WOLSEYLEY PLC

Results for the year ended 31 July 2014

£m		2014	2013 Restated [3]	Change	Change (at constant exchange rates)	Like-for-like Change [4]
Revenue	Ongoing businesses [1]	12,773	12,496	+2.2%	+6.1%	+4.2%
	Closed, sold or held for sale	357	658			
		13,130	13,154			
Trading profit [2]	Ongoing businesses [1]	761	731	+4.1%	+8.6%	
	Closed, sold or held for sale	(6)	(6)			
		755	725			
Profit before tax		698	460			
Headline earnings per share [2]		196.2p	178.5p	+9.9%		
Net debt		711	411			
Ordinary dividend per share		82.5p	66.0p	+25.0%		

Financial highlights

- Revenue of the ongoing businesses 6.1% ahead of last year at constant exchange rates, including like-for-like growth of 4.2%.
- Gross margin of the ongoing businesses of 28.1%, 20 basis points ahead of last year.
- Trading profit of the ongoing businesses £761 million, 8.6% ahead of last year at constant FX rates.
- Foreign exchange rate movements adversely impacted trading profit by £30 million.
- Headline earnings per share of 196.2 pence, 9.9% ahead of last year.
- Strong cash generation with net debt of £711 million (2013: £411 million) after ordinary and special dividend payments of £489 million over the last year.
- Proposed final dividend of 55.0 pence per share, bringing the total for year to 82.5 pence per share, 25.0% ahead of last year, including a rebasing of 15.0% announced at the half year results.
- £250 million share buyback programme announced.

Operating and corporate highlights

- Continued strong growth in the USA; Europe and Canada remained subdued.
- Good flow-through of incremental ongoing revenue to trading profit of 10.8%.
- Trading margin for the ongoing businesses up to 6.0%.
- Invested £194 million in eight bolt-on acquisitions with annualised revenue of £444 million.
- Good progress on investments supporting the development of new business models.
- Continued strong growth of e-commerce.

(1) "Ongoing businesses" excludes businesses that have been disposed of, closed or classified as 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 items.

(3) Restated for IAS 19 (Revised) "Employee benefits".

(4) 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 delivered a good overall result. The stand-out performance was the USA where we achieved a record 7.7 per cent trading margin and where our major businesses continued to strongly out-perform their markets. Like-for-like revenue was flat in the UK as we focused on protecting gross margins. We faced headwinds in Continental Europe and have continued to take actions to protect profitability."

"We are committed to generating attractive returns for shareholders by maintaining strong capital discipline. This year we have increased the dividend by 25 per cent, including a rebasing of 15 per cent announced at the half year, and the Board is recommending a final dividend of 55 pence per share which brings the total dividend for the year to 82.5 pence per share. Wolseley continues to be highly cash generative and we have adequate resources to fund future investment in the business, including bolt-on acquisitions and growth in ordinary dividends. We are today announcing a £250 million share buyback programme which reflects the Group's strong financial position and management's confidence in the business."

Commenting on the outlook, Ian Meakins said:

"The overall like-for-like revenue growth rate for the Group since the beginning of the new financial year has been broadly in line with Q4. Overall we expect the Group's like-for-like revenue growth rate for the next six months to be about 5 per cent."

For further information please contact

Wolseley plc

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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. We recommend you register at 0915 (UK time). Photographs are available at www.newscast.co.uk.

FULL YEAR RESULTS FOR THE YEAR ENDED 31 JULY 2014

Group results

The Group delivered a good overall result against a backdrop of improving market conditions in the USA but continued weak demand in Europe and Canada. Demand in the Repairs, Maintenance and Improvement (RMI) markets grew modestly in most countries. Residential new construction markets were good in the USA and weak in Continental Europe. Our major businesses continued to gain or hold market share except in the UK.

Revenue of £12,773 million from the ongoing businesses (2013: £12,496 million) was 6.1% ahead at constant exchange rates and 4.2% ahead on a like-for-like basis. Improving gross margins remains a key focus and in the ongoing businesses increased by 20 basis points to 28.1% (2013: 27.9%) as a result of focusing on higher value-added products and services and improving our purchasing terms.

Operating expenses in the ongoing business were 6.3% higher at constant exchange rates and included £47 million from acquisitions and £4 million of non-recurring charges. We continued to make good progress on developing more efficient business models, including investment in new distribution centres and hubs, and technology, process and network infrastructure to support improvements in operational efficiency. Operating expenses included £30 million relating to this investment.

Trading profit in the ongoing businesses was £761 million (2013: £731 million), 8.6% ahead of last year at constant exchange rates. In addition businesses disposed of, closed or classified as held for sale made losses of £6 million (2013: £6 million). The trading margin for the ongoing business increased to 6.0% (2013: 5.8%). The number of trading days was in line with last year and will be the same in the year ending 31 July 2015. Foreign exchange rate movements reduced revenue by £457 million and trading profit by £30 million.

Net exceptional items amounted to a credit to operating profit of £18 million (2013: charge of £174 million including impairment of acquired intangibles). The normal amortisation charge in relation to the Group's acquired intangible assets was £46 million (2013: £55 million).

The 2013 results have been restated to reflect IAS 19 (Revised) "Employee Benefits" which increased finance charges by £13 million and reduced tax charges by £4 million. Net finance costs reduced to £29 million (2013 restated: £36 million). The effective tax rate on ongoing trading profit less net finance costs was 27.9% (2013 restated: 28.3%).

Profit before tax of £698 million (2013 restated: £460 million) was 51.7% ahead of last year when the business incurred a large exceptional charge. Headline earnings per share were 196.2 pence (2013 restated: 178.5 pence) an increase of 9.9%, reflecting the growth in trading profit and lower finance charges. Basic earnings per share from continuing operations were 189.8 pence (2013 restated: 103.0 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 2013	**Q1 2014**	**Q2 2014**	**Q3 2014**	**Q4 2014**
USA	+7.4%	+7.4%	+5.0%	+9.0%	**+11.1%**
Canada	+3.0%	(0.6%)	(3.5%)	(1.6%)	**+1.8%**
UK	+5.1%	+4.3%	+2.0%	(3.5%)	**(2.6%)**
Nordic	(3.1%)	(2.5%)	+0.5%	+7.6%	**(2.4%)**
Central Europe and France	(3.6%)	(1.2%)	+1.3%	(1.7%)	**(5.5%)**
Ongoing businesses	+3.9%	+3.9%	+3.0%	+5.1%	**+4.8%**

Regional analysis

£ million	Revenue 2014	Revenue 2013	Change	Change (at constant exchange rates)	Like-for-like Change	Trading profit 2014	Trading profit 2013
USA	**7,045**	6,757	+4.3%	+9.5%	+8.2%	**542**	490
Canada	**779**	875	(11.0%)	(0.5%)	(0.8%)	**44**	51
UK	**1,853**	1,769	+4.7%	n/a	(0.1%)	**96**	95
Nordic	**1,892**	1,867	+1.3%	+3.5%	+0.4%	**80**	89
Central Europe and France	**1,204**	1,228	(2.0%)	(1.5%)	(1.9%)	**34**	46
Central and other costs						**(35)**	(40)
Ongoing businesses	**12,773**	12,496	+2.2%	+6.1%	+4.2%	**761**	731
Closed, sold or held for sale	**357**	658				**(6)**	(6)
Group	**13,130**	13,154				**755**	725

USA (55% of ongoing Group revenue)

In the USA, revenue was 8.2% ahead of last year on a like-for-like basis and the trading margin of 7.7% (2013: 7.3%) was a record. Price deflation was 0.7% principally due to falling commodity prices. Acquisitions contributed 1.1% of additional revenue growth. The RMI market continued to grow steadily while growth in the new residential market remained modest. The commercial segment was more positive. Blended Branches continued to grow strongly across all main regions of the USA benefiting from growing markets and also good market share gains. Waterworks grew very strongly, also gaining market share. The HVAC, Fire and Fabrication and Industrial PVF businesses all generated good growth. Build.com and our B2B e-commerce channels continued to grow strongly and accounted for 16% of total revenue.

Gross margins improved across all business units. Operating expenses were 10% higher than last year at constant exchange rates and included £15 million from acquisitions, £10 million of increased healthcare costs, and £13 million of additional investment in new business models. Exchange rate movements were unfavourable and reduced trading profit by £23 million. Trading profit of £542 million (2013: £490 million) was 16.1% ahead of last year at constant exchange rates.

Four bolt-on acquisitions were made during the year with total annualised revenue of £184 million. These were Karl's Appliances and Factory Direct Appliance, both electrical appliance businesses, Waterworks Industries, a water meter business, and HP Products, a maintenance, repair and operations business. Since the year end we have also acquired Pollard Water, an online Waterworks business, which has annualised revenue of £9 million.

We added 7 new branches in the year with an additional 24 coming from acquisitions. Headcount growth was 7.4% with more than half of all headcount additions from acquisitions.

Canada (6% of ongoing Group revenue)

In Canada, like-for-like revenue declined 0.8% in the year with negligible price inflation. Market conditions varied across the region, with continued growth in the West offsetting weakness in Quebec. Blended Branches grew modestly and the Waterworks business was weaker, with both business units holding market share in the year. The industrial valves business made good progress in a challenging market.

Gross margins were slightly ahead of last year and operating expense growth was restricted to less than 1% at constant exchange rates including £2 million of additional investment in new business models. We added 3 new branches in the year and headcount of 2,503 was 0.3% lower than last year. Exchange rate movements were unfavourable and reduced trading profit by £5 million so reported trading profit of £44 million was £7 million behind last year.

The trading margin was 5.6% (2013: 5.8%).

UK (15% of ongoing Group revenue)

In the UK, like-for-like revenue declined 0.1% in the year, including 0.7% price inflation. Acquisitions contributed 5.1% of additional revenue growth. New residential construction, which represents approximately 7% of UK revenue, continued to grow strongly but growth in residential RMI markets, which represents approximately 54% of UK revenue, remained modest. In Plumbing and Heating we declined some very low margin sales to protect our gross margins. Overall like-for-like revenue was flat and we lost some market share in the second half. Pipe and Climate Center revenue was slightly lower though our utilities business continued to grow well.

Gross margins were ahead in Plumbing and Heating and Pipe and Climate Center as we focused on protecting our gross margins in a challenging pricing environment. Overall gross margins were slightly lower as a result of the mix impact of Burdens. Operating expenses were 5% higher than last year and included £15 million from acquisitions, £6 million of additional investment in new business models, a £2 million bad debt incurred in the first quarter and £2 million of acquisition costs.

We received clearance from the Competition and Markets Authority for the acquisition of Fusion Provida, a supplier of utility infrastructure products, which we announced in June. The acquisition has annualised revenue of £55 million.

We closed 7 branches in the year and added 10 from acquisitions. Headcount was well controlled and increased 0.4% including the addition of 195 from acquisitions. Trading profit of £96 million was £1 million ahead of last year.

The trading margin was 5.2% (2013: 5.4%).

Nordics (15% of ongoing Group revenue)

In the Nordics, revenue was 0.4% ahead of last year on a like-for-like basis, including 0.9% price inflation. Acquisitions contributed 4.1% of additional revenue growth. Market conditions improved a little in Denmark where we achieved modest like-for-like growth. We generated good growth in Sweden as the economy continued to recover but like-for-like revenue declined in Finland where market conditions remain very challenging. The major business units maintained their market leading positions.

Gross margins were ahead of last year before the dilutive impact of the Puukeskus acquisition. Operating expenses increased by 6% at constant exchange rates and included £12 million from acquisitions, £3 million for non-recurring restructuring charges and £6 million of additional investment in new business models.

Two bolt-on acquisitions were made during the year with total annualised revenue of £205 million. These were Perssons Byggcentrum, a two-branch building materials distribution business in Sweden, and Puukeskus, a building materials distribution business in Finland.

During the year we exited "Cheapy", a small retail DIY chain in Sweden. Some of the branches were redeployed into Beijer, our building materials business in Sweden, and the remaining branches have been sold.

We added 7 branches in the year with an additional 25 coming from acquisitions. Headcount was well controlled and increased 6.3% including the addition of 501 from acquisitions. Exchange rate movements were unfavourable and reduced trading profit by £2 million. Trading profit for the ongoing business of £80 million was £9 million behind last year.

The trading margin for the ongoing businesses was 4.2% (2013: 4.8%).

Central Europe and France (9% of ongoing Group revenue)

In Central Europe and France, like-for-like revenue declined by 1.9% in the year, including 0.7% price inflation. Acquisitions contributed 1.1% of additional revenue growth. In Switzerland, the market remained weak and the strength of the Swiss Franc led to price deflation so like-for-like revenue was slightly lower. In the Netherlands, revenue was lower as the market remained challenging. In France, revenues declined due to contraction in the new residential construction market.

Gross margins were lower across the region as lower rebates were earned from reduced volumes. Operating expenses were held flat and included £5 million from the full year impact of acquisitions made last year, £3 million of additional investment in new business models and £4 million non-recurring restructuring charges. We closed 3 branches in the year and reduced headcount by 6.0%. Trading profit in the ongoing businesses was £34 million (2013: £46 million).

We disposed of ÖAG in Austria during the year and the results of this business have been excluded from the results of the ongoing businesses.

The trading margin in the ongoing businesses was 2.8% (2013: 3.7%).

Other matters

Central costs of £35 million (2013: £40 million) included £5 million of non-recurring insurance gains.

In May the Group acquired Capstone, our sourcing agent based in Taiwan. The acquisition will enable us to operate an efficient platform for all our globally imported products, particularly own label.

Businesses disposed of, closed or classified as held for sale generated revenue of £357 million (2013: £658 million) and made losses of £6 million (2013: £6 million).

Net exceptional items in the year were a credit to operating profit of £18 million (2013: a charge of £174 million including impairment of acquired intangibles).

Financing and tax

The Group has adopted IAS 19 (Revised). The 2013 comparatives have been restated to reflect this, which increased financing charges by £13 million and reduced the tax charge by £4 million in that year.

Net finance costs reduced to £29 million (2013 restated: £36 million) as a result of lower pension interest expense. The tax charge of £194 million was net of a £10 million credit for tax on exceptional items, acquired intangible assets and non-recurring items and the underlying charge of £204 million represents an effective tax rate on ongoing trading profit less net finance costs of 27.9% (2013 restated: 28.3%).

Cash flow

The Group generated EBITDA of £861 million (2013: £841 million). Acquisitions resulted in a cash outflow of £194 million. Interest and tax payments amounted to £226 million and dividends were £489 million (2013: £521 million), including a special dividend of £298 million in December 2013. Capital investment amounted to £201 million (2013: £140 million).

Net debt

The Group's reported net debt at 31 July 2014 was £711 million (31 July 2013: £411 million). Net debt would have been approximately £90 million higher after taking into account the timing of year end supplier payment runs.

The Group has a strong liquidity position with credit facilities of £2.2 billion. The Group aims to operate within investment grade credit metrics and with a net debt/EBITDA ratio of 1x to 2x.

Pension obligations

Net pension assets were £7 million (2013: net liabilities of £133 million) as a result of changes in demographic and financial assumptions and improved equity markets.

Disposal of non-core businesses

The Group continues to apply disciplined resource allocation principles to all of its businesses and has decided to explore exit options for the future of ISB, the wood solutions business in France. In the year ended 31 July 2014 this business generated revenue and trading profit of £201 million and £1 million respectively and had net assets of approximately £70 million.

Shareholder returns

The Group aims to generate attractive and sustainable financial returns for shareholders. The Board will recommend a final dividend of 55.0 pence per share (2013: 44.0 pence per share) for payment on 27 November 2014 to shareholders on the register on 17 October 2014. This will bring the total dividend for the year to 82.5 pence per share (2013: 66.0 pence per share), which is a year-on-year increase of 25.0%, including a rebasing of 15.0%. The Board is committed to a progressive dividend policy.

Our investment priorities remain focused on achieving organic growth, maintaining the ordinary dividend through the cycle and investing in bolt-on acquisitions that meet our stringent investment criteria. Any surplus cash after meeting these investment needs will be returned to shareholders.

Reflecting management's confidence in the business and the continuing strong cash generation of the Group, and after taking into account the excellent opportunities to invest in organic growth and acquisitions, the Board considers that the Group has surplus cash resources available. The Group will now commence a £250 million share buyback programme with the intention to complete this within the next 12 months.

Board changes

Following his appointment as Managing Director and Chief Executive Officer of Treasury Wine Estates Limited based in Melbourne Australia, Michael Clarke, Non Executive Director, stepped down from the Board on 21 March 2014. On 1 May 2014 Darren Shapland joined the Board as a Non Executive Director and on 21 May 2014 John Daly and Jacky Simmonds joined the Board as Non Executive Directors. They are also members of the Audit, Remuneration and Nominations Committees of the Board. In July 2014 Alan Murray stepped down as the chairman of the Remuneration Committee and Jacky Simmonds succeeded him. Alan continues to be Wolseley's Senior Independent Director. Michael Wareing will be standing down at the next Annual General Meeting as a Non Executive Director and as Chairman of the Audit Committee after nearly six years' service. In November, Michael will be succeeded as Chairman of the Audit Committee by Darren Shapland.

Outlook

The overall like-for-like revenue growth rate for the Group since the beginning of the new financial year has been broadly in line with Q4. Overall we expect the Group's like-for-like revenue growth rate for the next six months to be about 5%.

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. Ongoing revenue for the year ended 31 July 2014 was £12,773 million and ongoing trading profit was £761 million. Wolseley has nearly 40,000 employees and 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 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 2014 on 26 November 2014.

3. Timetable for the final dividend

The timetable for payment of the final dividend of 55.0 pence per share is as follows:

Ex dividend date:	16 October 2014
Record date:	17 October 2014
Payment date:	27 November 2014

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 2014 final dividend, may do so by contacting Equiniti on 0871 384 2268 (or if outside the UK +44 (0) 121 415 7173). The last day for election for the proposed final dividend is 6 November 2014 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 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, the Prospectus Rules, the Disclosure Rules and the Transparency Rules of the Financial Conduct Authority), the Company undertakes no obligation to update publicly 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.

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Group income statement

Year ended 31 July 2014

	Notes	2014 Before exceptional items £m	2014 Exceptional items (note 3) £m	2014 Total £m	Restated* 2013 Before exceptional items £m	Restated* 2013 Exceptional items (note 3) £m	Restated* 2013 Total £m
Revenue	2	**13,130**	**–**	**13,130**	13,154	–	13,154
Cost of sales		**(9,453)**	**(8)**	**(9,461)**	(9,500)	–	(9,500)
Gross profit		**3,677**	**(8)**	**3,669**	3,654	–	3,654
Operating costs:							
amortisation of acquired intangibles		**(46)**	**–**	**(46)**	(55)	–	(55)
impairment of acquired intangibles		**–**	**–**	**–**	(10)	–	(10)
other		**(2,922)**	**26**	**(2,896)**	(2,929)	(164)	(3,093)
Operating costs		**(2,968)**	**26**	**(2,942)**	(2,994)	(164)	(3,158)
Operating profit	2	**709**	**18**	**727**	660	(164)	496
Finance income		**1**	**1**	**2**	3	–	3
Finance costs	4	**(31)**	**–**	**(31)**	(39)	–	(39)
Profit before tax		**679**	**19**	**698**	624	(164)	460
Taxation	5	**(191)**	**(3)**	**(194)**	(186)	10	(176)
Profit from continuing operations		**488**	**16**	**504**	438	(154)	284
Profit from discontinued operations	6	**–**	**–**	**–**	–	12	12
Profit for the year attributable to shareholders of the Company		**488**	**16**	**504**	438	(142)	296
Earnings per share	9						
Continuing operations and discontinued operations							
Basic earnings per share				**189.8p**			107.4p
Diluted earnings per share				**188.8p**			106.4p
Continuing operations only							
Basic earnings per share				**189.8p**			103.0p
Diluted earnings per share				**188.8p**			102.1p

	Notes	2014 £m	2013 £m
Non-GAAP performance measures			
Trading profit from ongoing operations		**761**	731
Trading profit from non-ongoing operations		**(6)**	(6)
Trading profit	8	**755**	725
EBITDA before exceptional items	8	**861**	841
Profit before tax, exceptional items and the amortisation and impairment of acquired intangibles	8	**725**	689
Headline earnings per share	9	**196.2p**	178.5p
Headline diluted earnings per share	9	**195.2p**	176.9p

*Restated for IAS 19 (Revised) "Employee Benefits", please refer to note 1

Group statement of comprehensive income

Year ended 31 July 2014

	Notes	2014 £m	Restated 2013 £m
Profit for the year		**504**	296
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange (loss)/gain on translation of overseas operations		**(340)**	201
Exchange gain/(loss) on translation of borrowings and derivatives designated as hedges of overseas operations		**77**	(43)
Cumulative currency translation differences on disposals recycled to income statement		**(12)**	–
Items that will not be reclassified to profit or loss:			
Actuarial gain on retirement benefit plans	12	**85**	76
Income tax charge on items that will not be reclassified to profit or loss		**(15)**	(20)
Other comprehensive (expense)/income for the year		**(205)**	214
Total comprehensive income for the year attributable to shareholders of the Company		**299**	510

Group statement of changes in equity

Year ended 31 July 2014	**Notes**	**Share capital £m**	**Share premium £m**	**Reserves: Translation reserve £m**	**Reserves: Own shares £m**	**Reserves: Profit and loss account £m**	**Total equity £m**
Total comprehensive income		**–**	**–**	**(275)**	**–**	**574**	**299**
New share capital subscribed		**1**	**14**	**–**	**–**	**–**	**15**
Purchase of own shares by Employee Benefit Trusts		**–**	**–**	**–**	**(26)**	**–**	**(26)**
Issue of own shares by Employee Benefit Trusts		**–**	**–**	**–**	**48**	**(43)**	**5**
Credit to equity for share-based payments	13	**–**	**–**	**–**	**–**	**22**	**22**
Income tax relating to share-based payments		**–**	**–**	**–**	**–**	**7**	**7**
Dividends paid	7	**–**	**–**	**–**	**–**	**(489)**	**(489)**
Net reduction in shareholders' equity		**1**	**14**	**(275)**	**22**	**71**	**(167)**
Opening shareholders' equity		**28**	**27**	**402**	**(115)**	**2,711**	**3,053**
Closing shareholders' equity		**29**	**41**	**127**	**(93)**	**2,782**	**2,886**

Year ended 31 July 2013	Notes	Share capital £m	Share premium £m	Reserves: Translation reserve £m	Reserves: Own shares £m	Reserves: Profit and loss account £m	Total equity £m
Total comprehensive income		–	–	158	–	352	510
New share capital subscribed		–	8	–	–	–	8
Purchase of own shares by Employee Benefits Trust		–	–	–	(110)	–	(110)
Issue of own shares by Employee Benefit Trust		–	–	–	73	(66)	7
Credit to equity for share-based payments	13	–	–	–	–	22	22
Income tax relating to share-based payments		–	–	–	–	4	4
Dividends paid	7	–	–	–	–	(521)	(521)
Net reduction in shareholder's equity		–	8	158	(37)	(209)	(80)
Opening shareholders' equity		28	19	244	(78)	2,920	3,133
Closing shareholders' equity		28	27	402	(115)	2,711	3,053

Group balance sheet

As at 31 July 2014

	Notes	2014 £m	2013 £m
Assets			
Non-current assets			
Intangible assets: goodwill	10	**912**	952
Intangible assets: other	10	**286**	294
Property, plant and equipment	10	**1,226**	1,263
Financial assets		**17**	2
Retirement benefit assets	12	**96**	–
Deferred tax assets		**119**	158
Trade and other receivables		**162**	153
Derivative financial assets		**31**	46
		2,849	2,868
Current assets			
Inventories		**1,638**	1,722
Trade and other receivables		**1,965**	2,034
Current tax receivable		**16**	10
Derivative financial assets		**11**	16
Cash and cash equivalents		**240**	339
		3,870	4,121
Assets held for sale		**29**	53
Total assets		**6,748**	7,042
Liabilities			
Current liabilities			
Trade and other payables		**2,259**	2,447
Current tax payable		**69**	67
Bank loans and overdrafts		**159**	50
Obligations under finance leases		**7**	13
Provisions	11	**98**	123
Retirement benefit obligations	12	**8**	29
		2,600	2,729
Non-current liabilities			
Trade and other payables		**111**	103
Bank loans		**791**	705
Obligations under finance leases		**36**	44
Deferred tax liabilities		**93**	142
Provisions	11	**149**	147
Retirement benefit obligations	12	**81**	104
		1,261	1,245
Liabilities held for sale		**1**	15
Total liabilities		**3,862**	3,989
Net assets		**2,886**	3,053
Equity attributable to shareholders of the Company			
Share capital		**29**	28
Share premium account		**41**	27
Reserves		**2,816**	2,998
Shareholders' equity		**2,886**	3,053

Group cash flow statement

Year ended 31 July 2014

	Notes	**2014 £m**	2013 £m
Cash flows from operating activities			
Cash generated from operations	14	**678**	633
Interest received		**2**	3
Interest paid		**(36)**	(38)
Tax paid		**(192)**	(184)
Net cash generated from operating activities		**452**	414
Cash flows from investing activities			
Acquisition of businesses (net of cash acquired)	15	**(194)**	(111)
Disposals of businesses (net of cash disposed of)	16	**34**	6
Purchases of property, plant and equipment		**(182)**	(126)
Proceeds from sale of property, plant and equipment and assets held for sale		**37**	38
Purchases of intangible assets		**(19)**	(14)
Net cash used in investing activities		**(324)**	(207)
Cash flows from financing activities			
Proceeds from the issue of shares		**15**	8
Purchase of shares by Employee Benefit Trusts		**(26)**	(110)
Proceeds from the sale of shares by Employee Benefit Trusts		**5**	7
Proceeds from borrowings and derivatives		**262**	–
Repayments from borrowings and derivatives		**(7)**	(40)
Finance lease capital payments		**(11)**	(12)
Dividends paid to shareholders		**(489)**	(521)
Net cash used by financing activities		**(251)**	(668)
Net cash used		**(123)**	(461)
Effects of exchange rate changes		**(13)**	(10)
Net decrease in cash, cash equivalents and bank overdrafts		**(136)**	(471)
Cash, cash equivalents and bank overdrafts at the beginning of the year		**303**	774
Cash, cash equivalents and bank overdrafts at the end of the year		**167**	303

Notes to the full year results announcement
Year ended 31 July 2014

1. Basis of preparation

The full year results announcement for the year ended 31 July 2014, which is an abridged statement of the full Annual Report, has been prepared in accordance with the International Financial 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 2014 does not constitute the statutory financial statements of the Group. The statutory financial statements for the year ended 31 July 2013 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 2014 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.

Accounting developments and changes

IAS 19 (as revised in June 2011) "Employee Benefits" has been adopted by the Group in the current financial year and has been applied retrospectively. The interest cost and expected return on defined benefit pension scheme assets used in the previous version of IAS 19 are replaced with a 'net interest' amount, which is calculated by applying a single discount rate to the net defined benefit liability or asset. Furthermore, IAS 19 (Revised) also introduces more extensive disclosures in the presentation of the defined benefit cost, including the clarification on treatment of the schemes' administrative expenses. To aid comparison, the consolidated financial statements and affected notes for the year ended 31 July 2013 have been restated, with the following effects on the previous year's consolidated financial statements:

Other Costs	2013 £m
Net pension finance (cost)	(13)
Profit before tax reduced by	(13)
Taxation	4
Profit after tax reduced by	(9)
Other comprehensive income	9

The effect on basic and diluted earnings per share on both continuing and discontinued operations was a reduction of 3.3 pence and 3.2 pence respectively.

2. Segmental analysis

The Group'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.

At 31 July 2014, management reviewed the Group's operating segments under IFRS 8 and concluded to report Central Europe and France as one reporting segment, 'Central Europe and France,' given that they represent less than 10 per cent of the Group's operating profit and do not meet other quantitative thresholds. All comparatives were restated for the purposes of consistency and comparability.
Revenue by reportable segment is as follows:

	2014 £m	2013 £m
USA	**7,070**	6,785
Canada	**779**	875
UK	**1,853**	1,769
Nordic	**1,935**	1,916
Central Europe and France	**1,493**	1,809
Group	**13,130**	13,154

Trading profit/(loss) (note 8) and operating profit/(loss) by reportable segment for the year ended 31 July 2014 are as follows:

	Trading profit/(loss) £m	**Exceptional items £m**	**Amortisation and impairment of acquired intangibles £m**	**Operating profit/(loss) £m**
USA	**546**	**–**	**(14)**	**532**
Canada	**44**	**–**	–	**44**
UK	**96**	**17**	**(1)**	**112**
Nordic	**73**	**(28)**	**(31)**	**14**
Central Europe and France	**31**	**26**	**–**	**57**
Central and other costs	**(35)**	**3**	**–**	**(32)**
Group	**755**	**18**	**(46)**	**727**
Finance revenue				**2**
Finance costs				**(31)**
Profit before tax				**698**

Notes to the full year results announcement

Year ended 31 July 2014

2. Segmental analysis continued

Trading profit/(loss) (note 8) and operating profit/(loss) by reportable segment for the year ended 31 July 2013 have been restated and are as follows:

	Trading profit/(loss) £m	Exceptional items £m	Amortisation and impairment of acquired intangibles £m	Operating profit/(loss) £m
USA	492	–	(18)	474
Canada	51	–	–	51
UK	95	(6)	(1)	88
Nordic	86	(27)	(35)	24
Central Europe and France	43	(127)	(11)	(95)
Central and other costs	(42)	(4)	–	(46)
Group	725	(164)	(65)	496
Finance revenue				3
Finance costs				(39)
Profit before tax				460

The change in revenue and trading profit between the years ended 31 July 2013 and 31 July 2014 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 of 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	2013 £m	Exchange £m	Disposals £m	Acquisitions £m	Organic change £m	**2014 £m**
USA	6,785	(322)	–	70	537	**7,070**
Canada	875	(92)	–	–	(4)	**779**
UK	1,769	–	–	91	(7)	**1,853**
Nordic	1,916	(40)	–	74	(15)	**1,935**
Central Europe and France	1,809	(8)	(243)	13	(78)	**1,493**
Group	13,154	(462)	(243)	248	433	**13,130**

Analysis of change in trading profit (note 8)	2013 £m	Exchange £m	Disposals £m	Acquisitions £m	Organic change £m	**2014 £m**
USA	492	(24)	–	2	76	**546**
Canada	51	(5)	–	–	(2)	**44**
UK	95	–	–	1	–	**96**
Nordic	86	(2)	–	2	(13)	**73**
Central Europe and France	43	–	(1)	1	(12)	**31**
Central and other costs	(42)	–	–	–	7	**(35)**
Group	725	(31)	(1)	6	56	**755**

Notes to the full year results announcement

Year ended 31 July 2014

2. Segmental analysis continued

In 2013 and 2014 a number of Group entities or groups of branches have been disposed, closed, or are classified as held for sale. The revenue and trading profit of the Group's segments excluding those entities and branches ("ongoing segments") is analysed in the following table. The prior year comparative figures have been restated. This is non-GAAP information.

	Revenue		Trading Profit	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Ongoing segments				
USA	**7,045**	6,757	**542**	490
Canada	**779**	875	**44**	51
UK	**1,853**	1,769	**96**	95
Nordic	**1,892**	1,867	**80**	89
Central Europe and France	**1,204**	1,228	**34**	46
Central and other costs	**–**	–	**(35)**	(40)
	12,773	12,496	**761**	731
Entities disposed of, closed or classified as held for sale	**357**	658	**(6)**	(6)
Group	**13,130**	13,154	**755**	725

3. Exceptional items

Exceptional items are those which are considered significant by virtue of their nature, size or incidence, and 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 reversal of those provisions is shown as exceptional.

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

	2014 £m	2013 £m
Significant restructuring programmes including staff redundancy costs	–	(142)
Acquisition and integration costs	**(18)**	–
Gain on disposal of businesses	**32**	21
Loss on closure of businesses and revaluations of held for sale disposal groups	**(11)**	(32)
Other exceptional items	**15**	(11)
Total included in operating profit	**18**	(164)

Acquisition and integration costs relate to the acquisition in Finland and include transaction costs, onerous leases and redundancy costs linked to the closure of a number of branches as part of the integration plan. Gains on disposal are principally write-backs on consideration received in the financial year in the form of loan notes which relate to disposals in previous years. In addition, we recognised small gains for the businesses sold in Central Europe and France mainly due to the recycling of a cumulative foreign exchange gain. Loss on closure of businesses includes the impairment of assets on closure of branches in the Nordic region. £8 million of the loss is shown as an exceptional item in cost of sales. Other exceptional items include £11 million of gains on property disposals in France which £4 million were reported as part of trading profit in the first half of the year. The 2013 exceptional restructuring and redundancy charge of £142 million arose from reorganisation of our businesses in Central Europe and France and the Nordic region. £38 million of this related to redundancies and the remainder arose from asset write-downs, onerous leases, other provisions and other costs.

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

Notes to the full year results announcement
Year ended 31 July 2014

4. Finance costs

	2014 £m	Restated 2013 £m
Interest payable		
– Bank loans and overdrafts	**39**	38
– Unwind of fair value adjustment to senior unsecured loan notes	**(13)**	(14)
– Finance lease charges	**3**	3
Net interest expenses on defined benefit obligation	**3**	11
Valuation (gains)/losses on financial instruments		
– Derivatives held at fair value through profit and loss	**(1)**	1
Total finance costs	**31**	39

5. Taxation

The tax charge for the year comprises:	2014 £m	Restated 2013 £m
Current year tax charge	**182**	188
Adjustments to tax charge in respect of prior years	**7**	(19)
Total current tax charge	**189**	169
Deferred tax charge: origination and reversal of temporary differences	**5**	7
Tax charge	**194**	176

An exceptional tax charge of £3 million was recorded in relation to exceptional charges in 2014 (2013: credit of £10 million). The overall prior year tax credit on continuing operations taking into account prior year movements in deferred tax is £2 million (2013: £18 million). The deferred tax charge of £5 million (2013: £7 million) includes a credit of £5 million (2013: charge of £14 million) resulting from changes in tax rates.

6. Discontinued operations

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

	2014			2013		
	Before exceptional items £m	**Exceptional items £m**	**Total £m**	Before exceptional items £m	Exceptional items £m	Total £m
Profit	–	–	–	–	11	11
Tax credit	–	–	–	–	1	1
Profit from discontinued operations	–	–	–	–	12	12

Amounts credited in the prior year to discontinued operations were generated from movements in provisions and other items arising from the sale of Stock Building Supply in 2009.

Notes to the full year results announcement

Year ended 31 July 2014

7. Dividends

	2014		2013	
	£m	Pence per share	£m	Pence per share
Amounts recognised as distributions to equity shareholders:				
Final dividend for the year ended 31 July 2012	–	–	114	40p
Special dividend	–	–	348	122p
Interim dividend for the year ended 31 July 2013	–	–	59	22p
Final dividend for the year ended 31 July 2013	**119**	**44p**	–	–
Special dividend	**298**	**110p**	–	–
Interim dividend for the year ended 31 July 2014	**72**	**27.5p**	–	–
Dividends paid	**489**	**181.5p**	521	184p

After the reporting date, the Directors proposed a final ordinary dividend of £145 million (55 pence per share). The dividend is subject to approval by shareholders at the Annual General Meeting and therefore, in accordance with accounting standards, it has been excluded from these financial statements.

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.

	2014 £m	Restated 2013 £m
Operating profit	**727**	496
Add back: amortisation and impairment of acquired intangibles	**46**	65
(Deduct)/add back: exceptional items in operating profit	**(18)**	164
Trading profit	**755**	725
Depreciation, amortisation and impairment of property, plant and equipment and software excluding exceptional items in operating profit	**106**	116
EBITDA before exceptional items	**861**	841
Profit before tax	**698**	460
Add back: amortisation and impairment of acquired intangibles	**46**	65
Add back: exceptional items in profit before tax	**(19)**	164
Profit before tax and exceptional items and the amortisation and impairment of acquired intangibles	**725**	689
Tax expense	**(194)**	(176)
(Deduct): deferred tax credit on the amortisation and impairment of acquired intangibles	**(17)**	(17)
Add back/(deduct): tax charge/(credit) on exceptional items	**3**	(10)
Add back: non-recurring tax charge relating to prior years	**4**	6
Adjusted tax expense	**(204)**	(197)
Profit from continuing operations	**504**	284
Add back: amortisation and impairment of acquired intangibles after tax	**29**	48
(Deduct)/add back: exceptional items after tax	**(16)**	154
Add back: non-recurring tax charge relating to prior years	**4**	6
Headline profit after tax from continuing operations	**521**	492

Applying the adjusted tax expense of £204 million to the profit before tax, exceptional items and the amortisation of acquired intangibles of £725 million gives an effective tax rate of 28.1% (2013: 28.6%).

9. Earnings per share

	2014			Restated 2013		
	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	**521**	**196.2**	**195.2**	492	178.5	176.9
Exceptional items (net of tax)	**16**	**6.0**	**5.9**	(154)	(55.9)	(55.3)
Amortisation and impairment of acquired intangibles (net of deferred tax)	**(29)**	**(10.9)**	**(10.8)**	(48)	(17.4)	(17.3)
Non-recurring tax charge relating to prior years	**(4)**	**(1.5)**	**(1.5)**	(6)	(2.2)	(2.2)
Profit from continuing operations	**504**	**189.8**	**188.8**	284	103.0	102.1
Discontinued operations	**–**	**–**	**–**	12	4.4	4.3
Profit from continuing and discontinued operations	**504**	**189.8**	**188.8**	296	107.4	106.4

The weighted average number of ordinary shares in issue during the year, excluding those held by Employee Benefit Trusts, was 265.6 million (2013: 275.6 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 267.0 million (2013: 278.2 million).

On 2 December 2013 the shares of Wolseley plc were consolidated on a 30 for 31 basis. The impact of the share consolidation on the weighted average number of shares used to calculate basic and diluted earnings per share is 9 million.

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 2013	952	267	27	1,263	2,509
Additions	–	–	19	182	201
Acquisitions	61	59	–	32	152
Disposals of businesses, disposals and transfers	–	–	–	(25)	(25)
Reclassified as held for sale	(2)	(1)	–	(5)	(8)
Depreciation and amortisation	–	(46)	(11)	(95)	(152)
Impairment	–	–	–	(3)	(3)
Exchange rate adjustment	(99)	(26)	(2)	(123)	(250)
Net book value at 31 July 2014	**912**	**253**	**33**	**1,226**	**2,424**

Goodwill and intangibles asset acquired during the year have been allocated to the individual cash generating units or aggregated cash generating units (together "CGUs") which are deemed to be the smallest identifiable group of assets generating independent cash inflows. CGUs have been aggregated in the disclosure above at a regional level; however, impairment reviews were performed for each individual CGU during the year ended 31 July 2014.

The relevant inputs to the value-in-use calculations of each CGU were:

- Cash flow forecasts for years one to three are derived from the most recent Board approved strategic plan; the forecast for year five represents an estimate of "mid-cycle" trading performance for the CGU based on historic analysis. Year four is calculated as the average of the final year of the strategic plan and year five's mid-cycle estimate.

10. Intangible and tangible assets continued

- A risk-adjusted, pre-tax discount rate, calculated by reference to the weighted average cost of capital ("WACC") of each country which ranges from 9.1 per cent to 15.1 per cent

- The 30-year long-term growth rate by country, as published by the IMF in July 2014 has been used for all CGUs except for the Nordic region where a lower long-term growth rate was applied consistent with the previous year.

The strategic plan is developed based on analyses of sales, markets and costs at a regional level. Consideration is given to past events, knowledge of future contracts and the wider economy. It takes into account both current business and future initiatives.

Management performed a sensitivity analysis for each key assumption (revenue growth, discount rate and long-term growth rate), keeping all other assumptions constant. There are three CGUs all within the Nordic region with limited headroom at 31 July 2014: Stark, Neumann and Silvan. In addition Starkki showed limited headroom at 31 January 2014 which increased in the second half following an acquisition in March 2014 (see note 15). We have disclosed the sensitivity analysis for the CGUs with limited headroom at the end of the financial year. The results presented in the table below show the amounts by which the related assumptions can vary such that the carrying value of goodwill and other intangible assets equals their recoverable amounts.

31 July 2014	**Carrying value**	**Headroom**	**Like-for-like revenue growth**		**Discount rate %**		**Long- term growth rates**	
CGU Grouping – Nordic	**£m**	**£m**	**Assumption**	**Sensitivity**	**Assumption**	**Sensitivity**	**Assumption**	**Sensitivity**
Stark	**116**	**60**	**1.8%**	**(3.0)%**	**7.9%**	**1.3%**	**1.5%**	**(1.8)%**
Neumann	**21**	**12**	**3.5%**	**(6.2)%**	**8.3%**	**2.2%**	**1.5%**	**(3.0)%**
Silvan	**24**	**33**	**1.3%**	**(3.8)%**	**7.9%**	**2.4%**	**1.5%**	**(3.4)%**

31 July 2013	Carrying value	Headroom	Like-for-like revenue growth		Discount rate %		Long- term growth rates	
CGU Grouping – Nordic	£m	£m	Assumption	Sensitivity	Assumption	Sensitivity	Assumption	Sensitivity
Stark	141	94	3.6%	(4.7)%	8.5%	1.9%	1.5%	(2.7)%
Neumann	27	10	3.2%	(3.3)%	8.5%	1.3%	1.5%	(1.8)%
Silvan	31	12	4.5%	(1.7)%	8.5%	0.8%	1.5%	(1.1)%

The sensitivity disclosed above is the amount by which the related assumption would need to vary before an impairment is indicated. Whilst management believes the assumptions are realistic, it is possible that an impairment would be identified if the above key assumptions changed significantly.

Notes to the full year results announcement

Year ended 31 July 2014

11. Provisions

	Environmental and legal £m	Wolseley Insurance £m	Restructuring £m	Other provisions £m	Total £m
At 31 July 2012	65	46	48	84	243
Utilised in the year	(5)	(16)	(21)	(4)	(46)
Unwind of discount	(5)	–	–	–	(5)
Charge/(credit) for the year	28	20	42	(10)	80
Acquisition of businesses	1	–	–	–	1
Disposal of businesses and reclassified as held for sale	–	–	–	(13)	(13)
Exchange differences	3	1	3	3	10
At 1 August 2013	**87**	**51**	**72**	**60**	**270**
Utilised in the year	**(5)**	**(21)**	**(26)**	**(6)**	**(58)**
Unwind of discount	**3**	**–**	**–**	**–**	**3**
Charge for the year	**1**	**15**	**19**	**11**	**46**
Acquisition of businesses	**3**	**–**	**–**	**3**	**6**
Disposal of businesses and reclassified as held for sale	**2**	**–**	**(5)**	**4**	**1**
Exchange differences	**(6)**	**(4)**	**(5)**	**(6)**	**(21)**
At 31 July 2014	**85**	**41**	**55**	**66**	**247**

Provisions have been analysed between current and non-current as follows:

Current	**28**	**18**	**32**	**20**	**98**
Non-current	**57**	**23**	**23**	**46**	**149**
Total provisions	**85**	**41**	**55**	**66**	**247**

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 USA casualty and global property damage).

The environmental and legal provision includes £49 million (31 July 2013: £51 million) for the estimated liability for asbestos litigation on a discounted basis using a long-term discount rate of 2.6 per cent (2013: 3.3 per cent). This amount has been actuarially determined as at 31 July 2014 based on advice from independent professional advisers. The Group has insurance that it currently believes is sufficient cover for 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 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.

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 four years.

Other provisions include warranty and separation costs relating to businesses disposed of and rental commitments on vacant properties and dilapidations on leased properties. The weighted average maturity of these obligations is approximately four years.

12. Retirement benefit obligations

(i) Long-term benefit plan provided by the Group

The Group has a defined benefit pension plan for certain of its UK employees. This plan was closed for future accrual on 31 December 2013. The Group operates a number of smaller schemes in other jurisdictions, providing pensions or other long-term benefits such as long service or termination awards.

Notes to the full year results announcement

Year ended 31 July 2014

12. Retirement benefit obligations continued

(ii) Financial impact of plans

As disclosed in the balance sheet	2014 £m	2013 £m
Current asset	-	–
Non-current asset	96	–
Total asset	96	–
Current liability	(8)	(29)
Non-current liability	(81)	(104)
Total liability	(89)	(133)
Net asset/(liability)	7	(133)

Analysis of balance sheet net asset	2014 £m	2013 £m
Fair value of plan assets:		
UK	1,167	1,086
Non-UK	217	220
	1,384	1,306
Present value of defined benefit obligation:		
UK	(1,071)	(1,108)
Non-UK	(306)	(331)
	(1,377)	(1,439)
Net asset/(liability)	7	(133)

Analysis of total expense recognised in income statement	2014 £m	Restated 2013 £m
Current service cost	12	25
Administration costs	2	2
Past service cost and gain from settlements	(1)	(10)
Charged to operating costs	13	17
Charged to finance costs	3	11
Total expense recognised in income statement	16	28

Of the expense for the year, £13 million (2013: £17 million) has been included in the income statement as operating costs. The net interest expense has been included within finance costs (see note 4). The expected employer contribution to the defined benefit plans for the year ending 31 July 2015 is £28 million. The re-measurement of the defined benefit net asset/liability is included in the statement of comprehensive income.

Analysis of amount recognised in the statement of comprehensive income	2014 £m	Restated 2013 £m
The return on plan assets (excluding amounts included in net interest expense)	44	150
Actuarial gains/(losses) arising from changes in demographic assumptions	12	(2)
Actuarial gains/(losses) arising from changes in financial assumptions	2	(72)
Actuarial gains arising from experience adjustments	27	–
Taxation	(17)	(49)
Total amount recognised in the statement of comprehensive income	68	27

The cumulative amount of actuarial losses recognised in the statement of comprehensive income is £188 million (2013: £273 million).

13. Share-based payments

Analysis of profit and loss charge	2014 £m	2013 £m
Executive Option Schemes	**4**	8
Ordinary Share Plan	**13**	8
Employee Saving Option Schemes	**2**	3
LTIS and RSP	**3**	3
	22	22

14. Reconciliation of profit to cash generated from operations

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

	2014 £m	Restated 2013 £m
Profit for the year	**504**	296
Net finance costs	**29**	36
Tax expense	**194**	176
(Profit)/loss on disposal and closure of businesses and revaluation of disposal groups	**(32)**	10
Profit from discontinued operations	**–**	(12)
Depreciation and impairment of property, plant and equipment	**98**	148
Amortisation of non-acquired intangibles	**11**	13
(Profit)/loss on disposal of property, plant and equipment	**(14)**	5
Amortisation of acquired intangibles	**46**	65
Increase in inventories	**(70)**	(48)
Increase in trade and other receivables	**(82)**	(82)
Increase in trade and other payables	**19**	116
Special contribution to the UK pension scheme	**–**	(125)
(Decrease)/increase in provisions and other liabilities	**(47)**	13
Share-based payments	**22**	22
Cash generated from operations	**678**	633

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

	2014 £m	Restated 2013 £m
Trading profit	**755**	725
Exceptional items in operating profit	**18**	(164)
Profit from discontinued operations	**–**	12
Profit on disposal and closure of businesses and revaluation of disposal groups	**(32)**	(2)
Depreciation and impairment of property, plant and equipment	**98**	148
Amortisation of non-acquired intangibles	**11**	13
(Profit)/loss on disposal of property, plant and equipment and assets held for sale	**(14)**	5
Increase in inventories	**(70)**	(48)
Increase in trade and other receivables	**(82)**	(82)
Increase in trade and other payables	**19**	116
Special contribution to the UK pension scheme	**–**	(125)
(Decrease)/increase in provisions and other liabilities	**(47)**	13
Share-based payments	**22**	22
Cash generated from operations	**678**	633

15. Acquisitions

The Group acquired 100 per cent of the following businesses in the year ended 31 July 2014. All these businesses are engaged in the distribution of plumbing and heating products and building materials. These transactions have been accounted for by the purchase method of accounting.

	Date	Country of incorporation	% acquired
Karl's Appliances	January 2014	USA	100%
Perssons	January 2014	Sweden	100%
Waterworks Industries	March 2014	USA	100%
Puukeskus	March 2014	Finland	100%
Fusion*	March 2014	UK	100%
Factory Direct Appliance	April 2014	USA	100%
Capstone	May 2014	Taiwan	100%
HP Products	June 2014	USA	100%

*Clearance to proceed with the acquisition was received from the UK Competitions and Markets Authority on 20 August 2014.

Details of the assets and liabilities acquired and the consideration for all acquisitions in the period are as follows:

	Book values acquired £m	Fair value adjustments £m	Provisional fair values acquired £m
Intangible fixed assets			
– Customer relationships	–	46	46
– Trade names and brands	–	2	2
– Other	9	2	11
Property, plant and equipment	39	(7)	32
Inventories	47	(6)	41
Receivables	44	–	44
Cash, cash equivalents and bank overdrafts	1	–	1
Payables	(42)	–	(42)
Current and deferred tax	3	7	10
Provisions	–	(6)	(6)
Total	101	38	139
Goodwill arising			61
Consideration			200

Satisfied by:	
Cash	187
Deferred consideration	13
Total consideration	200

The fair value adjustments for the period ended 31 July 2014 are provisional figures, being the best estimates currently available. Further adjustments to goodwill may be necessary when additional information is available concerning some of the judgmental areas.

The goodwill arising on these acquisitions is attributable to the anticipated profitability of the new markets and product ranges to which the Group has gained access, and to additional profitability and operating efficiencies in respect of existing markets.

15. Acquisitions continued

The acquisitions contributed £144 million to revenue, £5 million to trading profit and £2 million to the Group's operating profit for the period between the date of acquisition and the balance sheet date.

It is not practicable to disclose profit before and after tax, as the Group manages its borrowings as a portfolio and cannot attribute an effective borrowing rate to an individual acquisition.

If each acquisition had been completed on the first day of the financial year, Group revenue would have been £13,430 million and Group trading profit would have been £769 million. It is not practicable to disclose profit before tax or profit attributable to equity shareholders, as stated above. It is not practicable to disclose operating profit as the Group cannot estimate the amount of intangible assets that would have been acquired at a date other than the acquisition date.

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

	2014 £m	2013 £m
Purchase consideration	**187**	113
Deferred and contingent consideration in respect of prior year acquisitions	**8**	5
Cash consideration	**195**	118
Cash, cash equivalents and bank overdrafts acquired	**(1)**	(7)
Net cash outflow in respect of the purchase of businesses	**194**	111

16. Disposals

In the year ended 31 July 2014, the Group disposed of the following businesses:

	Country	**Date of disposal**	**Share/asset deal**
Cheapy	Sweden	April 2014	Assets
OAG	Austria	June 2014	Shares
CFM	Luxembourg	October 2013	Shares

In addition the Group disposed of a number of branches of its Building Materials business in France.

The Group recognised a total gain on the disposal of the above businesses of £32 million.

	2014 £m
Consideration received	**57**
Net assets disposed of	**(33)**
Disposal costs and provisions	**(4)**
Cumulative currency translation gain recycled from reserves	**12**
Gain on disposal	**32**

The net inflow of cash in respect of the disposal of businesses is as follows:

	2014 £m
Cash consideration received for current year disposals	**29**
Disposal costs paid	**(4)**
Cash consideration received for prior year disposals	**13**
Payments to settle liabilities for prior year disposals	**(4)**
Net cash inflow	**34**

17. Reconciliation of opening to closing net (debt)/cash

For the year ended 31 July 2014	At 1 August £m	Cash flows £m	Acquisitions and new finance leases £m	Fair value and other adjustments £m	Exchange movement £m	At 31 July 2014 £m
Cash and cash equivalents	339					240
Bank overdrafts	(36)					(73)
	303	(123)	–	–	(13)	167
Derivative financial instruments	62	(12)	–	(3)	(5)	42
Bank loans	(719)	(243)	–	12	73	(877)
Obligations under finance leases	(57)	11	(1)	–	4	(43)
Net (debt)	(411)	(367)	(1)	9	59	(711)

18. 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.

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.

Environmental
The operations of certain Group companies, particularly those engaged in processing, converting or treating building materials, are subject to specific environmental regulations. From time to time the group conducts preliminary investigations through third parties to assess potential risks including potential soil or groundwater contamination of sites. Where an obligation to remediate contamination arises then this is provided for, though future liabilities could arise from sites for which no provision is made.

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 2014

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.

	2014	2013
US dollar translation rate		
Income statement	**1.64**	1.56
Balance sheet	**1.69**	1.52
Euro translation rate		
Income statement	**1.21**	1.20
Balance sheet	**1.26**	1.14
Canadian dollar translation rate		
Income statement	**1.76**	1.57
Balance sheet	**1.84**	1.56
Danish Krone translation rate		
Income statement	**9.00**	8.97
Balance sheet	**9.40**	8.52
Swiss Franc translation rate		
Income statement	**1.48**	1.47
Balance sheet	**1.53**	1.41