WOLSELEY PLC

STRONG US PERFORMANCE, ON TRACK FOR THE FULL YEAR

Results for the half year ended 31 January 2015

£m		H1 2015	H1 2014 Restated(3)	Change	Change (at constant exchange rates)	Like-for-like Change (4)
Revenue	Ongoing businesses (1)	6,435	5,910	+8.9%	+10.3%	+7.8%
	Closed, sold or held for sale	7	157			
		6,442	6,067			
Trading profit (2)	Ongoing businesses (1)	390	351	+11.1%	+12.0%	
	Closed, sold or held for sale	(1)	-			
		389	351			
Impairment of acquired intangibles		(245)	-			
Profit before tax		103	312			
Discontinued operations		(70)	4			
Headline earnings per share (2)		103.6p	91.4p	+13.3%		
Net debt		1,221	927			
Ordinary dividend per share		30.25p	27.50p	+10.0%		

Financial highlights

- Revenue of the ongoing businesses 10.3% ahead of last year at constant exchange rates, including like-for-like growth of 7.8%.
- Trading profit of the ongoing businesses £390 million, 12.0% ahead of last year at constant FX rates.
- Trading margin for the ongoing businesses up 20 basis points to 6.1%.
- Impairment charge of £245 million relating to acquired intangibles in the Nordics arising from the acquisition of DT Group in 2006.
- Good cash generation with net debt of £1,221 million after dividends and share buybacks of £358 million in the first half.
- Interim dividend of 30.25 pence per share, an increase of 10.0%.

Operating and corporate highlights

- Continued strong growth, market share gains and record trading margin of 7.9% in the USA.
- Improving like-for-like revenue growth rates in the rest of the Group following targeted investment in sales and marketing to stimulate demand. Continuing actions to improve profitability.
- Continued progress on investments to improve the efficiency of our business model.
- Further strong growth of e-commerce, now 13% of Group revenue at £811 million.
- Completed 7 bolt-on acquisitions with annualised revenue of £57 million in line with our acquisition strategy. 5 further acquisitions since the period end with annualised revenue of £70 million.
- Close to concluding the disposal of the French wood businesses, subject to consultation, and commenced the sales process for the remaining French building materials business.

(1) "Ongoing businesses" excludes businesses that have been closed, disposed of 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 to present the French businesses as discontinued operations under IFRS 5. (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 trading performance and the ongoing trading margin improved by 20 basis points to 6.1 per cent. This was driven by the USA where all of our businesses strongly outperformed their markets and we achieved a record 7.9 per cent trading margin. We generated better like-for-like revenue growth in Europe, despite challenging markets, as we invested in sales and marketing activity to stimulate demand. We are taking action to improve profitability in Europe in the second half."

"We continued to make good progress in our ongoing investment programme to improve the efficiency of our business model. This remains a key component of our strategy to enhance customer service, whilst driving sustained market outperformance and margin expansion."

"Cash generation was good and our balance sheet remains strong. Growth in headline EPS of 13.3 per cent has enabled us to increase the interim dividend to 30.25 pence per share, 10 per cent ahead of last year."

Commenting on the outlook, Ian Meakins said:

"We expect the Group's like-for-like revenue growth rate in the second half to be about 6%. At current exchange rates, we expect Group trading profit for the ongoing businesses for the full year to be in line with the current consensus of analyst expectations. "

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 the London Stock Exchange, 10 Paternoster Square, London EC4M 7LS. 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.

Group results

The Group delivered a good trading performance against a backdrop of decent market conditions in the USA though continued challenging market conditions in Europe. Demand in the Repairs, Maintenance and Improvement (RMI) markets grew modestly in most countries and Commercial and Industrial markets in the USA grew steadily. Residential construction markets were good in the USA and UK but weaker in the rest of Europe. We gained market share in all of our major businesses.

Revenue of £6,435 million from the ongoing businesses (2014: £5,910 million) was 10.3% ahead at constant exchange rates and 7.8% ahead on a like-for-like basis. There was price deflation in the USA, UK and Central Europe and modest price inflation in Canada and the Nordics. Gross margins in the ongoing businesses were slightly ahead of last year before the impact of acquisitions. We remain focused on improving gross margins by improving our purchasing terms and the mix of customers, products and suppliers.

Operating expenses in the ongoing business were 9% higher at constant exchange rates including 3% from acquisitions. We continued to make good progress on improving the efficiency of our business model and invested £19 million of operating expenses in the period.

Trading profit in the ongoing businesses was £390 million (2014: £351 million), 12.0% ahead of last year at constant exchange rates. In addition businesses closed, disposed of or classified as held for sale made trading losses of £1 million (2014: £nil). The trading margin for the ongoing business increased to 6.1% (2014: 5.9%). There was one fewer trading day than last year which reduced trading profit by about £6 million and there will be one additional day in the second half. Foreign exchange movements reduced revenue by £83 million and trading profit by £2 million. Current exchange rates are more favourable and at rates of $1.51 and €1.39, trading profit in the second half last year would have been £26 million higher.

Consistent with our bolt-on acquisition strategy we invested £28 million in acquisitions with annualised revenue of £57 million. We have completed five further acquisitions since the period end with annualised revenue of £70 million.

An impairment charge of £245 million has been made in relation to goodwill and intangible assets in the Nordics arising from the acquisition of DT Group in 2006. This is as a result of continued challenging market conditions in the region and reduced expectations of future profitability. The carrying value of the remaining goodwill and intangible assets in the Nordics at 31 January 2015 was £116 million.

Net finance costs of £18 million (2014 restated: £13 million) include £5 million of exceptional charges relating to the recycling of foreign exchange previously recorded in reserves relating to financing entities that have been liquidated as part of our entity reduction programme. The effective tax rate on ongoing trading profit less net finance costs was 28.1% (2014 restated: 27.5%).

Profit before tax of £103 million (2014 restated: £312 million) reflects the goodwill and intangible assets impairment charge.

The French businesses have been classified as discontinued and the 2014 results have been restated to reflect this. Discontinued operations generated revenue of £313 million (2014: £454 million), incurred trading losses of £11 million (2014: profit of £1 million) and included an exceptional operating loss of £59 million primarily relating to asset write downs.

Headline earnings per share were 103.6 pence (2014 restated: 91.4 pence) an increase of 13.3%, reflecting the growth in trading profit. Basic earnings per share from continuing operations were 4.6 pence (2014 restated: 84.0 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

	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	Q2 2015
USA	+7.4%	+5.0%	+9.0%	+11.1%	+12.4%	**+11.1%**
Canada	(0.6%)	(3.5%)	(1.6%)	+1.8%	+1.9%	**+1.7%**
UK	+4.3%	+2.0%	(3.5%)	(2.6%)	+0.5%	**+3.4%**
Nordic	(2.5%)	+0.5%	+7.6%	(2.4%)	+1.9%	**+5.3%**
Central Europe	(0.5%)	(3.5%)	(3.8%)	+0.1%	(7.0%)	**+4.6%**
Ongoing businesses	+4.2%	+2.9%	+5.5%	+5.7%	+7.4%	**+8.3%**

Regional analysis

£ million *Continuing operations* **Half year ended 31 January**	Revenue 2015	Revenue 2014	Change	Change (at constant exchange rates)	Like-for-like Change	Trading profit 2015	Trading profit 2014
USA	**3,912**	3,418	+14.5%	+13.3%	+11.7%	**311**	252
Canada	**388**	406	(4.4%)	+2.2%	+1.8%	**23**	24
UK	**984**	943	+4.3%	n/a	+1.9%	**43**	48
Nordic	**936**	913	+2.5%	+11.3%	+3.3%	**22**	32
Central Europe	**215**	230	(6.5%)	(2.1%)	(1.5%)	**14**	17
Central and other costs						**(23)**	(22)
Ongoing businesses	**6,435**	5,910	+8.9%	+10.3%	+7.8%	**390**	351
Closed, sold or held for sale	**7**	157				**(1)**	-
Group	**6,442**	6,067				**389**	351

USA (76% of ongoing Group trading profit)

The USA had an excellent first half with very strong revenue growth, market share gains and good flow-through to trading profit. Revenue was 11.7% ahead on a like-for-like basis, and the trading margin of 7.9% (2014: 7.4%) was a record. Acquisitions contributed 3.0% of additional revenue growth. The RMI, residential new construction, commercial and industrial markets all continued to grow steadily. Blended Branches continued to grow strongly across all regions from a combination of growing markets and good market share gains. Waterworks, Industrial and our B2C e-commerce business all grew very strongly in the period. The Fire and Fabrication and HVAC businesses both generated good growth.

Market growth in the first half was about 5% and we gained good market share in all of our businesses. We are making incremental improvements in customer service and we consistently achieve industry leading Net Promoter and employee engagement scores. We continued to drive improvements in more tailored customer propositions, sales force productivity, consistent pricing and the branch network. These programmes are improving wallet share of our existing customers as well as attracting new customers.

Gross margin improvements in the businesses were partially offset by the impact of falling copper prices. Operating expenses were 11% higher than last year at constant exchange rates and included £11 million of investment in developing a more efficient business model. Exchange rate movements were favourable and increased trading profit by £3 million. Trading profit of £311 million (2014: £252 million) was 21.9% ahead of last year at constant exchange rates.

Six bolt-on acquisitions were made in the period with total annualised revenues of £50 million. These were: Pollard Water, an online Waterworks business; Powell Pipe & Supply and McFarland Supply, both plumbing businesses; City Lights Design Showroom; Global HVAC; and Ship Pac, a facilities maintenance packing business. After the period-end, three further bolt-on acquisitions have been completed with total annualised revenue of £34 million. These were: Builders Appliance Center, an appliance dealer; Ar-Jay, a cabinet, lighting and fireplace showroom; and Equarius, a water meter business.

Headcount growth was 11.0% with a significant proportion of the headcount additions coming from acquisitions.

Canada (6% of ongoing Group trading profit)

In Canada revenue was 1.8% ahead of last year on a like-for-like basis and acquisitions contributed an additional 1.0% revenue growth. Market conditions were reasonable though customers became increasingly cautious towards the end of the period as a result of the sharp fall in oil prices. Due to our geographic exposure to the West of Canada we expect increasing headwinds in the second half and we are taking action to reduce costs accordingly.

We achieved good growth in Blended Branches, where we held market share, and modest growth in Waterworks, partially offset by a decline in the HDPE pipe business. Gross margins were in line with last year. Operating expenses were 1% higher than last year at constant exchange rates. Trading profit of £23 million was £1 million behind last year due to unfavourable exchange rate movements.

We acquired Goodman Industrial, an industrial PVF business, with annualised revenue of £7 million, and added a further nine new branches. Headcount growth was 2.2% including the acquisition.

The trading margin was 5.9% (2014: 5.9%).

UK (10% of ongoing Group trading profit)

In the UK revenue was 1.9% ahead of last year on a like-for-like basis with acquisitions contributing an additional 4.1% revenue growth. New residential construction, which represents approximately 8% of UK revenue, continued to grow well but growth in residential RMI markets, which represents approximately 53% of UK revenue, remained subdued. Plumbing & Heating and Pipe & Climate were both modestly ahead and our utilities business continued to grow strongly.

Overall we made modest market share gains as the heating market declined by about 1% due to the end of the first government-sponsored ECO programme. Very competitive pricing in the boiler category impacted gross margins. Operating expenses were 4% higher than last year including 3% from acquisitions and £3 million of investment in sales resources, improving our customer proposition and developing a more efficient business model.

Headcount growth was 3.7% due primarily to the acquisition last year. Trading profit of £43 million was £5 million lower than last year principally due to the lower gross margin and investment. We expect profitability to improve in the second half. Since the end of the period we have completed the acquisition of BathEmpire.com, an online bathroom retailer, with annualised revenue of £26 million.

The trading margin was 4.4% (2014: 5.1%).

Nordics (5% of ongoing Group trading profit)

In the Nordic region revenue was 3.3% ahead of last year on a like-for-like basis. Acquisitions contributed 7.9% of additional revenue growth. Market conditions remained subdued in Denmark, modest in Sweden and continued to be very challenging in Finland. We gained or held market share in all of our businesses.

Gross margins were overall in line with last year before the impact of the acquisition. Operating expenses increased by 14% at constant exchange rates including 6% from the acquisition. We invested in developing a more efficient business model and additional marketing and branch format changes to improve top line growth. We are taking action to improve productivity and reduce costs and we expect second half profits to be ahead of last year.

We completed the integration of Puukeskus in the period. Headcount was lower before the impact of acquisitions. Exchange rate movements were unfavourable and reduced trading profit by £3 million. Trading profit of £22 million was £10 million behind last year. The trading margin was 2.4% (2014: 3.5%).

The impairment charge made in the period reflects the purchase price paid on the acquisition of DT Group in 2006. The businesses have strong market positions in attractive markets and we are confident we can deliver good returns in the long term.

Central Europe (3% of ongoing Group trading profit)

The Central Europe segment comprises our plumbing and heating businesses in Switzerland and the Netherlands. Like-for-like revenue declined by 1.5% and market conditions were challenging in Switzerland as a result of reduced activity in the construction market and currency volatility. Despite this we held market share in the region.

Gross margins were lower due to mix and pricing pressure in competitive markets. Operating expenses reduced by 4% at constant exchange rates and, given the challenging conditions, we are taking action to reduce the cost base by £2 million per year.

Trading profit in the ongoing businesses was £14 million (2014: £17 million). The trading margin in the ongoing businesses was 6.5% (2014: 7.4%).

Businesses closed, disposed of or classified as held for sale

Businesses closed, disposed of or classified as held for sale generated revenue of £7 million (2014: £157 million) and made trading losses of £1 million (2014: £nil).

Discontinued operations

The Group is in the process of selling its businesses in France. In accordance with IFRS 5 “Non-current assets held for sale and discontinued operations”, these businesses have been classified as discontinued and prior periods have been restated on a consistent basis. Discontinued operations include an exceptional operating loss of £59 million which primarily relates to asset write downs and closure costs.

The assets and liabilities of disposal groups held for sale include £63 million of net current assets from the group’s French Building Materials business and if these are not realised it will give rise to a loss on disposal.

Management changes

Steve Ashmore, UK Managing Director, has decided the time is right for him to take on a new challenge and will be leaving the business at the end of April 2015. The Board would like to thank Steve for significantly improving the business over the last five years. Patrick Headon, who is currently Managing Director of Central Europe, will succeed Steve after an orderly handover of responsibilities.

Tax

The tax charge of £91 million includes a £5 million tax charge on exceptional items and £14 million of adjustments to tax provisions for earlier periods. The tax impact of the amortisation and impairment of acquired intangibles is a £34 million credit. The underlying tax charge of £106 million represents an effective tax rate on ongoing trading profit less net finance costs of 28.1% (2014 restated: 27.5%).

Cash flow

The Group generated EBITDA from continuing operations of £444 million (2014 restated: £393 million). The Group experienced its normal seasonal outflow of working capital of £274 million (2014 restated: £303 million). Acquisitions resulted in a cash outflow of £28 million and capital investment was £116 million (2014: £90 million). Interest and tax payments amounted to £124 million and dividends were £144 million (2014: £417 million including a special dividend of £298 million). Net purchase of shares amounted to £229 million.

Net debt

The Group's reported net debt at 31 January 2015 was £1,221 million (31 January 2014: £927 million). The Group has a strong liquidity position with credit facilities of £2.3 billion. The Group aims to operate within investment grade credit metrics and with a net debt/EBITDA ratio of 1x to 2x.

Shareholder returns

The Group generates attractive and sustainable financial returns for shareholders. An interim dividend of 30.25 pence per share (2014: 27.5 pence per share), an increase of 10.0%, will be paid on 30 April 2015 to shareholders on the register on 7 April 2015.

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.

The Group has purchased 6.5 million shares for a total cost of £214 million under the share buyback programme announced last September.

Outlook

We expect the Group's like-for-like revenue growth rate in the second half to be about 6%. At current exchange rates, we expect Group trading profit for the ongoing businesses for the full year to be in line with the current consensus of analyst expectations.

Principal risks and uncertainties

The principal risks and uncertainties which affect the Group are:

Pressure on margins	A range of factors could lead to downward pressure on sales prices and profit margins. This includes factors such as competition, increases in (lower margin) new build activity, levels of economic activity, customer or supplier consolidation, or changes in technology.
New business models	To respond to changing customer needs and to secure future growth, the Company will undergo significant change in many of its key markets over the coming years. These changes will include the development of new business models, including e-commerce. The Company must successfully implement these changes while maintaining expected performance.
Market conditions	The Group's results depend partly on the levels of RMI and construction markets. There is a risk that markets may decline or may change rapidly, particularly in Europe.
Litigation	The nature of Wolseley's operations exposes it to the potential for litigation from third parties and such exposure is considered to be greater in the USA than in Europe. Litigation can arise in such areas as workers' compensation, general employer liability, product liability and environmental and asbestos litigation. The Company closely monitors ongoing product litigation relating to historical operations in the USA. HR and product liability quality assurance procedures will be kept under review as the Company works through current market conditions and expands its private label range of products. The Group's principal supplier arrangements are typically set out in contracts. Some of these are complex and there is a risk of inadvertent or undetected error which may lead to non-compliance with key terms, disputes with suppliers and financial loss for the Group companies.
Business continuity and information security	The Group can only carry on business as long as it has the people, the data, the information technology and the physical infrastructure to do so. The safe and continued operation of these resources is threatened by natural and man-made perils. Risks relating to the protection of data and technology systems are increasing as the Company grows its e-businesses revenues, as attacks become more sophisticated and as regulation tightens.
Governmental regulations	The Group is subject to the laws governing businesses generally, including laws relating to competition, international trade, corruption and fraud, land usage, zoning, the environment, health and safety, transportation, labour and employment practices (including pensions), data protection, payment terms and other matters. In addition, building codes or particular tax treatments may affect the products Wolseley's customers are allowed to use and, consequently, changes in these may affect the saleability of some Wolseley products.
Health and safety	The nature of the Group's activities presents inherent health and safety hazards. The Group is committed to providing a safe working environment and has programmes in place to protect and improve the health and safety of its employees.
Fraud, bribery or corruption	The Group is committed to maintaining high standards of ethical behaviour, and has a zero tolerance approach to bribery and corruption. The Group is committed to complying with a wide range of local and international anti-corruption and bribery laws and has a comprehensive training programme for its employees in relation to these risks.

The Company faces many other risks which, although important and subject to regular review, have been assessed as less significant and are not listed here.

Statement of directors' responsibilities

The directors confirm that these condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- An indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- Material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The directors of Wolseley plc are listed in the Wolseley plc Annual Report and Accounts 2014.

A list of current directors is maintained on the Wolseley plc website: www.wolseley.com

By order of the Board,

Ian K Meakins	**John W Martin**
Group Chief Executive	Chief Financial Officer

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 Q3 Interim Management Statement for the period ending 30 April 2015 on 2 June 2015.

3. Timetable for the interim dividend

The timetable for payment of the interim dividend of 30.25 pence per share is as follows:

Ex dividend date:	2 April 2015
Record date:	7 April 2015
Payment date:	30 April 2015

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 2015 interim 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 interim dividend is 9 April 2015 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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Condensed Group income statement (unaudited)

Half year to 31 January 2015

Half year to 31 January	Notes	2015 Before exceptional items £m	2015 Exceptional items (note 3) £m	2015 Total £m	Restated* 2014 Before exceptional items £m	Restated* 2014 Exceptional items (note 3) £m	Restated* 2014 Total £m
Continuing operations			–				
Revenue	2	6,442		6,442	6,067	–	6,067
Cost of sales		(4,646)	–	(4,646)	(4,378)	–	(4,378)
Gross profit		1,796	–	1,796	1,689	–	1,689
Operating costs:							
amortisation of acquired intangibles		(31)	–	(31)	(23)	–	(23)
impairment of acquired intangibles	10	(245)	–	(245)	–	–	–
other		(1,407)	8	(1,399)	(1,338)	(3)	(1,341)
Operating costs		(1,683)	8	(1,675)	(1,361)	(3)	(1,364)
Operating profit	2	113	8	121	328	(3)	325
Finance income		–	–	–	1	–	1
Finance costs	4	(13)	(5)	(18)	(14)	–	(14)
Profit before tax		100	3	103	315	(3)	312
Taxation	5	(86)	(5)	(91)	(87)	–	(87)
Profit for the period from continuing operations		14	(2)	12	228	(3)	225
Discontinued operations							
(Loss)/profit for the period from discontinued operations	6	(12)	(58)	(70)	–	4	4
(Loss)/profit for the period attributable to shareholders of the Company		2	(60)	(58)	228	1	229
(Loss)/earnings per share	9						
Continuing operations and discontinued operations							
Basic (loss)/earnings per share				(22.3)p			85.4p
Diluted (loss)/earnings per share				(22.2)p			84.8p
Continuing operations only							
Basic earnings per share				4.6p			84.0p
Diluted earnings per share				4.6p			83.4p

Non-GAAP performance measures	8,9		
Trading profit from ongoing operations		390	351
Trading loss from non-ongoing operations		(1)	–
Trading profit		389	351
EBITDA before exceptional items		444	393
Profit before tax, exceptional items and the amortisation and impairment of acquired intangibles		376	338
Headline earnings per share		103.6p	91.4p
Headline diluted earnings per share		103.3p	90.8p

* Restated to present the French businesses as discontinued operations under IFRS 5.

The accompanying notes are an integral part of these consolidated condensed interim financial statements.

Condensed Group statement of comprehensive income (unaudited)

Half year to 31 January 2015

Half year to 31 January	2015 £m	2014 £m
(Loss)/profit for the period	(58)	229
Other comprehensive income/(expense):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations		
Exchange gain/(loss) on translation of overseas operations	160	(283)
Exchange (loss)/gain on translation of borrowings and derivatives designated as hedges of overseas operations	(67)	79
Cumulative exchange translation on disposals recycled to profit and loss	5	–
Items that will not be reclassified to profit or loss:		
Retained earnings		
Actuarial (losses)/gains on retirement benefit plans	(114)	114
Income tax credit/(charge) on items that will not be reclassified to profit or loss	20	(23)
Other comprehensive income/(expense) for the period	4	(113)
Total comprehensive (expense)/income for the period attributable to shareholders of the Company:		
Continuing	51	122
Discontinued	(105)	(6)
Total	(54)	116

Condensed Group statement of changes in equity (unaudited)

Half year to 31 January 2015

For the half year to 31 January 2015	Notes	Share capital £m	Share premium £m	Reserves Translation reserve £m	Reserves Treasury shares £m	Reserves Own shares £m	Reserves Profit and loss account £m	Total equity £m
Total comprehensive expense		–	–	98	–	–	(152)	(54)
New share capital subscribed		–	1	–	–	–	–	1
Purchase of own shares by Employee Benefit Trusts		–	–	–	–	(15)	–	(15)
Issue of own shares by Employee Benefit Trusts		–	–	–	–	40	(37)	3
Credit to equity for share-based payments		–	–	–	–	–	11	11
Tax on share based payments		–	–	–	–	–	1	1
Increase in treasury shares	13	–	–	–	(214)	–	–	(214)
Dividends paid	7	–	–	–	–	–	(144)	(144)
Net addition to/(reduction in) shareholders' equity		–	1	98	(214)	25	(321)	(411)
Opening shareholders' equity		29	41	127	–	(93)	2,782	2,886
Closing shareholders' equity		29	42	225	(214)	(68)	2,461	2,475

For the half year to 31 January 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		–	–	(204)	–	320	116
New share capital subscribed		1	5	–	–	–	6
Purchase of own shares by Employee Benefit Trusts		–	–	–	(26)	–	(26)
Issue of own shares by Employee Benefit Trusts		–	–	–	43	(39)	4
Credit to equity for share-based payments		–	–	–	–	11	11
Dividends paid	7	–	–	–	–	(417)	(417)
Net addition to/(reduction in) shareholders' equity		1	5	(204)	17	(125)	(306)
Opening shareholders' equity		28	27	402	(115)	2,711	3,053
Closing shareholders' equity		29	32	198	(98)	2,586	2,747

The accompanying notes are an integral part of these consolidated condensed interim financial statements.

Condensed Group balance sheet (unaudited)

As at 31 January 2015

As at 31 July 2014 £m		Notes	As at 31 January 2015 £m	As at 31 January 2014 £m
	Assets			
	Non-current assets			
912	Intangible assets: goodwill	10	810	886
286	Intangible assets: other acquired intangibles and software	10	185	261
1,226	Property, plant and equipment	10	1,188	1,207
17	Financial assets		17	19
96	Retirement benefit assets		2	95
119	Deferred tax assets		161	133
162	Trade and other receivables		179	146
31	Derivative financial assets		28	37
2,849			2,570	2,784
	Current assets			
1,638	Inventories		1,727	1,684
1,965	Trade and other receivables		1,821	1,788
16	Current tax receivable		10	5
11	Derivative financial assets		13	12
240	Cash and cash equivalents		313	337
3,870			3,884	3,826
29	Assets held for sale	11	340	25
6,748	**Total assets**		6,794	6,635
	Liabilities			
	Current liabilities			
2,259	Trade and other payables		1,951	1,955
69	Current tax payable		87	42
159	Bank loans and overdrafts		303	378
7	Obligations under finance leases		4	11
-	Derivative financial liabilities		3	-
98	Provisions	12	74	109
8	Retirement benefit obligations		7	5
2,600			2,429	2,500
	Non-current liabilities			
111	Trade and other payables		119	91
791	Bank loans		1,238	885
36	Obligations under finance leases		27	39
93	Deferred tax liabilities		84	141
149	Provisions	12	152	142
81	Retirement benefit obligations		79	89
1,261			1,699	1,387
1	Liabilities held for sale	11	191	1
3,862	**Total liabilities**		4,319	3,888
2,886	**Net assets**		2,475	2,747
	Equity attributable to shareholders of the Company			
29	Share capital	13	29	29
41	Share premium		42	32
2,816	Reserves		2,404	2,686
2,886	**Shareholders' equity**		2,475	2,747

The accompanying notes are an integral part of these consolidated condensed interim financial statements.

Condensed Group cash flow statement (unaudited)

Half year to 31 January 2015

Half year to 31 January	Notes	2015 £m	2014 £m
Cash flows from operating activities			
Cash generated from operations	14	149	91
Interest received		–	1
Interest paid		(18)	(18)
Tax paid		(106)	(97)
Net cash generated/(used) by operating activities		25	(23)
Cash flows from investing activities			
Acquisition of businesses (net of cash acquired)	16	(28)	(19)
Disposals of businesses (net of cash disposed)	17	39	4
Purchases of property, plant and equipment		(105)	(79)
Proceeds from sale of property, plant and equipment and assets held for sale		5	10
Purchases of intangible assets	10	(11)	(11)
Net cash (used) by investing activities		(100)	(95)
Cash flows from financing activities			
Proceeds from the issue of shares to shareholders		1	6
Purchase of shares by Employee Benefit Trusts		(15)	(26)
Purchase of treasury shares	13	(214)	–
Proceeds from the issue of shares by Employee Benefit Trusts		3	4
Proceeds from borrowings and derivatives		800	546
Repayments of borrowings		(259)	–
Finance lease capital payments		(4)	(5)
Dividends paid to shareholders	7	(144)	(417)
Net cash generated by financing activities		168	108
Net cash generated/(used)	15	93	(10)
Effects of exchange rate changes		(14)	(22)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		79	(32)
Cash, cash equivalents and bank overdrafts at the beginning of the period		167	303
Cash, cash equivalents and bank overdrafts at the end of the period		246	271

	Notes	2015 £m	2014 £m
Cash, cash equivalents and bank overdrafts at the end of the period in condensed Group balance sheet	15	234	271
Cash and bank balances in assets held for sale	11	12	–
Cash, cash equivalents and bank overdrafts at the end of the period		246	271

The accompanying notes are an integral part of these consolidated condensed interim financial statements.

Notes to the condensed interim financial statements

Half year to 31 January 2015

1. Basis of preparation

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

The condensed interim financial statements for the six months ended 31 January 2015 were approved by the Board of Directors on 23 March 2015. The condensed interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and the International Accounting Standard 34 "Interim Financial Reporting" (IAS 34) as adopted by the European Union.

The condensed interim financial statements have been prepared on a going concern basis. The Directors of the Company are confident, on the basis of current financial projections and facilities available and after considering sensitivities, that 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 accounting policies applied by the Group in these condensed interim financial statements are the same as those set out in the Group's Annual Report and Accounts 2014.

No material new standards, amendments to standards or interpretations are effective in the period ending 31 July 2015.

IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" have been published, but not yet applied. The Group will apply these standards by year ending 31 July 2018 and 31 July 2019, respectively, subject to EU endorsement. The Directors anticipate that the adoption of these standards will have no material impact on the financial statements of the Group. No other issued standard or interpretation would have a material impact on the consolidated financial statements.

The condensed interim financial statements are unaudited. The financial information for the year ended 31 July 2014 does not constitute the Group's statutory financial statements. The Group's statutory financial statements for that year have been filed with the Jersey Registrar of Companies and received an unqualified auditors' report.

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. The Group's customer base is highly diversified, with no individually significant customer.

Since 31 July 2014 Central Europe and France were one reporting segment "Central Europe and France". Following the reclassification of the French businesses into discontinued operations, this segment has been renamed "Central Europe" and all comparatives have been restated for the purpose of consistency and comparability.

Revenue by reportable segment for continuing operations is as follows:

	2015 £m	2014 £m
USA	3,919	3,432
Canada	388	406
UK	984	943
Nordic	936	937
Central Europe	215	349
Group	6,442	6,067

2. Segmental analysis continued

Trading profit/(loss) (note 8) and operating profit/(loss) by reportable segment for continuing operations for the half year to 31 January 2015 are as follows:

	Trading profit/(loss) £m	Exceptional items £m	Amortisation and impairment of acquired intangibles £m	Operating profit/(loss) £m
USA	310	9	(11)	308
Canada	23	–	–	23
UK	43	1	(8)	36
Nordic	22	(1)	(257)	(236)
Central Europe	14	–	–	14
Central and other costs	(23)	(1)	–	(24)
Group	389	8	(276)	121
Finance income				–
Finance costs				(18)
Profit before tax				103

Trading profit/(loss) (note 8) and operating profit/(loss) by reportable segment for continuing operations for the half year to 31 January 2014 have been restated and are as follows:

	Trading profit/(loss) £m	Exceptional items £m	Amortisation of acquired intangibles £m	Operating profit/(loss) £m
USA	253	–	(7)	246
Canada	24	–	–	24
UK	48	–	–	48
Nordic	28	(8)	(16)	4
Central Europe	20	2	–	22
Central and other costs	(22)	3	–	(19)
Group	351	(3)	(23)	325
Finance income				1
Finance costs				(14)
Profit before tax				312

The change in revenue and trading profit between the periods ended 31 January 2014 and 31 January 2015 is 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 period, the difference between the revenue and trading profit in the current period up to the date of disposal and the revenue and trading profit in the equivalent portion of the prior period is included in organic change.

2. Segmental analysis continued

Analysis of change in revenue	2014 £m	Exchange £m	Disposals £m	Acquisitions £m	Organic change £m	2015 £m
USA	3,432	35	(3)	105	350	3,919
Canada	406	(25)	–	4	3	388
UK	943	–	–	39	2	984
Nordic	937	(75)	(2)	67	9	936
Central Europe	349	(18)	(119)	–	3	215
Group	6,067	(83)	(124)	215	367	6,442

Analysis of change in trading profit (note 8)	2014 £m	Exchange £m	Disposals £m	Acquisitions £m	Organic change £m	2015 £m
USA	253	3	(2)	5	51	310
Canada	24	(1)	–	–	–	23
UK	48	–	–	3	(8)	43
Nordic	28	(3)	–	–	(3)	22
Central Europe	20	(1)	(3)	–	(2)	14
Central and other costs	(22)	–	–	–	(1)	(23)
Group	351	(2)	(5)	8	37	389

In 2014 and 2015 a number of Group entities or portfolios of branches have been closed, disposed of or classified as held for sale. These are disclosed below. This disclosure does not include discontinued operations which are disclosed in note 6. The revenue and trading profit of the Group's segments excluding those entities ("ongoing segments") are analysed in the following table. The prior year figures have been restated for the purpose of consistency and comparability. This is non-GAAP information.

	Revenue		Trading profit/(loss)	
Half year to 31 January	2015 £m	2014 £m	2015 £m	2014 £m
Ongoing operations by segment				
USA	3,912	3,418	311	252
Canada	388	406	23	24
UK	984	943	43	48
Nordic	936	913	22	32
Central Europe	215	230	14	17
Central and other costs	–	–	(23)	(22)
	6,435	5,910	390	351
Entities closed, disposed of or classified as held for sale (excluding discontinued operations)	7	157	(1)	–
Group (continuing operations)	6,442	6,067	389	351

2. Segmental analysis continued

Other information on assets and liabilities by segment is set out in the tables below:

	31 January 2015			31 January 2014		
Segment assets and liabilities	Segment assets £m	Segment liabilities £m	Segment net assets £m	Segment assets £m	Segment liabilities £m	Segment net assets £m
USA	3,335	(1,144)	2,191	2,673	(947)	1,726
Canada	300	(105)	195	298	(96)	202
UK	975	(484)	491	993	(448)	545
Nordic	1,056	(445)	611	1,386	(457)	929
Central Europe	234	(86)	148	290	(121)	169
Central and other balances	31	(100)	(69)	23	(83)	(60)
Discontinued	338	(209)	129	448	(240)	208
Total	6,269	(2,573)	3,696	6,111	(2,392)	3,719
Taxation assets and liabilities	171	(171)	-	138	(183)	(45)
Net cash/(debt)	354	(1,575)	(1,221)	386	(1,313)	(927)
Group assets/(liabilities)	6,794	(4,319)	2,475	6,635	(3,888)	2,747

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 as follows:

		Restated
	2015 £m	2014 £m
Gain on disposal of businesses	9	3
Loss on closure of businesses and revaluations of held for sale disposal groups	-	(8)
Other exceptional items	(1)	2
Total included in operating profit	8	(3)

4. Finance costs

		Restated
Half year to 31 January	2015 £m	2014 £m
Interest payable		
- Bank loans and overdrafts	(13)	(11)
- Finance lease charges	(1)	(1)
Net pension finance income/(cost)	1	(2)
Exceptional finance expense	(5)	–
Total finance costs	(18)	(14)

The £5 million exceptional finance expense is due to the recycling of foreign translation reserves to the income statement as a result of the liquidation of three financing companies. Exceptional items relating to discontinued operations are detailed in note 6.

5. Taxation

The tax charge on ordinary activities for the half year has been calculated by applying the expected full year rate to the half year results with specific adjustments for items that distort the rate (amortisation of intangible assets, exceptional items, and share schemes). The tax charge for the period comprises:

Half year to 31 January	2015 £m	2014 £m
Current period tax charge	(108)	(76)
Deferred tax credit/(charge): origination and reversal of temporary differences	17	(11)
Total tax charge – continuing operations	(91)	(87)

6. Discontinued operations

The Group is in the process of selling all of its businesses in France. In accordance with IFRS 5 "Non-current assets held for sale and discontinued operations", these businesses have been classified as discontinued and prior periods have been restated to reflect this.

The results of the discontinued operations which have been included in the condensed group income statement are as follows:

Half year to 31 January	2015 Before exceptional items £m	2015 Exceptional items £m	2015 Total £m	2014 Before exceptional items £m	2014 Exceptional items £m	2014 Total £m
Revenue	313	–	313	454	–	454
Cost of sales	(218)	–	(218)	(317)	–	(317)
Gross profit	95	–	95	137	–	137
Operating costs:						
impairment of net assets	–	(58)	(58)	–	–	–
Other	(106)	(1)	(107)	(136)	4	(132)
Operating costs	(106)	(59)	(165)	(136)	4	(132)
Operating (loss)/profit	(11)	(59)	(70)	1	4	5
Finance income	–	1	1	–	–	–
Finance costs	–	–	–	(1)	–	(1)
(Loss)/profit before tax	(11)	(58)	(69)	–	4	4
Attributable tax expense	(1)	–	(1)	–	–	–
(Loss)/profit from discontinued operations	(12)	(58)	(70)	–	4	4
Basic (loss)/earnings per share	(4.6)p	(22.3)p	(26.9)p	–	1.4p	1.4p
Diluted (loss)/earnings per share	(4.6)p	(22.2)p	(26.8)p	–	1.4p	1.4p

The exceptional items included in operating loss from discontinued operations mainly relate to asset write downs.

During the year, the discontinued operations used £17 million (2014: £14 million) of the Group's net operating cash flows, paid £6 million (2014: received £10 million) in respect of investing activities and received £11 million (2014: paid £4 million) in respect of financing activities.

7. Dividends

	2015		2014	
Half year to 31 January	£m	Pence per share	£m	Pence per share
Amounts recognised as distributions to equity shareholders:				
Final dividend for the year ended 31 July 2013	–	–	119	44p
Final dividend for the year ended 31 July 2014	144	55p	–	–
Special dividend	–	–	298	110p
Dividends paid	144	55p	417	154p

An interim dividend of 30.25 pence per share is proposed (2014: 27.5 pence).

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 condensed interim financial statements.

		Restated
Half year to 31 January	2015 £m	2014 £m
Continuing operations		
Operating profit	121	325
Add back: amortisation and impairment of acquired intangibles	276	23
Exceptional items in operating profit	(8)	3
Trading profit	389	351
Depreciation and amortisation of property, plant and equipment and software	55	42
EBITDA before exceptional items	444	393
Profit before tax	103	312
Add back: amortisation and impairment of acquired intangibles	276	23
Exceptional (credits)/charges in profit before tax	(3)	3
Profit before tax, exceptional items and the amortisation and impairment of acquired intangibles	376	338
Tax expense	(91)	(87)
Deduct: deferred tax credit on the amortisation and impairment of acquired intangibles	(34)	(6)
Add back: tax charge on exceptional items	5	–
Add back: non-recurring tax charge relating to prior years	14	–
Adjusted tax expense	(106)	(93)
Net profit from continuing operations	12	225
Add back: amortisation and impairment of acquired intangibles net of tax	242	17
Exceptional charges net of tax	2	3
Add back: non-recurring tax charge relating to prior years	14	–
Headline profit after tax from continuing operations	270	245

Applying the adjusted tax charge of £106 million to the profit before tax, exceptional items and the amortisation of acquired intangibles of £376 million gives an effective tax rate of 28.2% (2014: 27.5% restated).

9. (Loss)/earnings per share

Basic loss per share from continuing and discontinued operations of 22.3 pence (2014: earnings of 85.4 pence) is calculated on the loss for the period attributable to shareholders of £58 million (2014: profit of £229 million) on a weighted average number of ordinary shares in issue during the period. Basic earnings per share from continuing operations is based on the profit for the period attributable to the owners of the parent and the weighted average number of ordinary shares in issue during the period excluding shares held to satisfy the Group's employee share schemes and shares purchased by the Company and held as treasury shares. Diluted earnings per share have been calculated by taking into account the weighted average number of shares that would be issued if vested options were exercised. Options are dilutive at the profit from continuing operations level and so, in accordance with IAS33, have been treated as dilutive for the purpose of diluted earnings per share.

						Restated
			2015			2014
Half year to 31 January	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 (note 8)	270	103.6	103.3	245	91.4	90.8
Exceptional items (net of tax)	(2)	(0.8)	(0.8)	(3)	(1.1)	(1.1)
Amortisation and impairment of acquired intangibles (net of tax)	(242)	(92.8)	(92.5)	(17)	(6.3)	(6.3)
Non-recurring tax charge relating to prior years	(14)	(5.4)	(5.4)	–	–	–
Profit from continuing operations	12	4.6	4.6	225	84.0	83.4
(Loss)/profit from discontinued operations	(70)	(26.9)	(26.8)	4	1.4	1.4
(Loss)/profit from continuing and discontinued operations	(58)	(22.3)	(22.2)	229	85.4	84.8

The weighted average number of ordinary shares in issue during the period, excluding those held by Employee Benefit Trusts, was 260.6 million (2014: 268.1 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 261.5 million (2014: 270.0 million).

10. Property, plant and equipment and intangible assets

	Goodwill £m	Other acquired intangibles £m	Software £m	Total intangibles £m	Property, plant and equipment £m	Total tangible and intangible fixed assets £m
Net book value at 1 August 2014	912	253	33	1,198	1,226	2,424
Additions	-	-	11	11	107	118
Acquisition of businesses	6	9	-	15	4	19
Adjustment to fair values on acquisition	(16)	13	-	(3)	-	(3)
Disposals	-	-	-	-	(2)	(2)
Depreciation and amortisation	-	(31)	(6)	(37)	(54)	(91)
Impairment charge	(140)	(105)	-	(245)	-	(245)
Reclassified as held for sale	-	-	(1)	(1)	(105)	(106)
Exchange rate adjustment	48	9	-	57	12	69
Net book value at 31 January 2015	810	148	37	995	1,188	2,183

Adjustments to fair values on acquisition are made to business acquisitions that have occurred within the previous 12 months, as preliminary fair values are initially recognised upon acquisition.

10. Property, plant and equipment and intangible assets continued

The Group tests goodwill and other acquired intangible assets for impairment annually, or more frequently if there are indications that these assets might be impaired. During the period, the performance of certain businesses in the Nordic region deteriorated sharply, generating a trigger event for management to reassess the recoverability of their goodwill and acquired intangible asset balances. This has resulted in an impairment charge as follows:

31 January 2015 **CGU Grouping-Nordic**	Goodwill	Acquired Intangibles	Total	Impairment	Remaining goodwill and intangibles	Discount rate
CGU	£m	£m	£m	£m	£m	%
Stark	52	57	109	(109)	-	7.9
Silvan	-	21	21	(21)	-	7.9
Starkki	61	26	87	(87)	-	7.7
Beijer	98	27	125	(28)	97	7.8
Total	211	131	342	(245)	97	

Market conditions in Denmark and Sweden did not show the expected improvements in the period. Consideration was given to past events, current and future business initiatives and the wider economy. As a result, expectations of future profitability for these businesses has been significantly reduced resulting in the impairment to goodwill and intangibles for Stark, Silvan and Beijer of £158 million, as reflected in the table above.

The key assumptions used in the impairment review for Beijer were like-for-like revenue growth of 1.0% (31 July 2014: 2.7%), discount rate of 7.8% (31 July 2014: 7.8%) and long-term growth rate of 1.0% (31 July 2014: 1.5%). Whilst management believes the assumptions are realistic, it is possible that a further impairment would be identified if the key assumptions changed significantly.

Finnish markets deteriorated further in the first half of the year than was anticipated at the year-end. Given the challenging market conditions, expectations of reduced future profitability were reflected in the value in use calculation generating an impairment for Starkki of £87 million.

Management performed a sensitivity analysis for the Norwegian business, Neumann, on each key assumption (revenue like-for-like growth, discount rate, and long-term growth rate) keeping all other assumptions constant. Neumann shows limited headroom of £4 million on a total goodwill and intangibles balance of £19 million at 31 January 2015. We have disclosed the sensitivity analysis below, showing a comparison to the 2014 year-end analysis. The results in the table 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 January 2015	Carrying value	Headroom	Like-for-like revenue growth		Discount rate		Long-term growth rate	
CGU	£m	£m	Assumption	Sensitivity	Assumption	Sensitivity	Assumption	Sensitivity
Neumann	19	4	1.0%	(1.8)%	8.3%	0.7%	1.5%	(0.9)%

31 July 2014	Carrying value	Headroom	Like-for-like revenue growth		Discount rate		Long-term growth rate	
CGU	£m	£m	Assumption	Sensitivity	Assumption	Sensitivity	Assumption	Sensitivity
Neumann	21	12	3.5%	(6.2)%	8.3%	2.2%	1.5%	(3.0)%

Whilst management believes the assumptions are realistic, it is possible that an impairment would be identified if the key assumptions above changed significantly.

11. Assets and liabilities held for sale

	2015 £m	2014 £m
Properties awaiting disposal	30	19
Assets of disposal groups held for sale	310	6
Assets held for sale	340	25
Liabilities of disposal groups held for sale	191	1

During the period, the Group announced its decision to sell all of its businesses in France. As at 31 January 2015, it has commenced the sales process and accordingly these businesses have been classified as disposal groups held for sale.

The assets and liabilities of disposal groups held for sale consist of:

	2015 £m
Intangible assets	1
Property, plant and equipment	64
Inventories	96
Trade and other receivables	124
Tax receivables	13
Cash and bank balances	12
Trade and other payables	(114)
Provisions and retirement benefit obligations	(45)
Bank loans	(24)
Tax payables	(8)
	119

The assets and liabilities of disposal groups held for sale include £63 million of net current assets from the Group's French Building Materials business and if these are not realised it will give rise to a loss on disposal.

12. Provisions

	Environmental and legal £m	Wolseley insurance £m	Restructuring £m	Other provisions £m	Total £m
At 1 August 2014	85	41	55	66	247
Adjustment to fair values on acquisition	(2)	-	-	(1)	(3)
Utilised in the period	(10)	(7)	(14)	(2)	(33)
Amortisation of discount	2	-	-	-	2
Charge for the period	5	9	2	(3)	13
Unearned premium	-	9	-	-	9
Disposal of businesses and reclassified as held for sale	(6)	-	(1)	(12)	(19)
Exchange differences	6	4	-	-	10
At 31 January 2015	80	56	42	48	226

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

Current	16	24	22	12	74
Non-current	64	32	20	36	152
	80	56	42	48	226

12. Provisions continued

Environmental and legal provisions include £56 million (31 July 2014: £49 million) for the estimated liability for asbestos litigation on a discounted basis. This amount has been actuarially determined as at 31 January 2015 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 available significantly exceeds the expected level of future claims and no material profit or cash flow impact is therefore expected to arise in the foreseeable future.

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).

Restructuring provisions include provisions for future lease rentals on closed branches. Other provisions include warranty and separation costs relating to businesses disposed of, rental commitments on vacant properties other than those arising from restructuring actions, dilapidations on leased properties and warranties.

13. Share capital

On 30 September 2014, the Group announced its intention to initiate a share buyback programme for up to £250 million. During the period to 31 January 2015, the Group purchased 6,535,788 shares under the programme at a cost of £214 million. The shares purchased under the Group's buyback programme have been retained in issue as treasury shares and represent a deduction from equity attributable to owners of the parent.

There were 260,052,626 ordinary shares in issue at 31 January 2015.

14. Reconciliation of (loss)/profit to cash generated from operations

(Loss)/profit for the period is reconciled to cash generated from operations as follows:

Half year to 31 January	2015 £m	Restated 2014 £m
(Loss)/profit for the period	(58)	229
Net finance costs	18	13
Tax expense	91	87
Loss/(gain) on disposal and closure of businesses and revaluation of disposal groups	49	(6)
Depreciation and impairment of property, plant and equipment	54	48
Amortisation and impairment of non-acquired intangibles	6	5
Amortisation and impairment of acquired intangibles	276	23
Profit on disposal of property, plant and equipment	(2)	(3)
Increase in inventories	(105)	(66)
Decrease in trade and other receivables	126	125
Decrease in trade and other payables	(295)	(362)
Decrease in provisions and other liabilities	(22)	(13)
Share-based payments	11	11
Cash generated from operations	149	91

14. Reconciliation of (loss)/profit to cash generated from operations continued

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

Half year to 31 January	2015 £m	Restated 2015 £m
Trading profit	389	351
Exceptional items in operating profit	8	(3)
Gain on disposal and closure of businesses and revaluation of disposal groups	49	(6)
Loss on discontinued operations	(70)	4
Depreciation and impairment of property, plant and equipment	54	48
Amortisation and impairment of non-acquired intangibles	6	5
Profit on disposal of property, plant and equipment	(2)	(3)
Increase in inventories	(105)	(66)
Decrease in trade and other receivables	126	125
Decrease in trade and other payables	(295)	(362)
Decrease in provisions and other liabilities	(22)	(13)
Share-based payments	11	11
Cash generated from operations	149	91

15. Reconciliation of opening to closing net debt

	1 August 2014 £m	Cash flows £m	Reclassified as held for sale £m	Acquisitions/ new finance leases £m	Fair value and other adjustments £m	Exchange movement £m	31 January 2015 £m
Cash and cash equivalents	240						313
Bank overdrafts	(73)						(79)
	167	93	(12)	–	–	(14)	234
Derivative financial instruments	42	–	–	–	(8)	4	38
Bank loans	(877)	(541)	–	–	6	(50)	(1,462)
Obligations under finance leases	(43)	4	13	(3)	–	(2)	(31)
Net debt	(711)	(444)	1	(3)	(2)	(62)	(1,221)

16. Acquisitions

The Group acquired the following businesses in the period ended 31 January 2015. 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
Joseph G Pollard Inc	August 2014	USA	100
Powell Pipe & Supply Co.	September 2014	USA	100
Goodman Industrial	October 2014	Canada	100
City Lights Design	October 2014	USA	100
Global HVAC	November 2014	USA	100
McFarland Supply	December 2014	USA	100
Ship-Pac	December 2014	USA	100

Aggregate consideration amounted to £28 million, of which £5 million is deferred. Provisional assets and liabilities of £13 million were acquired and other intangible assets were fair valued at £9 million resulting in goodwill of £6 million.

16. Acquisitions continued

The fair value adjustments for the period ended 31 January 2015 are provisional figures, being the best estimates currently available. Amendments may be made to these figures in the 12 months following the date of acquisition when additional information is available concerning some of the judgemental 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.

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

	2015 £m
Purchase consideration	(23)
Deferred and contingent consideration in respect of prior year acquisitions	(5)
Cash consideration	(28)
Cash and cash equivalents acquired	–
Net cash outflow in respect of the purchase of businesses	(28)

The Group made eight acquisitions during the prior year, all of which were paid for in cash.

Details of net assets acquired in the prior year and their fair value adjustments are set out below for all eight acquisitions in total. At July 2014 this analysis was provisional but has now been finalised.

	Fair value £m
Property, plant and equipment	35
Goodwill	45
Other intangible assets	71
Inventory	42
Trade and other receivables	45
Trade and other payables	(43)
Provisions	(4)
Current tax liability	(1)
Deferred tax asset	8
Net assets acquired	198
Cash outflow (net of cash acquired)	187
Deferred consideration	11
Total consideration	198

17. Disposals

In the half year to 31 January 2015 the Group disposed its OPC business in Norway and its Specialty Pipe business in the USA. The resulting gain on these disposals has been recognised as an exceptional item within other operating costs on the face of the condensed Group income statement and is calculated as follows:

	2015 £m
Consideration	23
Net assets disposed of	(14)
Gain on disposal of businesses	9

The net inflow of cash in respect of the business disposals is as follows:

	2015 £m
Cash consideration received for current year disposals	20
Cash consideration received for prior year disposals	19
Net cash inflow in respect of the disposal of businesses	39

18. Related party transactions

There are no material related party transactions requiring disclosure under IAS 24, "Related Party Disclosures", other than compensation of key management personnel which will be disclosed in the Group's Annual Report for the year ending 31 July 2015.

19. 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.

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.

19. Contingent liabilities continued

Warranties and guarantees in relation to business disposals

Following a review of the appropriate allocation of the Group's resources since 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 provision 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 these interim financial statements 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.

Employee claims

The Group operates in a number of countries and aims to comply with all relevant regulations and best practice, which may vary by country and region. From time to time the Group is subject to claims from employees which may give rise to future cash outflows.

20. Financial risk management and financial instruments

The Group is exposed to risks arising from the international nature of its operations and the financial instruments which fund them, in particular to foreign currency risk, interest rate risk and liquidity risk. Full details of the Group's policies for managing these risks are disclosed in the Group's Annual Report for the financial year ended 31 July 2014. Since the date of that report, there have been no significant changes in:

- the nature of the financial risks to which the Group is exposed;
- the nature of the financial instruments which the Group uses;
- its contractual cash outflows and the committed facilities available to fund them; or
- the difference between book value and fair value of any financial instruments.

Financial instruments measured at fair value and categorised at level 1 in the fair value measurement hierarchy at 31 January 2015 were nil (2014: £2 million), derivative financial assets of £41 million were categorised at level 2 (2014: £49 million) and derivative financial assets of £17 million were categorised at level 3 (2014: £19 million).

Bank loans and overdrafts include senior unsecured notes with a book value at 31 January 2015 of £476 million (2014: £448 million) and an estimated fair value of £496 million (2014: £468 million).

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The fair value of financial instruments that are not traded in an active market (such as over-the-counter derivatives) is determined by using valuation techniques. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves. The fair value of currency swaps has been estimated as the cost of closing out the contracts using market prices at the balance sheet date.

The Group's other financial instruments are measured on bases other than fair value. Other receivables include an amount of £56 million (2014: £50 million) which has been discounted at a rate of 1.7 per cent (2014: 2.6 per cent) due to the long-term nature of the receivable. Because other current assets and liabilities are either of short maturity or bear floating rate interest, their fair values approximate to book values. The book values and fair values of categories including non-current assets and liabilities can be compared as follows:

	31 January 2015 Book Value £m	31 January 2015 Fair Value £m	31 January 2014 Book Value £m	31 January 2014 Fair Value £m
Trade and other receivables, excluding prepayments and accrued income	1,720	1,720	1,653	1,653
Trade and other payables, excluding accruals, deferred income and other tax and social security	(1,686)	(1,686)	(1,671)	(1,671)
Bank loans and overdrafts	(1,541)	(1,541)	(1,263)	(1,263)
Senior unsecured notes	(476)	(496)	(448)	(468)
Finance lease obligations	(31)	(31)	(50)	(50)

21. Subsequent events

Since 31 January 2015, the Group acquired five businesses in the US and the UK regions. These businesses have annual revenues of £70 million.

22. Exchange rates

Exchange rates (equivalent to £1)	2015	2014
US Dollar		
Income statement (average rate for the six months to 31 January)	1.59	1.61
Balance sheet (rate at 31 January)	1.51	1.64
Balance sheet (rate at 31 July)		1.69
Euro		
Income statement (average rate for the six months to 31 January)	1.27	1.19
Balance sheet (rate at 31 January)	1.34	1.22
Balance sheet (rate at 31 July)		1.26
Danish Krone		
Income statement (average rate for the six months to 31 January)	9.46	8.86
Balance sheet (rate at 31 January)	9.92	9.09
Balance sheet (rate at 31 July)		9.40
Canadian Dollar		
Income statement (average rate for the six months to 31 January)	1.81	1.69
Balance sheet (rate at 31 January)	1.92	1.83
Balance sheet (rate at 31 July)		1.84
Swiss Franc		
Income statement (average rate for the six months to 31 January)	1.51	1.46
Balance sheet (rate at 31 January)	1.39	1.49
Balance sheet (rate at 31 July)		1.53

Independent review report to Wolseley plc

Report on the condensed interim financial statements

Our conclusion

We have reviewed the condensed interim financial statements, defined below, in the half-yearly financial report of Wolseley plc for the six months ended 31 January 2015. Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

This conclusion is to be read in the context of what we say in the remainder of this report.

What we have reviewed

The condensed interim financial statements, which are prepared by Wolseley plc, comprise:

- the Condensed Group balance sheet as at 31 January 2015;
- the Condensed Group income statement and Condensed Group statement of comprehensive income for the period then ended;
- the Condensed Group cash flow statement for the period then ended;
- the Condensed Group statement of changes in equity for the period then ended; and
- the explanatory notes to the condensed interim financial statements.

As disclosed in note 1, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The condensed interim financial statements included in the half-yearly financial report have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What a review of condensed financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

Independent review report to Wolseley plc continued

Responsibilities for the condensed interim financial statements and the review

Our responsibilities and those of the directors

The half-yearly financial report, including the condensed interim financial statements, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express to the company a conclusion on the condensed interim financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants London
23 March 2015

Notes:

(a) The maintenance and integrity of the Wolseley plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.