

## WOLSELEY PLC

### Full Year Results to 31 July 2010

Continuing Operations £m	2010	2009	Change	Constant currency change
Revenue	13,203	14,441	(9%)	(10%)
Trading profit <sup>(1)</sup>	450	447	-	(1%)
EBITDA <sup>(2)</sup>	635	688		
Exceptional items (excluding associates)	(332)	(458)		
Impairment of acquired intangibles	(223)	(490)		
Operating loss	(197)	(606)		
Loss before tax	(328)	(766)		

(1) Before exceptional items and the amortisation and impairment of acquired intangibles.

(2) Earnings before interest, tax, depreciation, amortisation and exceptional items.

### Financial highlights

- Revenue of £13,203 million, 10% below last year on a constant currency basis.
- Like for like revenue growth of 4% in Q4.
- Gross margin maintained at 27.7% despite tough trading environment.
- Operating costs<sup>(1)</sup> reduced by £353 million (10%).
- Trading profit of £450 million, second half trading profit of £283 million, £87 million ahead of last year.
- Strong cash from operating activities of £705 million.
- Intend to resume dividends at 2011 half year results.

### Operating Highlights

- Improved full year trading profit in UK, Nordic, Canada and Central and Eastern Europe driven principally by benefits of cost reductions made in the prior year.
- Improved second half trading profit in USA and France.
- Exited several non-core businesses including Ireland, and, since the year end Brandon Hire.

### Corporate highlights

- John Whybrow to retire as Chairman. Gareth Davis to succeed him at the next AGM.
- Proposal for Wolseley plc to redomicile to Switzerland announced separately today.

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

*“In the second half of 2010 an improvement in like-for-like revenue growth, continued cost discipline and a consistent focus on protecting gross margins delivered results ahead of expectations. Recognising this improved performance the Board intends to resume dividends at the half year results”*

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

*“Demand across our markets remains mixed and the economic outlook continues to be unclear. Revenue growth in the early part of the current financial year is similar to that seen in Q4 last year. We will continue to take actions that will strengthen the business and, whilst overall we remain cautious about the outlook for our markets, we are confident that Wolseley will make good progress in the year ahead.”*

**ENQUIRIES:**

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

## FULL YEAR RESULTS FOR THE YEAR ENDED 31 JULY 2010

### Group results

In the year ended 31 July 2010 Wolseley experienced a gradual stabilisation of its markets particularly in the New Residential and RMI segments. Modest like-for-like revenue growth, an ongoing focus on maintaining gross margins and a lower overall cost base led to a strong second half performance.

During the year the Group generated revenue of £13,203 million (2009: £14,441 million). This was 10% below last year on a constant currency basis, though the decline was restricted to 6% on a like-for-like basis. The gross margin was maintained at 27.7% as a result of a continued focus on improving customer and product mix despite competitive market conditions. Trading profit of £450 million was £3 million higher than last year despite the revenue decline. The reduction in gross profit, arising from the decline in revenue, was offset by £27 million of improvement from the disposal of loss making businesses and a reduced cost base. Operating costs in the year, excluding exceptional items, were reduced by £353 million (or 10%). The Group's trading margin increased from 3.1% to 3.4%.

A £223 million charge was made in the year for the impairment of goodwill and acquired intangibles, including £71 million charged in the first half. A charge of £111 million was made in relation to the Group's businesses in France, reflecting the implementation of unfavourable supplier payment legislation and challenging market conditions. In the UK a charge of £50 million was made against Brandon Hire, which was sold after the year end, whilst a further £42 million charge related to Encon.

Exceptional charges of £332 million were incurred during the year. Restructuring costs, which predominantly relate to redundancy and property costs, amounted to £81 million in the period. These costs relate to a range of restructuring initiatives across all business areas, and in the second half include £16 million for the restructuring of Italy which has been loss-making for some time. A charge of £170 million related to the impairment of software assets in the course of construction and associated provisions in respect of the Business Change Programme. Losses on disposal of businesses (and businesses held for sale) of £57 million were incurred, the large majority of which related to the disposal of the business in Ireland.

The construction loans business continued to reduce the size of its portfolio and the net investment at the year end was £117 million, with a trading loss for the year of £4 million (2009: £24 million). In light of the ongoing weak conditions in the credit markets and the poor performance of the business we now plan to accelerate our exit from the business and accordingly we have taken an exceptional charge of £24 million to impair certain construction loan receivables and assets held for sale.

Net finance costs of £77 million (2009: £145 million) were substantially lower reflecting the reduced level of net debt and lower interest rates. The overall tax rate, on profit before tax, exceptional items and amortisation and impairment of acquired intangibles from continuing operations was 38% (2009: 32%). After adjusting for non-recurring tax items and share option charges the underlying tax rate was 34%. Earnings per share before exceptional items and the amortisation and impairment of acquired intangibles was 74.1 pence (2009: 95.6 pence). The basic loss per share from continuing operations was 129.8 pence (2009: loss per share of 348.2 pence).

### Board and Management Changes

Wolseley is announcing separately today the retirement of John Whybrow as Chairman. He will be succeeded by Gareth Davis, who is currently the Board's Senior Independent Non Executive Director, at the AGM. Gareth was Chief Executive of Imperial Tobacco Group plc from 1996 to 2010 and is also Chairman of William Hill plc and a Non Executive Director of DS Smith plc. As previously announced Jim Murray, Non Executive Director and former Chairman of the Audit Committee will retire from the Board on 30 September 2010.

In March 2010 Rob Marchbank, CEO of Europe, left the business and Steve Webster stepped down as CFO. John Martin was appointed as CFO in April. In May, Steve Ashmore was appointed as Managing Director of the UK and a member of the Executive Committee. Steve Ashmore, Philippe Gardies, CEO of France, and Steen Weirsoe, CEO of the Nordic Region, now report directly to Ian Meakins, Group Chief Executive. In January, Ole Mikael Jensen was appointed as the new Managing Director of Central and Eastern Europe.

## Redomicile to Switzerland

Wolseley is an international business which during the year generated 81% of its revenue overseas. The Group is announcing separately today a proposal to change its corporate structure to create a new holding company which is UK-listed, incorporated in Jersey with its tax residence in Switzerland. The Board has concluded that the interests of its business and its shareholders are best served by establishing an international holding company corporate structure that will help provide more certainty in our taxation position. The proposal is expected to enable the Group to achieve a competitive Group corporate tax rate. Under the proposal, the tax position of the UK business will remain unchanged.

## Operating and Financial Review

Further details of the financial performance and market conditions in each of the Group's businesses are set out below:

### *Geographical analysis*

£ million	Revenue 2010	Revenue 2009	Change	Constant currency change	Trading profit 2010	Trading profit 2009
USA	5,174	5,820	(11%)	(11%)	239	309
Canada	765	700	+9%	(3%)	41	32
UK	2,466	2,699	(9%)	(9%)	91	55
Nordic	2,001	2,113	(5%)	(8%)	100	96
France	1,937	2,144	(10%)	(11%)	30	32
Central & Eastern Europe	860	965	(11%)	(13%)	10	-
Construction Loans					(4)	(24)
Corporate					(57)	(53)
	13,203	14,441	(9%)	(10%)	450	447

### *Quarterly like for like revenue growth*

	Q1 2010	Q2 2010	Q3 2010	Q4 2010
USA	(21%)	(14%)	(4%)	+5%
Canada	(10%)	(1%)	+6%	+12%
UK	(5%)	(4%)	+4%	+5%
Nordic	(15%)	(9%)	(5%)	+3%
France	(13%)	(11%)	(8%)	(2%)
Central & Eastern Europe	(4%)	(4%)	(3%)	(6%)
	(14%)	(10%)	(2%)	+4%

## **USA (39% of Group revenue)**

Ferguson's revenue was 11% below last year though the like-for-like revenue decline was restricted to 9%. During Q4 the business generated like-for-like revenue growth for the first time in three years as New Residential and RMI markets continued to recover. Overall, the recovery in new construction has been modest as factors such as high unemployment, low availability of credit, high levels of unsold housing inventory and the recent expiry of tax incentives have continued to hold back demand. The less volatile RMI segment has been relatively more resilient. The Commercial sector, in particular, remained weak throughout the year and continued to be restricted by the lack of availability of finance for construction projects. Industrial markets were generally better. With the exception of Fire and Fabrication, which is particularly exposed to the commercial market, we believe all Ferguson businesses continued to gain market share in the period.

The gross margin was slightly lower than the prior year, with pricing pressure largely mitigated by a focus on improvements in the business mix towards showrooms, counter sales and private label products. Trading profit of £239 million was £70 million below last year with the gross profit shortfall partly offset by the improved cost base. Second half profit was ahead of last year. The trading profit benefited from a much lower bad debt expense than last year and this was £10 million - £15 million lower than the expected rate in a normal year.

The largest business unit in the USA is the Blended Branches business. While Commercial revenue was weak, New Residential and RMI markets showed modest improvements in the period. The Industrial Pipes Valves and Fittings (PVF), Waterworks and Heating, Ventilation and Air Conditioning (HVAC) businesses made good progress in the period. HVAC, in particular, performed strongly benefiting from a change in strategy to fewer key vendors, improved product availability to drive service and a lower cost base. The USA trading margin was 4.6% (2009: 5.3%).

## **Wolseley Canada (6% of Group revenue)**

In Canada, revenue for the year was 3% behind last year in constant currency though the business returned to growth in the second half. The growth trends were broadly similar across the business with some benefit from tax incentives and government stimulus spending. The Canadian economy emerged from the downturn strongly and interest rates have now begun to rise. Trading profit of £41 million was £9 million ahead of the prior year, of which £4 million relates to currency translation and the remainder relates to an improvement in the gross margin and a reduction in the cost base. Blended Branches, Waterworks and HVAC all generated growth during the year and improved market share. The business is expanding its Regional Distribution Centre in Milton, Ontario to increase capacity and improve customer delivery times and fill rates. The trading margin was higher at 5.4% (2009: 4.6%).

## **UK (19% of Group revenue)**

Revenue in the UK declined by 9% in the year due to the impact of disposals and branch closures, with like-for-like revenue broadly flat. The business generated 5% like-for-like revenue growth in the second half as markets started to recover. We expect the overall recovery to remain weak as activity levels are held back by fragile consumer confidence and low availability of credit. In addition, public sector activity, which represents around 25% of our UK revenue, may come under pressure later in the year, following the Government's spending review in October 2010. We have seen a continuation of the gradual recovery in the more resilient RMI sector, which we estimate represents about 65% of our revenue. Commercial and industrial markets have remained relatively weak throughout the period.

Trading profit in the year of £91 million was £36 million ahead of the prior year, £23 million of which arose from the exit of the business in Ireland.

A significant decline in gross margins, as a result of competitive pressure, was substantially offset by reductions in the cost base arising from restructuring actions taken in the prior year. Plumb and Parts Center performed well and ahead of the prior year. In addition, Build Center, which was loss making in 2009, strongly improved its trading performance and returned to profit in the period benefiting from a lower cost base. The UK businesses maintained market share in the year. The trading margin for the UK was higher at 3.7% (2009: 2.0%).

### **Nordic (15% of Group revenue)**

In the Nordic region revenue declined by 8% in constant currency although the second half performance was stronger. The market in Denmark, our largest revenue generator, continued to decline as a result of low levels of construction activity and poor consumer confidence. In contrast our building materials businesses in Sweden, Finland and Norway all generated like-for-like revenue growth, with Sweden performing strongest. Overall, the business held market share in Denmark and improved market share in Sweden, Finland and Norway.

Trading profit in the year of £100 million was £4 million higher than last year. The results included a one-off credit of £4 million and the business also benefited from a lower cost base offsetting revenue decline and a slight reduction in gross margins. The trading margin was higher at 5.0% (2009: 4.6%).

### **France (15% of Group revenue)**

Revenue in France declined by 11% in constant currency. The French economy was late into recession, compared with other European economies. Construction markets continue to recover slowly with weak consumer confidence also affecting RMI markets. Like-for-like revenues in Q4 remained negative although the overall trend continues to improve. As a result of a sustained focus on achieving a good mix of customers and vendors, the business improved its gross margin over the prior year. Trading profit in the year of £30 million was £2 million lower than the prior year and included a one-off gain of £5 million relating to the release of a bad debt provision. The trading margin was held at 1.5% (2009: 1.5%).

Reseau Pro, the building materials business performed in line with some improvement in its trading performance. The Import and Wood Solutions business benefited from commodity price inflation, higher gross margins and productivity improvements. The Brossette plumbing and heating business continues to marginally underperform the market although the trend has improved throughout the year. The new management team has focused on further reductions in the cost base, removing unnecessary management layers and improving customer service levels through training and better stock availability. Consequently, following a poor first half performance, the trend improved in the second half.

### **Central and Eastern Europe (6% of Group revenue)**

In Central and Eastern Europe revenue was 13% lower than last year on a constant currency basis, the decline arising from the exit of a number of underperforming businesses, along with deteriorating market conditions. The gross margin in the period was well ahead of last year and trading profit improved to £10 million (2009 : £nil), £4 million of which was the impact of the disposal of the Czech, Belgium and Slovakian plumbing and heating businesses. The remainder was the result of restructuring actions in the prior year. In Italy, we have closed 7 loss making branches since the end of the year and further restructuring will be undertaken to bring the business back to profitability.

The Swiss plumbing and heating business made good progress in the period. The rationalisation of its distribution network was completed in the second half of the year including the consolidation of 5 smaller distribution centres into a new single larger facility.

## **Associate**

The Group retains a 44% interest in Stock Building Supply, a former subsidiary disposed of in 2009, and the Group's share of the after-tax losses of the business in the year amounted to £13 million. In light of the level of ongoing losses generated by the business the Group has concluded that its investment is impaired and has written off the carrying value of £41 million. The Group has no requirement to fund any investment in future.

## **Disposals**

During the first half the Group sold its business in Ireland and completed the previously announced disposals of the Czech, Belgian and Slovakian plumbing and heating businesses in Central and Eastern Europe. In the second half of the year the Public Works business in France was sold for £7 million. The Group disposed of the small Friosol business in Central and Eastern Europe for £3 million. Overall, the businesses disposed of in the year contributed revenue of £95 million and trading losses of £7 million and disposals improved Group profitability by £27 million. Since the year end, Brandon Hire in the UK was sold. Total cash consideration was £43 million, and in the year ended 31 July 2010, the business generated revenue of £70 million and a trading profit of £5 million.

## **Balance sheet and cash flow**

The Group continues to place a great deal of emphasis on generating cash. Operating cash flow was again strong at £705 million (2009: £1,200 million). Given the challenging market conditions capital expenditure was reduced to £84 million (2009: £157 million). The Group's reported net debt at 31 July 2010 was £346 million (31 July 2009 : £959 million) and benefited from the impact of favourable year end working capital movements of £495 million. In addition, the Group factored £274 million of receivables and had £80 million of construction loan borrowings. The Group has a strong liquidity position with credit facilities of £3.2 billion (committed for at least one year from the balance sheet date).

## **Company Pension Scheme**

The Group's net pension obligations under IAS 19 at 31 July 2010 amounted to £432 million (31 July 2009: £341million). The increase principally arose from a change in actuarial assumptions on mortality rates. Following the triennial valuation of the UK defined benefit schemes the Group has agreed with the trustees to make additional cash contributions of £25 million per year in order to fund the past service deficit. The impact of the revised assumptions on the UK trading profit will be approximately £2 million.

## **Dividends**

No dividend has been recommended for the year to 31 July 2010. The Company intends to resume paying dividends at the 2011 half year results.

## **Outlook**

Demand across our markets remains mixed and the economic outlook continues to be unclear. Revenue growth in the early part of the current financial year is similar to that seen in Q4 last year. We will continue to take actions that will strengthen the business and, whilst overall 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 2010 was £13.2 billion and operating profit, before exceptional items and the amortisation and impairment of acquired intangibles, was £450 million. Wolseley has around 47,000 employees operating in 25 countries and is listed on the London Stock Exchange (LSE: WOS) and is in the FTSE 100 index of listed companies.

### **2. Financial Calendar**

Wolseley will announce its Q1 Interim Management Statement for the period ending 31 October 2010 on 7 December 2010.



# Group income statement

Year ended 31 July 2010

	Notes	2010 Before exceptional items £m	2010 Exceptional items (note 3) £m	2010 Total £m	2009 Before exceptional items £m	2009 Exceptional items (note 3) £m	2009 Total £m
<i>Continuing operations</i>							
<b>Revenue</b>	2	13,203	–	13,203	14,441	–	14,441
Cost of sales		(9,548)	(8)	(9,556)	(10,436)	(28)	(10,464)
<b>Gross profit</b>		3,655	(8)	3,647	4,005	(28)	3,977
Distribution costs		(2,624)	(57)	(2,681)	(2,831)	(266)	(3,097)
Administrative expenses:							
amortisation of acquired intangibles		(92)	–	(92)	(105)	–	(105)
impairment of acquired intangibles		(223)	–	(223)	(490)	–	(490)
other		(592)	(270)	(862)	(743)	(164)	(907)
Administrative expenses: total		(907)	(270)	(1,177)	(1,338)	(164)	(1,502)
Other income		11	3	14	16	–	16
<b>Operating profit/(loss)</b>	2	135	(332)	(197)	(148)	(458)	(606)
Finance revenue	4	14	–	14	72	–	72
Finance costs	5	(91)	–	(91)	(217)	–	(217)
Associate – share of after tax loss	6	(24)	11	(13)	(9)	(6)	(15)
Associate – impairment	6	–	(41)	(41)	–	–	–
<b>Profit/(loss) before tax</b>		34	(362)	(328)	(302)	(464)	(766)
Tax (expense)/income	7	(112)	74	(38)	(72)	106	34
<b>Loss from continuing operations</b>		(78)	(288)	(366)	(374)	(358)	(732)
<b>Profit/(loss) from discontinued operations</b>	8	–	26	26	(265)	(176)	(441)
<b>Loss for the year attributable to equity shareholders</b>		(78)	(262)	(340)	(639)	(534)	(1,173)
<b>Earnings per share</b>	10						
<i>Continuing operations and discontinued operations</i>							
Basic loss per share				(120.6)p			(558.0)p
Diluted loss per share				(120.6)p			(558.0)p
<i>Continuing operations only</i>							
Basic loss per share				(129.8)p			(348.2)p
Diluted loss per share				(129.8)p			(348.2)p
<b>Non-GAAP measures of performance</b>							
	11						
<i>Continuing operations only</i>							
Trading profit		450			447		
EBITDA before exceptionals		635			688		
Profit before tax, exceptional items and the amortisation and impairment of acquired intangibles		349			293		
Basic earnings per share before exceptional items and the amortisation and impairment of acquired intangibles		74.1p			95.6p		
Diluted earnings per share before exceptional items and the amortisation and impairment of acquired intangibles		73.9p			95.5p		

# Group statement of comprehensive income

Year ended 31 July 2010

	2010 £m	2009 £m
Loss for the year	(340)	(1,173)
Other comprehensive income:		
Exchange gain on translation of overseas operations	156	708
Exchange loss on translation of borrowings and derivatives designated as hedges of overseas operations	(71)	(381)
Cumulative currency translation differences on disposals recycled to income statement	(13)	(47)
Actuarial loss on retirement benefits	(93)	(115)
Valuation gains on interest rate swaps	5	–
Valuation losses on cash flow hedges reclassified to income statement	4	–
Available-for-sale investments reclassified and reported in net profit for the year	–	(20)
Tax on gains not recognised in the income statement	23	42
Other comprehensive income for the year	11	187
Total comprehensive income for the year attributable to shareholders	(329)	(986)

# Group statement of changes in equity

Year ended 31 July 2010	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Retained Earnings		Total £m
					Own shares £m	Profit and loss account £m	
Total comprehensive income	–	–	72	6	–	(407)	(329)
New share capital subscribed	–	4	–	–	–	–	4
Credit to equity for share-based payments	–	–	–	–	–	8	8
Net addition to/(reduction in) shareholders' funds	–	4	72	6	–	(399)	(317)
Opening shareholders' funds	241	1,152	228	(11)	(78)	1,844	3,376
Closing shareholders' funds	241	1,156	300	(5)	(78)	1,445	3,059

Year ended 31 July 2009	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Retained Earnings		Total £m
					Own shares £m	Profit and loss account £m	
Total comprehensive income	–	–	280	(14)	–	(1,252)	(986)
New share capital subscribed	76	203	–	–	–	720	999
Purchase of own shares by Employee Benefit Trust	–	–	–	–	(5)	–	(5)
Credit to equity for share-based payments	–	–	–	–	–	9	9
Net addition to/(reduction in) shareholders' funds	76	203	280	(14)	(5)	(523)	17
Opening shareholders' funds	165	949	(52)	3	(73)	2,367	3,359
Closing shareholders' funds	241	1,152	228	(11)	(78)	1,844	3,376

# Group balance sheet

As at 31 July 2010

	Notes	2010 £m	2009 £m
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets: goodwill	12	1,347	1,514
Intangible assets: other	12	465	709
Property, plant and equipment	12	1,409	1,593
Investment in associate		–	53
Financial assets: available-for-sale investments		3	3
Deferred tax assets		284	244
Trade and other receivables		182	116
Derivative financial assets		66	34
		<b>3,756</b>	<b>4,266</b>
<b>Current assets</b>			
Inventories		1,611	1,624
Trade and other receivables		1,850	1,983
Current tax receivable		1	124
Financial assets: trading investments		–	155
Derivative financial assets		10	23
Financial receivables: construction loans (secured)		80	163
Cash and cash equivalents		665	635
		<b>4,217</b>	<b>4,707</b>
Assets held for sale		111	88
<b>Total assets</b>		<b>8,084</b>	<b>9,061</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		2,673	2,586
Current tax payable		177	173
Borrowings: construction loans (unsecured)		80	163
Bank loans and overdrafts		226	42
Obligations under finance leases		14	12
Derivative financial liabilities		5	25
Provisions	13	123	122
Retirement benefit obligations	14	23	33
		<b>3,321</b>	<b>3,156</b>
<b>Non-current liabilities</b>			
Trade and other payables		83	59
Bank loans		778	1,657
Obligations under finance leases		61	59
Derivative financial liabilities		3	11
Deferred tax liabilities		136	176
Provisions	13	223	244
Retirement benefit obligations	14	409	308
		<b>1,693</b>	<b>2,514</b>
Liabilities of disposal groups held for sale		11	15
<b>Total liabilities</b>		<b>5,025</b>	<b>5,685</b>
<b>Net assets</b>		<b>3,059</b>	<b>3,376</b>
<b>Shareholders' equity</b>			
Called up share capital		241	241
Share premium account		1,156	1,152
Foreign currency translation reserve		300	228
Retained earnings		1,362	1,755
<b>Equity shareholders' funds</b>		<b>3,059</b>	<b>3,376</b>

# Group cash flow statement

Year ended 31 July 2010

	Notes	2010 £m	2009 £m
<b>Cash flows from operating activities</b>			
Cash generated from operations	15	705	1,200
Interest received		18	66
Interest paid		(69)	(231)
Tax received/(paid)		90	(27)
Net cash generated from operating activities		744	1,008
<b>Cash flows from investing activities</b>			
Acquisition of businesses (net of cash acquired)		(11)	(18)
Disposals of businesses (net of cash disposed of)		(10)	(15)
Purchases of property, plant and equipment		(54)	(91)
Proceeds from sale of property, plant and equipment and assets held for sale		96	172
Purchases of intangible assets		(30)	(66)
Purchases of investments		–	(155)
Disposals of investments		159	5
Net cash generated from/(used by) investing activities		150	(168)
<b>Cash flows from financing activities</b>			
Proceeds from the issue of shares to shareholders		4	999
Purchases of shares by Employee Benefit Trusts		–	(5)
Repayments of borrowings and derivatives		(992)	(1,437)
Finance lease capital payments		(17)	(26)
Net cash used by financing activities		(1,005)	(469)
Net cash (used)/ generated		(111)	371
Effects of exchange rate changes		88	24
Net (decrease)/ increase in cash, cash equivalents and bank overdrafts		(23)	395
Cash, cash equivalents and bank overdrafts at the beginning of the year	16	598	203
Cash, cash equivalents and bank overdrafts at the end of the year	16	575	598

# Notes to the preliminary results

Year ended 31 July 2010

## 1. Basis of preparation

The preliminary results for the year ended 31 July 2010, which are an abridged statement of the full Annual Report, have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The preliminary results have been prepared on a going concern basis. The Directors of Wolseley 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 to enable the Group to remain in compliance with the financial covenant in its bank facilities for at least the next 12 months.

The preliminary results do not constitute the statutory accounts of the Group within the meaning of Section 434 of the Companies Act 2006. The statutory accounts for the year ended 31 July 2009 have been filed with the Registrar of Companies. The auditors have reported on those accounts and on the statutory accounts for the year ended 31 July 2010, which will be filed with the Registrar of Companies following the Annual General Meeting. Both the audit reports were unqualified and did not contain any statement under section 498 of the Companies Act 2006.

## 2. Segmental analysis

Wolseley's reportable segments, which are those reported to the Group's Executive Committee, 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 UK segment, which was formerly named 'UK and Ireland', includes the results of the Irish business up to the date of disposal.

The Group's business is not highly seasonal but revenue and trading profit are normally somewhat higher in the second half. The Group's customer base is highly diversified, with no individually significant customer.

The revenue, trading profit and operating (loss)/profit of the Group's reportable segments are detailed in the following tables.

Revenue by reportable segment for continuing operations	2010 £m	2009 £m
USA	5,174	5,820
Canada	765	700
UK	2,466	2,699
Nordic	2,001	2,113
France	1,937	2,144
Central and Eastern Europe	860	965
Group	13,203	14,441

Trading profit (note 11) and operating profit/(loss) by reportable segment for continuing operations for the year ended 31 July 2010	Trading profit/(loss) £m	Exceptional items £m	Amortisation and impairment of acquired intangibles £m	Operating profit/(loss) £m
USA	239	(16)	(27)	196
Canada	41	(3)	–	38
UK	91	(87)	(105)	(101)
Nordic	100	(8)	(69)	23
France	30	(3)	(114)	(87)
Central and Eastern Europe	10	(20)	–	(10)
Construction loans	(4)	(24)	–	(28)
Corporate	(57)	(171)	–	(228)
Group	450	(332)	(315)	(197)
Finance revenue				14
Finance costs				(91)
Associate – share of after tax loss				(13)
Associate – impairment				(41)
Loss before tax				(328)

# Notes to the preliminary results

Year ended 31 July 2010

## 2. Segmental analysis continued

Trading profit (note 11) and operating profit/(loss) by reportable segment for continuing operations for the year ended 31 July 2009	Trading profit/(loss) £m	Exceptional items £m	Amortisation and impairment of acquired intangibles £m	Operating profit/(loss) £m
USA	309	(80)	(31)	198
Canada	32	(6)	(1)	25
UK	55	(183)	(123)	(251)
Nordic	96	(11)	(414)	(329)
France	32	(20)	(3)	9
Central and Eastern Europe	–	(85)	(23)	(108)
Construction loans	(24)	(31)	–	(55)
Corporate	(53)	(42)	–	(95)
Group	447	(458)	(595)	(606)
Finance revenue				72
Finance costs				(217)
Share of after tax loss of associates				(15)
Loss before tax				(766)

The change in revenue and trading profit between the years ended 31 July 2009 and 31 July 2010 can be analysed into the effects of changes in exchange rates, disposals and acquisitions with the remainder being organic change.

Analysis of change in revenue	2009 £m	Exchange £m	Disposals £m	Acquisitions £m	Organic change £m	2010 £m
USA	5,820	3	–	20	(669)	5,174
Canada	700	86	–	–	(21)	765
UK	2,699	2	(103)	–	(132)	2,466
Nordic	2,113	67	–	–	(179)	2,001
France	2,144	38	(14)	–	(231)	1,937
Central and Eastern Europe	965	27	(90)	–	(42)	860
Group	14,441	223	(207)	20	(1,274)	13,203

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

Analysis of change in trading profit (note 11)	2009 £m	Exchange £m	Disposals £m	Acquisitions £m	Organic change £m	2010 £m
USA	309	–	–	1	(71)	239
Canada	32	4	–	–	5	41
UK	55	–	23	–	13	91
Nordic	96	3	–	–	1	100
France	32	1	–	–	(3)	30
Central and Eastern Europe	–	1	4	–	5	10
Construction loans	(24)	–	–	–	20	(4)
Corporate	(53)	–	–	–	(4)	(57)
Group	447	9	27	1	(34)	450

# Notes to the preliminary results

Year ended 31 July 2010

## 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.

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

	2010 £m	2009 £m
USA	(16)	(80)
Canada	(3)	(6)
UK	(87)	(183)
Nordic	(8)	(11)
France	(3)	(20)
Central and Eastern Europe	(20)	(85)
Construction loans	(24)	(31)
Corporate	(171)	(42)
Group	(332)	(458)

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

	2010 £m	2009 £m
Staff redundancy costs	(30)	(75)
Provisions for future lease rentals on closed branches and asset write-downs	(51)	(271)
Restructuring costs	(81)	(346)
Write-down of construction loan portfolio	(24)	(31)
Impairment of software assets under construction (note 12)	(138)	(41)
Other costs arising from revised approach to the Group's Business Change Programme (note 12)	(32)	–
Loss on disposal of businesses and revaluations of disposal groups	(57)	(40)
Group	(332)	(458)

The Group's associated undertaking released certain restructuring provisions during the year. The Group's share of the after tax credit to income of £11 million has been disclosed as an exceptional item (2009: restructuring costs of £6million). In addition the Group has recorded a £41 million impairment of the associate as an exceptional item (note 6).

Exceptional items relating to discontinued operations are detailed in note 8.

## 4. Finance revenue

	2010 £m	2009 £m
Interest receivable – continuing operations	14	72

Net income receivable on construction loans included in finance revenue and finance costs amounted to £5 million (2009: £8 million).

# Notes to the preliminary results

Year ended 31 July 2010

## 5. Finance costs

	2010 £m	2009 £m
Interest payable		
– Bank loans and overdrafts	61	193
– Finance lease charges	5	5
Discount charge on receivables funding arrangements	6	12
Net pension finance cost (note 14)	13	10
Unwind on discount on provisions	3	–
Valuation (gains)/losses on financial instruments		
– Derivatives held at fair value through profit and loss	(30)	(43)
– Loans in a fair value hedging relationship	29	37
– Ineffectiveness recognised in respect of cash flow hedges	–	1
– Losses on cash flow hedges recycled from equity	4	–
– Impairment of available-for-sale investment	–	2
Total finance costs – continuing operations	91	217

## 6. Results of associate

### a) Share of after tax loss

	2010 £m	2009 £m
Share of after tax loss of associate before exceptional items	(24)	(9)
Share of after tax exceptional items of associate	11	(6)
At 31 July 2010	(13)	(15)

On 6 May 2009 the Group sold 100 per cent of the shares of its subsidiary Stock Building Supply Holdings LLC to Saturn Acquisition Holdings LLC (“Saturn”) in exchange for 49 per cent of the voting rights and common equity of Saturn and nominal consideration. Since 6 May 2009 additional non-voting equity has been issued by Saturn such that as at 31 July 2010 the Group had a 44 per cent interest in its common equity.

The associate released certain restructuring provisions during the year. The Group’s share of the after tax credit to income of £11 million has been disclosed as an exceptional item (2009: net restructuring costs of £6 million).

In the year ended 31 July 2010, Saturn recorded revenue of £605 million and a loss after tax of £29 million. In the period from 6 May 2009 to 31 July 2009 Saturn recorded revenue of £110 million and a loss after tax of £33 million.

### b) Impairment

During the year ended 31 July 2010 Saturn continued to be loss making due to challenging conditions in its markets. Consequently there is significant uncertainty as to whether the Group will receive dividends or other returns from its investment in the future and therefore the Group has fully impaired the carrying value of its investment at year end.

## 7. Taxation

	2010 £m	2009 £m
The tax charge/(credit) for the year comprises:		
Current year tax charge	81	139
Adjustments to tax charge in respect of prior years	(32)	(9)
Total current tax charge	49	130
Deferred tax charge/(credit): origination and reversal of temporary differences	(11)	(164)
Total tax charge/(credit) – continuing operations	38	(34)

The current tax prior year credit is £32 million. The overall prior year tax charge taking into account prior year movements in deferred tax is £15 million.



# Notes to the preliminary results

Year ended 31 July 2010

## 8. Discontinued operations

On 6 May 2009, the Group completed the sale of Stock Building Supply Holdings LLC. In accordance with IFRS 5, "Non-current assets held for sale and discontinued operations", this business was classified as discontinued.

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

	2010 Before exceptional items £m	2010 Exceptional items £m	2010 Total £m	2009 Before exceptional items £m	2009 Exceptional items £m	2009 Total £m
<b>Revenue</b>	–	–	–	1,140	–	1,140
Cost of sales	–	–	–	(896)	–	(896)
<b>Gross profit</b>	–	–	–	244	–	244
Operating expenses:	–	–	–	–	–	–
amortisation of acquired intangibles	–	–	–	(12)	–	(12)
impairment of acquired intangibles	–	–	–	(288)	–	(288)
other	–	–	–	(361)	(156)	(517)
Operating expenses: total	–	–	–	(661)	(156)	(817)
<b>Operating loss before tax</b>	–	–	–	(417)	(156)	(573)
Tax credit	–	–	–	152	61	213
Loss on disposal of Stock	–	(19)	(19)	–	(159)	(159)
Tax credit on loss on disposal of Stock	–	45	45	–	78	78
<b>Profit/(loss) from discontinued operations</b>	–	26	26	(265)	(176)	(441)

### Earnings per share

#### Discontinued operations

Basic earnings/(loss) per share	9.2p	(209.8)p
Diluted earnings/(loss) per share	9.2p	(209.8)p

The £26 million credited to discontinued operations in 2010 was generated from movements in tax, provisions and other items arising from the sale of Stock Building Supply in 2009.

The exceptional items included in operating loss before tax from discontinued operations in 2009 relate to restructuring actions before the disposal and comprise staff redundancy costs of £9 million and provisions for future lease rentals on closed branches and asset write-downs of £147 million.

## 9. Dividends

No dividends were approved or paid in 2009 or 2010 and no dividend is proposed for the year ended 31 July 2010.

# Notes to the preliminary results

Year ended 31 July 2010

## 10. (Loss)/earnings per share

Basic loss per share from continuing and discontinued operations of 120.6 pence (2009: loss per share of 558.0 pence) is calculated on the loss for the year attributable to shareholders of £340 million (2009: loss of £1,173 million) on a weighted average number of ordinary shares in issue during the year.

Basic loss per share from continuing operations of 129.8 pence (2009: loss per share of 348.2 pence) is calculated on the loss after tax from continuing operations of £366 million (2009: loss of £732 million) on a weighted average number of ordinary shares in issue during the year, excluding those held by Employee Benefit Trusts, of 282 million (2009: 210 million). As detailed in note 12 below, the Group believes that profit measures before exceptional items and the amortisation and impairment of acquired intangibles provide valuable additional information for users of the financial statements. Basic earnings per share from continuing operations, before exceptional items and the amortisation and impairment of acquired intangibles, has, therefore, been presented in the following table:

Continuing operations	2010	2009
Before exceptional items and the amortisation and impairment of acquired intangibles	74.1p	95.6p
Add back: exceptional items (net of tax)	(102.1)p	(170.3)p
Add back: amortisation and impairment of acquired intangibles (net of deferred tax)	(101.8)p	(273.5)p
Basic loss per share	(129.8)p	(348.2)p

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 283 million (2009: 211 million). The diluted loss per share from continuing operations is also 129.8 pence (2009: loss per share of 348.2 pence). Diluted earnings per share from continuing operations before exceptional items and the amortisation and impairment of acquired intangibles is 73.9 pence (2009: 95.5 pence).

## 11. Non-GAAP measures of performance

Trading profit is defined as operating profit before exceptional items and the amortisation and impairment of acquired intangibles. It is a non-GAAP measure. Exceptional items are material non-recurring items which are excluded from trading profit to enable a clear and consistent presentation of the Group's underlying financial performance. In addition, the current businesses within the Group have arisen through internal organic growth and through acquisition. Operating profit includes only the amortisation and impairment of acquired intangibles arising on those businesses that have been acquired subsequent to 31 July 2004 and as such does not reflect equally the performance of businesses acquired prior to 31 July 2004 (where no amortisation or impairment of acquired intangibles was recognised), businesses that have developed organically (where no intangibles are attributed) and those businesses more recently acquired (where amortisation and impairment of acquired intangibles is charged).

The Group believes that trading profit provides valuable additional information for users of the financial statements in assessing the Group's performance since it provides information on the performance of the business that local managers are more directly able to influence and on a basis consistent across the Group. The Group uses trading profit and certain key performance indicators, calculated by reference to trading profit, for planning, budgeting and reporting purposes and for its internal assessment of the operating performance of individual businesses within the Group.

Continuing operations	2010 £m	2009 £m
Operating loss	(197)	(606)
Add back: amortisation and impairment of acquired intangibles	315	595
Add back: exceptional items	332	458
Trading profit	450	447
Depreciation, amortisation and impairment of property, plant and equipment and software excluding exceptional items	185	241
EBITDA before exceptionals	635	688
Loss before tax	(328)	(766)
Add back: amortisation and impairment of acquired intangibles	315	595
Add back: exceptional items	362	464
Profit before tax and exceptional items and the amortisation and impairment of acquired intangibles	349	293
Tax (expense)/income	(38)	34
Add back: deferred tax credit on the amortisation and impairment of acquired intangibles	(28)	(20)
Add back: tax credit on exceptional items	(74)	(106)
Tax charge before exceptional items and the amortisation and impairment of acquired intangibles	(140)	(92)

# Notes to the preliminary results

Year ended 31 July 2010

## 12. Capital expenditure

	Goodwill £m	Other intangible assets £m	Software £m	Property, plant and equipment £m	Total tangible and intangible assets £m
Net book value at 1 August 2009	1,514	537	172	1,593	3,816
Additions	–	–	15	82	97
Disposals and transfers	–	–	–	(37)	(37)
Acquisitions	4	2	–	–	6
Divestments	(4)	(5)	–	(51)	(60)
Property reclassified as held for sale	–	–	–	(34)	(34)
Depreciation and amortisation	–	(92)	(16)	(172)	(280)
Impairment	(205)	(18)	(138)	–	(361)
Exchange rate adjustment	38	8	–	28	74
<b>Net book value at 31 July 2010</b>	<b>1,347</b>	<b>432</b>	<b>33</b>	<b>1,409</b>	<b>3,221</b>

Impairment tests were performed for all the Group's cash generating units or groups of cash generating units ("CGUs") during the year ended 31 July 2010. These impairment reviews have resulted in the recording of the following impairment charges.

CGU	Impairment charge			Pre-tax discount rate used	Long term growth rate used
	Goodwill £m	Other acquired intangibles £m	Total £m		
Brandon Hire	38	12	50	11%	2.5%
Encon	42	–	42	11%	2.5%
Electric Center	–	3	3	11%	2.5%
UK segment	80	15	95		
PBM	102	–	102	11%	2.5%
Brossette	8	1	9	11%	2.5%
France segment	110	1	111		
Woodcote	15	2	17	12%	2.5%
Nordic segment	15	2	17		
<b>Total</b>	<b>205</b>	<b>18</b>	<b>223</b>		

Market conditions have been more challenging than expected in France and a more gradual recovery in profit is now expected. In addition the implementation of unfavourable supplier payment legislation has affected the level of working capital required to support the business. As a result of reflecting these changed expectations in the value in use calculations of Brossette and PBM, all of the goodwill and other acquired intangible assets relating to Brossette have been impaired and an impairment charge has been recorded against the goodwill relating to PBM. The carrying value of the remaining goodwill and other acquired intangibles relating to PBM was £144 million at 31 July 2010.

The UK segment has continued to experience challenging market conditions and this has been reflected in reduced expectations in its value in use calculations for certain businesses. Goodwill and acquired intangibles relating to the Brandon Hire and Electric Center businesses have been fully impaired. The carrying value of the remaining goodwill and other acquired intangibles relating to the Encon business was £50 million at 31 July 2010.

The Woodcote business in the Nordic segment has continued to perform below expectations and its long term outlook has been downgraded. Consequently its goodwill and other acquired intangibles have been fully impaired.

In December 2009 the Board determined that the branch deployment of the supply chain management part of the Group's Business Change Programme, that was intended to commence in 2010, would be deferred for a period of at least 24 months after which time the future migration plan would be reconsidered. Given the uncertainty surrounding future deployment, the Board currently believes that it cannot conclude that it is probable that deployment will recommence and therefore certain software assets under development, held at the Group centre, with a book value of £138 million have been impaired. Total software assets relating to the Group's Business Change Programme now have a book value of £26 million. In addition the Group has provided for a further £32 million of costs relating to contractual and constructive obligations which have been classified as an exceptional item (see note 3).

# Notes to the preliminary results

Year ended 31 July 2010

## 13. Provisions

	Environmental and legal £m	Wolseley Insurance £m	Restructuring £m	Other provisions £m	Total £m
At 1 August 2008	42	51	50	35	178
Utilised in the year	(6)	(22)	(100)	(15)	(143)
Charge for the year	16	20	354	25	415
Disposal of businesses	(1)	–	(106)	(1)	(108)
Exchange differences	7	8	4	5	24
At 31 July 2009	58	57	202	49	366
Utilised in the year	(4)	(31)	(100)	(7)	(142)
Amortisation of discount	–	–	3	–	3
Charge for the year	10	26	50	42	128
Disposal of businesses	–	–	(22)	(1)	(23)
Exchange differences	3	3	6	2	14
At 31 July 2010	67	55	139	85	346

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 the estimated liability for asbestos litigation on a discounted basis using a long term discount rate of 3.7 per cent (2009: 4.3 per cent). This amount has been actuarially determined as at 31 July 2010 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. There were 249 claims outstanding at 31 July 2010 (31 July 2009: 273).

Restructuring provisions include provisions for staff redundancy costs, future lease rentals on closed branches and asset write-downs. 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 the Group's best estimate of the cost of potential product and service warranty claims arising in Stock Building Supply Holdings LLC ("Stock") before its disposal on 6 May 2009, separation costs relating to the disposal of Stock and contractual and constructive obligations relating to the Business Change Programme (note 12). 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 preliminary results

Year ended 31 July 2010

## 14. Retirement benefit obligations

Analysis of balance sheet liability	2010 £m	2010 £m	2009 £m	2009 £m
Fair value of plan assets:				
UK	593		511	
Non-UK	131		129	
		724		640
Present value of defined benefit obligation:				
UK	(897)		(737)	
Non-UK	(259)		(244)	
		(1,156)		(981)
Net deficit recognised in balance sheet		(432)		(341)

Analysis of total expense recognised in income statement	2010 £m	2009 £m
Current service cost	26	34
Past service cost	1	–
Curtailment	–	(2)
Charged to administrative expenses	27	32
Interest on pension liabilities	57	57
Expected return on scheme assets	(44)	(47)
Charged to finance costs	13	10
Total expense recognised in income statement	39	42

Analysis of amount recognised in the statement of recognised income and expense	2010 £m	2009 £m
Actuarial loss	(93)	(115)
Deferred tax thereon	26	36
Total amount recognised in the statement of recognised income and expense	(67)	(79)

## 15. Reconciliation of loss to cash generated from operations

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

	2010 £m	2009 £m
Loss for the year	(340)	(1,173)
Net finance costs	77	145
Share of after tax loss of associate	13	15
Impairment of associate	41	–
Tax expense/(income)	38	(246)
Loss on disposal of businesses and revaluation of disposal groups	31	121
Depreciation and impairment of property, plant and equipment	172	286
Amortisation and impairment of non-acquired intangibles	154	62
Loss on disposal of property, plant and equipment and assets held for sale	7	3
Amortisation and impairment of acquired intangibles	315	894
Decrease in inventories	13	483
Decrease in trade and other receivables	124	928
Increase/(decrease) in trade and other payables	108	(565)
(Decrease)/increase in provisions and other liabilities	(56)	238
Share-based payments and other non-cash items	8	9
Cash generated from operations	705	1,200

# Notes to the preliminary results

Year ended 31 July 2010

## 16. Reconciliation of opening to closing net debt

For the year ended 31 July 2010	At 1 August £m	Cash flows £m	Acquisitions and disposals £m	New finance leases £m	Fair value and other adjustments £m	Exchange movement £m	At 31 July £m
Cash and cash equivalents	635						665
Bank overdrafts	(37)						(90)
	598	(111)	–	–	–	88	575
Financial assets: trading investments	155	(159)	–	–	–	4	–
Derivative financial instruments	21	8	–	–	36	3	68
Bank loans	(1,662)	984	–	–	(89)	(147)	(914)
Obligations under finance leases	(71)	17	2	(22)	–	(1)	(75)
	(959)	739	2	(22)	(53)	(53)	(346)

## 17. Acquisitions

On 1 September 2009 the Group acquired Decorative Product Source, Inc, a company engaged in the distribution and supply of construction materials and services, for a cash consideration of £7 million. The acquisition of this company has not had a material effect on the financial statements.

## 18. Disposals

On 8 January 2010, the Group disposed of 100% of Wolseley Ireland Holdings Limited which comprised all the Group's businesses in the Republic of Ireland and the Brooks business in Northern Ireland. During the year ended 31 July 2010, the Group also disposed of a business in Switzerland and its businesses in Belgium, Slovakia and the Czech Republic included in the Central and Eastern Europe segment, a business in France and two businesses in the USA. Details of assets and liabilities disposed of, transaction costs and consideration received in respect of these disposals are provided in the following table.

	2010 Assets disposed of £m
Intangible assets	10
Property, plant and equipment	51
Inventories	31
Receivables	36
Assets held for sale	2
Cash, cash equivalents and bank overdrafts	11
Finance leases	(2)
Payables and provisions	(43)
Deferred tax	(4)
Total	92
Consideration	(36)
Disposal costs	9
Cumulative currency translation gain recycled from reserves	(13)
Loss on disposal	52

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

	2010 £m
Sale consideration	36
Deferred consideration	(17)
Cash consideration received	19
Cash, cash equivalents and bank overdrafts disposed	(11)
Disposal costs	(9)
Payments in respect of prior year divestments	(9)
Net cash outflow in respect of the disposal of businesses	(10)

# Notes to the preliminary results

Year ended 31 July 2010

## 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 preliminary results are as follows.

	2010	2009
<b>US dollar translation rate</b>		
Income statement	1.5699	1.5708
Balance sheet	1.5682	1.6718
<b>Euro translation rate</b>		
Income statement	1.1396	1.1597
Balance sheet	1.2016	1.1729
<b>Danish Krone translation rate</b>		
Income statement	8.4812	8.6398
Balance sheet	8.9552	8.7330
<b>Canadian dollar translation rate</b>		
Income statement	1.6445	1.8471
Balance sheet	1.6146	1.8017