

# Financials



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## Group income statement

Year ended 31 July 2015

		2015 Before exceptional items £m	2015 Exceptional items (note 4) £m	2015 Total £m	2014 Before exceptional items £m	2014 Exceptional items (note 4) £m	2014 Total £m
							*Restated
	Notes						
<b>Revenue</b>	2	<b>13,332</b>	<b>–</b>	<b>13,332</b>	12,271	–	12,271
Cost of sales		<b>(9,604)</b>	<b>–</b>	<b>(9,604)</b>	(8,855)	(8)	(8,863)
<b>Gross profit</b>		<b>3,728</b>	<b>–</b>	<b>3,728</b>	3,416	(8)	3,408
Operating costs:							
amortisation of acquired intangibles		<b>(56)</b>	<b>–</b>	<b>(56)</b>	(46)	–	(46)
impairment of acquired intangibles		<b>(238)</b>	<b>–</b>	<b>(238)</b>	–	–	–
other		<b>(2,874)</b>	<b>(4)</b>	<b>(2,878)</b>	(2,664)	7	(2,657)
Operating costs	3	<b>(3,168)</b>	<b>(4)</b>	<b>(3,172)</b>	(2,710)	7	(2,703)
<b>Operating profit</b>	2, 3	<b>560</b>	<b>(4)</b>	<b>556</b>	706	(1)	705
Finance income		<b>1</b>	<b>–</b>	<b>1</b>	1	–	1
Finance costs	5	<b>(27)</b>	<b>(22)</b>	<b>(49)</b>	(30)	–	(30)
<b>Profit before tax</b>		<b>534</b>	<b>(26)</b>	<b>508</b>	677	(1)	676
Taxation	6	<b>(184)</b>	<b>(3)</b>	<b>(187)</b>	(191)	(3)	(194)
<b>Profit from continuing operations</b>		<b>350</b>	<b>(29)</b>	<b>321</b>	486	(4)	482
<b>(Loss)/profit from discontinued operations</b>	7	<b>(1)</b>	<b>(107)</b>	<b>(108)</b>	2	20	22
<b>Profit for the year attributable to shareholders of the Company</b>		<b>349</b>	<b>(136)</b>	<b>213</b>	488	16	504
<b>Earnings per share</b>	10						
<i>Continuing operations and discontinued operations</i>							
Basic earnings per share				<b>82.1p</b>			189.8p
Diluted earnings per share				<b>81.9p</b>			188.8p
<i>Continuing operations only</i>							
Basic earnings per share				<b>123.8p</b>			181.5p
Diluted earnings per share				<b>123.4p</b>			180.5p
<b>Non-GAAP performance measures</b>							
Trading profit from ongoing operations		<b>857</b>			752		
Trading loss from non-ongoing operations		<b>(3)</b>			–		
Trading profit from continuing operations	9	<b>854</b>			752		
EBITDA before exceptional items	9	<b>971</b>			847		
Profit before tax, exceptional items and the amortisation and impairment of acquired intangibles	9	<b>828</b>			723		
Headline earnings per share	10	<b>230.2p</b>			195.0p		
Headline diluted earnings per share	10	<b>229.4p</b>			194.0p		

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



## Group statement of comprehensive income

Year ended 31 July 2015

	Notes	2015 £m	2014 £m
<b>Profit for the year</b>		<b>213</b>	504
<b>Other comprehensive income:</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange gain/(loss) on translation of overseas operations		<b>10</b>	(340)
Exchange (loss)/gain on translation of borrowings and derivatives designated as hedges of overseas operations		<b>(46)</b>	77
Cumulative currency translation differences on disposals		<b>26</b>	(12)
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Actuarial (loss)/gain on retirement benefit plans	25	<b>(61)</b>	85
Tax credit/(charge) on items that will not be reclassified to profit or loss	6, 25	<b>15</b>	(15)
Other comprehensive expense for the year		<b>(56)</b>	(205)
Total comprehensive income for the year		<b>157</b>	299
Total comprehensive income/(expense) attributable to:			
Continuing operations		<b>276</b>	297
Discontinued operations		<b>(119)</b>	2
<b>Total comprehensive income for the year</b>		<b>157</b>	299

## Group statement of changes in equity

Year ended 31 July 2015	Notes	Share capital £m	Share premium £m	Translation reserve £m	Treasury shares £m	Own shares £m	Reserves		Total equity £m
							Profit and loss account £m	Non-controlling interest £m	
Total comprehensive (expense)/income		–	–	<b>(10)</b>	–	–	<b>167</b>	–	<b>157</b>
New share capital subscribed		–	<b>1</b>	–	–	–	–	–	<b>1</b>
Purchase of own shares by Employee Benefit Trusts		–	–	–	–	<b>(15)</b>	–	–	<b>(15)</b>
Issue of own shares by Employee Benefit Trusts		–	–	–	–	<b>45</b>	<b>(40)</b>	–	<b>5</b>
Credit to equity for share-based payments	27	–	–	–	–	–	<b>20</b>	–	<b>20</b>
Taxation relating to share-based payments	6	–	–	–	–	–	<b>10</b>	–	<b>10</b>
Purchase of Treasury shares	26	–	–	–	<b>(250)</b>	–	–	–	<b>(250)</b>
Disposal of Treasury shares	26	–	–	–	<b>10</b>	–	<b>(2)</b>	–	<b>8</b>
Dividends paid	8	–	–	–	–	–	<b>(222)</b>	–	<b>(222)</b>
Changes in non-controlling interest in subsidiaries		–	–	–	–	–	–	<b>7</b>	<b>7</b>
Net addition to/(reduction in) shareholders' equity		–	<b>1</b>	<b>(10)</b>	<b>(240)</b>	<b>30</b>	<b>(67)</b>	<b>7</b>	<b>(279)</b>
Opening shareholders' equity		<b>29</b>	<b>41</b>	<b>127</b>	–	<b>(93)</b>	<b>2,782</b>	–	<b>2,886</b>
Closing shareholders' equity		<b>29</b>	<b>42</b>	<b>117</b>	<b>(240)</b>	<b>(63)</b>	<b>2,715</b>	<b>7</b>	<b>2,607</b>

Year ended 31 July 2014	Notes	Share capital £m	Share premium £m	Translation reserve £m	Own shares £m	Reserves		Total equity £m
						Profit and loss account £m	Non-controlling interest £m	
Total comprehensive (expense)/income		–	–	(275)	–	574	–	299
New share capital subscribed		1	14	–	–	–	–	15
Purchase of own shares by Employee Benefit Trusts		–	–	–	(26)	–	–	(26)
Issue of own shares by Employee Benefit Trusts		–	–	–	48	(43)	–	5
Credit to equity for share-based payments	27	–	–	–	–	22	–	22
Taxation relating to share-based payments	6	–	–	–	–	7	–	7
Dividends paid	8	–	–	–	–	(489)	–	(489)
Net addition to/(reduction in) shareholders' equity		1	14	(275)	22	71	–	(167)
Opening shareholders' equity		28	27	402	(115)	2,711	–	3,053
Closing shareholders' equity		29	41	127	(93)	2,782	–	2,886

## Group balance sheet

As at 31 July 2015

	Notes	2015 £m	2014 £m
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets: goodwill	12	816	912
Intangible assets: other	13	195	286
Property, plant and equipment	14	1,164	1,226
Financial assets		16	17
Retirement benefit assets	25	57	96
Deferred tax assets	15	115	119
Trade and other receivables	16	172	162
Derivative financial assets	17	24	31
		<b>2,559</b>	2,849
<b>Current assets</b>			
Inventories		1,688	1,638
Trade and other receivables	16	1,915	1,965
Current tax receivable		4	16
Derivative financial assets	17	10	11
Cash and cash equivalents	18	1,105	240
		<b>4,722</b>	3,870
Assets held for sale	19	201	29
<b>Total assets</b>		<b>7,482</b>	6,748
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	20	2,281	2,259
Current tax payable		58	69
Bank loans and overdrafts	21	1,001	159
Obligations under finance leases	23	4	7
Derivative financial liabilities	17	1	–
Provisions	24	78	98
Retirement benefit obligations	25	8	8
		<b>3,431</b>	2,600
<b>Non-current liabilities</b>			
Trade and other payables	20	125	111
Bank loans	21	913	791
Obligations under finance leases	23	25	36
Deferred tax liabilities	15	53	93
Provisions	24	128	149
Retirement benefit obligations	25	64	81
		<b>1,308</b>	1,261
Liabilities held for sale	19	136	1
<b>Total liabilities</b>		<b>4,875</b>	3,862
<b>Net assets</b>		<b>2,607</b>	2,886
<b>Equity</b>			
Share capital	26	29	29
Share premium account	28	42	41
Reserves	28	2,529	2,816
<b>Equity attributable to shareholders of the Company</b>		<b>2,600</b>	2,886
Non-controlling interest	28	7	–
<b>Total equity</b>		<b>2,607</b>	2,886

The accompanying notes are an integral part of these consolidated financial statements. The consolidated financial statements on pages 104 to 157 were approved by the Board of Directors on 28 September 2015 and were signed on its behalf by



**Ian Meakins**  
Group Chief Executive



**John Martin**  
Chief Financial Officer

## Group cash flow statement

Year ended 31 July 2015

	Notes	2015 £m	2014 £m
<b>Cash flows from operating activities</b>			
Cash generated from operations	29	937	678
Interest received		2	2
Interest paid		(45)	(36)
Tax paid		(210)	(192)
Net cash generated from operating activities		684	452
<b>Cash flows from investing activities</b>			
Acquisition of businesses (net of cash acquired)	30	(105)	(194)
Disposals of businesses (net of cash disposed of)	31	35	34
Purchases of property, plant and equipment		(205)	(182)
Proceeds from sale of property, plant and equipment and assets held for sale		20	37
Purchases of intangible assets		(26)	(19)
Disposals of investments		31	–
Net cash used in investing activities		(250)	(324)
<b>Cash flows from financing activities</b>			
Proceeds from the issue of shares to shareholders	26	1	15
Purchase of shares by Employee Benefit Trusts		(15)	(26)
Purchase of Treasury shares		(250)	–
Proceeds from the sale of shares by Employee Benefit Trusts		5	5
Proceeds from the sale of Treasury shares		8	–
Proceeds from borrowings and derivatives		533	262
Repayments of borrowings		(324)	(7)
Finance lease capital payments		(4)	(11)
Dividends paid to shareholders		(222)	(489)
Net cash used by financing activities		(268)	(251)
Net cash generated/(used)		166	(123)
Effects of exchange rate changes		(77)	(13)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		89	(136)
Cash, cash equivalents and bank overdrafts at the beginning of the year	32	167	303
Cash, cash equivalents and bank overdrafts at the end of the year		256	167
		2015 £m	2014 £m
Cash, cash equivalents and bank overdrafts at the end of the year in the Group balance sheet	32	257	167
Bank balances and overdrafts in liabilities held for sale	19	(1)	–
Cash, cash equivalents and bank overdrafts at the end of the year		256	167

# Notes to the consolidated financial statements

Year ended 31 July 2015

## 1. Accounting policies and critical estimates and judgements

### Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union, including interpretations issued by the International Accounting Standards Board (“IASB”) and its committees.

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

The consolidated financial statements and affected notes for the year ended 31 July 2014 have been restated to present the French businesses as discontinued operations under IFRS 5.

### Accounting developments and changes

A summary of the principal accounting policies applied by the Group in the preparation of the consolidated financial statements is set out in note 37(i) on pages 145 to 150.

The following standards have been published, but not yet applied:

- IFRS 9 “Financial Instruments”
- IFRS 15 “Revenue from Contracts with Customers”

The Group will apply these standards when they become applicable, currently expected to be in the year ending 31 July 2019.

The Directors anticipate that the adoption of these standards in future periods 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.

### Choices permitted by IFRS

The Group has elected to apply hedge accounting to some of its financial instruments.

### Critical accounting estimates and judgements

Several of the Group’s accounting policies require management to make estimates and assumptions that affect reported amounts. The following areas are most sensitive to the accuracy of such estimates.

### Impairment of assets

The Group reviews assets that have an indefinite useful life at least annually to assess whether their recoverable amount exceeds their carrying value. The recoverable amount is defined as the higher of fair value less disposal costs and value in use, which in turn is the present value of the future cash flows expected to be generated from the asset. Where carrying value exceeds the recoverable amount a provision for the impairment is established with a charge included in the income statement.

The recoverable amount of goodwill and acquired intangible assets is assessed on the basis of the value in use estimate for the cash generating unit (“CGU”) or where appropriate aggregation of CGUs to which they are attributed. The estimate of value in use, and hence the outcome of the impairment test, is sensitive to the assumptions made for revenue growth, long-term growth rate of their market and the discount rate considered appropriate to reflect the time value of money and any risks specific to the CGU that are not reflected in the cash flows. Sensitivity analyses have been performed on all these assumptions and further details concerning the sensitivity of key judgements made by the Directors have been presented on pages 121 and 122.

There has been an impairment charge in respect of goodwill and other intangible assets of £238 million in the year ended 31 July 2015 (2014: £nil) (note 12).

### Supplier rebates

In line with industry practice, the Group has agreements (“Supplier Rebates”) with a number of its suppliers whereby volume-based rebates, marketing support and other discounts are received in connection with the purchase of goods for resale from those suppliers.

## 1. Accounting policies and critical estimates and judgements continued

### Supplier rebates continued

#### Volume-based rebates

Volume-based rebates are recognised based on purchase volumes in accordance with the supplier contract and are calculated by applying a contractually agreed percentage to the gross purchase price of the goods as specified in the supplier's invoice. An amount due in respect of Supplier Rebates is not recognised within the income statement until all the relevant performance criteria, where applicable, have been met and the goods have been sold to a third party.

The majority of volume-based rebates are determined by reference to guaranteed rates of rebate. These are calculated through a mechanical process with minimal judgement required to determine the amount recorded in the income statement. A small proportion of volume-based rebates are subject to stepped targets where the rebate percentage increases as volumes purchased reach agreed targets within a set period of time. The majority of rebate agreements apply to purchases in a calendar year and therefore judgement is required to estimate the rebate amount recorded in the income statement at the end of the period. The Group assesses the probability that targeted volumes will be achieved in the year based on forecasts which are informed by historical trading patterns, current performance and trends. This judgement is exercised consistently and prudently with historically insignificant true-ups at the end of the period.

#### Marketing support

Marketing support, which represents a smaller element of the Group's overall Supplier Rebates, is recognised in the income statement when all performance conditions have been fulfilled.

#### Cost of sales

Rebates relating to the purchase of goods for resale are accrued as earned and are recorded initially as a deduction in inventory with a subsequent reduction in cost of sales when the related product is sold.

#### Supplier rebates receivable

Judgement is also required over the recoverability of receivables relating to stepped target rebates. This risk of misstatement of the estimate is mitigated by regular invoicing and timely collection of amounts receivable.

Where supplier rebates are netted off the amounts owing to that supplier, any outstanding amount at the balance sheet date is included within trade payables. Where the Supplier Rebates are not offset against amounts owing to a supplier, the outstanding amount is included within prepayments and accrued income. The carrying value of inventory is reduced by the relevant amount where the inventory has not been sold by the balance sheet date.

### Valuation of inventories

Inventory comprises finished goods. Provisions are made against slow-moving, obsolete and damaged inventories for which the net realisable value is estimated to be less than the cost. Inventories which are damaged or obsolete are written down as identified. The risk of obsolescence of slow-moving inventory is assessed by comparing the level of inventory held to future sales projected on the basis of historical experience. The actual realisable value of inventory may differ materially from the estimated value on which the provision is based. The Group held provisions in respect of inventory balances at 31 July 2015 amounting to £103 million (2014: £113 million).

The gross value of inventory is reduced to reflect Supplier Rebates where the inventory has not been sold. As at 31 July 2015, this deduction to gross inventory amounted to £181 million (2014: £166 million).

### Provisions

Provisions for self-insured risks, legal claims, environmental restoration and onerous leases are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Such provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money. Provisions are not recognised for future operating losses.

#### Provisions for self-insured risks

The Group retains layers of certain of its insurable risks, principally US casualty and global property damage, which are managed by a captive insurance company, Wolseley Insurance Limited. Certain of the retained risks are subject to an annual actuarial assessment. The provision for self-insured risks represents an estimate, based on historical experience, of the ultimate cost of settling outstanding claims and claims incurred but not reported. The actual cost of settling these liabilities may differ materially from the estimated amounts on which the provision is based. At 31 July 2015, the provision for claims arising from this insurance was £41 million (2014: £41 million).

## 1. Accounting policies and critical estimates and judgements continued

### Provisions continued

#### Provisions for legal, environmental and related exposures and contingent liabilities

The Group provides for known and potential legal claims and environmental and other matters, including asbestos-related litigation and product liability claims, where an outflow of resources is considered probable and a reliable estimate can be made of the likely outcome of the dispute or matter. In establishing such provisions the Group takes into account the relevant facts and circumstances of each matter and considers the advice of its legal and other professional advisers. The ultimate liability for potential legal claims and other matters may be dependent upon the discovery of facts that are currently uncertain, the outcome of litigation proceedings and possible settlement negotiations, and the actual cost of settlement may differ materially from the estimated amounts on which the provisions are based.

At 31 July 2015, legal, environmental and other provisions amounted to £133 million (2014: £151 million). Where the Group has insurance cover that it is virtually certain will settle a provision, it recognises an equivalent asset in trade and other receivables.

The Group may also become involved in legal proceedings or commercial disputes in respect of which it is not possible to make a reliable estimate of the financial effect, if any, that will result from ultimate resolution of the proceedings or disputes. In these cases, where material, appropriate disclosure is included in the financial statements but no provision is made where the contingent liability cannot be quantified.

#### Provisions for onerous leases

When the present value of the future cash flows receivable from the operation of leased assets is less than the present value of the rental payments to which the Group is committed, the Group applies the shortfall firstly against the carrying amount of the assets (in the case of finance leases) and then provides for any further onerous element of the contract (for all leases). Determining the amount of such a provision requires estimating the future net cash flows receivable in respect of these assets, and in the particular case where the leased properties are vacant this requires assessing the likely period for which the property will remain vacant, the cost of any works required to enhance its marketability and the rental income receivable when the property is sublet. Actual cash flows paid and received may differ materially from the estimated amounts on which the provisions are based. At 31 July 2015, the provision for onerous leases was £29 million (2014: £42 million).

### Taxation

The Group is subject to income taxes in numerous jurisdictions. Judgement is required in determining the worldwide provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

### Pensions and other post-retirement benefits

The Group operates defined benefit pension plans in the United Kingdom and in a number of overseas locations that are accounted for using methods that rely on actuarial assumptions to estimate costs and liabilities for inclusion in the financial statements. These actuarial assumptions include discount rates, salary increases and mortality rates, and are disclosed in note 25. The defined benefit obligation is calculated annually for each plan by using the projected unit credit method with actuarial valuations. The Group's liability or surplus recognised on the balance sheet is the present value of the defined benefit obligation at the balance sheet date, less the fair value of the plan assets. The discount rate used is the yield at the valuation date on high-quality corporate bonds that have a maturity approximating to the terms of the pension obligations. The Group takes advice from independent actuaries relating to the appropriateness of the assumptions which include life expectancy of members, expected salary and pension increases and inflation. Remeasurement comprising actuarial gains and losses are recognised immediately in the balance sheet with a charge or credit to the statement of comprehensive income. The net interest amount is calculated by applying the discount rate used to measure the defined benefit net asset or liability at the beginning of the period. The pension plan net interest is presented as finance income or expense.

While management believes that the actuarial assumptions are appropriate, any significant changes to those used would affect the balance sheet and income statement. The Group considers that the most sensitive assumptions are the discount rate, inflation and life expectancy.



## 1. Accounting policies and critical estimates and judgements continued

### Pensions and other post-retirement benefits continued

The table below shows the impact of the sensitivities on the net asset/liability.

Assumptions at 31 July 2015	Change %	Impact on UK £m	Impact on non-UK £m	Change %	Impact on UK £m	Impact on non-UK £m
Discount rate	+0.25	61	10	(0.25)	(65)	(11)
Inflation	+0.25	(49)	(3)	(0.25)	50	3
Assumptions at 31 July 2014	Change %	Impact on UK £m	Impact on non-UK £m	Change %	Impact on UK £m	Impact on non-UK £m
Discount rate	+0.25	55	10	(0.25)	(58)	(11)
Inflation	+0.25	(51)	–	(0.25)	44	–

An increase in life expectancy of one year would increase the defined benefit obligation by £48 million in the UK and by £7 million in non-UK plans.

For the UK defined benefit pension plan, these risks are actively managed by the Joint Working Group, which comprises the Trustees of the Wolseley Group Retirement Benefit Plan and company employees. More detail can be found in note 25.

## 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.

In the year ended 31 July 2014, Central Europe and France were reported in a single segment. In 2015, following the reclassification of the French businesses into discontinued operations, this segment has been renamed "Central Europe" and all comparatives have been restated for consistency and comparability.

Revenue by reportable segment for continuing operations is as follows:

	2015 £m	2014 £m
USA	8,343	7,070
UK	1,987	1,853
Nordic	1,864	1,935
Canada	733	779
Central Europe	405	634
Group	13,332	12,271

## 2. Segmental analysis continued

Trading profit/(loss) (note 9) and operating profit/(loss) by reportable segment for continuing operations for the year ended 31 July 2015 are as follows:

	Trading profit/(loss) £m	Exceptional items £m	Amortisation and impairment of acquired intangibles £m	Operating profit/(loss) £m
USA	681	6	(27)	660
UK	90	2	(13)	79
Nordic	71	(2)	(249)	(180)
Canada	34	(9)	(5)	20
Central Europe	21	–	–	21
Central and other costs	(43)	(1)	–	(44)
Group	854	(4)	(294)	556
Finance income				1
Finance costs				(49)
Profit before tax				508

Trading profit/(loss) (note 9) and operating profit/(loss) by reportable segment for continuing operations for the year ended 31 July 2014 have been restated as follows:

	Trading profit/(loss) £m	Exceptional items £m	Amortisation and impairment of acquired intangibles £m	Operating profit/(loss) £m
USA	546	–	(14)	532
UK	96	17	(1)	112
Nordic	73	(28)	(31)	14
Canada	44	–	–	44
Central Europe	28	7	–	35
Central and other costs	(35)	3	–	(32)
Group	752	(1)	(46)	705
Finance income				1
Finance costs				(30)
Profit before tax				676

The changes in revenue and trading profit for continuing operations between the years ended 31 July 2014 and 31 July 2015 comprises of changes in exchange rates, disposals, acquisitions and organic change.

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

Revenue by reportable segment for continuing operations is as follows:

	2014 £m	Exchange £m	Disposals £m	Acquisitions £m	Organic change £m	2015 £m
Analysis of change in revenue						
USA	7,070	373	(13)	208	705	8,343
UK	1,853	–	–	76	58	1,987
Nordic	1,935	(197)	(6)	83	49	1,864
Canada	779	(41)	(2)	11	(14)	733
Central Europe	634	(34)	(189)	–	(6)	405
Group	12,271	101	(210)	378	792	13,332

## 2. Segmental analysis continued

Analysis of change in trading profit (note 9)	2014 £m	Exchange £m	Disposals £m	Acquisitions £m	Organic change £m	2015 £m
USA	546	29	(6)	9	103	<b>681</b>
UK	96	–	–	4	(10)	<b>90</b>
Nordic	73	(7)	–	1	4	<b>71</b>
Canada	44	(2)	–	1	(9)	<b>34</b>
Central Europe	28	(1)	–	–	(6)	<b>21</b>
Central and other costs	(35)	–	–	–	(8)	<b>(43)</b>
Group	752	19	(6)	15	74	<b>854</b>

In 2014 and 2015, a number of Group businesses or groups of branches have been disposed of, closed or are classified as held for sale. The revenue and trading profit of the Group's segments excluding those businesses and branches ("ongoing segments") are analysed in the following table. The prior year comparative figures have been restated. This is non-GAAP information.

	Revenue		Trading profit	
	2015 £m	2014 £m	2015 £m	2014 £m
<b>Ongoing segments</b>				
USA	<b>8,337</b>	7,045	<b>683</b>	542
UK	<b>1,987</b>	1,853	<b>90</b>	96
Nordic	<b>1,863</b>	1,892	<b>72</b>	80
Canada	<b>708</b>	736	<b>34</b>	43
Central Europe	<b>405</b>	426	<b>21</b>	26
Central and other costs	–	–	<b>(43)</b>	(35)
Total ongoing segments	<b>13,300</b>	11,952	<b>857</b>	752
Entities disposed of, closed or classified as held for sale	<b>32</b>	319	<b>(3)</b>	–
Continuing operations	<b>13,332</b>	12,271	<b>854</b>	752

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

Segment assets and liabilities	2015			2014		
	Segment assets £m	Segment liabilities £m	Segment net assets £m	Segment assets £m	Segment liabilities £m	Segment net assets £m
USA	<b>3,451</b>	<b>(1,345)</b>	<b>2,106</b>	2,899	(1,119)	1,780
UK	<b>1,046</b>	<b>(510)</b>	<b>536</b>	1,024	(477)	547
Nordic	<b>1,032</b>	<b>(520)</b>	<b>512</b>	1,422	(581)	841
Canada	<b>284</b>	<b>(126)</b>	<b>158</b>	350	(155)	195
Central Europe	<b>194</b>	<b>(69)</b>	<b>125</b>	195	(71)	124
Central and other costs	<b>19</b>	<b>(86)</b>	<b>(67)</b>	27	(81)	(54)
Discontinued	<b>198</b>	<b>(164)</b>	<b>34</b>	414	(223)	191
Total	<b>6,224</b>	<b>(2,820)</b>	<b>3,404</b>	6,331	(2,707)	3,624
Taxation assets and liabilities	<b>119</b>	<b>(111)</b>	<b>8</b>	135	(162)	(27)
Net cash/(debt)	<b>1,139</b>	<b>(1,944)</b>	<b>(805)</b>	282	(993)	(711)
Group assets/(liabilities)	<b>7,482</b>	<b>(4,875)</b>	<b>2,607</b>	6,748	(3,862)	2,886

## 2. Segmental analysis continued

	2015				2014			
	Additions to goodwill £m	Additions to other acquired intangible assets £m	Additions to non-acquired intangible assets £m	Additions to property, plant and equipment £m	Additions to goodwill £m	Additions to other acquired intangible assets £m	Additions to non-acquired intangible assets £m	Additions to property, plant and equipment £m
USA	24	28	12	125	32	54	5	85
UK	29	14	6	24	22	–	5	27
Nordic	–	1	3	33	7	5	3	40
Canada	4	2	1	4	–	–	4	8
Central Europe	–	–	2	4	–	–	1	8
Central and other costs	–	–	2	1	–	–	–	–
Discontinued	–	–	–	16	–	–	1	14
Group	57	45	26	207	61	59	19	182

	2015				2014			
	Impairment of goodwill and other acquired intangibles £m	Amortisation of other acquired intangibles £m	Amortisation of non-acquired intangibles £m	Depreciation and impairment of property, plant and equipment £m	Impairment of goodwill and other acquired intangibles £m	Amortisation of other acquired intangibles £m	Amortisation of non-acquired intangibles £m	Depreciation and impairment of property, plant and equipment £m
USA	–	27	6	55	–	14	5	41
UK	–	13	4	16	–	1	3	13
Nordic	234	15	1	22	–	31	–	21
Canada	4	1	–	4	–	–	–	4
Central Europe	–	–	1	5	–	–	1	6
Central and other costs	–	–	1	2	–	–	1	–
Discontinued	–	–	–	4	–	–	1	13
Group	238	56	13	108	–	46	11	98



### 3. Operating costs

Amounts charged/(credited) in arriving at operating profit include:

	2015 £m	Restated 2014 £m
Depreciation of property, plant and equipment (note 14)	<b>103</b>	85
Impairment of property, plant and equipment (note 14)	<b>1</b>	–
Loss/(gain) on disposal and closure of businesses and revaluations of held for sale disposal groups	<b>5</b>	(15)
Profit on disposal of property, plant and equipment and assets held for sale	<b>(3)</b>	(14)
Staff costs (note 11)	<b>1,832</b>	1,706
Amortisation of non-acquired intangible assets (note 13)	<b>13</b>	10
Amortisation of acquired intangible assets (note 13)	<b>56</b>	46
Impairment of goodwill and acquired intangible assets (notes 12 and 13)	<b>238</b>	–
Operating lease rentals: land and buildings	<b>160</b>	149
Operating lease rentals: plant and machinery	<b>54</b>	49
Amounts included in costs of goods sold with respect to inventory	<b>9,497</b>	8,779
Amounts (credited)/charged to write inventory down to net realisable value	<b>(2)</b>	3
Trade receivables impairment	<b>19</b>	16
During the year, the Group obtained the following services from the Company's auditor and its associates:		
Fees for the audit of the parent company and consolidated financial statements	<b>0.9</b>	0.9
Other services		
– Fees for the audit of the Company's subsidiaries pursuant to legislation	<b>2.5</b>	2.5
Total fees for audit related services	<b>3.4</b>	3.4
– Other assurance services	<b>0.1</b>	0.2
– Taxation – compliance services	<b>1.0</b>	0.7
– Taxation – advisory services	<b>0.2</b>	0.5
– Other non-audit services	<b>0.4</b>	–
Total fee for non-audit related services	<b>1.7</b>	1.4
Total fees payable to the auditors	<b>5.1</b>	4.8

#### 4. Exceptional items

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

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

	2015 £m	Restated 2014 £m
Gain on disposal of businesses	–	26
Loss on closure of businesses	(5)	(11)
Other exceptional items	1	(16)
<b>Total included in operating profit</b>	<b>(4)</b>	<b>(1)</b>

For the year ended 31 July 2015, a loss on disposal of a small industrial business in Canada offset a gain on a small industrial business in the USA.

Exceptional items in 2014 have been restated to exclude a credit of £19 million which is classified within discontinued operations. The gain on disposal of businesses in 2014 principally relates to write-backs on consideration received in the form of loan notes for disposals in previous years. Loss on closure of businesses includes the impairment of assets from branch closures in the Nordic region. Other exceptional items represent integration costs for an acquisition in Finland.

The net cash outflow from exceptional items was £1 million (2014: £2 million).

Exceptional items relating to finance costs are detailed in note 5 and exceptional items relating to discontinued operations are detailed in note 7.

#### 5. Finance costs

	2015 £m	Restated 2014 £m
Interest payable		
– Bank loans and overdrafts	39	39
– Unwind of fair value adjustment to senior unsecured loan notes	(12)	(13)
– Finance lease charges	2	2
Net interest (income)/expense on defined benefit obligation (note 25)	(2)	3
Valuation gains on financial instruments		
– Derivatives held at fair value through profit and loss	–	(1)
	<b>27</b>	<b>30</b>
Exceptional finance expense	<b>22</b>	–
<b>Total finance costs</b>	<b>49</b>	<b>30</b>

The £22 million exceptional finance expense is due to the recycling of deferred foreign exchange translation losses in accordance with IAS 21 "The effects of changes in foreign exchange rates", following the liquidation of a number of dormant financing companies. Finance costs from discontinued operations are detailed in note 7.

## 6. Taxation

The tax charge for the year comprises:	2015 £m	Restated 2014 £m
Current year tax charge	215	182
Adjustments to tax charge in respect of prior years	(8)	7
Total current tax charge	207	189
Deferred tax (credit)/charge: origination and reversal of temporary differences	(20)	5
Tax charge	187	194

An exceptional tax charge of £3 million was recorded in relation to exceptional items in 2015 (2014: £3 million). The deferred tax credit of £20 million (2014: charge £5 million) includes a credit of £2 million (2014: £5 million) resulting from changes in tax rates.

Tax on items credited/(charged) to the statement of other comprehensive income:	2015 £m	Restated 2014 £m
Deferred tax credit/(charge) on actuarial loss/(gain) on retirement benefits	14	(17)
Current tax credit on actuarial loss on retirement benefits	1	–
Deferred tax credit on losses	–	2
Total tax on items credited/(charged) to other comprehensive income	15	(15)

None of the £15 million credit relating to the actuarial loss on retirement benefits results from changes in tax rates.

Tax on items credited to equity:	2015 £m	Restated 2014 £m
Current tax credit/(charge) on share-based payments	8	(1)
Deferred tax credit on share-based payments	2	8
Total tax on items credited to equity	10	7

Tax reconciliation:	2015 %	Restated 2014 %
Weighted average tax rate	28	26
Prior year amounts	1	1
Non-taxable amortisation and exceptional items	6	1
Tax rate change	(1)	(1)
Other non-deductible and non-taxable items	3	1
Tax rate on profit before tax	37	28

The 2 per cent increase in the weighted average tax rate is due to the Group's international operations and growth in the USA segment in the period.

## 7. Discontinued operations

During the year, the Group sold its Wood Solutions business in France and incurred an exceptional loss on disposal of £59 million, including £4 million arising from the recycling of deferred foreign exchange translation losses.

The Group is in the process of selling its remaining business and property assets (the “disposal group”) in France and, in accordance with IFRS 5 “Non-current assets held for sale and discontinued operations”, the disposal group has been classified as discontinued and prior periods have been restated to reflect this. The Group is in negotiations to finalise the disposals. The disposal group has been assessed against its recoverable amount and has been written down to its estimated fair value, less costs to sell. The impairment resulting from this assessment is £67 million which has been categorised as an exceptional item as disclosed below. The business disposal is expected to complete in 2015/16 and any gain or loss on disposal will depend on the change in net current assets arising from subsequent trading activities and the final consideration.

An exceptional gain of £16 million has been recognised within finance income. This gain relates to the disposal of a convertible bond received from a disposal in the prior year.

The results from discontinued operations, which have been included in the Group income statement, are set out below.

	2015			2014		
	Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items £m	Exceptional items £m	Total £m
<b>Revenue</b>	<b>587</b>	<b>–</b>	<b>587</b>	859	–	859
Cost of sales	(411)	–	(411)	(598)	–	(598)
<b>Gross profit</b>	<b>176</b>	<b>–</b>	<b>176</b>	261	–	261
Operating costs:						
(loss)/gain on disposal of businesses	–	(59)	(59)	–	6	6
impairment of net assets	–	(67)	(67)	–	–	–
other	(178)	3	(175)	(258)	13	(245)
Operating costs	(178)	(123)	(301)	(258)	19	(239)
<b>Operating (loss)/profit</b>	<b>(2)</b>	<b>(123)</b>	<b>(125)</b>	3	19	22
Finance income	1	16	17	–	1	1
Finance costs	–	–	–	(1)	–	(1)
<b>(Loss)/profit from discontinued operations</b>	<b>(1)</b>	<b>(107)</b>	<b>(108)</b>	2	20	22
Basic (loss)/earnings per share	<b>(0.4p)</b>	<b>(41.3p)</b>	<b>(41.7p)</b>	0.8p	7.5p	8.3p
Diluted (loss)/earnings per share	<b>(0.4p)</b>	<b>(41.1p)</b>	<b>(41.5p)</b>	0.8p	7.5p	8.3p

No tax charge or credit was generated from discontinued operations in the current or previous year. During the year, discontinued operations generated £17 million (2014: £7 million) of the Group’s net operating cash flows, £22 million (2014: £8 million) in respect of investing activities and £15 million (2014: used £10 million) in respect of financing activities.

## 8. Dividends

	2015		2014	
	£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
Special dividend	–	–	298	110p
Interim dividend for the year ended 31 July 2014	–	–	72	27.5p
Final dividend for the year ended 31 July 2014	<b>144</b>	<b>55p</b>	–	–
Interim dividend for the year ended 31 July 2015	<b>78</b>	<b>30.25p</b>	–	–
<b>Dividends paid</b>	<b>222</b>	<b>85.25p</b>	489	181.5p



## 8. Dividends continued

Since the end of the financial year, the Directors have proposed a final ordinary dividend of £156 million (60.5 pence per share). The dividend is subject to approval by shareholders at the Annual General Meeting and therefore, in accordance with accounting standards, has been excluded from these financial statements.

## 9. 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. As explained on page 156, the Group considers that trading profit, and other performance measures based on it, including EBITDA before exceptional items, present valuable additional information to users of the financial statements.

	2015 £m	Restated 2014 £m
<b>Continuing operations</b>		
<b>Operating profit</b>	<b>556</b>	705
Add back: amortisation and impairment of acquired intangibles	<b>294</b>	46
Add back: exceptional items in operating profit	<b>4</b>	1
Trading profit	<b>854</b>	752
Depreciation, amortisation and impairment of property, plant and equipment and software excluding exceptional items in operating profit	<b>117</b>	95
EBITDA before exceptional items	<b>971</b>	847
<b>Profit before tax</b>	<b>508</b>	676
Add back: amortisation and impairment of acquired intangibles	<b>294</b>	46
Add back: exceptional charges in profit before tax	<b>26</b>	1
Profit before tax and exceptional items and the amortisation and impairment of acquired intangibles	<b>828</b>	723
<b>Tax expense</b>	<b>(187)</b>	(194)
Deduct: deferred tax credit on the amortisation and impairment of acquired intangibles	<b>(47)</b>	(17)
Add back: tax charge on exceptional items	<b>3</b>	3
Add back: non-recurring tax charge relating to prior years	<b>-</b>	3
Adjusted tax expense	<b>(231)</b>	(205)
<b>Net profit from continuing operations</b>	<b>321</b>	482
Add back: amortisation and impairment of acquired intangibles after tax	<b>247</b>	29
Add back: exceptional charges net of tax	<b>29</b>	4
Add back: non-recurring tax charge relating to prior years	<b>-</b>	3
Headline profit after tax from continuing operations	<b>597</b>	518

Applying the adjusted tax expense of £231 million to the profit before tax, exceptional items and the amortisation of acquired intangibles of £828 million gives an effective tax rate of 27.9 per cent (2014: 28.4 per cent).

## 10. Earnings per share

	2015			Restated 2014		
	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	597	230.2	229.4	518	195.0	194.0
Exceptional items (net of tax)	(29)	(11.2)	(11.1)	(4)	(1.5)	(1.5)
Amortisation and impairment of acquired intangibles (net of deferred tax)	(247)	(95.2)	(94.9)	(29)	(10.9)	(10.9)
Non-recurring tax charge relating to prior years	-	-	-	(3)	(1.1)	(1.1)
Profit from continuing operations	321	123.8	123.4	482	181.5	180.5
(Loss)/profit from discontinued operations	(108)	(41.7)	(41.5)	22	8.3	8.3
Profit from continuing and discontinued operations	213	82.1	81.9	504	189.8	188.8

The weighted average number of ordinary shares in issue during the year, excluding those held by Employee Benefit Trusts and those held by the Company as treasury shares, was 259.3 million (2014: 265.6 million). The impact of all potentially dilutive share options on earnings per share would be to increase the weighted average number of shares in issue to 260.2 million (2014: 267.0 million). Share options are dilutive at the profit from continuing operations level and so, in accordance with IAS 33, share options included within discontinued operations have been treated as dilutive for the purpose of the diluted earnings per share calculation.

## 11. Employee information and Directors' remuneration

	2015 £m	Restated 2014 £m
Wages and salaries	1,630	1,495
Social security costs	116	117
Pension costs – defined contribution plans	59	58
Pension costs – defined benefit plans (note 25)	7	14
Share-based payments (note 27)	20	22
Total staff costs	1,832	1,706

Further details of Directors' remuneration and share options are set out in the Remuneration Report on pages 77 to 102, which form part of these financial statements. The aggregate emoluments for all key management are set out in note 34.

The total staff cost including discontinued operations was £1,934 million (2014: £1,850 million).

Average number of employees	2015	Restated 2014
USA	21,239	19,328
UK	6,081	5,901
Nordic	6,021	5,939
Canada	2,521	2,484
Central Europe	1,084	1,778
Central and other	108	105
Group	37,054	35,535

The average number of employees including discontinued operations was 40,375 (2014: 39,454).

## 12. Intangible assets – goodwill

	2015 £m	2014 £m
<b>Cost</b>		
At 1 August	<b>1,663</b>	1,790
Exchange rate adjustment	<b>(76)</b>	(186)
Acquisitions	<b>57</b>	61
Adjustment to fair value on prior year acquisitions	<b>(16)</b>	–
Disposal of businesses	<b>(43)</b>	–
Reclassification as held for sale	<b>(181)</b>	(2)
At 31 July	<b>1,404</b>	1,663
<b>Accumulated impairment losses</b>		
At 1 August	<b>751</b>	838
Exchange rate adjustment	<b>(85)</b>	(87)
Impairment charge for the year	<b>138</b>	–
Disposal of businesses	<b>(35)</b>	–
Reclassification as held for sale	<b>(181)</b>	–
At 31 July	<b>588</b>	751
Net book amount at 31 July	<b>816</b>	912

The carrying value of goodwill by segment is as follows:

	2015 £m	2014 £m
USA	<b>511</b>	452
UK	<b>119</b>	101
Nordic	<b>77</b>	235
Canada	<b>68</b>	84
Central Europe	<b>41</b>	40
Group	<b>816</b>	912

Goodwill and intangible assets acquired during the year have been allocated to the individual cash generating units or aggregated cash generating units (together “CGUs”) which are deemed to be the smallest identifiable group of assets generating independent cash inflows. CGUs have been aggregated in the disclosure above at a segmental level; however, impairment reviews were performed for each individual CGU during the year ended 31 July 2015.

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

- Cash flow forecasts for years one to three are derived from the most recent Board approved strategic plan; the forecast for year five represents an estimate of “mid-cycle” trading performance for the CGU based on historic analysis. Year four is calculated as the average of the final year of the strategic plan and year five’s mid-cycle estimate.
- A risk-adjusted, pre-tax discount rate, calculated by reference to the weighted average cost of capital (“WACC”) of each country which ranges from 9.0 per cent to 15.2 per cent. The equivalent post-tax discount rate ranges from 7.2 per cent to 9.1 per cent.
- The 30-year long-term growth rate by country, as published by the IMF in April 2015 has been used for all CGUs except for the Nordic region where a lower long-term growth rate was applied consistent with the previous year.

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

## 12. Intangible assets – goodwill continued

### Nordic

The impairment review for the Nordic segment has resulted in an impairment charge of £234 million. In allocating the impairment charge we have considered the impairment of all assets as well as goodwill. This has been allocated as follows:

CGU	Goodwill £m	Acquired intangibles £m	Total £m	Impairment £m	Remaining goodwill and intangibles £m	Post-tax discount rate %
Stark, Denmark	49	55	104	(104)	–	7.9
Silvan, Denmark	–	21	21	(21)	–	7.9
Stark, Finland (previously Starkki)	57	24	81	(81)	–	7.7
Beijer, Sweden	92	22	114	(28)	86	7.8
<b>Total</b>	<b>198</b>	<b>122</b>	<b>320</b>	<b>(234)</b>	<b>86</b>	

An impairment trigger arose for the Danish and Swedish businesses based on expectations at January 2015. Whilst some improvement has occurred since then, there continues to be uncertainty over the economies and business performance going forward. As a result, expectations of future profitability for these businesses were significantly reduced, resulting in the impairment charges for Stark Denmark, Silvan and Beijer as reflected in the table above.

Finnish markets deteriorated further during the year. Given the challenging market conditions, expectations of reduced future profitability were reflected in the value in use calculation generating an impairment charge for Stark Finland of £81 million.

Management has performed a sensitivity analysis on each key assumption (like-for-like revenue growth, post-tax discount rate and long-term growth rate), keeping all other assumptions constant. Two CGUs within the Nordic region still hold goodwill and acquired intangibles at the year-end: Neumann (Norway) and Beijer (Sweden), both of which have limited headroom at 31 July 2015.

We have disclosed the sensitivity analysis below. 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 equal their recoverable amount.

31 July 2015 CGU	Goodwill and intangibles carrying value £m	Headroom £m	Like-for-like revenue growth		Post-tax discount rate		Long-term growth rates	
			Assumption	Sensitivity	Assumption	Sensitivity	Assumption	Sensitivity
Neumann, Norway	17	2	4.1%	(1.1)%	8.2%	0.3%	1.5%	(0.4)%
Beijer, Sweden	86	4	1.0%	(0.5)%	7.8%	0.2%	1.0%	(0.2)%

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

### Canada

Market conditions for the Canadian Pipes, Valves and Fittings (“PVF”) CGU, which operates in the oil and gas sector, have been challenging and expectations of future profitability for this business have been reduced. The value in use calculation generated an impairment charge of £4 million for the total PVF goodwill balance.



## 13. Intangible assets – other

	Acquired intangibles				Total £m
	Software £m	Trade names and brands £m	Customer relationships £m	Other £m	
<b>Cost</b>					
At 1 August 2014	109	289	464	51	913
Exchange rate adjustment	(1)	(28)	(11)	3	(37)
Acquisitions	–	3	36	6	45
Adjustment to fair value on prior year acquisitions	–	–	12	1	13
Additions	26	–	–	–	26
Disposal of businesses	(2)	–	(9)	–	(11)
Disposals and transfers	(4)	–	(3)	–	(7)
Reclassification as held for sale	(3)	–	(8)	–	(11)
At 31 July 2015	125	264	481	61	931
<b>Accumulated amortisation and impairment losses</b>					
At 1 August 2014	76	162	358	31	627
Exchange rate adjustment	(2)	(22)	(13)	2	(35)
Amortisation charge for the year	13	13	39	4	69
Impairment charge for the year (note 12)	–	81	19	–	100
Disposal of businesses	(1)	–	(9)	–	(10)
Disposals and transfers	(2)	–	(3)	–	(5)
Reclassification as held for sale	(2)	–	(8)	–	(10)
At 31 July 2015	82	234	383	37	736
Net book amount at 31 July 2015	43	30	98	24	195

	Acquired intangibles				Total £m
	Software £m	Trade names and brands £m	Customer relationships £m	Other £m	
<b>Cost</b>					
At 1 August 2013	106	321	479	45	951
Exchange rate adjustment	(7)	(33)	(49)	(4)	(93)
Acquisitions	–	2	46	11	59
Additions	19	–	–	–	19
Disposal of businesses	(7)	–	–	–	(7)
Disposals and transfers	(2)	(1)	(6)	(1)	(10)
Reclassification as held for sale	–	–	(6)	–	(6)
At 31 July 2014	109	289	464	51	913
<b>Accumulated amortisation and impairment losses</b>					
At 1 August 2013	79	159	387	32	657
Exchange rate adjustment	(5)	(17)	(40)	(3)	(65)
Amortisation charge for the year	11	21	22	3	57
Disposal of businesses	(7)	–	–	–	(7)
Disposals and transfers	(2)	(1)	(6)	(1)	(10)
Reclassification as held for sale	–	–	(5)	–	(5)
At 31 July 2014	76	162	358	31	627
Net book amount at 31 July 2014	33	127	106	20	286

The amortisation charge includes £nil (2014: £1 million) in respect of discontinued operations.

## 14. Property, plant and equipment

	Land and buildings			Plant machinery and equipment £m	Total £m
	Freehold £m	Finance lease £m	Operating leasehold improvements £m		
<b>Cost</b>					
At 1 August 2014	1,180	51	273	707	2,211
Exchange rate adjustment	(61)	–	12	6	(43)
Acquisitions	6	–	–	3	9
Adjustments to fair value on prior year acquisitions	3	–	–	–	3
Additions	72	–	37	98	207
Disposal of businesses	(25)	(2)	(3)	(46)	(76)
Disposals	(8)	(2)	(13)	(56)	(79)
Transfers	24	(16)	(11)	3	–
Reclassification as held for sale	(115)	(3)	(17)	(78)	(213)
At 31 July 2015	1,076	28	278	637	2,019
<b>Accumulated depreciation</b>					
At 1 August 2014	255	12	177	541	985
Exchange rate adjustment	(9)	–	7	5	3
Depreciation charge for the year	28	1	17	61	107
Impairment charge	1	–	–	–	1
Disposal of businesses	(13)	–	(1)	(34)	(48)
Disposals	–	(2)	(8)	(57)	(67)
Transfers	(1)	(3)	4	–	–
Reclassification as held for sale	(42)	(1)	(14)	(69)	(126)
At 31 July 2015	219	7	182	447	855
Owned assets	857	–	96	182	1,135
Assets under finance leases	–	21	–	8	29
Net book amount – 31 July 2015	857	21	96	190	1,164
Net book amount – 1 August 2014	925	39	96	166	1,226

At 31 July 2015, the book value of property, plant and equipment that had been pledged as security for liabilities was £491 million (2014: £573 million).

The depreciation charge for the year includes £4 million (2014: £10 million) relating to discontinued operations. The impairment charge includes £nil (2014: £3 million) relating to discontinued operations.

## 14. Property, plant and equipment continued

	Land and buildings			Plant machinery and equipment £m	Total £m
	Freehold £m	Finance lease £m	Operating leasehold improvements £m		
<b>Cost</b>					
At 1 August 2013	1,258	61	259	771	2,349
Exchange rate adjustment	(123)	(5)	(23)	(64)	(215)
Acquisitions	25	–	1	6	32
Additions	59	–	49	74	182
Disposal of businesses	(13)	–	(3)	(23)	(39)
Disposals and transfers	(21)	(5)	(10)	(57)	(93)
Reclassification as held for sale	(5)	–	–	–	(5)
At 31 July 2014	1,180	51	273	707	2,211
<b>Accumulated depreciation</b>					
At 1 August 2013	274	13	190	609	1,086
Exchange rate adjustment	(26)	(1)	(16)	(49)	(92)
Depreciation charge for the year	29	1	15	50	95
Impairment charge	–	–	–	3	3
Disposal of businesses	(7)	–	(3)	(17)	(27)
Disposals and transfers	(15)	(1)	(9)	(55)	(80)
Reclassification as held for sale	–	–	–	–	–
At 31 July 2014	255	12	177	541	985
Owned assets	925	–	96	156	1,177
Assets under finance leases	–	39	–	10	49
Net book amount – 31 July 2014	925	39	96	166	1,226
Net book amount – 1 August 2013	984	48	69	162	1,263

## 15. Deferred tax assets and liabilities

The deferred tax assets and liabilities shown in the balance sheet are analysed as follows:

	2015 £m	2014 £m
Deferred tax		
Deferred tax assets	115	119
Deferred tax liabilities	(53)	(93)
	62	26
Current	(50)	(51)
Non-current	112	77
	62	26

## 15. Deferred tax assets and liabilities continued

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior reporting year:

	Goodwill and intangibles £m	Share-based payments £m	Property, plant and equipment £m	Retirement benefit obligations £m	Inventory £m	Tax losses £m	Other £m	Total £m
At 31 July 2013	(96)	21	(7)	56	(87)	87	42	16
(Charge)/credit to income	8	(10)	4	(2)	4	(10)	1	(5)
(Charge)/credit to other comprehensive income	–	–	–	(17)	–	2	–	(15)
Credit to equity	–	7	–	–	–	–	–	7
Acquisitions	(1)	–	1	–	–	9	1	10
Disposal of businesses	6	–	(1)	(1)	1	(3)	(1)	1
Transfers between categories	–	–	–	–	–	14	(14)	–
Exchange rate adjustment	9	–	6	(6)	8	(2)	(3)	12
At 31 July 2014	<b>(74)</b>	<b>18</b>	<b>3</b>	<b>30</b>	<b>(74)</b>	<b>97</b>	<b>26</b>	<b>26</b>
Credit/(charge) to income	<b>35</b>	<b>(1)</b>	<b>4</b>	<b>3</b>	<b>5</b>	<b>(27)</b>	<b>1</b>	<b>20</b>
Credit to other comprehensive income	–	–	–	<b>14</b>	–	–	–	<b>14</b>
Credit to equity	–	<b>2</b>	–	–	–	–	–	<b>2</b>
Acquisitions	<b>(8)</b>	–	–	–	–	–	<b>1</b>	<b>(7)</b>
Transfers between categories	–	–	–	<b>(4)</b>	–	<b>(11)</b>	<b>15</b>	–
Exchange rate adjustment	–	<b>2</b>	<b>9</b>	<b>2</b>	<b>(6)</b>	<b>(1)</b>	<b>1</b>	<b>7</b>
At 31 July 2015	<b>(47)</b>	<b>21</b>	<b>16</b>	<b>45</b>	<b>(75)</b>	<b>58</b>	<b>44</b>	<b>62</b>

The standard rate of UK corporation tax in the year changed from 21 per cent to 20 per cent with effect from 1 April 2015. UK deferred tax is therefore recognised at the reduced rate of 20 per cent.

Deferred tax assets in the UK have been recognised on the basis that the UK is forecast to have sufficient taxable profits in the future to enable these to be utilised.

There are other potential deferred tax assets in relation to tax losses totalling £77 million (2014: £46 million) that have not been recognised on the basis that their future economic benefit is uncertain. The losses are in the UK and France. The UK losses relate to capital transactions and are not recognised on the basis that there are no transactions resulting in capital gains against which they can be offset. The French losses relate to asset impairments. These deferred tax assets have not been recognised on the basis that we are not expecting France to have sufficient taxable profits in the future to utilise them. None of these losses has an expiry date.

No deferred tax liability has been recognised in respect of temporary differences associated with investments in subsidiaries. However, tax may arise on £200 million (2014: £207 million) of temporary differences but the Group is in a position to control the timing of their reversal and it is probable that such differences will not reverse in the foreseeable future.

## 16. Trade and other receivables

	2015 £m	2014 £m
Current		
Trade receivables	<b>1,681</b>	1,675
Less: provision for impairment	<b>(35)</b>	(39)
Net trade receivables	<b>1,646</b>	1,636
Other receivables	<b>72</b>	121
Prepayments and accrued income	<b>197</b>	208
	<b>1,915</b>	1,965
Non-current		
Other receivables	<b>172</b>	162

Included in prepayments and accrued income is £144 million (2014: £163 million) due in relation to Supplier Rebates where there is no right to offset against trade payable balances.

Movements in the provision for impairment of trade receivables are as follows:

	2015 £m	2014 £m
At 1 August	<b>39</b>	46
Net charge for the year	<b>21</b>	20
Utilised in the year	<b>(18)</b>	(23)
Reclassified as held for sale	<b>(5)</b>	–
Exchange rate adjustment	<b>(2)</b>	(4)
At 31 July	<b>35</b>	39

Provisions for impairment of receivables are made locally and have two components comprising a provision for amounts that have been individually determined not to be collectable in full, because of known financial difficulties of the debtor or evidence of default or delinquency in payment, amounting to £16 million at 31 July 2015 (2014: £17 million); and a provision based on historic experience of non-collectability of receivables, amounting to £19 million at 31 July 2015 (2014: £22 million).

Trade receivables have been aged with respect to the payment terms specified in the terms and conditions established with customers as follows:

	2015 £m	2014 £m
Amounts not yet due	<b>544</b>	680
Past due not more than one month	<b>748</b>	654
Past due more than one month and less than three months	<b>330</b>	286
Past due more than three months and less than six months	<b>23</b>	22
Past due more than six months	<b>20</b>	16
Amounts individually determined to be impaired	<b>16</b>	17
	<b>1,681</b>	1,675

## 17. Derivative financial instruments

The Group uses interest rate swaps to manage its exposure to interest rate movements on its borrowings, and currency swaps to hedge cash flows in respect of committed transactions or to hedge its investment in overseas operations. The fair values of derivative financial instruments are as follows:

	2015 £m	2014 £m
Non-current assets		
Interest rate swaps	<b>24</b>	31
Current assets		
Interest rate swaps	<b>10</b>	11
Current liabilities		
Currency swaps	<b>(1)</b>	–

The Group's accounting and risk management policies, and further information about the derivative financial instruments that it uses, are set out on pages 145 to 156.

## 18. Cash and cash equivalents

	2015 £m	2014 £m
Cash and cash equivalents	<b>1,105</b>	240

Included in the balance at 31 July 2015 is an amount of £786 million which is part of the Group's cash pooling arrangements where there is an equal and opposite balance included within bank overdrafts (note 21). The amounts are subject to an enforceable master netting arrangement.

Restricted cash held by the Group at the balance sheet date amounted to £7 million (2014: £5 million).

## 19. Assets and liabilities held for sale

	2015 £m	2014 £m
Properties awaiting disposal	<b>28</b>	15
Assets of disposal groups held for sale	<b>173</b>	14
Assets held for sale	<b>201</b>	29
Liabilities of disposal groups held for sale	<b>136</b>	1

During the year, the Group announced its decision to sell its remaining business in France. As at 31 July 2015, the sales process had commenced and accordingly the net assets of this business have been classified as disposal groups held for sale.

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

	2015 £m	2014 £m
Intangible assets	–	3
Property, plant and equipment	<b>54</b>	3
Inventories	<b>16</b>	6
Trade and other receivables	<b>93</b>	2
Tax receivables	<b>10</b>	–
Bank balances and overdrafts	<b>(1)</b>	–
Finance leases	<b>(12)</b>	–
Trade and other payables	<b>(105)</b>	(1)
Provisions and retirement benefit obligations	<b>(14)</b>	–
Tax payables	<b>(4)</b>	–
	<b>37</b>	13

## 20. Trade and other payables

	2015 £m	2014 £m
Current		
Trade payables	1,829	1,746
Bills of exchange payable	–	37
Tax and social security	85	84
Other payables	67	105
Accruals	293	279
Deferred income	7	8
<b>Total trade and other payables</b>	<b>2,281</b>	<b>2,259</b>
Non-current		
Other payables	125	111

Trade payables are stated net of £23 million (2014: £16 million) due from suppliers with respect to Supplier Rebates where an agreement exists that allows these to be net settled.

## 21. Bank loans and overdrafts

	2015 £m	2014 £m
Current		
Bank overdrafts	848	73
Bank loans	–	75
Senior unsecured loan notes	153	11
<b>Total bank loans and overdrafts</b>	<b>1,001</b>	<b>159</b>
Non-current		
Bank loans	613	372
Senior unsecured loan notes	300	419
<b>Total bank loans</b>	<b>913</b>	<b>791</b>

Included in bank overdrafts at 31 July 2015 is an amount of £786 million which is part of the Group's cash pooling arrangements where there is an equal and opposite balance included within cash and cash equivalents (note 18). The amounts are subject to an enforceable master netting arrangement.

£109 million of bank loans are secured against the Group's freehold property (2014: £197 million). £384 million (US\$600 million) of bank loans are secured against trade receivables.

Non-current loans are repayable as follows:

	2015 £m	2014 £m
Due in one to two years	8	392
Due in two to three years	489	7
Due in three to four years	4	97
Due in four to five years	4	3
Due in over five years	408	292
<b>Total</b>	<b>913</b>	<b>791</b>

The carrying value of the senior unsecured loan notes of £453 million comprises a par value of £425 million and a fair value adjustment of £28 million (2014: £430 million, £393 million and £37 million respectively). The fair value adjustment arose before 30 November 2011 when the loan notes were hedged by a series of interest rate swaps. From 30 November 2011, the hedge relationship was de-designated, and the fair value adjustment is being released to the income statement on an amortised cost basis over the period to maturity of the notes.

There have been no significant changes during the year to the Group's policies on accounting for, valuing and managing the risk of financial instruments. These policies are summarised on pages 145 to 156.



## 22. Financial instruments and financial risk management

### Capital structure

To assess the appropriateness of its capital structure based on current and forecast trading, the Group's principal measure of financial gearing is the ratio of net debt to EBITDA before exceptional items. The Group aims to operate with investment grade credit metrics and ensure this ratio remains within 1 to 2 times. The Group's main borrowing facilities contain a financial covenant limiting the ratio of net debt to EBITDA before exceptional items to 3.5:1.

In order to maintain or adjust the capital structure, the Group may return capital to shareholders, repurchase its own shares, issue new shares or sell assets to reduce debt.

### Liquidity

During the year ended 31 July 2015, the Group entered into a new £800 million revolving credit facility which matures in September 2020. The Group also cancelled four existing revolving credit facilities totalling £1,201 million.

As at 31 July 2015, £120 million was drawn under the new £800 million facility and £384 million was fully drawn under the trade receivables facility.

As at 31 July 2015, the Group had undrawn facilities as follows:

	2015 £m	2014 £m
Less than one year	–	–
Between one and two years	–	250
Between two and three years	–	1,110
Between three and four years	–	–
Between four and five years	–	–
Greater than five years	680	–
<b>Total</b>	<b>680</b>	<b>1,360</b>

On 1 September 2015, the Group issued £512 million (US\$800 million) of US Private Placement bonds in three tranches: £160 million (US\$250 million) expiring in September 2022, £256 million (US\$400 million) expiring in September 2025 and £96 million (US\$150 million) expiring in September 2027.

### Foreign currency

Net debt at 31 July 2015 by currency was as follows:

As at 31 July 2015	Interest rate swaps £m	Finance lease obligations £m	Cash, overdrafts and bank loans £m	Currency bought/(sold) forward £m	Total £m
Pounds sterling	–	(3)	(208)	(127)	(338)
US dollars	34	(7)	(529)	–	(502)
Euro, Danish kroner and Swedish kronor	–	–	(57)	126	69
Other currencies	–	(19)	(15)	–	(34)
<b>Total</b>	<b>34</b>	<b>(29)</b>	<b>(809)</b>	<b>(1)</b>	<b>(805)</b>

Net debt at 31 July 2014 by currency was as follows:

As at 31 July 2014	Interest rate swaps £m	Finance lease obligations £m	Cash, overdrafts and bank loans £m	Currency bought/(sold) forward £m	Total £m
Pounds sterling	–	(3)	242	(128)	111
US dollars	42	(6)	(760)	–	(724)
Euro, Danish kroner and Swedish kronor	–	(15)	(147)	128	(34)
Other currencies	–	(19)	(45)	–	(64)
<b>Total</b>	<b>42</b>	<b>(43)</b>	<b>(710)</b>	<b>–</b>	<b>(711)</b>

## 22. Financial instruments and financial risk management continued

### Interest rates

The interest rate profile of the Group's net debt including the effect of interest rate swaps is set out in the following tables:

As at 31 July 2015	Floating £m	Fixed £m	Total £m
Pounds sterling	(335)	(3)	(338)
US dollars	(76)	(426)	(502)
Euro, Danish kroner and Swedish kronor	175	(106)	69
Other currencies	(15)	(19)	(34)
<b>Total</b>	<b>(251)</b>	<b>(554)</b>	<b>(805)</b>

  

As at 31 July 2014	Floating £m	Fixed £m	Total £m
Pounds sterling	114	(3)	111
US dollars	(325)	(399)	(724)
Euro, Danish kroner and Swedish kronor	98	(132)	(34)
Other currencies	(45)	(19)	(64)
<b>Total</b>	<b>(158)</b>	<b>(553)</b>	<b>(711)</b>

Fixed rate borrowings at 31 July 2015 carried a weighted average interest rate of 2.5 per cent fixed for a weighted average duration of 6.5 years (31 July 2014: 2.4 per cent for 5.5 years). Floating rate cash at 31 July 2015 carried a weighted average interest rate of 0.5 per cent (31 July 2014: 0.4 per cent). Floating rate borrowings at 31 July 2015 carried a weighted average interest rate of 0.9% (31 July 2014: 1.1%).

### 23. Obligations under finance leases

	Gross 2015 £m	Gross 2014 £m	Net 2015 £m	Net 2014 £m
Due within one year	5	9	4	7
Due in one to five years	11	26	8	19
Due in over five years	20	19	17	17
	<b>36</b>	54	<b>29</b>	43
Less: future finance charges	(7)	(11)		
Present value of finance lease obligations	<b>29</b>	43		
Current			4	7
Non-current			25	36
<b>Total obligations under finance leases</b>			<b>29</b>	43

It is the Group's policy to lease certain of its property, plant and equipment under finance leases. Finance lease obligations included above are secured against the assets concerned.

## 24. Provisions

	Environmental and legal £m	Wolseley Insurance £m	Restructuring £m	Other provisions £m	Total £m
At 1 August 2013	87	51	72	60	270
Utilised in the year	(5)	(21)	(26)	(6)	(58)
Amortisation of discount	3	–	–	–	3
Charge for the year	1	15	19	11	46
Acquisitions of businesses	3	–	–	3	6
Disposal of businesses and reclassified as held for sale	2	–	(5)	4	1
Exchange differences	(6)	(4)	(5)	(6)	(21)
At 31 July 2014	<b>85</b>	<b>41</b>	<b>55</b>	<b>66</b>	<b>247</b>
Adjustment to fair value on prior year acquisitions	(2)	–	–	–	(2)
Utilised in the year	(12)	(13)	(22)	(6)	(53)
Amortisation of discount	(3)	–	–	–	(3)
Charge for the year	6	11	4	3	24
Acquisition of businesses	–	–	–	1	1
Disposal of businesses and reclassified as held for sale	(7)	–	(4)	2	(9)
Exchange differences	3	2	(1)	(3)	1
At 31 July 2015	<b>70</b>	<b>41</b>	<b>32</b>	<b>63</b>	<b>206</b>

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

	Environmental and legal £m	Wolseley Insurance £m	Restructuring £m	Other provisions £m	Total £m
<b>At 31 July 2015</b>					
Current	16	14	18	30	78
Non-current	54	27	14	33	128
Total provisions	<b>70</b>	<b>41</b>	<b>32</b>	<b>63</b>	<b>206</b>

	Environmental and legal £m	Wolseley Insurance £m	Restructuring £m	Other provisions £m	Total £m
At 31 July 2014					
Current	28	18	32	20	98
Non-current	57	23	23	46	149
Total provisions	85	41	55	66	247

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

The environmental and legal provision includes £49 million (2014: £49 million) for the estimated liability for asbestos litigation on a discounted basis using a long-term discount rate of 2.2 per cent (2014: 2.6 per cent). This amount has been actuarially determined as at 31 July 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 significantly exceeds the expected level of future claims and no material profit or cash flow impact is therefore expected to arise in the foreseeable future.

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

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

## 25. Retirement benefit obligations

### (i) Long-term benefit plans provided by the Group

The Group has a defined benefit pension plan for certain of its UK employees. This plan was closed for future accrual on 31 December 2013. The Group operates a number of smaller plans in other jurisdictions, providing pensions or other long-term benefits such as long service or termination awards. More information about the plans operated by the Group is set out on page 157.

### (ii) Financial impact of plans

As disclosed in the balance sheet	2015 £m	2014 £m
Non-current asset	57	96
Total asset	57	96
Current liability	(8)	(8)
Non-current liability	(64)	(81)
Total liability	(72)	(89)
Net (liability)/asset	(15)	7

Analysis of balance sheet net (liability)/asset	2015 £m	2014 £m
Fair value of plan assets:		
UK	1,262	1,167
Non-UK	215	217
	1,477	1,384
Present value of defined benefit obligation:		
UK	(1,206)	(1,071)
Non-UK	(286)	(306)
	(1,492)	(1,377)
Net (liability)/asset	(15)	7

Analysis of total expense recognised in the income statement	2015 £m	Restated 2014 £m
Current service cost	6	12
Administration costs	2	2
Past service gain from settlements	(1)	–
Charged to operating costs	7	14
(Credited)/charged to finance costs (note 5)	(2)	3
Total expense recognised in the income statement	5	17

Expected employer contributions to the defined benefit plans for the year ending 31 July 2016 are £11 million. The remeasurement of the defined benefit net liability/asset is included in the statement of comprehensive income.

## 25. Retirement benefit obligations continued

### (ii) Financial impact of plans continued

Analysis of amount recognised in the statement of comprehensive income	2015 £m	2014 £m
The return on plan assets (excluding amounts included in net interest expense)	70	44
Actuarial gains arising from changes in demographic assumptions	5	12
Actuarial (losses)/gains arising from changes in financial assumptions	(149)	2
Actuarial gains arising from experience adjustments	13	27
Taxation	15	(17)
Total amount recognised in the statement of comprehensive income	(46)	68

The cumulative amount of actuarial losses recognised in the statement of comprehensive income is £249 million (2014: £188 million).

The fair value of plan assets is as follows:

	UK 2015 £m	Non-UK 2015 £m	Total 2015 £m	UK 2014 £m	Non-UK 2014 £m	Total 2014 £m
Fair value of plan assets						
At 1 August	1,167	217	1,384	1,086	220	1,306
Interest income	48	8	56	49	8	57
Employer's contributions	18	7	25	33	7	40
Participants' contributions	-	3	3	-	4	4
Benefit payments	(34)	(12)	(46)	(31)	(12)	(43)
Settlement payments	-	(12)	(12)	-	-	-
Insurance premiums	-	(1)	(1)	-	-	-
Remeasurement gain:						
Return on plan assets (excluding amounts included in net interest expense)	63	7	70	30	14	44
Currency translation	-	(2)	(2)	-	(24)	(24)
At 31 July	1,262	215	1,477	1,167	217	1,384
Actual return on plan assets	111	15	126	79	22	101

Employer's contributions included £16 million (2014: £23 million) of special funding contributions.

At 31 July 2015, the plan's assets were invested in a diversified portfolio that consisted predominantly of equity and debt securities and cash. The assets in the plans were:

	UK Value at 31 July 2015 £m	Non-UK Value at 31 July 2015 £m	UK Value at 31 July 2014 £m	Non-UK Value at 31 July 2014 £m
Equity type assets quoted	709	73	744	77
Government bonds quoted	216	20	204	25
Corporate bonds quoted	171	65	151	63
Real estate	-	22	4	21
Cash	61	6	23	3
Other including insurance policies	105	29	41	28
Total market value of assets	1,262	215	1,167	217

There were no unquoted plan assets in either the current or previous year.

## 25. Retirement benefit obligations continued

### (ii) Financial impact of plans continued

	UK 2015 £m	Non-UK 2015 £m	Total 2015 £m	UK 2014 £m	Non-UK 2014 £m	Total 2014 £m
Present value of defined benefit obligation						
At 1 August	<b>1,071</b>	<b>306</b>	<b>1,377</b>	1,108	331	1,439
Current service cost	<b>2</b>	<b>6</b>	<b>8</b>	10	4	14
Past service gain	<b>(1)</b>	<b>–</b>	<b>(1)</b>	–	–	–
Interest cost	<b>45</b>	<b>9</b>	<b>54</b>	49	11	60
Benefit payments	<b>(34)</b>	<b>(12)</b>	<b>(46)</b>	(31)	(12)	(43)
Settlement and curtailment payments	<b>–</b>	<b>(13)</b>	<b>(13)</b>	–	–	–
Participants' contributions	<b>–</b>	<b>3</b>	<b>3</b>	–	3	3
Insurance premiums	<b>–</b>	<b>(1)</b>	<b>(1)</b>	–	–	–
Remeasurement (gains)/losses:						
Actuarial (gains)/losses arising from changes in demographic assumptions	<b>(6)</b>	<b>1</b>	<b>(5)</b>	(22)	10	(12)
Actuarial losses/(gains) arising from changes in financial assumptions	<b>137</b>	<b>12</b>	<b>149</b>	(16)	14	(2)
Actuarial gains arising from experience adjustments	<b>(8)</b>	<b>(5)</b>	<b>(13)</b>	(27)	–	(27)
Disposals and reclassified as held for sale	<b>–</b>	<b>(11)</b>	<b>(11)</b>	–	(15)	(15)
Currency translation	<b>–</b>	<b>(9)</b>	<b>(9)</b>	–	(40)	(40)
At 31 July	<b>1,206</b>	<b>286</b>	<b>1,492</b>	1,071	306	1,377

	2015 £m	2014 £m
Analysis of present value of defined benefit obligation		
Amounts arising from wholly unfunded plans	<b>42</b>	49
Amounts arising from plans that are wholly or partly funded	<b>1,450</b>	1,328
	<b>1,492</b>	1,377

### (iii) Valuation assumptions

The financial assumptions used to estimate defined benefit obligations are:

	2015		2014	
	UK	Non-UK	UK	Non-UK
Discount rate	<b>3.6%</b>	<b>2.9%</b>	4.3%	3.4%
Inflation rate	<b>3.2%</b>	<b>1.6%</b>	3.3%	1.7%
Increase to deferred benefits during deferment	<b>2.2%</b>	<b>2.0%</b>	2.3%	2.0%
Increases to pensions in payment	<b>2.9%</b>	<b>2.0%</b>	2.9%	1.4%
Salary increases	<b>3.2%</b>	<b>1.9%</b>	3.3%	2.6%

The life expectancy assumptions used to estimate defined benefit obligations are:

	2015		2014	
	UK	Non-UK	UK	Non-UK
Current pensioners (at age 65) – male	<b>22</b>	<b>22</b>	22	22
Current pensioners (at age 65) – female	<b>24</b>	<b>24</b>	24	24
Future pensioners (at age 65) – male	<b>24</b>	<b>23</b>	24	23
Future pensioners (at age 65) – female	<b>27</b>	<b>26</b>	27	25

The weighted average duration of the defined benefit obligation is 21.4 years (2014: 20.9 years).

## 25. Retirement benefit obligations continued

### (iv) Plan risks

As described on page 157, the defined benefit plans typically expose the Company to the following actuarial risks which are managed for the UK plan by a Joint Working Group, comprising the Trustees of the defined benefit plan and employees of the Company.

#### Investment risk

The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the actual return on plan assets is below this rate, it will decrease a net surplus or increase a net pension liability. Currently, the plan has a relatively balanced investment in equity securities, debt instruments and property. Due to the long-term nature of the plan liabilities, the Trustees of the pension plan consider it appropriate that a reasonable portion of the plan assets should be invested in equity securities to leverage the return generated by the fund.

#### Interest risk

A decrease in the bond interest rate will increase the plan liability, and this will be partially offset by an increase in the value of the plan's debt investments.

#### Longevity risk

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

## 26. Share capital

### (i) Ordinary shares in issue

	Authorised numbers		Allotted and issued numbers	
	2015	2014	2015	2014
Number of ordinary 10 <sup>53/66</sup> pence shares in the Company (million)	<b>463</b>	463	<b>267</b>	267
Nominal value of ordinary 10 <sup>53/66</sup> pence shares in the Company (£ million)	<b>50</b>	50	<b>29</b>	29

All the allotted and issued shares, including those held by Employee Benefit Trusts and in Treasury are fully paid or credited as fully paid.

A summary of the movements in the year is detailed in the following table:

	2015	2014
Number of 10 <sup>53/66</sup> (2014: 10 <sup>5/11</sup> ) pence ordinary shares in the Company in issue at 1 August	<b>266,531,797</b>	274,361,228
Effect of share consolidation	–	(8,856,602)
New shares issued to settle share options	<b>60,881</b>	1,027,171
Number of 10 <sup>53/66</sup> pence ordinary shares in the Company in issue at 31 July	<b>266,592,678</b>	266,531,797

Consideration received in respect of shares issued to participants in the long-term incentive plans and all-employees sharesave plans amounted to £1 million (2014: £15 million). Additional information on the allotment of ordinary shares can be found in note 37(iii).

### (ii) Treasury shares

During the year, the Group completed a share buyback programme of £250 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. A summary of the movement in Treasury shares in the year is detailed in the following table:

Treasury shares	Number of shares	Cost £m
As at 1 August 2014	–	–
Treasury shares purchased	<b>7,407,837</b>	<b>250</b>
Disposal of Treasury shares to settle share options	<b>(301,995)</b>	<b>(10)</b>
	<b>7,105,842</b>	<b>240</b>

Consideration received in respect of shares issued to participants in the long-term incentive plans and all-employee sharesave plans amounted to £8 million (2014: £nil). After the reporting date the Directors proposed a further share buyback programme of up to £300 million.



## 26. Share capital continued

### (iii) Own shares

Two Employee Benefit Trusts have been established in connection with the Company's discretionary share option plans and long-term incentive plans.

A summary of the movements in own shares held in Employee Benefit Trusts is detailed in the table below:

	Number of shares	Cost £m
As at 1 August 2014	<b>2,961,394</b>	<b>93</b>
New shares purchased	<b>430,000</b>	<b>15</b>
Exercise of share options	<b>(1,372,017)</b>	<b>(45)</b>
As at 31 July 2015	<b>2,019,377</b>	<b>63</b>

Consideration received in respect of shares issued to participants in the long-term incentive plans and all-employee sharesave plans amounted to £5 million (2014: £5 million). At 31 July 2015, the shares held in the trusts had a market value of £86 million (2014: £92 million).

Dividends due on shares held by the Employee Benefit Trusts are waived in accordance with the provisions of the trust deeds.

## 27. Share-based payments

Analysis of income statement	2015 £m	2014 £m
Executive share option plans	<b>2</b>	4
Ordinary share plan	<b>13</b>	13
Employee savings share option plans	<b>3</b>	2
Long-term incentive plans	<b>2</b>	3
	<b>20</b>	22

During the year, the Company amended by resolution the executive share option plans and the employee savings share option plans.

The amendments incorporated technical amendments made automatically by the Finance Act 2013 and Finance Act 2014 including, but not limited to, individuals who cease to be employed by reason of retirement being treated as good leavers if they retire in accordance with the Company's retirement policy, and that the right to exercise an option is given in the event of a non-UK reorganisation.

Awards granted under the executive share option plans are subject to a condition such that they may not be exercised unless the growth in headline earnings per share over a period of three consecutive financial years exceeds the growth in the UK Retail Price Index over the same period by at least 9 per cent.

The number of outstanding and exercisable share options and share awards are detailed below:

Number of shares/options	2015 000's	2014 000's
Outstanding at 1 August	<b>5,680</b>	8,048
Granted	<b>1,268</b>	1,437
Options exercised or shares vested	<b>(1,890)</b>	(3,415)
Surrendered or expired	<b>(635)</b>	(390)
Outstanding at 31 July	<b>4,423</b>	5,680
Exercisable at 31 July	<b>942</b>	1,490

In £	2015	2014
Weighted average fair value per share/option granted during the year	<b>18.26</b>	17.69

At 31 July 2015, 4,423,383 (2014: 4,470,526) of the shares and options outstanding had an exercise price which was below the market price. The market price at 31 July 2015 was £42.56 (2014: £30.96).

The fair value at the date of grant of options awarded during the year has been estimated by the binomial methodology for all plans except the long-term incentive plan, for which a Monte Carlo simulation was used.

## 27. Share-based payments continued

The fair value of shares granted under the ordinary share plan (for more information please refer to page 149) was calculated as the market price of the shares at the date of grant reduced by the present value of dividends expected to be paid over the vesting period.

The principal assumptions required by these methodologies were:

	Executive share options		Employee share options		Long-term incentive plans	
	2015	2014	2015	2014	2015	2014
Risk free interest rate	<b>1.6%</b>	1.8%	<b>0.8%</b>	1.6%	<b>1.0%</b>	0.4%
Expected dividend yield	<b>3.3%</b>	2.5%	<b>2.5%</b>	2.9%	<b>0.0%</b>	0.0%
Expected volatility	<b>32%</b>	43%	<b>22%</b>	29%	<b>23%</b>	29%
Expected life	<b>5.7 years</b>	5.7 years	<b>1-6 years</b>	1-6 years	<b>3 years</b>	3 years

Expected volatility has been estimated on the basis of historical volatility over the expected term, excluding the effect of extraordinary volatility due to the Group's capital reorganisation and rights issue in 2009. Expected life has been estimated on the basis of historical data on the exercise pattern.

The principal assumptions for the ordinary share plan are an expected dividend yield of approximately 3.3 per cent and an expected life of three years.

## 28. Shareholders' equity and statement of changes in equity

	Share capital £m	Share premium £m	Translation reserve £m	Treasury shares £m	Own shares £m	Reserves		Total equity £m
						Profit and loss account £m	Non-controlling interest £m	
<b>For the year ended 31 July 2015</b>								
Profit for the year attributable to shareholders of the Company	-	-	-	-	-	213	-	213
Exchange on translation of overseas operations	-	-	10	-	-	-	-	10
Exchange on translation of borrowings and derivatives designated as hedges of overseas operations	-	-	(46)	-	-	-	-	(46)
Cumulative currency translation differences on disposals	-	-	26	-	-	-	-	26
Actuarial loss on retirement benefit plans	-	-	-	-	-	(61)	-	(61)
Tax on gains and losses not recognised in the income statement	-	-	-	-	-	15	-	15
Total comprehensive (expenses)/income	-	-	(10)	-	-	167	-	157
New share capital subscribed	-	1	-	-	-	-	-	1
Purchase of own shares by Employee Benefit Trusts	-	-	-	-	(15)	-	-	(15)
Issue of own shares by Employee Benefit Trusts	-	-	-	-	45	(40)	-	5
Credit to equity for share-based payments	-	-	-	-	-	20	-	20
Taxation relating to share-based payments	-	-	-	-	-	10	-	10
Purchase of Treasury shares	-	-	-	(250)	-	-	-	(250)
Disposal of Treasury shares	-	-	-	10	-	(2)	-	8
Dividends paid	-	-	-	-	-	(222)	-	(222)
Changes in non-controlling interest in subsidiaries	-	-	-	-	-	-	7	7
Net addition to/(reduction in) shareholders' equity	-	1	(10)	(240)	30	(67)	7	(279)
Opening shareholders' equity	29	41	127	-	(93)	2,782	-	2,886
Closing shareholders' equity	29	42	117	(240)	(63)	2,715	7	2,607

Total reserves, which are the sum of the translation reserve, Treasury shares reserve, own shares reserve and profit and loss account were £2,529 million at 31 July 2015 (2014: £2,816 million).

## 28. Shareholders' equity and statement of changes in equity continued

For the year ended 31 July 2014	Share capital £m	Share premium £m	Translation reserve £m	Reserves		Total equity £m
				Own shares £m	Profit and loss account £m	
Profit for the year attributable to shareholders of the Company	–	–	–	–	504	504
Exchange on translation of overseas operations	–	–	(340)	–	–	(340)
Exchange on translation of borrowings and derivatives designated as hedges of overseas operations	–	–	77	–	–	77
Cumulative currency translation differences on disposals	–	–	(12)	–	–	(12)
Actuarial gain on retirement benefit plans	–	–	–	–	85	85
Tax on gains and losses not recognised in the income statement	–	–	–	–	(15)	(15)
Total comprehensive income	–	–	(275)	–	574	299
New share capital subscribed	1	14	–	–	–	15
Purchase of own shares by Employee Benefit Trusts	–	–	–	(26)	–	(26)
Issue of own shares by Employee Benefit Trusts	–	–	–	48	(43)	5
Credit to equity for share-based payments	–	–	–	–	22	22
Taxation relating to share-based payments	–	–	–	–	7	7
Dividends paid	–	–	–	–	(489)	(489)
Net addition to/(reduction in) shareholders' equity	1	14	(275)	22	71	(167)
Opening shareholders' equity	28	27	402	(115)	2,711	3,053
Closing shareholders' equity	29	41	127	(93)	2,782	2,886

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

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

	2015 £m	Restated 2014 £m
Profit for the year	<b>213</b>	504
Net finance costs	<b>31</b>	29
Tax expense	<b>187</b>	194
Loss/(gain) on disposal and closure of businesses and revaluation of disposal groups	<b>129</b>	(32)
Depreciation and impairment of property, plant and equipment	<b>108</b>	98
Amortisation and impairment of non-acquired intangibles	<b>13</b>	11
Amortisation and impairment of acquired intangibles	<b>294</b>	46
Profit on disposal of property, plant and equipment	<b>(3)</b>	(14)
Increase in inventories	<b>(113)</b>	(70)
Increase in trade and other receivables	<b>(54)</b>	(82)
Increase in trade and other payables	<b>159</b>	19
Decrease in provisions and other liabilities	<b>(47)</b>	(47)
Share-based payments	<b>20</b>	22
Cash generated from operations	<b>937</b>	678

## 29. Reconciliation of profit to cash generated from operations continued

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

	2015 £m	Restated 2014 £m
Trading profit	<b>854</b>	752
Exceptional items in operating profit	<b>(4)</b>	(1)
Loss/(gain) on disposal and closure of businesses and revaluation of disposal groups	<b>129</b>	(32)
Operating (loss)/profit from discontinued operations (note 7)	<b>(125)</b>	22
Depreciation and impairment of property, plant and equipment	<b>108</b>	98
Amortisation and impairment of non-acquired intangibles	<b>13</b>	11
Profit on disposal of property, plant and equipment and assets held for sale	<b>(3)</b>	(14)
Increase in inventories	<b>(113)</b>	(70)
Increase in trade and other receivables	<b>(54)</b>	(82)
Increase in trade and other payables	<b>159</b>	19
Decrease in provisions and other liabilities	<b>(47)</b>	(47)
Share-based payments	<b>20</b>	22
Cash generated from operations	<b>937</b>	678

## 30. Acquisitions

The Group acquired the following businesses in the year ended 31 July 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 of acquisition	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 Distributors	November 2014	USA	100
McFarland Supply	December 2014	USA	100
Ship-Pac	December 2014	USA	100
XL-Byg Hobro NY Traelast	February 2015	Denmark	100
Builders Appliance Center, LLC	February 2015	USA	100
AR-Jay Building Products, Inc	February 2015	USA	100
Luxury for Less Ltd (t/a BathEmpire)	February 2015	UK	68
Redlon & Johnson	March 2015	USA	100
Equarius Inc	March 2015	USA	100
Arkansas Supply Inc	April 2015	USA	100
MPS Builders Merchants Ltd	May 2015	UK	100
eComfort Holdings, Inc	May 2015	USA	100
WR White Supply	May 2015	USA	100
Q.I.P. Equipment Ltd	June 2015	Canada	100

## 30. Acquisitions continued

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

	Book values acquired £m	Fair value adjustments £m	Provisional fair values acquired £m
Intangible fixed assets			
– Customer relationships	–	36	36
– Trade names and brands	–	3	3
– Other	–	6	6
Property, plant and equipment	9	–	9
Inventories	31	(6)	25
Receivables	23	–	23
Cash, cash equivalents and bank overdrafts	3	–	3
Bank loans and finance leases	(12)	(1)	(13)
Payables	(22)	–	(22)
Current and deferred tax	(1)	(5)	(6)
Provisions	–	(1)	(1)
Non-controlling interest	–	(7)	(7)
<b>Total</b>	<b>31</b>	<b>25</b>	<b>56</b>
Goodwill arising			57
<b>Consideration</b>			<b>113</b>
Satisfied by:			
Cash			100
Deferred consideration			13
<b>Total consideration</b>			<b>113</b>

The fair value adjustments for the period ended 31 July 2015 are provisional figures, being the best estimates currently available. Further adjustments to goodwill may be necessary when additional information is available concerning some of the 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 additional profitability and operating efficiencies available in respect of existing markets.

The acquisitions contributed £103 million to revenue, £2 million to trading profit and £2 million to the Group's operating profit for the period between the date of acquisition and the balance sheet date. It is not practicable to disclose profit before and after tax, as the Group manages its borrowings as a portfolio and cannot attribute an effective borrowing rate to an individual acquisition.

If each acquisition had been completed on the first day of the financial year, Group revenue would have been £13,449 million and Group trading profit would have been £860 million. It is not practicable to disclose profit before tax or profit attributable to equity shareholders, as stated above. It is not practicable to disclose operating profit as the Group cannot estimate the amount of intangible assets that would have been acquired at a date other than the acquisition date.

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

	2015 £m	2014 £m
Purchase consideration	<b>100</b>	187
Deferred and contingent consideration in respect of prior year acquisitions	<b>8</b>	8
Cash consideration	<b>108</b>	195
Cash acquired	<b>(3)</b>	(1)
<b>Net cash outflow in respect of the purchase of businesses</b>	<b>105</b>	194

### 31. Disposals

In the year ended 31 July 2015, the Group disposed of the following businesses:

Name	Country	Date of disposal	Share/asset deal
OPC	Norway	August 2014	Assets
Specialty Pipe & Tube, Inc	USA	November 2014	Shares
PBM Import SAS	France	March 2015	Shares
A.James SAS	France	April 2015	Shares
Charpentes Françaises SAS	France	April 2015	Shares
Bygg 24 AS	Norway	May 2015	Shares
EPG	Canada	July 2015	Assets

The Group recognised a total loss on disposal of the above businesses of £59 million. This arose from the sale of the French Wood Solutions businesses and is disclosed in note 7 as a discontinued exceptional loss on disposal. The net impact of the disposal of the other businesses is £nil (see note 4).

	Continuing operations £m	Discontinued operations £m	Group 2015 £m
Consideration received	29	16	45
Net assets disposed of	(29)	(68)	(97)
Disposal costs	–	(3)	(3)
Cumulative currency translation differences	–	(4)	(4)
Loss on disposal	–	(59)	(59)

Details of assets and liabilities disposed of are provided in the following table:

	Continuing operations £m	Discontinued operations £m	Group 2015 £m
Goodwill and intangible assets	8	1	9
Property, plant and equipment	3	25	28
Inventory	5	36	41
Receivables	3	41	44
Assets and liabilities held for sale	13	–	13
Payables	(1)	(28)	(29)
Pensions and provisions	(2)	(1)	(3)
Net debt	–	(6)	(6)
Total net assets disposed	29	68	97

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

	Continuing operations £m	Discontinued operations £m	Group 2015 £m
Cash consideration received for current year disposals (net of cash disposed of)	19	–	19
Disposal costs paid	–	(3)	(3)
Cash consideration received for prior year disposals	19	–	19
Net cash inflow/(outflow)	38	(3)	35

## 32. Reconciliation of opening to closing net debt

	At 1 August 2014 £m	Cash flows £m	Acquisitions and new finance leases £m	Disposal of businesses £m	Fair value and other adjustments £m	Reclassified as held for sale £m	Exchange movement £m	At 31 July 2015 £m
<b>For the year ended 31 July 2015</b>								
Cash and cash equivalents	240							<b>1,105</b>
Bank overdrafts	(73)							<b>(848)</b>
	167	<b>173</b>	<b>3</b>	<b>(10)</b>	–	<b>1</b>	<b>(77)</b>	<b>257</b>
Derivative financial instruments	42	<b>(12)</b>	–	–	<b>(1)</b>	–	<b>4</b>	<b>33</b>
Bank loans	(877)	<b>(197)</b>	<b>(13)</b>	<b>15</b>	<b>12</b>	–	<b>(6)</b>	<b>(1,066)</b>
Obligations under finance leases	(43)	<b>4</b>	<b>(3)</b>	<b>1</b>	–	<b>12</b>	–	<b>(29)</b>
Net debt	(711)	<b>(32)</b>	<b>(13)</b>	<b>6</b>	<b>11</b>	<b>13</b>	<b>(79)</b>	<b>(805)</b>

	At 1 August 2013 £m	Cash flows £m	Acquisitions and new finance leases £m	Fair value and other adjustments £m	Exchange movement £m	At 31 July 2014 £m
<b>For the year ended 31 July 2014</b>						
Cash and cash equivalents	339					240
Bank overdrafts	(36)					(73)
	303	(123)	–	–	(13)	167
Derivative financial instruments	62	(12)	–	(3)	(5)	42
Bank loans	(719)	(243)	–	12	73	(877)
Obligations under finance leases	(57)	11	(1)	–	4	(43)
Net debt	(411)	(367)	(1)	9	59	(711)

## 33. Related party transactions

There are no related party transactions requiring disclosure under IAS 24 “Related Party Disclosures” other than the compensation of key management personnel which is set out in the following table.

Key management personnel compensation (including Directors)	2015 £m	2014 £m
Salaries, bonuses and other short-term employee benefits	<b>9</b>	9
Termination and post-employment benefits	<b>2</b>	4
Share-based payments	<b>4</b>	4
Total compensation	<b>15</b>	17

More detailed disclosures on the remuneration of the Directors are provided in the Remuneration report on pages 77 to 102.



### 34. Operating lease commitments

Future minimum lease payments under non-cancellable operating leases for the following periods are:

	2015 £m	2014 £m
Within one year	<b>219</b>	199
Later than one year and less than five years	<b>490</b>	441
After five years	<b>152</b>	148
<b>Total operating lease commitments</b>	<b>861</b>	788

Operating lease payments mainly represent rent payable by the Group for certain of its properties. Some of these operating lease arrangements have renewal options and rental escalation clauses, though the effect of these is not material. No arrangements have been entered into for contingent rental payments.

The commitments shown above include commitments for onerous leases which have already been provided for. At 31 July 2015, provisions include an amount of £29 million (2014: £42 million) in respect of minimum lease payments for such onerous leases net of sublease payments expected to be received. The total minimum sublease payments expected to be received under non-cancellable subleases at 31 July 2015 is £7 million (2014: £14 million).

The commitments above include £20 million (2014: £31 million) of operating lease commitments relating to discontinued operations.

### 35. Contingent liabilities

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

#### Warranties and guarantees in relation to business disposals

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 this report, there are no significant outstanding claims in relation to business disposals.

#### Environmental

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

#### Outcome

The outcome of claims and litigation to which Group companies are party cannot readily be foreseen as, in some cases, the facts are unclear, further time is needed to assess properly 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.

### 36. Post-balance sheet events

The Group issued £512 million (US\$800 million) of US Private Placement bonds on 1 September 2015. A one-year extension of the trade receivables facility for £384 million (US\$600 million) was approved on 11 September 2015.

## 37. Additional information

### (i) Group accounting policies

A summary of the principal accounting policies applied by the Group in the preparation of the consolidated financial statements is set out below. The accounting policies have been applied consistently throughout the current and preceding year.

#### Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities held for trading.

#### Exceptional items

Exceptional items are those which are considered significant by virtue of their nature, size or incidence. These items are presented as exceptional within their relevant income statement category to assist in the understanding of the trading and financial results of the Group. In addition, management presents trading profit, headline profit and headline earnings per share to provide additional useful information on underlying trends to shareholders.

Examples of such items that are considered by the Directors for designation as exceptional items include, but are not limited to:

- Restructuring and other expenses relating to the integration of an acquired business
- Gains/losses on disposal of businesses
- Acquisition-related costs principally relating to professional fees
- Costs arising as a result of material and non-recurring regulatory and litigation matters

#### Consolidation

The consolidated financial information includes the results of the parent company and its subsidiary undertakings drawn up to 31 July 2015.

The trading results of business operations are included in profit on ordinary activities from continuing operations from the date of acquisition or up to the date of sale.

Intra-group transactions and balances and any unrealised gains and losses arising from intra-group transactions are eliminated on consolidation, with the exception of gains/losses required under relevant IFRS accounting standards.

#### Discontinued operations

When the Group has disposed of or intends to dispose of a business component that represents a separate major line of business or geographical area of operations it classifies such operations as discontinued. The post-tax profit or loss of the discontinued operations is shown as a single line on the face of the income statement, separate from the other results of the Group.

#### Foreign currencies

Items included in the financial statements of each of the Group's subsidiary undertakings are measured using the currency of the primary economic environment in which the subsidiary undertaking operates (the "functional currency"). The consolidated financial statements are presented in sterling, which is the presentational currency of the Group and the functional currency of the parent company.

The trading results of overseas subsidiary undertakings are translated into sterling using the average rates of exchange ruling during the relevant financial period.

The balance sheets of overseas subsidiary undertakings are translated into sterling at the rates of exchange ruling at the period end. Exchange differences arising between the translation into sterling of the net assets of these subsidiary undertakings at rates ruling at the beginning and end of the year are recognised in the currency translation reserve (as are exchange differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against foreign currency net assets).

Changes in the fair value and the final settlement value of derivative financial instruments, entered into to hedge foreign currency net assets and that satisfy the hedging conditions of IAS 39, are recognised in the currency translation reserve (see the separate accounting policy on derivative financial instruments).

In the event that a subsidiary undertaking which has a non-sterling functional currency is disposed of, the gain or loss on disposal recognised in the income statement is determined after taking into account the cumulative currency translation differences that are attributable to the subsidiary undertaking concerned.

Foreign currency transactions entered into during the year are translated into sterling at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All currency translation differences are taken to the income statement with the exception of differences on foreign currency net borrowings to the extent that they are used to finance or provide a hedge against foreign currency net assets as detailed above.

## 37. Additional information continued

### (i) Group accounting policies continued

#### Business combinations

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. Acquisition-related costs are expensed.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

#### Non-controlling interests

Non-controlling interests in subsidiaries are identified separately from the Group's equity. The interests of non-controlling shareholders are initially measured at fair value. Subsequent to acquisition the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests showing a deficit balance.

#### Revenue

Revenue is the amount receivable for the provision of goods and services falling within the Group's ordinary activities, excluding intra-group sales, estimated and actual sales returns, trade and early settlement discounts, value added tax and similar sales taxes.

Revenue from the provision of goods is recognised when the risks and rewards of ownership of goods have been transferred to the customer. The risks and rewards of ownership of goods are deemed to have been transferred when the goods are shipped to, or picked up by the customer.

Revenue from services is recognised when the service provided to the customer has been completed.

Customer loyalty credits are accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the loyalty credits and recognised in the period that loyalty credits are redeemed.

Revenue from the provision of goods and services is only recognised when the amounts to be recognised are fixed or determinable and collectability is reasonably assured.

#### Cost of sales

Cost of sales includes purchased goods, the cost of bringing inventory to its present location and condition, and labour and overheads attributable to assembly and construction services.

#### Intangible assets

##### Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary undertaking at the date of acquisition. Goodwill on acquisitions of subsidiary undertakings is included within intangible assets. Goodwill is allocated to cash generating units or aggregations of cash generating units (together "CGUs") where synergy benefits are expected. CGUs are independent sources of income streams and represent the lowest level within the Group at which the associated goodwill is monitored for management purposes. For goodwill impairment testing purposes, no CGU is larger than the reporting segments determined in accordance with IFRS 8 "Operating Segments".

Goodwill is not amortised but is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

On transition to IFRS, the balance of goodwill as measured under UK GAAP was allocated to each CGU. Goodwill arising on business combinations after 1 August 2004 has been allocated to the CGUs that are expected to benefit from that business combination.

## 37. Additional information continued

### (i) Group accounting policies continued

#### Other intangible assets

An intangible asset, which is an identifiable non-monetary asset without physical substance, is recognised to the extent that it is probable that the expected future economic benefits attributable to the asset will flow to the Group and that its cost can be measured reliably. The asset is deemed to be identifiable when it is separable or when it arises from contractual or other legal rights.

Intangible assets, primarily brands, trade names and customer relationships, acquired as part of a business combination are capitalised separately from goodwill and are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the reducing balance method for customer relationships and the straight-line method for other intangible assets. The cost of the intangible assets is amortised over their estimated useful lives as follows:

Customer relationships	4 – 25 years
Trade names and brands	1 – 15 years
Other	1 – 4 years

Computer software that is not integral to an item of property, plant and equipment is recognised separately as an intangible asset and is carried at cost less accumulated amortisation and accumulated impairment losses. Costs include software licences, consulting costs attributable to the development, design and implementation of the computer software and internal costs directly attributable to the development, design and implementation of the computer software. Costs in respect of training and data conversion are expensed as incurred. Amortisation is calculated using the straight-line method so as to charge the cost of the computer software to the income statement over its estimated useful life as follows:

Software	3 – 5 years
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Software assets are generally either purchases from third parties or internally generated.

#### Property, plant and equipment (“PPE”)

PPE is carried at cost less accumulated depreciation and accumulated impairment losses, except for land and assets in the course of construction, which are not depreciated and are carried at cost less accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. In addition, subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, as follows:

Freehold buildings and long leaseholds	20 – 50 years
Operating leasehold improvements	over the period of the lease
Plant and machinery	7 – 10 years
Computer hardware	3 – 5 years
Fixtures and fittings	5 – 7 years
Motor vehicles	4 years

The residual values and useful lives of PPE are reviewed and adjusted if appropriate at each balance sheet date.

Borrowing costs directly attributable to the long-term construction or production of an asset are capitalised as part of the cost of the asset.

#### Leased assets

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have transferred to the Group, are capitalised in the balance sheet and depreciated over the shorter of the lease term or their useful lives. The asset is recorded at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease. The capital elements of future obligations under finance leases are included in liabilities in the balance sheet and analysed between current and non-current amounts. The interest elements of future obligations under finance leases are charged to the income statement over the periods of the leases and represent a constant proportion of the balance of capital repayments outstanding in accordance with the effective interest rate method.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. The cost of operating leases (net of any incentives received from the lessor) is charged to the income statement on a straight-line basis over the period of the leases.

## 37. Additional information continued

### (i) Group accounting policies continued

#### Assets and disposal groups held for sale

Assets are classified as held for sale if their carrying amount will be recovered by sale rather than by continuing use in the business. Where a group of assets and their directly associated liabilities are to be disposed of in a single transaction, such disposal groups are also classified as held for sale. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition, and management must be committed to and have initiated a plan to sell the asset or disposal group which, when initiated, was expected to result in a completed sale within 12 months. Assets that are classified as held for sale are not depreciated. Assets or disposal groups that are classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

#### Impairment of assets

Assets that have an indefinite useful life, such as goodwill, are not subject to amortisation or depreciation but are tested for impairment annually and whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation or depreciation and assets under construction are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value in use is in most cases based on the discounted present value of the future cash flows expected to arise from the cash generating unit to which the goodwill relates, or from the individual asset or asset group.

#### Inventories

Inventories, which comprise all goods purchased for resale, are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out ("FIFO") method or the average cost method as appropriate to the nature of the transactions in those items of inventory. The cost of goods purchased for resale includes import and custom duties, transport and handling costs, freight and packing costs and other attributable costs less trade discounts, rebates and other subsidies. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

#### Trade receivables

Trade receivables are recognised initially at fair value and measured subsequently at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Examples of such evidence include significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the loss is recognised in the income statement. Trade receivables are written off against the provision when recoverability is assessed as being remote. Subsequent recoveries of amounts previously written off are credited to the income statement.

The amount relating to continuing operations charged to the income statement in 2015 in respect of impaired receivables represented 0.14 per cent of revenue (2014 restated: 0.13 per cent). The Group held a provision for impairment of receivables at 31 July 2015 amounting to £35 million (2014: £39 million).

#### Retirement benefit obligations

Contributions to defined contribution pension plans and other post-retirement benefits are charged to the income statement as incurred.

For defined benefit pension plans and other retirement benefits, the cost of providing benefits is determined annually using the projected unit credit method by independent qualified actuaries. The current service cost of defined benefit plans is recorded within operating profit. Past service costs are recognised immediately in income. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. The asset/liability recognised in the balance sheet in respect of defined benefit pension plans is the fair value of plan assets less the present value of the defined benefit obligation at the end of the reporting period. Where a plan is in surplus, the asset recognised is limited to the present value of any amount which the Group expects to recover by way of refunds or a reduction in future contributions.

## 37. Additional information continued

### (i) Group accounting policies continued

#### Taxation

Current tax represents the expected tax payable (or recoverable) on the taxable income for the year using tax rates enacted or substantively enacted at the balance sheet date and taking into account any adjustments arising from prior years.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

#### Share capital

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

Where any Group company purchases the Company's equity share capital (Treasury shares), the consideration paid, including any directly attributable incremental costs (net of tax), is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the Company's equity holders.

#### Share-based payments

Share-based incentives are provided to employees under the Group's executive share option, long-term incentive, employee share purchase and ordinary share plans. The Group recognises a compensation cost in respect of these plans that is based on the fair value of the awards, measured using Binomial and Monte Carlo valuation methodologies. For equity-settled plans, the fair value is determined at the date of grant (including the impact of any non-vesting conditions such as a requirement for employees to save) and is not subsequently remeasured unless the conditions on which the award was granted are modified. For cash-settled plans, the fair value is determined at the date of grant and is remeasured at each balance sheet date until the liability is settled. Generally, the compensation cost is recognised on a straight-line basis over the vesting period. Adjustments are made to reflect expected and actual forfeitures during the vesting period due to the failure to satisfy service conditions or non-market performance conditions.

#### Dividends payable

Dividends on ordinary shares are recognised in the Group's financial statements in the period in which the dividends are approved by the shareholders of the Company or paid.

#### Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet to the extent that there is no legal right of offset and/or no practice of net settlement with cash balances.

Cash, which is not freely available to the Group, is disclosed as restricted cash.

## 37. Additional information continued

### (i) Group accounting policies continued

#### Derivative financial instruments

Derivative financial instruments, in particular interest rate swaps and currency swaps, are used to manage the financial risks arising from the business activities of the Group and the financing of those activities. There is no trading activity in derivative financial instruments.

At the inception of a hedging transaction entailing the use of derivative financial instruments, the Group documents the relationship between the hedged item and the hedging instrument together with its risk management objective and the strategy underlying the proposed transaction. The Group also documents its assessment, both at the inception of the hedging relationship and subsequently on an ongoing basis, of the effectiveness of the hedge in offsetting movements in the fair values or cash flows of the hedged items.

Derivative financial instruments are recognised as assets and liabilities measured at their fair values at the balance sheet date. Where derivative financial instruments do not fulfil the criteria for hedge accounting contained in IAS 39, changes in their fair values are recognised in the income statement. When hedge accounting is used, the relevant hedging relationships are classified as fair value hedges, cash flow hedges or net investment hedges. Where the hedging relationship is classified as a fair value hedge, the carrying amount of the hedged asset or liability is adjusted by the increase or decrease in its fair value attributable to the hedged risk and the resulting gain or loss is recognised in the income statement where, to the extent that the hedge is effective, it will be offset by the change in the fair value of the hedging instrument. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity. Where the hedging relationship is classified as a cash flow hedge or as a net investment hedge, to the extent the hedge is effective, changes in the fair value of the hedging instrument arising from the hedged risk are recognised directly in equity rather than in the income statement. When the hedged item is recognised in the financial statements, the accumulated gains and losses recognised in equity are either recycled to the income statement or, if the hedged item results in a non-financial asset, are recognised as adjustments to its initial carrying amount. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

#### Borrowings

Borrowings are recognised initially at the fair value of the consideration received net of transaction costs incurred. Borrowings are subsequently stated at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value being recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

### (ii) Additional information about financial instruments

#### Financial instruments by category

The accounting policies for financial instruments have been applied to the following items:

	Cash and cash equivalents £m	Deposits and receivables £m	Fair value through profit and loss £m	Total £m
<b>Assets at 31 July 2015</b>				
Financial assets	–	–	16	16
Trade and other receivables, excluding prepayments and accrued income	–	1,890	–	1,890
Derivative financial assets	–	–	34	34
Cash and cash equivalents	1,105	–	–	1,105
	<b>1,105</b>	<b>1,890</b>	<b>50</b>	<b>3,045</b>
Impairment losses in the year (note 16)	–	21	–	21

	Amortised cost £m	Fair value through profit and loss £m	Total £m
<b>Liabilities at 31 July 2015</b>			
Trade and other payables, excluding accruals, deferred income and tax and social security	2,021	–	2,021
Bank loans and overdrafts	1,914	–	1,914
Derivative financial liabilities	–	1	1
Finance leases	29	–	29
Total liabilities	<b>3,964</b>	<b>1</b>	<b>3,965</b>



## 37. Additional information continued

### (ii) Additional information about financial instruments continued

#### Financial instruments by category continued

	Cash and cash equivalents £m	Deposits and receivables £m	Fair value through profit and loss £m	Total £m
Assets at 31 July 2014				
Financial assets	–	–	17	17
Trade and other receivables, excluding prepayments and accrued income	–	1,919	–	1,919
Derivative financial assets	–	–	42	42
Cash and cash equivalents	240	–	–	240
	240	1,919	59	2,218
Impairment losses in the year (note 16)	–	20	–	20

		Amortised cost £m	Total £m
Liabilities at 31 July 2014			
Trade and other payables, excluding accruals, deferred income and tax and social security		1,999	1,999
Loans and overdrafts		950	950
Finance leases		43	43
Total liabilities		2,992	2,992

#### Financial instruments by measurement basis

Financial instruments in the category “fair value through profit and loss” are measured in the balance sheet at fair value. Fair value measurements can be classified in the following hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following tables present the Group’s assets and liabilities that are measured at fair value at 31 July 2015 and 31 July 2014:

Assets at 31 July 2015	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivatives at fair value through profit and loss	–	34	–	34
Loan notes held at fair value through profit and loss	–	–	16	16
Total assets	–	34	16	50

Liabilities at 31 July 2015	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivatives at fair value through profit and loss	–	1	–	1
Total liabilities	–	1	–	1

Assets at 31 July 2014	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivatives at fair value through profit and loss	–	42	–	42
Bond held at fair value through profit and loss	–	–	17	17
Total assets	–	42	17	59

There were no derivative liabilities at fair value through profit and loss at 31 July 2014.

## 37. Additional information continued

### (ii) Additional information about financial instruments continued

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 £48 million (2014: £48 million) which has been discounted at a rate of 2.2 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:

	2015 Book value £m	2015 Fair value £m	2014 Book value £m	2014 Fair value £m
Trade and other receivables, excluding prepayments and accrued income	1,890	1,890	1,919	1,919
Trade and other payables, excluding accruals, deferred income and tax and social security	2,021	2,021	1,999	1,999
Bank loans and overdrafts	1,461	1,461	520	520
Senior unsecured notes	453	474	430	447
Finance leases	29	29	43	43

### Financial instruments: disclosure of offsetting arrangements

The financial instruments that have been offset in the financial statements are disclosed below:

At 31 July 2015	Notes	Gross balances (a) £m	Offset amounts (b) £m	Financial statements (c) £m	Non-netted amounts (d) £m	Restated amounts (e) £m
<b>Financial assets</b>						
Non-current assets						
Derivative financial assets	17	49	(25)	24	–	24
Current assets						
Derivative financial assets	17	18	(8)	10	–	10
Cash and cash equivalents	18	1,222	(117)	1,105	(786)	319
		1,289	(150)	1,139	(786)	353
<b>Financial liabilities</b>						
Current liabilities						
Derivative financial liabilities	17	9	(8)	1	–	1
Bank loans and overdrafts	21	1,118	(117)	1,001	(786)	215
Finance leases	23	4	–	4	–	4
Non-current liabilities						
Derivative financial liabilities	17	25	(25)	–	–	–
Bank loans	21	913	–	913	–	913
Finance leases	23	25	–	25	–	25
		2,094	(150)	1,944	(786)	1,158
<b>Closing net debt</b>	32	(805)	–	(805)	–	(805)

## 37. Additional information continued

### (ii) Additional information about financial instruments continued

#### Financial instruments: disclosure of offsetting arrangements continued

At 31 July 2014	Notes	Gross balances (a) £m	Offset amounts (b) £m	Financial statements (c) £m
<b>Financial assets</b>				
Non-current assets				
Derivative financial assets	17	61	(30)	31
Current assets				
Derivative financial assets	17	20	(9)	11
Cash and cash equivalents	18	1,395	(1,155)	240
		1,476	(1,194)	282
<b>Financial liabilities</b>				
Current liabilities				
Derivative financial liabilities	17	9	(9)	–
Bank loans and overdrafts	21	1,314	(1,155)	159
Finance leases	23	7	–	7
Non-current liabilities				
Derivative financial liabilities	17	30	(30)	–
Bank loans	21	791	–	791
Finance leases	23	36	–	36
		2,187	(1,194)	993
<b>Closing net debt</b>	32	(711)	–	(711)

(a) The gross amounts of the recognised financial assets and liabilities under an enforceable master netting agreement, or similar arrangement.

(b) The amounts offset in accordance with the criteria in IAS 32.

(c) The net amounts presented in the Group balance sheet.

(d) The amounts subject to an enforceable master netting arrangement, or similar arrangement, not included in (b).

(e) The net amount after deducting the amounts in (d) from the amounts in (c).

#### Financial instruments: risk management policies

The Group is exposed to market risks arising from its international operations, and the financial instruments which fund them. The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk and liquidity risk. The Group has well-defined policies for the management of interest rate, liquidity, foreign exchange and counterparty exposures, which have been consistently applied during the financial years ended 31 July 2015 and 31 July 2014. By the nature of its business, the Group also has trade credit and commodity price exposures, the management of which is delegated to operating businesses. There has been no change during or since the previous year-end in the major financial risks faced by the Group.

Policies for managing each of these risks are regularly reviewed and are summarised below. When the Group enters into derivative transactions (principally interest rate swaps and forward foreign currency contracts), the purpose of such transactions is to hedge certain interest rate and currency risks arising from the Group's operations and its sources of finance. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments or speculative transactions be undertaken.

#### Capital risk management

The Group's sources of funding currently comprise cash flows generated by operations, equity contributed by shareholders and borrowings from banks and other financial institutions. In order to maintain or adjust the capital structure, the Group may pay a special dividend, return capital to shareholders, repurchase its own shares, issue new shares or sell assets to reduce debt.

## 37. Additional information continued

### (ii) Additional information about financial instruments continued

#### Liquidity risk

The Group maintains a policy of ensuring sufficient borrowing headroom to finance all investment and capital expenditure included in its strategic plan, with an additional contingent safety margin.

The Group has estimated its anticipated contractual cash outflows (excluding interest income and income from derivatives) including interest payable in respect of its trade and other payables and bank borrowings on an undiscounted basis. The principal assumptions are that floating rate interest is calculated using the prevailing interest rate at the balance sheet date, and cash flows in foreign currency are translated using spot rates at the balance sheet date. These cash flows can be analysed by maturity as follows:

As at 31 July 2015	Trade and other payables £m	Debt £m	Interest on debt £m	Total £m
Due in less than one year	1,896	141	31	2,068
Due in one to two years	15	3	37	55
Due in two to three years	11	103	34	148
Due in three to four years	7	2	31	40
Due in four to five years	9	1	31	41
Due in over five years	83	814	113	1,010
<b>Total</b>	<b>2,021</b>	<b>1,064</b>	<b>277</b>	<b>3,362</b>

As at 31 July 2014	Trade and other payables £m	Debt £m	Interest on debt £m	Total £m
Due in less than one year	1,888	156	28	2,072
Due in one to two years	20	390	21	431
Due in two to three years	9	6	17	32
Due in three to four years	7	98	15	120
Due in four to five years	6	3	12	21
Due in over five years	69	303	28	400
<b>Total</b>	<b>1,999</b>	<b>956</b>	<b>121</b>	<b>3,076</b>

#### Foreign currency risk

The Group has significant overseas businesses whose revenues are mainly denominated in the currencies of the countries in which the operations are located. Approximately 63 per cent of the Group's revenue is in US dollars and 5 per cent in euros. The Group does not have significant transactional foreign currency cash flow exposures. However, those that do arise may be hedged with either forward contracts or currency options. The Group does not normally hedge profit translation exposure since such hedges have only temporary effect.

The Group's policy is to adjust the currencies in which its net debt is denominated to materially match the currencies in which its trading profit is generated. Details of average exchange rates used in the translation of overseas earnings and of year-end exchange rates used in the translation of overseas balance sheets, for the principal currencies used by the Group, are shown in the five-year summary on page 168. The net effect of currency translation was to increase revenue by £101 million (0.8 per cent) (2014: decrease by £459 million, or 3.8 per cent) and to increase trading profit by £19 million (2.5 per cent) (2014: decrease by £31 million or 4.3 per cent). These currency effects reflect a movement of the average sterling exchange rate against US dollars, euro and Canadian dollars as follows:

## 37. Additional information continued

### (ii) Additional information about financial instruments continued

#### Foreign currency risk continued

	<b>2015</b> Strengthening/ (weakening) of sterling	2014 Strengthening/ (weakening) of sterling
US dollars	<b>(5.0%)</b>	5.0%
Euro	<b>9.8%</b>	0.3%
Canadian dollars	<b>5.5%</b>	11.7%

The Group has financial instruments denominated in foreign currencies which have been designated as hedges of the net investment in its overseas subsidiaries. The principal value of those financial instruments designated as hedges at the balance sheet date was £1,000 million (2014: £1,260 million). The loss on translation of these financial instruments into sterling of £46 million (2014: gain of £77 million) has been taken to the translation reserve.

At 31 July 2015, the Group had the following short-term currency swaps and forward contracts which were designated and effective as hedges of overseas operations.

		<b>Forward contracts</b>			
		<b>2015</b> Currency million	<b>2015</b> £m	2014 Currency million	2014 £m
Bought/(sold)	SEK	–	–	35	3
	DKK	–	–	(28)	(3)
			–		–

		<b>Currency swaps</b>			
		<b>2015</b> Currency million	<b>2015</b> £m	2014 Currency million	2014 £m
Bought/(sold)	DKK	<b>1,200</b>	<b>112</b>	1,200	128
	EUR	<b>20</b>	<b>14</b>	–	–
	GBP	<b>(127)</b>	<b>(127)</b>	(128)	(128)
			<b>(1)</b>		–

#### Interest rate risk

To manage the Group's exposure to interest rate fluctuations, the Group's policy is to keep between 0 per cent and 50 per cent of projected borrowings required during the next two years at fixed rates. This percentage is regularly reviewed by the Board. At 31 July 2015, 52 per cent of loans were at fixed rates. This has been approved. The Group borrows in the desired currencies principally at rates determined by reference to short-term benchmark rates applicable to the relevant currency or market, such as LIBOR. Rates which reset at least every 12 months are regarded as floating rates and the Group then, if appropriate, considers interest rate swaps to generate the desired interest rate profile.

The Group reviews deposits and borrowings by currency at Treasury Committee and Board meetings. The Treasury Committee gives prior approval to any variations from floating rate arrangements.

During November 2011, the Group entered into interest rate swap contracts comprising fixed interest payable on £467 million (US\$729 million) of notional principal. The contracts expire between November 2015 and November 2020 and the fixed interest rates range between 1.51 per cent and 2.94 per cent. These contracts have been held since inception at fair value through profit and loss. With effect from 1 December 2011, interest rate swap contracts comprising fixed interest receivable on an original notional principal of £467 million (US\$729 million) and at 31 July 2015, £425 million (US\$664 million) have been classified as held at fair value through profit and loss. The contracts expire between November 2015 and November 2020 and the fixed interest rates range between 5.05 per cent and 5.32 per cent (2014: 5.05 per cent and 5.32 per cent).

## 37. Additional information continued

### (ii) Additional information about financial instruments continued

#### Interest rate risk continued

The table below shows the income statement movement on fair value through profit and loss.

At fair value through profit and loss (hedge accounting not applied)	2015 £m	2014 £m
At 1 August	42	59
Settled	(12)	(12)
Valuation gain charged to income statement	–	1
Exchange	3	(6)
At 31 July	33	42

There are no fixed rate interest borrowings that form part of a hedge relationship.

#### Credit risk

Wolseley provides sales on credit terms to many of its customers. There is an associated risk that customers may not be able to pay outstanding balances. At 31 July 2015, the maximum exposure to credit risk was £1,890 million (2014: £1,919 million).

Each of the businesses have established procedures in place to review and collect outstanding receivables. Significant outstanding and overdue balances are reviewed on a regular basis and resulting actions are put in place on a timely basis. In some cases, protection is provided through credit insurance arrangements. All of the major businesses use professional, dedicated credit teams, in some cases field-based. Appropriate provisions are made for debts that may be impaired on a timely basis. Concentration of credit risk in trade receivables is limited as the Group's customer base is large and unrelated. Accordingly, management considers that there is no further credit risk provision required above the current provision for impairment.

The Group has cash balances deposited for short periods with financial institutions, and enters into certain contracts (such as interest rate swaps) which entitle the Group to receive future cash flows from financial institutions. These transactions give rise to credit risk on amounts due from counterparties with a maximum exposure of £368 million (2014: £282 million). This risk is managed by setting credit and settlement limits for a panel of approved counterparties. The limits are approved by the Treasury Committee and ratings are monitored regularly.

#### Market price risk

The Group monitors its interest rate and currency risk by reviewing the effect on financial instruments over various periods of a range of possible changes in interest rates and exchange rates. The Group has estimated that an increase of one percentage point in the principal interest rates to which it is exposed would result in a charge to the income statement of £5 million (2014: £3 million), arising from changes in the fair value of interest rate swaps. The Group has estimated that a weakening of sterling by 10 per cent against borrowings denominated in foreign currency in which the Group does business, would result in a charge to equity of £157 million (2014: £74 million), and a credit of £3 million (2014: £4 million) to the income statement, arising from the retranslation of interest rate swaps held at fair value through profit and loss.

The Group does not require operating businesses to adhere to a formalised risk management policy in respect of trade credit risk or commodity price risk, and does not consider that there is a useful way of quantifying the Group's exposure to any of the macroeconomic variables that might affect the collectability of receivables or the prices of commodities.

#### Additional information about non-GAAP measures and 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 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. In addition, the current businesses within the Group have arisen through internal organic growth and through acquisition. 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.

### (iii) Additional information on the allotment of equity securities for cash

During the year, the Company issued 60,881 (2014: 1,027,171) ordinary shares with a nominal value of £nil (2014: £0.1 million) to participants in the long-term incentive plans and all-employee sharesave plans. The terms of issue were fixed on the respective dates of grant. The relevant dates of grants were between April 2008 and April 2014 and the market price on those dates was between £11.85 and £34.59.

## 37. Additional information continued

### (iv) Additional information about pensions and other long-term employee benefits

#### Description of plans

The principal UK defined benefit plan is the Wolseley Group Retirement Benefits Plan which provides benefits based on final pensionable salaries. This plan was closed to new entrants in 2009. The assets are held in separate trustee administered funds. The Group contribution rate is calculated on the Projected Unit Method and agreed with an independent consulting actuary. The Group Retirement Benefits Plan was closed to future accrual on 31 December 2013 and was replaced by a new defined contribution plan. Obligations under the UK defined contribution plan are recognised as an operating cost in the income statement as incurred.

The principal plans operated for US employees are defined contribution plans, which are established in accordance with US 401k rules. Companies contribute to both employee compensation deferral and profit sharing plans. The Group also operates two defined benefit plans in the United States which are closed to new entrants. One of the plans is funded and the majority of assets are held in trustee administered funds independent of the assets of the companies. The closed plans now provide a minimum pension guarantee in conjunction with a defined contribution plan. The contribution rate is calculated on the Projected Unit (credit) Method as agreed with independent consulting actuaries.

In Canada, defined benefit plans and a defined contribution plan are operated. Most of the Canadian defined benefit plans are funded. The contribution rate is calculated on the Projected Unit (credit) Method as agreed with independent consulting actuaries.

In Europe, both defined contribution and defined benefit plans are operated. Liabilities arising under defined benefit plans are calculated in accordance with actuarial advice.

#### Investment policy

The Group's investment strategy for its funded post-employment plans is decided locally and, if relevant, by the trustees of the plan, and takes account of the relevant statutory requirements. The Group's objective for the investment strategy is to achieve a target rate of return in excess of the increase in the liabilities, while taking an acceptable amount of investment risk relative to the liabilities.

This objective is implemented by using specific allocations to a variety of asset classes that are expected over the long term to deliver the target rate of return. Most investment strategies have significant allocations to equities, with the intention that this will result in the ongoing cost to the Group of the post-employment plans being lower over the long term and within acceptable boundaries of risk.

For the UK plan, the strategy is to invest approximately 70 per cent of the assets in growth assets (comprising 50 per cent in equities and 20 per cent in other diversified growth assets) and 30 per cent in bonds. The investment strategy is subject to regular review by the plan trustees in consultation with the Company. For the overseas plans the investment strategy involves the investment in defined levels of predominantly equities with the remainder of the assets being invested in cash and bonds.

### (v) Additional information about share-based payment plans

The Group currently operates three types of discretionary plans and two types of all-employee sharesave plans.

Awards granted under the executive option plans are subject to a condition such that they may not be exercised unless the growth in headline earnings per share over a period of three consecutive financial years exceeds the growth in the UK Retail Price Index over the same period by at least 9 per cent and consequently vest over a period of three years.

Awards granted under the employee savings option plans vest over periods ranging from three to seven years, except for awards granted under the ESPP, which vest over a one-year period.

The Group also operates a long-term incentive plan ("LTIP") for senior executives. Under the LTIP, executives are awarded a variable number of shares depending on the level of total shareholder return over a three-year period relative to that of the FTSE 100. The vesting period is three years. The maximum award under the LTIP is determined at grant date and then adjusted at vesting date in accordance with the market performance condition. The vesting period is three years and there are no performance measures other than retained employment.

Since 2011, the Group has operated the Wolseley Group ordinary share plan 2011 (the "ordinary share plan") which is open to all eligible employees except Executive Directors of the Group. Under the ordinary share plan, employees can be granted a variable number of awards in any form or combination of options, restricted share awards, conditional share awards or phantom share awards up to a maximum of 100 per cent of their current salary. The vesting period can be up to three years and there are no performance measures other than retained employment.

### (vi) Additional information about the parent company of the Group

The Company is incorporated in Jersey under the Companies (Jersey) Law 1991 and is headquartered in Switzerland. It operates as the ultimate parent company of the Wolseley Group. Its registered office is 26 New Street, St Helier, Jersey, JE2 3RA, Channel Islands.

The Group's principal subsidiary undertakings are set out on page 169.



# Independent auditors' report to the members of Wolseley plc

## Report on the Group financial statements

### Our opinion

In our opinion, Wolseley PLC's (the "Group") financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's affairs as at 31 July 2015 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

### What we have audited

The financial statements included within the Annual Report and Accounts (the "Annual Report") comprise:

- the Group balance sheet as at 31 July 2015;
- the Group income statement and Group statement of comprehensive income for the year then ended;
- the Group cash flow statement for the year then ended;
- the Group statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

### Our audit approach

#### Overview



- Overall Group materiality: £38 million which represents 5% of continuing profit before tax adjusted for non-recurring exceptional items.
- The components where we performed audit work accounted for 99% of Group revenues and 91% of continuing Group profit before tax adjusted for non-recurring exceptional items.
- Goodwill and other intangibles impairment assessment, particularly in the Nordic region.
- Recognition of supplier rebate income.
- The provision for slow-moving and obsolete inventory.
- The provision for product liability, employee disputes, contract and commercial issues and environmental exposures.
- The provision for uncertain tax positions.

### The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
<p><b>Goodwill and other intangibles impairment assessment, particularly in the Nordic region</b></p> <p><i>Refer to page 68 (Audit Committee Report), page 108 (Accounting policies and critical estimates and judgements)</i></p> <p>The sharp deterioration of first half profitability in the Nordic region triggered the Directors to reassess the recoverability of goodwill and other assets, which had a carrying value of £341 million prior to impairment. Following this review, an impairment charge of £234 million was recorded with respect to the Stark, Silvan, Stark Finland and Beijer businesses.</p> <p>We have focused on this area because the determination of whether or not an impairment charge for goodwill and other assets was necessary involved significant judgements by the Directors about the future results and plans for the Nordic businesses.</p> <p>In particular we focused on the reasonableness and impact of key assumptions including:</p> <ul style="list-style-type: none"> <li>• The cash flows derived from internal forecasts and the drivers behind future performance; and</li> <li>• The discount rate and the long-term growth rate including the assessment of risk factors and growth expectations of the relevant territory.</li> </ul> <p>Under IAS 36 – <i>Impairment of assets</i>, where the impairment amount is in excess of the carrying value of goodwill, there is also judgement in determining the proportional split to allocate to other asset classes based on a separate assessment of their recoverable amount, being the higher of value-in-use and fair value less costs to sell.</p>	<p>We evaluated the reasonableness of the Directors' future cash flow forecasts for the Stark, Silvan, Stark Finland, Neumann and Beijer businesses. This included understanding the process by which they were drawn up, including comparing them to the latest Board approved plans and forecasts approved by the Directors. We noted no material exceptions.</p> <p>We tested the reliability of the Directors' budgeting process by comparing actual and budgeted profits for the past four years. We also developed independent expectations of the future cash flows of the businesses by examining historic performance and market data. This analysis did not materially differ from the Directors' conclusion.</p> <p>We evaluated the Directors' key assumptions for the long-term growth rates and the discount rates used in the model by comparing them against our own independently determined acceptable ranges. We did not identify any material differences.</p> <p>We also ascertained the extent of change in those assumptions that, either individually or collectively, would result in further impairment. We consider that a reasonably possible change in assumptions would not cause an impairment in any businesses apart from Neumann and Beijer. These businesses remain sensitive to reasonably possible changes in assumptions as disclosed by the Directors in Note 12.</p> <p>We examined the allocation of the excess impairment over the carrying value of goodwill against intangibles and other assets to determine whether the Directors had complied with IAS 36. Where the Directors determined that assets were not impaired, we focused on the assumptions used in the valuations prepared to support the fair value of certain assets and also the assessment of an external appraisals obtained by the Directors.</p>



Area of focus	How our audit addressed the area of focus	Area of focus	How our audit addressed the area of focus
<p><b>Recognition of supplier rebate income</b></p> <p><i>Refer to page 68 (Audit Committee Report), page 34 of the Finance Review and page 108 (Accounting policies and critical estimates and judgements)</i></p> <p>As is common across the industry, the Group has a number of supplier rebate agreements in place, a number of which are annual and coterminous with the calendar year rather than the Group's own financial year. Most of the Group's volume rebates are based on a flat rate. The remaining contracts are structured such that the rebate percentage increases as a proportion of the volume of purchases ("tiered agreements"). Where this is the case the Directors are required to make estimates of future purchases for the rebate year in calculating the income receivable at the year-end.</p> <p>Some of the agreements are also reimbursements of marketing costs rather than being tied to volume. Where rebates can be linked to a reimbursement of marketing expense, they are classified in operating costs.</p> <p>Due to the complexity and supplier specific nature of each arrangement, it is difficult to fully automate the rebate receivable calculation process and hence the Directors are reliant on manual processes outside the financial systems and related controls. Manual processes can lead to a higher risk of material misstatement due to error or fraud.</p> <p>We have focused on this area due to:</p> <ul style="list-style-type: none"> <li>• the significant amount of audit effort required to test the accounting for these arrangements, given the volume of agreements and manual nature of the receivable calculation;</li> <li>• the judgement involved in estimating the receivable for tiered agreements; and</li> <li>• the judgement involved in the classification of rebates in cost of sales or operating costs.</li> </ul>	<p>To test the Directors' estimated rebate receivable, we agreed a sample of rebate terms used in the receivable calculation to supplier contracts and confirmed the terms of a sample of contracts with the suppliers, noting no material exceptions. We circularised a sample of receivable balances with the suppliers, which materially agreed to the balances recorded by the Directors. In addition, we considered the historical accuracy of the Directors' rebate estimates by comparing cash receipts to the year-end rebate receivable balances in prior periods. Where there were differences, we understood the cause and considered whether the current year estimate would be affected. This comparison did not identify any differences that would lead to material changes in the current year receivable.</p> <p>We agreed a sample of rebate income received during the year to cash receipts and considered the patterns in overall rebate income over several years to identify any unusual trends or balances. We noted no material exceptions or unusual trends or balances.</p> <p>We assessed the appropriate presentation of volume and marketing rebates in cost of sales and operating costs respectively by agreeing, for a sample of rebate income, that the nature of the income in the underlying contract supported its presentation in the financial statements. We noted no material exceptions.</p>	<p><b>The provision for product liability, employee disputes, contract and commercial issues and environmental exposures</b></p> <p><i>Refer to page 68 (Audit Committee Report), page 109 (Accounting policies and critical estimates and judgements) and page 132 (Notes)</i></p> <p>The Group is subject to litigation and claims in relation to product liability, employee disputes, contract and commercial issues and environmental exposure. The outcome of these claims can be inherently uncertain, as the ultimate liability for potential legal claims and other matters may be dependent upon facts that are currently uncertain or unknown, the outcome of litigation proceedings and possible settlement negotiations.</p> <p><b>The provision for uncertain tax positions</b></p> <p><i>Refer to page 68 (Audit Committee Report) and page 110 (Accounting policies and critical estimates and judgements)</i></p> <p>The Group operates in a number of territories and recognises tax based on interpretation of local laws and regulations which are sometimes uncertain. The key areas of judgement made by the Directors on tax matters during the normal course of business, and the key assumptions we focused on, include transfer pricing arrangements on Group recharges and the level of debt funding within the Group.</p> <p>Where the amount of tax payable or receivable is uncertain the Group establishes provisions based on the Directors' judgement.</p>	<p>Under our direction, where applicable, our component audit teams held discussions with in-country legal advisers and obtained audit evidence locally regarding the status of ongoing investigations and claims. This evidence was coordinated by the Group audit team with Group legal counsel to understand the associated risks and the basis for provisions recorded. We identified no material exceptions to the amounts recorded by the Directors.</p> <p>We evaluated the Directors' process to identify and quantify such exposures and obtained supporting evidence for the key assumptions including reports from specialists where appropriate. We noted no material exceptions.</p> <p>We obtained confirmations from external legal counsel and considered the appropriateness of the disclosure made in the Group financial statements, noting no material differences.</p> <p>We involved our specialists in the relevant jurisdictions who have knowledge of the local tax law to understand the extent of possible exposure arising from the Group's arrangements.</p> <p>We obtained the latest correspondence between the Group and the relevant tax authorities and considered the views of the Group's external advisers on these matters, noting that these supported management's recorded position.</p> <p>We met with the Directors and evaluated the appropriateness of provisions made, and identified no material exceptions to the amounts recorded.</p>
<p><b>The provision for slow-moving and obsolete inventory</b></p> <p><i>Refer to page 68 (Audit Committee Report) and page 109 (Accounting policies and critical estimates and judgements)</i></p> <p>The balance of gross inventories at 31 July 2015 is £1,972 million, against which an obsolescence provision of £103 million is held. The Directors estimate this provision by comparing the level of inventory held to future sales projections. The provision is calculated within the Group's accounting systems using an automated process, however these systems are not directly linked to the underlying ledgers and require manual interfaces and inputs into the calculation.</p> <p>We focused on the risk that the provision was calculated incorrectly, due to the parameters set within the system or inaccurate input of the underlying data, and because of the judgement required in estimating future sales projections.</p>	<p>We tested the completeness of the data within the system used to generate the inventory provision by agreeing a sample of inventory in warehouses and branches to accounting records. We also tested the accuracy of the provision by reviewing the calculation criteria and recalculating it for a sample of products. We noted no material exceptions as a result of these procedures.</p> <p>We considered the appropriateness of the provisioning methodology based on historical experience and compared forecast sales to the last 12 months to determine reasonableness. No material exceptions were noted.</p>	<p><b>How we tailored the audit scope</b></p> <p>We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.</p> <p>The Group is primarily structured into five geographic regions being the USA, UK, Canada, Nordic, and Central Europe. Each geographic region consists of a number of businesses which we consider components for scoping the audit. These businesses are Ferguson, Wolseley Canada, Wolseley UK, France Building Materials, Stark, Silvan, Stark Finland, Beijer, Neumann, Wasco, and Tobler. Each has a separate management reporting entity which is consolidated by Group management. The Group includes head office companies in its consolidation, principally Wolseley Limited, Wolseley Group Services, and Wolseley Insurance Limited, which we also considered to be components for the purposes of our audit.</p> <p>In establishing the overall approach to the Group audit, we determined that we needed to conduct audit work over the complete financial information of these 14 components. With the exception of the head office companies which were audited by the Group team, we used local PwC network firms to audit and report on the component financial information.</p> <p>Where the work was performed by component auditors, under our instruction, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. In the current year the Group team visited the US and UK components to obtain an understanding of the local environment and any audit risks arising. We directed the work of component auditors, reviewed the component auditors' working papers and participated in the closing meetings of all components.</p> <p>The Group consolidation, financial statement disclosures and financial statement items accounted for centrally, including derivative financial instruments and share-based payments were also audited by the Group engagement team at the head office.</p>	

Taken together, the businesses where we performed our audit work accounted for 99 per cent of Group revenues and 91 per cent of continuing Group profit before tax adjusted for non-recurring exceptional items and impairment of goodwill and intangibles. Our audit procedures, together with additional procedures performed at the Group level, including audit of the consolidation, financial statement disclosures, derivative financial instruments and share-based payments, gave us the evidence that we needed for our opinion on the Group financial statements as a whole.

## Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	£38 million (2014: £33 million).
How we determined it	5% of continuing profit before tax adjusted for non-recurring exceptional items and impairment of goodwill and intangibles.
Rationale for benchmark applied	We believe that continuing profit before tax, adjusted for non-recurring exceptional items and impairment of goodwill and intangibles provides us with a consistent year-on-year basis for determining materiality by eliminating the volatility of these items.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1.5 million (2014: £1.5 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

## Going concern

The Directors have voluntarily complied with Listing Rule 9.8.6 (R)(3) of the UK Financial Conduct Authority and provided a statement in relation to going concern set out in the Directors' Report, required for UK registered companies with a premium listing on the London Stock Exchange.

The Directors have requested that we review the statement on going concern as if the Group were a UK registered company. We have nothing to report having performed our review.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to prepare the financial statements using the going concern basis of accounting. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.

## Other required reporting

### Consistency of other information

#### ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

<ul style="list-style-type: none"> <li>information in the Annual Report is:                             <ul style="list-style-type: none"> <li>– materially inconsistent with the information in the audited financial statements; or</li> <li>– apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or</li> <li>– otherwise misleading.</li> </ul> </li> </ul>	We have no exceptions to report arising from this responsibility.
<ul style="list-style-type: none"> <li>the statement given by the Directors on page 74, in accordance with Provision C.1.1 of the UK Corporate Governance Code (the "Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit.</li> </ul>	We have no exceptions to report arising from this responsibility.
<ul style="list-style-type: none"> <li>the section of the Annual Report on page 68, as required by Provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.</li> </ul>	We have no exceptions to report arising from this responsibility.

## Adequacy of information and explanations received

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

## Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the parent company's compliance with 10 provisions of the UK Corporate Governance Code. We have nothing to report having performed our review.

## Opinion on other matter

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Responsibilities for the financial statements and the audit

### Our responsibilities and those of the Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 74, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving these opinions, 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.

### What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Accounts (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Other Matter

We have reported separately on the Company financial statements of Wolseley plc for the year ended 31 July 2015.



**Stuart Watson**  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Recognised Auditors  
London  
28 September 2015

## Company profit and loss account

Year ended 31 July 2015

	2015 £m	2014 £m
Administrative expenses	(13)	(16)
<b>Operating loss</b>	<b>(13)</b>	(16)
Income from shares in Group undertakings	639	2,431
Profit on ordinary activities before interest	626	2,415
Interest receivable and similar income	–	16
Interest payable and similar charges	(10)	(6)
Profit before tax	616	2,425
Taxation	–	(3)
<b>Profit for the financial year</b>	<b>616</b>	2,422

The Company has no recognised gains and losses other than those included in the profit and loss account and therefore no separate statement of total recognised gains and losses has been presented.

## Company balance sheet

Year ended 31 July 2015

	Notes	2015 £m	2014 £m
<b>Fixed assets</b>			
Investments	3	7,607	7,586
		<b>7,607</b>	7,586
<b>Current assets</b>			
Debtors: amounts falling due within one year	4	1	2
Cash at bank and in-hand		3	27
		<b>4</b>	29
<b>Creditors: amounts falling due within one year</b>	5	<b>(374)</b>	(541)
<b>Net current liabilities</b>		<b>(370)</b>	(512)
<b>Total assets less current liabilities</b>		<b>7,237</b>	7,074
<b>Capital and reserves</b>			
Called up share capital	6	29	29
Share premium account	7	42	41
Treasury shares	8	(240)	–
Own shares reserve	9	(63)	(93)
Profit and loss account	10	7,469	7,097
<b>Total shareholders' equity</b>	11	<b>7,237</b>	7,074

The accompanying notes are an integral part of these Company financial statements.

The Company financial statements on pages 161 to 165 were approved by the Board of Directors on 28 September 2015 and were signed on its behalf by



**Ian Meakins**  
Group Chief Executive



**John Martin**  
Chief Financial Officer

# Notes to the Company financial statements

Year ended 31 July 2015

## 1. Corporate information

Wolseley plc (the "Company") was incorporated and registered in Jersey on 28 September 2010 under the Jersey Companies Law as a public company limited by shares under the name Wolseley plc with registered number 106605. The principal legislation under which the Company operates is the Companies (Jersey) Law 1991, as amended, and regulations made thereunder. The address of its registered office is 26 New Street, St Helier, Jersey, JE2 3RA, Channel Islands. It is headquartered in Switzerland.

The principal activity of the Company is to act as the ultimate holding company of the Wolseley Group of companies.

## 2. Company accounting policies

### Basis of accounting

The separate financial statements of the Company are presented in compliance with the requirements for companies whose shares are traded on the London Stock Exchange's main market. They have been prepared on a going concern basis and under the historical cost convention, and in accordance with the Companies (Jersey) Law 1991 and United Kingdom Generally Accepted Accounting Practice ("UK GAAP"). They are presented in pounds sterling which is the functional currency of the Company.

The Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is included in the consolidated financial statements which it has prepared.

Note 8 (Dividends) on pages 118 and 119, note 26 (Share capital) on pages 136 and 137 and note 27 (Share-based payments) on pages 137 and 138 of the Wolseley plc consolidated financial statements form part of these financial statements.

### Foreign currencies

The cost of the Company's investments in overseas subsidiary undertakings is translated into sterling at the rate ruling at the date of investment.

Foreign currency transactions entered into during the year are translated into sterling at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All currency translation differences are charged/credited to the profit and loss account.

### Investments

Fixed asset investments are recorded at cost less provision for impairment. The Company assesses at each balance sheet date whether there is objective evidence that an investment or a group of investments is impaired.

### Cash at bank and in-hand

Cash at bank and in-hand includes cash in-hand and deposits held with banks which are readily convertible to known amounts of cash. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet to the extent that there is no right of offset and intention to net settle with cash balances.

### Share capital

The Company has one class of shares, ordinary shares, which are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

Where the Company or one of the Company's trusts purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of tax), is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently disposed or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the Company's equity holders.

### Share-based payments

Share-based incentives are provided to employees under the Company's executive share option, long-term incentive and share purchase and ordinary share plan schemes. The Company recognises a compensation cost in respect of these schemes that is based on the fair value of the awards, measured using Binomial and Monte Carlo valuation methodologies. For equity-settled schemes, the fair value is determined at the date of grant (including the impact of non-vesting conditions such as requirement for employees to save) and is not subsequently remeasured unless the conditions on which the award was granted are modified. Generally, the compensation cost is recognised on a straight-line basis over the vesting period. Adjustments are made to reflect expected and actual forfeitures during the vesting period due to the failure to satisfy service conditions or achieve non-market performance conditions.

## 2. Company accounting policies continued

### Dividends payable

Dividends on ordinary shares are recognised in the Company's financial statements in the period in which the dividends are approved by the shareholders of the Company or paid.

## 3. Fixed asset investments

	Cost £m
At 1 August 2014	7,586
Additions	21
At 31 July 2015	7,607

All of the above investments are in unlisted shares. The Directors believe that the carrying value of the investments is supported by the recoverable amount of their underlying assets.

The Company's direct holdings in subsidiary undertakings as at 31 July 2015 were as follows:

Company	Country of registration and operation	Principal activity	Percentage of ordinary shares held
Wolseley Limited	England and Wales	Investment	100%
Wolseley de Puerto Rico, Inc.	Commonwealth of Puerto Rico	Distributor of industrial products	100%
Wolseley Holdings (Switzerland) AG	Switzerland	Investment	100%

Details of the principal subsidiary undertakings of the Company, including those that are held indirectly, are listed on page 169 of the Annual Report.

## 4. Debtors: amounts falling due within one year

	2015 £m	2014 £m
Other debtors	1	1
Accrued bank interest income	–	1
	1	2

The fair value of amounts included in debtors approximates to book value.

## 5. Creditors: amounts falling due within one year

	2015 £m	2014 £m
Bank overdraft	–	3
Corporation tax payable	–	3
Other creditors	1	–
Amounts owed to Group companies	373	535
	374	541

The fair value of amounts included in creditors approximates to book value. Amounts owed to Group companies are interest bearing and are payable on demand.

## 6. Share capital

Details of the Company's share capital are set out in note 26, on pages 136 and 137, to the Wolseley plc consolidated financial statements.

## 7. Share premium account

	£m
At 1 August 2014	41
New share capital subscribed	1
At 31 July 2015	42

Details of new share capital subscribed are set out in note 26, on page 136, to the Wolseley plc consolidated financial statements.

## 8. Treasury shares

	£m
At 1 August 2014	–
New shares purchased	250
Employee share options settled from Treasury shares	(10)
At 31 July 2015	240

During the year the Group announced a £250 million share buyback programme which was completed in July 2015.

## 9. Own shares reserve

During the previous year, the Company contributed £15 million of cash to its US Employee Benefit Trust to purchase shares. The Treasury shares held by both of these Trusts have been consolidated within the Company's balance sheet as at 31 July 2015 and amount to £63 million (2014: £93 million).

## 10. Profit and loss account

	£m
At 1 August 2014	7,097
Profit for the year	616
Dividends paid	(222)
Disposal of Treasury shares	(2)
Credit for equity-settled share-based payments	20
Disposal of own shares by Employee Benefit Trusts	(40)
At 31 July 2015	7,469

## 11. Reconciliation of movements in shareholders' equity

	2015 £m	2014 £m
Opening shareholders' equity	7,074	5,125
Profit for the year	616	2,422
Dividends paid	(222)	(489)
New share capital subscribed	1	15
Own shares acquired by Employee Benefit Trusts (net)	(15)	(26)
Purchase of Treasury shares	(250)	–
Disposal of Treasury shares	8	–
Issue of own shares by Employee Benefit Trusts	5	5
Credit for equity-settled share-based payments	20	22
Closing shareholders' equity	7,237	7,074



## 12. Share-based payments

Details of share awards granted by Group companies to employees, and that remain outstanding, over the Company's shares are set out in note 27 on pages 137 and 138 to the Wolseley plc consolidated financial statements. The net profit and loss charge for equity-settled share-based payments was £nil (2014: £nil). The Company charged the full amount incurred for equity-settled share-based payments of £20 million (2014: £22 million) to its subsidiary undertakings.

## 13. Contingent liabilities

Provision is made for the Directors' best estimate of known legal claims and legal actions in progress. The Company takes legal advice as to the likelihood of success of claims and actions and no provision is made where the Directors consider, based on that advice, that the action is unlikely to succeed or a sufficiently reliable estimate of the potential obligation cannot be made.

In addition, the Company has given certain banks authority to transfer at any time any sum outstanding to its credit against or towards satisfaction of its liability to those banks of certain subsidiary undertakings. The Company has also given indemnities and warranties to the purchasers of businesses from the Company and certain Group companies in respect of which no material liabilities are expected to arise.

## 14. Employees, employee costs and auditors' remuneration

The average number of employees of the Company in the year ended 31 July 2015 was one (2014: one). Other employees of Group companies were seconded or assigned to the Company in the period, in order to fulfil their duties or to carry out the work of the Company. Each of the Non Executive Directors of the Company has an appointment letter with the Company, and the Executive Directors and certain other senior managers of the Group have assignment letters in place with the Company. Total employment costs of the Company for the period, including Non Executive Directors and seconded employees, were £1 million (2014: £1 million).

Fees payable to the auditors for the audit of the Company's financial statements are set out in note 3, on page 115, to the Wolseley plc consolidated financial statements.

## 15. Dividends

Details of the Company's dividends are set out in note 8, on pages 118 and 119, to the Wolseley plc consolidated financial statements.

## 16. Related party transactions

The Company has taken advantage of the exemption available under FRS 8 "Related party disclosures" to dispense with the requirement to disclose transactions with fellow subsidiaries, all of whose voting rights are held within the Group, and which are included in the consolidated financial statements of Wolseley plc.

## 17. Post-balance sheet events

Details of post-balance sheet events are given in note 36, on page 144 of the Wolseley plc consolidated financial statements.

# Independent auditors' report to the members of Wolseley plc

## Report on the Company financial statements

### Our opinion

#### Our opinion

In our opinion, Wolseley plc's Company financial statements (the "financial statements"), defined below:

- give a true and fair view of the state of the Company's affairs as at 31 July 2015 and of its profit for the year then ended; and
- have been properly prepared in accordance with United Kingdom Accounting Standards.

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

### What we have audited

The financial statements comprise:

- the Company balance sheet as at 31 July 2015;
- the Company profit and loss account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards.

### What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report and Accounts 2015 (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Other matters on which we are required to report by exception

#### Adequacy of accounting records and information and explanations received

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the parent company or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

## Other required reporting

### Other information in the Annual Report

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- otherwise misleading.

We have no exceptions to report arising from this responsibility.

### Opinion on other matter

In our opinion the information given in the Strategic report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Opinion on additional disclosures

The Company voluntarily prepares a Directors' Remuneration Report in accordance with the provisions of the UK Companies Act 2006. The Directors have requested that we audit the part of the Directors' Remuneration Report specified by the UK Companies Act 2006. In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the UK Companies Act 2006.

## Responsibilities for the financial statements and the audit

### Our responsibilities and those of the Directors

As explained more fully in the Directors' responsibilities statement set out on page 74, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with terms of engagement and for no other purpose. We do not, in giving these opinions, 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.

### Other matter

We have reported separately on the Group financial statements of Wolseley plc for the year ended 31 July 2015.



**Stuart Watson** (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants  
London

28 September 2015



## Five year summary

	2015 £m	Restated 2014* £m	Restated 2013* £m	Restated 2012*** £m	Restated 2011** £m
<b>Revenue</b>					
USA	8,343	7,070	6,785	6,168	5,500
UK	1,987	1,853	1,769	1,898	2,404
Nordic	1,864	1,935	1,916	2,125	2,128
Canada	733	779	875	850	811
Central Europe	405	634	693	714	772
Group	13,332	12,271	12,038	11,755	11,615
<b>Trading profit</b>					
USA	681	546	492	388	314
UK	90	96	95	94	109
Nordic	71	73	86	94	113
Canada	34	44	51	49	39
Central Europe	21	28	29	30	30
Central and other costs	(43)	(35)	(42)	(28)	(36)
Group	854	752	711	627	569
Amortisation of acquired intangibles	(56)	(46)	(55)	(59)	(73)
Impairment of acquired intangibles	(238)	–	(10)	(220)	(39)
Exceptional items	(4)	(1)	(40)	(41)	(54)
<b>Operating profit</b>	556	705	606	307	403
Net interest payable	(48)	(29)	(31)	(13)	(40)
Associate	–	–	–	16	–
Profit before tax	508	676	575	310	363
Tax charge	(187)	(194)	(176)	(138)	(105)
Profit on ordinary activities after tax from continuing operations	321	482	399	172	258
(Loss)/profit from discontinued operations	(108)	22	(103)	(115)	13
Profit attributable to equity shareholders	213	504	296	57	271
Ordinary dividends	(222)	(191)	(173)	(142)	(42)
Special dividend	–	(298)	(348)	–	–
Total dividends	(222)	(489)	(521)	(142)	(42)
<b>Net assets employed</b>					
Intangible fixed assets	1,011	1,198	1,246	1,160	1,628
Property, plant and equipment	1,164	1,226	1,263	1,195	1,249
Other net assets, excluding liquid funds	1,230	1,173	955	733	1,022
	3,405	3,597	3,464	3,088	3,899
<b>Financed by</b>					
Share capital	29	29	28	28	28
Share premium	42	41	27	19	6
Foreign currency translation reserve	117	127	402	244	380
Profit and loss account	2,412	2,689	2,596	2,842	2,962
Shareholders' equity	2,600	2,886	3,053	3,133	3,376
Net debt/(cash)	805	711	411	(45)	523
Net assets employed	3,405	3,597	3,464	3,088	3,899

\* restated to present the French businesses as discontinued operations.

\*\* not restated for IAS 19 (Revised) "Employee benefits".

## Five year summary (continued)

	2015 £m	Restated 2014* £m	Restated 2013* £m	Restated 2012*** £m	Restated 2011*** £m
Continuing operations (unless otherwise stated)					
Like-for-like revenue growth	6.8%	4.4%	3.8%	4.4%	5.2%
Gross margin	28.0%	27.8%	27.6%	27.1%	27.4%
Trading margin	6.4%	6.1%	5.9%	5.3%	4.9%
Headline earnings per share	230.2p	195.0p	175.1p	156.8p	128.5p
Basic earnings/(loss) per share from continuing and discontinued operations	82.1p	189.8p	107.4p	20.1p	95.9p
Dividends per share (in respect of the financial year)	90.75p	82.5p	66.0p	60.0p	45.0p
Special dividend per share	–	110.0p	122.0p	–	–
Cover for ordinary dividends	2.5	2.4	2.7	2.6	2.9
Net tangible assets per ordinary share	595.1p	632.1p	659.9p	689.9p	613.3p
Return on capital employed (note 1)	33.5%	30.7%	32.2%	29.3%	25.4%
Return on gross capital employed (note 2)	16.9%	14.8%	14.3%	12.6%	10.6%
Average number of employees	37,054	35,535	34,929	36,150	38,086
Number of shares in issue at year-end (million)	267	267	274	286	285
<b>Number of branches at year-end</b>					
Continuing operations	2,739	2,711	2,730	2,847	3,147
Discontinued operations	168	169	298	313	690
Total branches	2,907	2,880	3,028	3,160	3,837
<b>US dollar translation rate</b>					
Income statement/profit and loss	1.56	1.64	1.56	1.58	1.60
Balance sheet	1.56	1.69	1.52	1.57	1.64
<b>Canadian dollar translation rate</b>					
Income statement/profit and loss	1.86	1.76	1.57	1.59	1.59
Balance sheet	2.04	1.84	1.56	1.57	1.57
<b>Euro translation rate</b>					
Income statement/profit and loss	1.33	1.21	1.20	1.19	1.16
Balance sheet	1.42	1.26	1.14	1.27	1.14

Note 1. Return on capital employed is the ratio of trading profit to the average year-end aggregate of shareholders' funds and adjusted net debt excluding goodwill and other acquired intangible assets. Return on capital employed for 2015 has been calculated as follows:

	Capital employed 2015 £m	Capital employed 2014 £m	Average capital employed £m	Trading profit £m	Return on capital employed
Net debt	805	711			
Year-end working capital adjustment	130	90			
	935	801			
Shareholders' equity	2,600	2,886			
Goodwill and other acquired intangibles	(968)	(1,165)			
Goodwill in assets held for sale	–	(3)			
	2,567	2,519	2,543	852	33.5%

Note 2. Return on gross capital employed is the ratio of trading profit to the average year-end aggregate of shareholders' funds, adjusted net debt and cumulative goodwill and other acquired intangibles written off. The cumulative write-offs to goodwill and other acquired intangibles including amounts in assets held for sale at 31 July 2015 is £1,505 million (2014: £1,377 million) and average gross capital employed for 2015 is calculated as £5,052 million.

## Group companies 2015

The Wolseley Group comprises a large number of companies. This list includes only those subsidiaries which in the Directors' opinion principally affect the figures shown in the consolidated financial statements. A full list of subsidiary undertakings are detailed below.

### Principal subsidiary undertakings

Company name	Principal activity	Country of incorporation
Beijer Byggmaterial AB	Operating company	Sweden
DT Group Holdings A/S	Operating company	Denmark
Ferguson Enterprises Inc	Operating company	USA
Neumann Bygg AS	Operating company	Norway
DT Finland Oy	Operating company	Finland
Tobler Haustechnik AG	Operating company	Switzerland
Wasco Holding B.V.	Operating company	The Netherlands
Wolseley Canada Inc.	Operating company	Canada
Wolseley UK Limited	Operating company	England and Wales
Wolseley Capital, Inc.	Financing company	USA
Wolseley Finance (Switzerland) AG	Financing company	Switzerland
Wolseley Holdings (Switzerland) AG*	Investment company	Switzerland
Wolseley (Group Services) Limited	Service company	England and Wales
Wolseley Insurance Limited	Operating company	Isle of Man
Wolseley Investments North America, Inc.	Investment company	USA
Wolseley Limited*	Investment company	England and Wales

(1) Shareholdings in companies marked \* are held 100 per cent directly by Wolseley plc. The proportion of the voting rights in the subsidiary undertakings held directly by Wolseley plc do not differ from the proportion of the ordinary shares held. All other shareholdings in the above mentioned companies are held by intermediate subsidiary undertakings.

(2) All shareholdings in the above subsidiary undertakings are of ordinary shares or equity capital.

(3) A full list of related undertakings of Wolseley Limited is included in its Annual Return submitted to the UK Registrar of Companies.

(4) All subsidiary undertakings have been included in the consolidation.

### Full list of subsidiary undertakings

A full list of subsidiaries, joint ventures and companies in which a Wolseley Group company has a controlling interest as at 31 July 2015. The country of incorporation and the effective percentage of equity owned (if less than 100 per cent) is also detailed below. Unless otherwise noted, the share capital comprises ordinary shares which are indirectly held by Wolseley plc.

#### Fully owned subsidiaries

7166800 Canada Inc. (Canada) <sup>(iii)</sup>	Caselco Limited (England) <sup>(iii)(iv)</sup>	Ferguson Enterprises NY-Metro, Inc. (US) <sup>(ix)</sup>
8933111 Canada Inc. (Canada) <sup>(ix)</sup>	Clayton International, LLC (US) <sup>(ix)</sup>	Ferguson Enterprises Real Estate, Inc (US) <sup>(iii)</sup>
A C Electrical Holdings Limited (England) <sup>(ix)</sup>	Controls Center Limited (England) <sup>(iii)(ix)</sup>	Ferguson Fire & Fabrication Inc. (US) <sup>(iii)</sup>
A C Electrical Wholesale Limited (England) <sup>(iii)</sup>	Crew-Davis Limited (England) <sup>(iii)(iv)</sup>	Ferguson Panama, S.A. (Panama) <sup>(ix)</sup>
A C Ferguson Limited (Scotland) <sup>(iii)(iv)</sup>	Dansk Braendimprægnering A/S (Denmark) <sup>(iii)</sup>	Ferguson Receivables, LLC. (US) <sup>(ix)</sup>
Advancechief Limited (England) <sup>(iii)(iv)</sup>	Davidson Group Leasing Co. LLC (US) <sup>(ix)</sup>	Firstbase (Aberdeen) Limited (Scotland) <sup>(iii)</sup>
AS Puukeskus (Estonia) <sup>(iii)</sup>	Drain Center Limited (England) <sup>(iii)(iv)</sup>	Firstbase (Borders) Limited (Scotland) <sup>(iii)</sup>
B Holding SAS (France) <sup>(iii)</sup>	DT 1 A/S (Denmark) <sup>(iii)(iv)</sup>	Firstbase (Dumfries) Limited (Scotland) <sup>(iii)</sup>
B Participations SAS (France) <sup>(iii)</sup>	DT 2 A/S (Denmark) <sup>(iii)(iv)</sup>	Firstbase (Glasgow) Limited (Scotland) <sup>(iii)(iv)</sup>
Beheersmaatchappij Wasco B.V. (Netherlands) <sup>(iii)(iv)</sup>	DT 3 A/S (Denmark) <sup>(iii)(iv)</sup>	Firstbase Timber Limited (Scotland) <sup>(iii)(iv)</sup>
Beijer Byggmaterial AB (Sweden) <sup>(iii)</sup>	DT 4 A/S (Denmark) <sup>(iii)(iv)</sup>	FNW, Inc. (US) <sup>(iii)(ix)</sup>
Beijer Byggmaterial i Uppsala AB (Sweden) <sup>(iii)</sup>	DT 5 A/S (Denmark) <sup>(iii)(iv)</sup>	Fusion Provida Holdco Limited (England) <sup>(iii)</sup>
Bois & Matériaux SAS (France) <sup>(iii)</sup>	DT Finland Oy (Finland) <sup>(iii)</sup>	Fusion Provida UK Limited (England) <sup>(iii)</sup>
Brackmills Building Supplies Limited (England) <sup>(iii)(iv)</sup>	DT Group Danmark A/S (Denmark) <sup>(iii)</sup>	G. L. Headley Limited (England) <sup>(iii)(iv)</sup>
British Fittings Central Limited (England) <sup>(iii)(iv)</sup>	DT Group Holdings A/S (Denmark) <sup>(iii)</sup>	Galley Matrix Limited (England) <sup>(iii)(iv)</sup>
British Fittings Company (North Eastern) Limited (England) <sup>(iii)(ix)</sup>	DT Holding (Sweden) AB (Sweden) <sup>(iii)</sup>	Glegg & Thomson Limited (Scotland) <sup>(iii)(iv)</sup>
British Fittings Limited (England) <sup>(iii)(iv)</sup>	DT Holding 1 AS (Denmark) <sup>(iii)</sup>	Goldfinch Limited (Guernsey) <sup>(iii)(ix)(xii)</sup>
Broughton's Limited (England) <sup>(iii)(iv)</sup>	Electro Energy A/S (Denmark) <sup>(iii)</sup>	Greenhow & Welch Limited (England) <sup>(iii)(iv)</sup>
Build Center Limited (England) <sup>(iii)(iv)</sup>	Endries International Canada Inc (Canada) <sup>(iii)</sup>	Guimier SAS (France) <sup>(iii)</sup>
Build.com, Inc. (US) <sup>(ix)</sup>	Endries International de Mexico, S.A. de C.V. (Mexico) <sup>(iv)</sup>	Gunn Bros. (Builders Merchants) Limited (England) <sup>(iii)(iv)</sup>
Builder Center Limited (England) <sup>(iii)(iv)</sup>	Endries International Europe BV (Netherlands) <sup>(iii)</sup>	H.P. Products Corporation (US) <sup>(ix)</sup>
Building & Engineering Plastics Limited (England) <sup>(iii)(iv)</sup>	Endries International, Inc. (US) <sup>(iv)(iii)</sup>	H.R. Sandvold AS (Norway) <sup>(iii)</sup>
Cal-Steam, Inc. (US) <sup>(ix)</sup>	Energy & Process Corporation (US) <sup>(iii)</sup>	Hall & Co. Limited (England) <sup>(iii)(iv)</sup>
Capstone Global Solutions AG (Switzerland) <sup>(iii)</sup>	Ferguson CESCO Inc (US) <sup>(iii)(iv)</sup>	Health Equipment Hire Limited (England) <sup>(iii)(iv)</sup>
	Ferguson Enterprises, Inc. (US) <sup>(ix)</sup>	

**Fully owned subsidiaries continued**

Heating Replacement Parts & Controls Limited (England)<sup>(i)(ii)</sup>  
 Heatmerchants Limited (England)<sup>(i)(ii)</sup>  
 Helatukku Finland Oy (Finland)<sup>(ii)</sup>  
 Het Onderdeel BV (Netherlands)<sup>(ii)</sup>  
 Homeoutlet Online Limited (England)<sup>(ii)</sup>  
 Hobro Ny Træløst A/S (Denmark)<sup>(ii)</sup>  
 HP Logistics, Inc. (US)<sup>(ix)</sup>  
 Huggjärnet 6 Kommanditbolag (Sweden)<sup>(xii)</sup>  
 J F Lord Limited (England)<sup>(ii)(iii)</sup>  
 J. O. Millar Partners Limited (Scotland)<sup>(ii)</sup>  
 Joseph G. Pollard Co. Inc. (US)<sup>(ix)</sup>  
 Julie Limited (England)<sup>(ii)(iii)</sup>  
 Keelband Limited (Guernsey)<sup>(ii)(xiii)</sup>  
 Keramikland AG (Switzerland)<sup>(ii)</sup>  
 King & Company (1744) Limited (England)<sup>(ii)(iii)</sup>  
 Kommanditbolaget Näringen 8:4 (Sweden)<sup>(xii)</sup>  
 L Barclay & Company Limited (Scotland)<sup>(ii)</sup>  
 Lindera Limited (Northern Ireland)<sup>(ii)(iii)</sup>  
 Lygon Holdings Limited (England)<sup>(ii)(ix)</sup>  
 M. A. Ray & Sons Limited (England)<sup>(ii)(iii)</sup>  
 McMillan & Lyness Limited (Northern Ireland)<sup>(ii)</sup>  
 Melanie Limited (England)<sup>(ii)(iii)</sup>  
 MPS Builders Merchants Limited (England)<sup>(ii)</sup>  
 Neumann Bygg AS (Norway)<sup>(ii)</sup>  
 Nevill Long Limited (England)<sup>(ii)</sup>  
 Northern Heating Limited (Scotland)<sup>(ii)(iii)</sup>  
 Northern Heating Supplies Limited (Scotland)<sup>(ii)(iii)</sup>  
 Nu-Way Heating Plants Limited (England)<sup>(ii)(iii)</sup>  
 O.B.C. Limited (England)<sup>(ii)(iii)</sup>  
 O.B.C. Limited (Northern Ireland)<sup>(ii)(iii)</sup>  
 Oil Burner Components Limited (England)<sup>(ii)(iii)</sup>  
 P.D.M. (Plumbers Merchants) Limited (Scotland)<sup>(ii)(iii)</sup>  
 Parts Center Limited (England)<sup>(ii)(iii)</sup>  
 Pat Murphy Industrial (Sales & Service) Limited (Republic of Ireland)<sup>(ii)</sup>  
 PB&M SAS (France)<sup>(ii)</sup>  
 Pipeline Controls Limited (England)<sup>(ii)(iii)</sup>  
 Plumb-Center Limited (England)<sup>(ii)(iii)</sup>  
 Power Equipment Direct Inc. (US)<sup>(ix)</sup>  
 Promandis Limited (England)<sup>(ii)(iii)</sup>  
 Reay Electrical Distributors Limited (England)<sup>(ii)(iii)</sup>  
 Rosco Industrial Limited (Scotland)<sup>(ii)(iii)</sup>  
 Sellers of Leeds (Group Services) Limited (England)<sup>(ii)(iii)</sup>  
 Sellers of Leeds International Limited (England)<sup>(ii)(iii)</sup>  
 Sellers of Leeds Limited (England)<sup>(ii)(iii)</sup>  
 SEMSCO Barbados, LLC (US)<sup>(ii)(ix)</sup>  
 SEMSCO de Costa Rica LTD (Costa Rica)<sup>(ii)(ix)</sup>  
 Shawmac Limited (Northern Ireland)<sup>(ii)(ix)</sup>  
 Sindberg Eksport A/S (Denmark)<sup>(ii)</sup>  
 St. Nicholas Finance Limited (England)<sup>(ii)(ix)</sup>  
 Stark Kalaallit Nunaat A/S (Greenland)<sup>(ii)</sup>  
 Starkki Property Oy (Finland)<sup>(ii)</sup>  
 Stock Loan Services LLC (US)<sup>(ix)</sup>  
 T & R Electrical Wholesalers Ltd (England)<sup>(ii)</sup>  
 Tellum Construction, LLC (US)<sup>(ix)</sup>  
 Thames Finance Company Limited (England)<sup>(ii)(iii)</sup>  
 Thomson Brothers Limited (Scotland)<sup>(ii)</sup>  
 Tobler Haustechnik AG (Switzerland)<sup>(ii)</sup>  
 Tobler Service AG (Switzerland)<sup>(ii)</sup>  
 Uni-Rents Limited (England)<sup>(ii)(iii)</sup>  
 Utility Power Systems Limited (England)<sup>(ix)</sup>  
 Wasco Distributiecentrum B.V. (Netherlands)<sup>(ii)</sup>  
 Wasco Energie Centrum B.V. (Netherlands)<sup>(ii)</sup>  
 Wasco Groothandelsgroep B.V. (Netherlands)<sup>(ii)</sup>  
 Wasco Holding B.V. (Netherlands)<sup>(ii)</sup>  
 Wasco Twello B.V. (Netherlands)<sup>(ii)</sup>

Westile (Aberdeen) Limited (Scotland)<sup>(ii)(iii)</sup>  
 Wholesale Supplies (C.I.) Ltd (Jersey)<sup>(ii)</sup>  
 William Barker Junr. (Estd 1856) Limited (England)<sup>(ii)(iii)</sup>  
 William Wilson & Co. (Aberdeen) Limited (Scotland)<sup>(ii)(iii)</sup>  
 William Wilson & Company (Glasgow) Limited (Scotland)<sup>(ii)(iii)</sup>  
 William Wilson (Rugby) Limited (England)<sup>(ii)(iii)</sup>  
 William Wilson Holdings Limited (Scotland)<sup>(iv)</sup>  
 William Wilson Ltd (Scotland)<sup>(ii)</sup>  
 Willow (Guernsey) Limited (Guernsey)<sup>(ii)(xiii)</sup>  
 Wison Realisations Limited (Scotland)<sup>(ii)</sup>  
 WM. C. Yuille & Company Limited (Scotland)<sup>(ii)(iii)</sup>  
 Wolseley (Barbados) Ltd (Barbados)<sup>(ii)</sup>  
 Wolseley (Group Services) Limited (England)<sup>(ii)</sup>  
 Wolseley Bristol Limited (England)<sup>(ii)(iii)</sup>  
 Wolseley Canada Inc. (Canada)<sup>(ix)</sup>  
 Wolseley Capital, Inc. (US)<sup>(vi)</sup>  
 Wolseley Centers Limited (England)<sup>(ii)(iii)</sup>  
 Wolseley Centres Limited (England)<sup>(ii)(iii)</sup>  
 Wolseley de Puerto Rico, Inc. (Puerto Rico)<sup>(ii)(ix)</sup>  
 Wolseley Developments Limited (England)<sup>(ii)(iii)</sup>  
 Wolseley Directors Limited (England)<sup>(ii)(iii)</sup>  
 Wolseley ECD Limited (Northern Ireland)<sup>(ii)(iii)</sup>  
 Wolseley ECL Limited (England)<sup>(ii)(iii)</sup>  
 Wolseley Engineering Limited (England)<sup>(ii)(iii)</sup>  
 Wolseley Europe Limited (England)<sup>(ii)</sup>  
 Wolseley Finance (Isle of Man) Limited (Isle of Man)<sup>(vi)(xiii)</sup>  
 Wolseley Finance (Switzerland) AG (Switzerland)<sup>(ii)</sup>  
 Wolseley Finance (Thames) Limited (England)<sup>(ii)(iii)</sup>  
 Wolseley Finance (Theale) Limited (England)<sup>(ii)(vi)</sup>  
 Wolseley France Bois et Matériaux SNC (France)<sup>(ii)</sup>  
 Wolseley France Logistique SAS (France)<sup>(ii)</sup>  
 Wolseley France SAS (France)<sup>(ii)</sup>  
 Wolseley Green Deal Services Limited (England)<sup>(ii)</sup>  
 Wolseley Group Holdings Limited (England)<sup>(ii)</sup>  
 Wolseley Haworth Limited (England)<sup>(ii)</sup>  
 Wolseley Holding A/S (Denmark)<sup>(ii)</sup>  
 Wolseley Holdings (Ireland) (Republic of Ireland)<sup>(ii)(iii)(xiii)</sup>  
 Wolseley Holdings (Switzerland) AG (Switzerland)<sup>(ii)(iii)</sup>  
 Wolseley Holdings Canada Inc. (Canada)<sup>(ix)</sup>  
 Wolseley Industrial Canada Inc. (Canada)<sup>(ii)</sup>  
 Wolseley Insurance Limited (Isle of Man)<sup>(ix)</sup>  
 Wolseley Integrated de Mexico, S.A. de C.V. (Mexico)<sup>(iv)</sup>  
 Wolseley International Limited (England)<sup>(ii)</sup>  
 Wolseley Investments Limited (England)<sup>(ii)(iii)</sup>  
 Wolseley Investments North America, Inc. (US)<sup>(ii)</sup>  
 Wolseley Investments, Inc. (US)<sup>(ii)</sup>  
 Wolseley Liegenschaftsverwaltung GmbH (Austria)<sup>(ii)</sup>  
 Wolseley Limited (England)<sup>(ii)(iii)</sup>  
 Wolseley NA Construction Services, LLC (US)<sup>(ix)</sup>  
 Wolseley Nordic Holdings AB (Sweden)<sup>(ii)</sup>  
 Wolseley North America, Inc. (US)<sup>(ii)(iii)</sup>  
 Wolseley Overseas Holdings Limited (England)<sup>(ii)</sup>  
 Wolseley Overseas Limited (England)<sup>(ii)</sup>  
 Wolseley Pension Trustees Limited (England)<sup>(ii)(iii)</sup>  
 Wolseley Procurement, LLC (US)<sup>(ix)</sup>  
 Wolseley Properties Limited (England)<sup>(ii)(iii)</sup>  
 Wolseley QUEST Limited (England)<sup>(ii)(iii)</sup>  
 Wolseley Raven Limited (England)<sup>(ii)(iii)</sup>

Wolseley Sourcing (Switzerland) AG (Switzerland)<sup>(ii)</sup>  
 Wolseley Staffing de Mexico, S.A. de C.V. (Mexico)<sup>(iv)</sup>  
 Wolseley Treasury (USD) (England)<sup>(ii)</sup>  
 Wolseley Trinidad Ltd (Trinidad and Tobago)<sup>(ii)</sup>  
 Wolseley UK Directors Limited (England)<sup>(ii)</sup>  
 Wolseley UK Finance Limited (Guernsey)<sup>(ii)(iii)(xiii)</sup>  
 Wolseley UK Limited (England)<sup>(ii)(iii)</sup>  
 Wolseley Utilities Limited (England)<sup>(ii)</sup>  
 Wolseley-Hughes Limited (England)<sup>(ii)(iii)</sup>  
 Wolseley-Hughes Merchants Limited (England)<sup>(ii)(iii)</sup>  
 Wright (Bedford) Limited (England)<sup>(ii)(iii)</sup>  
 Yorkshire Heating Supplies Limited (England)<sup>(ii)(iii)</sup>

**Joint ventures**

Duomat SAS (France, 50%)<sup>(ii)</sup>

**Controlling interests**

Luxury for Less Limited (England, 68%)<sup>(vi)</sup>  
 SCI de Lhoumaille (France, 53%)<sup>(ii)</sup>  
 Shanghai Du De International Trading Company (China, 100%)<sup>(ii)(xiv)</sup>

**Notes:**

- (i) Directly owned by Wolseley plc
- (ii) Dormant company
- (iii) Ownership held in ordinary shares
- (iv) Ownership held in class of A shares
- (v) Ownership held in classes of A and B shares
- (vi) Ownership held in classes of A, B, C and D shares
- (vii) Ownership held in classes of A1, A2, B, C, D, E, G shares
- (viii) Ownership held in ordinary and preference shares
- (ix) Ownership held in common stock
- (x) Ownership held in common stock and preferred stock
- (xi) Ownership held as membership interests
- (xii) Ownership held as partnership interests
- (xiii) Companies controlled by the Group based on management's assessment
- (xiv) Ownership held 100% by Luxury for Less Limited