognised in balance sheet	(358)	(360)

Analysis of total expense recognised in income statement	2012 £m	2011 £m
Current service cost	29	30
Curtailment	(2)	(11)
Charged to administrative expenses	27	19
Interest on pension liabilities	64	61
Expected return on plan assets	(56)	(46)
Charged to finance costs	8	15
Total expense recognised in income statement	35	34

Analysis of amount recognised in the statement of comprehensive income	2012 £m	2011 £m
Actuarial (loss)/gain	(84)	5
Taxation	21	(9)
Total amount recognised in the statement of comprehensive income	(63)	(4)

The cumulative amount of actuarial losses recognised in the statement of comprehensive income have been £349 million (2011: £265 million).

# Notes to the full year results announcement

Year ended 31 July 2012

## 13. Reconciliation of profit to cash generated from operations

Profit for the year is reconciled to cash generated from operations as follows:

	2012 £m	2011 £m
Profit for the year	57	271
Net finance costs	30	66
Profit on disposal of associate	(16)	–
Tax expense	138	110
Loss on disposal and closure of businesses and revaluation of disposal groups	43	69
Depreciation and impairment of property, plant and equipment	113	139
Amortisation and impairment of non-acquired intangibles	12	17
Profit on disposal of property, plant and equipment and assets held for sale	(1)	(13)
Amortisation and impairment of acquired intangibles	413	114
Increase in inventories	(60)	(165)
Decrease/(increase) in trade and other receivables	33	(300)
Decrease in construction loan receivables	23	–
Increase/(decrease) in trade and other payables	79	(174)
Decrease in provisions and other liabilities*	(138)	(121)
Share-based payments	21	3
Cash generated from operations	747	16

Trading profit is reconciled to cash generated from operations as follows:

	2012 £m	2011 £m
Trading profit	665	622
Exceptional items in operating profit	(40)	(51)
Loss on disposal and closure of businesses and revaluation of disposal groups	40	59
Depreciation and impairment of property, plant and equipment	113	139
Amortisation and impairment of non-acquired intangibles	12	17
Profit on disposal of property, plant and equipment and assets held for sale	(1)	(13)
Increase in inventories	(60)	(165)
Decrease/(increase) in trade and other receivables	33	(300)
Decrease in construction loan receivables	23	–
Increase/(decrease) in trade and other payables	79	(174)
Decrease in provisions and other liabilities*	(138)	(121)
Share-based payments	21	3
Cash generated from operations	747	16

\*includes payments to retirement benefit plans that were £85 million higher than the service cost charged to operating and trading profit (2011: £65 million).

# Notes to the full year results announcement

Year ended 31 July 2012

## 14. Acquisitions

The Group acquired the following businesses in the year ended 31 July 2012 and accounted for the transactions by the purchase method of accounting.

	Date	Country of incorporation	% acquired
Bygg 24	1 August 2011	Norway	67%
Louisiana Chemical Pipe, Value & Fitting Inc	31 August 2011	USA	100%
S G Supply	28 September 2011	USA	100%
Groeniger & Co	7 November 2011	USA	100%
Tra & Bygg i Karuna and Tra & Bygg i Gallivare	9 January 2012	Sweden	100%
Printz	1 March 2012	Denmark	100%
Arvika	22 March 2012	Sweden	100%
Tommerup	10 April 2012	Denmark	100%
Reese Kitchen Inc	23 April 2012	USA	100%

These businesses were acquired for £46 million, including deferred consideration of £5 million, and total net assets acquired were £26 million. An amount of £6 million has been recorded in intangible assets for the value placed on customer relationships and brands, and £14 million of goodwill has been recognised.

The net outflow of cash in respect of the purchase of businesses is as follows:

	2012 £m	2011 £m
Purchase consideration	41	8
Deferred and contingent consideration paid in the year	1	1
Cash consideration	42	9
Cash, cash equivalents and bank overdrafts acquired	(1)	3
Net cash outflow in respect of the purchase of businesses	41	12

## 15. Disposals

In the year ended 31 July 2012 the Group's UK segment disposed of Encon, Build Center and Bathstore and its France segment disposed of Brossette. Details of assets and liabilities disposed of, transaction costs and consideration received in respect of these disposals and other immaterial disposals are provided in the following table.

	2012 Assets disposed of £m
Intangible assets	2
Property, plant and equipment	5
Inventories	24
Receivables	8
Assets and liabilities held for sale	332
Cash, cash equivalents and bank overdrafts	5
Payables and provisions	(16)
Deferred tax	4
Total	364
Cash consideration received	(361)
Deferred consideration and adjustments to consideration	(11)
Disposal costs and provisions	41
Cumulative currency translation loss recycled from reserves	2
Loss on disposal	35



# Notes to the full year results announcement

Year ended 31 July 2012

## 15. Disposals continued

Analysis of the net inflow of cash in respect of the disposal of businesses:

	2012 £m
Cash consideration received	361
Cash, cash equivalents and bank overdrafts disposed	(5)
Disposal costs paid	(25)
Settlement of trade payables of Build Center which were not transferred as part of the sale	(64)
Payments to settle liabilities for prior year divestments	(11)
Net cash inflow in respect of the disposal of businesses	256

## 16. Reconciliation of opening to closing net debt

For the year ended 31 July 2012	At 1 August £m	Cash flows £m	New finance leases £m	Reclassified as held for sale £m	Fair value and other adjustments £m	Exchange movement £m	At 31 July £m
Cash and cash equivalents	403						813
Bank overdrafts	(71)						(39)
	332	521	–	(42)	–	(37)	774
Derivative financial instruments	62	–	–	–	5	5	72
Bank loans	(865)	122	–	–	(5)	–	(748)
Obligations under finance leases	(52)	11	(19)	–	–	7	(53)
Net cash/(debt)	(523)	654	(19)	(42)	–	(25)	45

## 17. Contingent liabilities

Group companies are, from time to time, subject to certain claims and litigation arising in the normal course of business in relation to, among other things, the suitability of products, contract and commercial disputes and disputes with employees. Provision is made if, on the basis of current information and professional advice, liabilities are considered likely to arise. In the case of unfavourable outcomes the Group may benefit from applicable insurance recoveries. Certain claims arise as a result of the unintentional supply of defective products and these claims are usually the responsibility of the manufacturer, though defence and other costs may also be incurred by the Group.

### Mislabelled gaskets

In December 2011 the Group's US business wrote to a number of customers in the USA and Canada in relation to the unintentional supply of gaskets which were mislabelled by a former supplier, Lortech Rubber Inc. of Canada, as being non-asbestos. A number of customers had found asbestos in gaskets above the level at which they can be classified as non-asbestos. Independent expert advice confirmed that there was no health or safety risk arising from the handling, installation and use of the gaskets. Well-established protocols are maintained by the US Occupational Safety and Health Administration to ensure the safe removal of all types of gaskets. The performance of the gaskets is not affected and the expert advice is to leave the gaskets in place until the end of their lives. The supply of these products in the USA and Canada is legal. No significant product liability claims have arisen from this matter to date.

### Warranties and guarantees in relation to business disposals

Following a review of the appropriate allocation of the Group's resources in 2009 the Group has disposed of a number of non-core businesses and various Group companies have provided certain standard warranties and guarantees to acquirers and other third parties, including warranties regarding financial statements and taxation. Provision is made where the Group considers that a liability is likely to crystallise, though it is possible that claims in respect of which no provisions has been made could be received in the future. Group companies have also guaranteed certain property and other obligations which could be called in an event of default. As at the date of this report there are no significant outstanding claims in relation to business disposals.

### Outcome

The outcome of claims and litigation to which Group companies are party cannot readily be foreseen as, in some cases, the facts are unclear, further time is needed to properly assess the merits of the case, or they are part of continuing legal proceedings. However, based on information currently available, the Directors consider that the cost to the Group of an unfavourable outcome arising from such litigation is not expected to have a material adverse effect on the financial position of the Group.

# Notes to the full year results announcement

Year ended 31 July 2012

## 18. Post balance sheet events

On 21 August 2012, the Group completed the disposal of the Woodcote Group for proceeds of £3.4m.

On 25 September 2012, the Group completed the acquisition of Power Equipment Direct, an online retailer of generators and power equipment. It had revenue of £53 million in its last financial year.

## 19. Exchange rates

The results of overseas subsidiaries have been translated into sterling using average rates of exchange. The year end rates of exchange have been used to convert balance sheet amounts. The principal currencies impacting the full year results announcement are as follows.

	2012	2011
<b>US dollar translation rate</b>		
Income statement	1.58	1.60
Balance sheet	1.57	1.64
<b>Euro translation rate</b>		
Income statement	1.19	1.16
Balance sheet	1.27	1.14
<b>Canadian dollar translation rate</b>		
Income statement	1.59	1.59
Balance sheet	1.57	1.57
<b>Danish Krone translation rate</b>		
Income statement	8.89	8.65
Balance sheet	9.48	8.49
<b>Swiss Franc translation rate</b>		
Income statement	1.44	1.49
Balance sheet	1.53	1.29