

# WOLSELEY PLC

## Results for the half year to 31 January 2011

£m	H1 2011	H1 2010	Growth	Like-for-like Growth <sup>(1)</sup>
Revenue	6,629	6,331	+5%	+5%
Trading profit <sup>(2)</sup>	275	167	+64%	
Profit / (loss) before tax	195	(261)		
Adjusted net debt <sup>(3)</sup>	933	1,447		
Basic EPS	47p	(79p)		
Headline EPS <sup>(2)</sup>	60p	24p		
Dividend per share	15p	-		

### Financial Highlights

- Revenue increased by 5% on a like-for-like basis.
- Gross margin was 0.2% higher than last year at 27.7% despite challenging conditions.
- Trading profit of £275 million was 64% ahead of last year.
- Good cash generation with adjusted net debt reduced by £262 million since 31 July 2010.
- Dividend reinstated - interim dividend declared of 15 pence per share.

### Operating Highlights

- Improved trading profit and operating leverage in all geographies.
- Completed three small bolt-on acquisitions.
- Completed the disposal of Italy after the end of the period.

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

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

(3) Including receivables financing and construction loan debt and an adjustment for the estimated impact of period end working capital measures taken.

**Ian Meakins, Chief Executive commented on trading and outlook:**

*“This was a good first half performance, driven principally by resilient RMI markets and the considerable attention that we have paid to improving customer service, protecting gross margins and controlling costs. Construction markets have now broadly stabilised in most of our geographies, particularly the new residential and RMI segments in the USA. The overall macro-economic environment in several regions continues to be fragile and pricing competition remains intense. The impact of recent VAT increases and government spending cuts leaves the outlook in the UK more uncertain.*

*We continue to maintain our emphasis on protecting market share and gross margins while keeping a tight control on the cost base to maximise operating leverage. The Group expects to continue to grow in the second half of the year, though the comparatives will now be much more demanding. The reinstatement of the dividend reflects the strength of our balance sheet and our confidence in the future trading prospects of the Group.”*

**ENQUIRIES:**

**Wolseley plc**

John Martin, Chief Financial Officer

Tel: +44 (0) 118 929 8700

Mark Fearon, Director of Communications & Investor Relations

Tel: +44 (0) 118 929 8741

Mob: +44 (0) 7711 875070

**Brunswick (Media Enquiries)**

Michael Harrison/ Nina Coad

+44 (0) 20 7404 5959

---

There will be an analyst and investor meeting at 0930 (UK time) today at The Brewery, Chiswell Street, London, EC1Y 4SD. A live audio-cast and slide presentation of this event will be available on [www.wolseley.com](http://www.wolseley.com). We recommend you register at 0915. Photographs are available at [www.newscast.co.uk](http://www.newscast.co.uk).

## RESULTS FOR THE HALF YEAR TO 31 JANUARY 2011

### Group results

In the half year ended 31 January 2011 Wolseley's markets continued to stabilise particularly in the new residential and Repairs, Maintenance and Improvement (RMI) segments. Revenue growth of 5%, an ongoing focus on maintaining gross margins and cost control led to a strong first half performance.

During the first half the Group generated revenue of £6,629 million (2010: £6,331 million). Like-for-like revenue growth was 5% and the rate continued to improve in the first half driven principally by the USA, which generated 41% of Group revenue. The beneficial impact of inflation on Group revenue was around 3%, principally due to rising commodity prices. Despite considerable pressure on selling prices, the gross margin was 20 basis points higher at 27.7% as a result of a continued focus on improving customer and product mix. Trading profit of £275 million was £108 million higher than last year driven by higher revenue and gross profit and a stable cost base. While operating costs in the first half were £16 million lower, the cost base in constant currency in the ongoing business, excluding disposals, rose by 2%. The rate of cost growth is expected to be somewhat higher in the second half of the year. The Group's trading margin increased from 2.6% to 4.1%.

An exceptional charge of £11 million was incurred in the first half arising primarily from losses on disposal of businesses and the revaluation of assets held for sale (2010: exceptional charge of £255 million). The charge relating to amortisation of acquired intangibles was £38 million (2010: £48 million). Net finance costs of £31 million (2010: £41 million) were substantially lower reflecting the reduced level of net debt and the benefits of effective cash pooling. Profit before tax of £195 million (2010: loss before tax of £261 million) was strongly ahead.

The effective rate of tax on trading profit less net finance costs was 30% (2010: 34%) principally as a result of the redomiciliation to Switzerland. Headline earnings per share were 60.5 pence (2010: 24.5 pence) and basic earnings per share from continuing operations were 47.1 pence (2010: loss per share of 79.5 pence). The growth in profitability has enabled the reinstatement of dividends and an interim dividend of 15p per share has been declared.

### Operating review

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

#### Geographical analysis

£ million	Revenue	Revenue	Change	Like-for-like change	Trading profit	Trading profit
	H1 2011	H1 2010			H1 2011	H1 2010
USA	2,678	2,373	+13%	+9%	146	98
Canada	408	353	+15%	+6%	23	18
UK	1,221	1,233	(1%)	+6%	51	33
Nordic	1,020	990	+3%	+4%	48	47
France	888	934	(5%)	+2%	13	(5)
Central Europe	414	448	(8%)	(3%)	16	4
Central and other costs					(22)	(28)
Group	6,629	6,331	+5%	+5%	275	167

*Quarterly like-for-like revenue growth versus last year*

	Q2 2010	Q3 2010	Q4 2010	Q1 2011	Q2 2011
USA	(14%)	(4%)	+5%	+6%	+11%
Canada	(1%)	+6%	+12%	+7%	+4%
UK	(4%)	+4%	+5%	+5%	+8%
Nordic	(9%)	(5%)	+3%	+4%	+4%
France	(11%)	(8%)	(2%)	+2%	+2%
Central Europe	(4%)	(3%)	(6%)	(3%)	(4%)
	(10%)	(2%)	+4%	+4%	+7%

**USA (41% of Group revenue)**

Like-for-like revenue growth for the period in the USA was 9%, with a further 4% of growth due to the strengthening of the US Dollar. Growth was broadly based, supported by price inflation of 3.5% with all of the major business units generating decent growth, driven principally by stable new residential and RMI markets.

The gross margin was ahead of last year, with intense pricing pressure largely mitigated by a continued focus on improvements in supplier mix and changing the business mix towards showrooms, counter sales and private label products. The combination of revenue growth and margin improvement led to a significant increase in trading profit to £146 million (2010: £98 million). Operating costs increased by 6% in constant currency due to some additional headcount, increases in pay rates and higher variable costs. All major business units continued to gain market share in the period.

The Blended Branches business, which services residential and commercial customers, had a strong first half as RMI markets held up well. The Heating, Ventilation and Air Conditioning (HVAC) and Industrial businesses were also strongly ahead, with HVAC benefiting from a focus on higher margin spare parts and increasing private label sales. The commercial Fire and Fabrication business returned to growth in the period, although commercial markets generally continued to lag behind residential markets. We continue to invest in the B2C internet business, Build.com, which generated strong revenue growth. In December we completed the acquisition of a small Waterworks distributor with three locations in Alabama and Missouri growing the business's footprint in the region. The US trading margin was 5.5% (2010: 4.1%).

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

In Canada revenue for the period was 6% ahead of last year on a like-for-like basis. Overall, the growth rate declined in the first half as the Canadian economy cooled, following rises in interest rates and weakening consumer sentiment. Housing starts fell back slightly, although overall activity levels appear to be stable.

Trading profit of £23 million was £5 million ahead mainly relating to an improvement in the gross margin due to the benefits of the new distribution centre in Milton, greater focus on product strategy and customer segmentation. Operating costs grew by 5% at constant currency as we reinvested in our service proposition and associated human resources. Blended Branches, Waterworks and Industrial all improved their performance during the first half. Blended Branches grew in line with the market and Waterworks and Industrial both gained market share in the period. HVAC performance weakened and market share was slightly lower. The trading margin in Canada overall was higher at 5.6% (2010: 5.0%).

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

Revenue of £1,221 million in the UK was slightly lower as a result of disposals. Like-for-like revenue was 6% ahead in the period as markets improved, aided by 3% price inflation, principally in commodities. The business has experienced a continuation of the gradual recovery in the more resilient RMI sector.

Growth trends in the period were encouraging, with market conditions stronger than expected. However, we remain cautious given the potential impact of prospective cuts in public sector spending, which represents about 25% of UK revenues, and VAT increases. Trading profit of £51 million was £18 million ahead of the prior year, of which £6 million arose from the disposal of underperforming businesses. Trading profit for ongoing businesses increased by £12 million as a result of revenue growth, a slight reduction in gross margin and a 2% increase in operating costs.

Plumb and Parts Center performed well and, despite intense competition, was able to edge gross margins higher and continue to gain market share in the sector. The business was unsuccessful in the retendering of a national supply contract for boilers and parts. The existing contract ends on 31 March 2011 and the annual impact is estimated to be £70 million in revenue and £5 million in trading profit. We will increase our focus on investing in our core base of small and medium sized plumbing customers.

Build Center continued to improve its trading performance in the first half with further reductions in the cost base. It slightly underperformed the market as we focussed on protecting gross margins which were ahead of last year. The Pipe and Climate business also performed well, generating strong growth in the period as a result of improved management focus and some benefits from commodity price inflation. Trading conditions in Bathstore were particularly challenging with revenue down 9% in the period.

The trading margin for the UK was higher at 4.1% (2010: 2.7%).

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

In the Nordic region like-for-like revenue growth was 4% helped by 2% price inflation. The market in Denmark, the largest revenue generator in the region, remained weak with low levels of construction activity and poor consumer confidence continuing to impede any meaningful recovery. In contrast, our building materials businesses in Sweden, Finland and Norway benefited from better markets, with Finland performing the strongest. Overall, we held market share in Denmark and improved market share in Sweden, Finland and Norway.

Trading profit in the first half of £48 million was £1 million higher than last year although the prior year benefited from a one-off credit of £6 million. Underlying operating costs were 3% higher in constant currency. The Group continues to invest in the region and we recently acquired two small building materials businesses in Denmark. The trading margin was flat at 4.7%.

## **France (13% of Group revenue)**

Like-for-like revenue in France was 2% ahead principally due to price inflation. New construction markets continued to recover although weak consumer confidence affected RMI markets. Gross margins were higher as the business was successful in mitigating continued pricing pressure through improvements in supplier mix. Trading profit of £13 million was a considerable improvement over the trading loss of £5 million in the prior year, and benefited from improved operating costs which were 5% lower in constant currency. The current year also included a one-off benefit of £3 million which arose from the disposal of property in Brossette. The trading margin was higher at 1.5% (2010: trading loss of 0.5%).

Our Reseau Pro building materials business, performed well with a strong improvement in its trading performance compared to last year. The Import and Wood Solutions business continued to grow, benefiting from continued price inflation of around 12%. Both businesses continued to protect market share.

Brossette, our plumbing and heating business, strongly improved its performance and is progressively narrowing the gap with the market and recently returned to revenue growth. The business benefited from improved gross margins and lower costs, particularly from tight control over labour costs, and generated a small profit in the period. Nevertheless, the Group regularly reviews its portfolio of businesses, and in particular the status of its Performance Builders. The Group is currently reviewing a number of alternative options for Brossette and these options include a potential disposal.

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

In Central Europe total revenue was 8% lower than last year (3% decline on a like-for-like basis) with the decline arising from a continued focus on margin management and the exit of unprofitable business. The gross margin in the period was strongly ahead of last year and ongoing businesses benefited from 4% lower operating costs. Trading profit improved to £16 million (2010: £4 million) with the trading margin in the ongoing business at 4.7% (2010: 2.6%).

Tobler, our plumbing and heating business in Switzerland, performed strongly in the period. Gross margins were well ahead and the business benefited from lower distribution costs as a result of the rationalisation of its network of distribution centres completed in the prior year. The Austrian and Dutch plumbing and heating businesses also improved their performance, benefiting from higher gross margins and productivity improvements.

### **Disposals**

At the start of the period the Group disposed of Brandon Hire in the UK which generated revenue of £70 million and a trading profit of £5 million in the year ended 31 July 2010. Cash consideration was £42 million.

Since the half year end, the plumbing and heating business in Italy was sold for a debt and cash free valuation of £29 million. In 2010, the business generated revenue of £124 million and made a loss of £9 million and, in the first half of 2011 the business generated revenue of £53 million and made a loss of £1 million.

### **Balance sheet, interest and cash flow**

The Group continues to place a strong emphasis on generating cash. Cash flow from operating activities was an outflow of £378 million (2010: inflow of £56 million) which reflected the reversal of £495 million of favourable working capital movements at 31 July 2010, a reduction in the utilisation of receivables financing of £118 million and £72 million of incremental investment in working capital to service the expansion of the business.

The Group continues to identify opportunities to invest in organic growth where projects meet stringent return requirements. In line with the Group's strategy to increase organic growth rates capital expenditure was higher than last year at £48 million (2010: £41 million). The level of capital expenditure for the full year is expected to be in the region of £120 million to £140 million.

The Group's reported net debt at 31 January 2011 was £714 million (31 January 2010: £910 million). The reconciliation of reported net debt to adjusted net debt, after adjusting for the estimated impact of period end working capital measures, receivables financing and borrowings funding the construction loans business, is analysed below:

£m	31 Jan 2011	31 July 2010	31 Jan 2010
Net debt as reported	714	346	910
Period end working capital adjustment	-	495	181
	714	841	1,091
Receivables financing	156	274	232
Construction loan debt	63	80	124
Adjusted net debt	933	1,195	1,447

The Group has a strong liquidity position with credit facilities of £2.3 billion committed for more than one year from the balance sheet date. Net finance costs of £31 million (2010: £41 million) were lower than last year as a result of the lower net debt levels and the implementation of cash pooling. The Group's net pension obligations under IAS 19 at 31 January 2011 amounted to £338 million (31 July 2010: £432 million). The decrease principally arose from the improvement in equity markets in the period.

### Board and management changes

On 23 November 2010 Alain Le Goff stepped down as a Non Executive Director. John Whybrow retired as Chairman on 20 January 2011 and was succeeded by Gareth Davis, who has been a Non Executive Director since 2003. As a result of this change Andy Duff has assumed responsibility as the Company's Senior Independent Non Executive Director. On 22 March 2011 Nigel Stein retired as a Non Executive Director and Tessa Bamford and Michael Clarke joined the Board. Tessa is a Non Executive Director of Barratt Developments plc, Cantos Communications Limited and is a Governor of the British Institute of Florence. Michael is President of Kraft Foods Europe.

### Dividends

An interim dividend of 15 pence per share will be paid on 31 May 2011 to shareholders on the register on 8 April 2011. The Board expects that the interim dividend will normally be approximately one-third of the total dividends for the year. The Board expects to grow the dividend over time taking into account the significant opportunities for investment in profitable organic growth and selected bolt-on acquisitions. The Group will continue to target adjusted net debt in the range of 1x and 2x EBITDA, consistent with investment grade credit metrics.

### Outlook

Construction markets have now broadly stabilised in most of our geographies, particularly the new residential and RMI segments in the USA. The overall macro-economic environment in several regions continues to be fragile and pricing competition remains intense. The impact of recent VAT increases and government spending cuts leaves the outlook in the UK more uncertain.

We continue to maintain our emphasis on protecting market share and gross margins while keeping a tight control on the cost base to maximise operating leverage. The Group expects to continue to grow in the second half of the year, though the comparatives will now be much more demanding. The reinstatement of the dividend reflects the strength of our balance sheet and our confidence in the future trading prospects of the Group.

## Principal risks and uncertainties

The principal risks and uncertainties which affect the Group are:

<b>Market conditions</b>	The Group's results depend on the levels of activity in the new construction and repair maintenance and improvement markets. Markets may fluctuate rapidly or experience a second downturn.
<b>Competitive pressures and margin erosion</b>	Competition could lead to downward pressure on sales prices and profit margins.
<b>Capital expenditure and return investment</b>	The ability of the Company's management to control organic capital expenditure and to identify, value and integrate any acquisitions can have a significant impact on the return on investment obtained by investors.
<b>People</b>	Wolseley's ability to provide leadership and products and services to customers depends on retaining sufficiently qualified, experienced and motivated personnel. In order to increase productivity and be able to take growth opportunities when markets improve, Wolseley must maintain the skills and experience of its existing management and continue to develop the managers of the future.
<b>Systems and infrastructure capabilities and resilience</b>	The Group can only carry on business as long as it has the people, the information technology and the physical infrastructure to do so. The safe and continued operation of such systems and infrastructure is threatened by natural and man-made perils and is affected by the level of investment available to improve them.
<b>Governmental regulations</b>	The Group is subject to the laws governing businesses generally, including among others, laws relating to competition, international trade, corruption and fraud, land usage, zoning, the environment, health and safety, transportation, labour and employment practices (including pensions), data protection and payment terms. In addition, building codes or particular tax treatments may affect the products Wolseley's customers are allowed to use and, consequently, changes in these may affect the saleability of some Wolseley products.
<b>Restructuring actions</b>	At the date of this report, the Group believes that a large majority of the restructuring actions needed are complete. However, the continued economic uncertainty and the ability of its businesses to meet their performance targets are factors that may drive further restructuring over the coming months and years.
<b>Litigation</b>	The international nature of Wolseley's operations exposes it to the potential for litigation from third parties and exposure is considered to be greater in the US than in Europe. Litigation can arise in areas such as product liability, workers' compensation, general employer liability and environmental and asbestos litigation.

These risks and uncertainties are further detailed on pages 31 to 33 of the Annual Report and Accounts 2010, a copy of which is available at [www.wolseley.com](http://www.wolseley.com).

The outlook section of this half year statement provides a commentary concerning the remainder of the financial year.

### **Statement of Directors' responsibilities**

The Directors confirm that to the best of their knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the EU;
- The interim management report includes a fair review of the information required by DTR 4.2.7 R (indication of important events during the first six months of the financial year, their impact on the condensed financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year); and
- The interim management report includes a fair review of the information required by DTR 4.2.8 R (disclosure of material related party transactions and changes therein).

At the date of this statement, except for the changes noted on page 7, the Directors in office are those listed in the Group's Annual Report and Accounts 2010.

By order of the Board,

**Ian K Meakins**  
Group Chief Executive

**John W Martin**  
Chief Financial Officer

## **Notes to statement**

### **1. About Wolseley**

Wolseley plc is the world's largest specialist trade distributor of plumbing and heating products to professional contractors and a leading supplier of building materials in North America, the UK and Continental Europe. Group revenue for the year ended 31 July 2010 was £13.2 billion and trading profit was £450 million. Wolseley has around 47,000 employees operating in 25 countries. It is headquartered in Switzerland and listed on the London Stock Exchange (LSE: WOS) and is in the FTSE 100 index of listed companies.

### **2. Financial Calendar**

Wolseley will announce its Q3 Interim Management Statement for the period ending 30 April 2011 on 1 June 2011.

### **3. Legal Disclaimer**

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

# Condensed Group income statement (unaudited)

Half year to 31 January 2011

Half year to 31 January	Notes	2011 Before exceptional items £m	2011 Exceptional items (note 3) £m	2011 Total £m	2010 Before exceptional items £m	2010 Exceptional items (note 3) £m	2010 Total £m
<b>Revenue</b>	2	<b>6,629</b>	–	<b>6,629</b>	<b>6,331</b>	–	<b>6,331</b>
Cost of sales		(4,796)	–	(4,796)	(4,590)	(6)	(4,596)
<b>Gross profit</b>		<b>1,833</b>	–	<b>1,833</b>	<b>1,741</b>	(6)	<b>1,735</b>
Distribution costs		(1,304)	–	(1,304)	(1,273)	(23)	(1,296)
Administration costs:							
amortisation of acquired intangibles		(38)	–	(38)	(48)	–	(48)
impairment of acquired intangibles		–	–	–	(71)	–	(71)
other		(265)	(16)	(281)	(301)	(226)	(527)
Administration costs: total		(303)	(16)	(319)	(420)	(226)	(646)
Other income		11	5	16	–	–	–
<b>Operating profit/(loss)</b>	2	<b>237</b>	<b>(11)</b>	<b>226</b>	<b>48</b>	<b>(255)</b>	<b>(207)</b>
Finance revenue	4	8	–	8	21	–	21
Finance costs	5	(39)	–	(39)	(62)	–	(62)
Share of after tax loss of associate		–	–	–	(14)	1	(13)
<b>Profit/(loss) before tax</b>		<b>206</b>	<b>(11)</b>	<b>195</b>	<b>(7)</b>	<b>(254)</b>	<b>(261)</b>
Tax (expense)/ income	6	(61)	(1)	(62)	(26)	63	37
<b>Profit/(loss) from continuing operations</b>		<b>145</b>	<b>(12)</b>	<b>133</b>	<b>(33)</b>	<b>(191)</b>	<b>(224)</b>
Profit from discontinued operations		–	–	–	–	4	4
<b>Profit/(loss) for the period attributable to equity shareholders</b>		<b>145</b>	<b>(12)</b>	<b>133</b>	<b>(33)</b>	<b>(187)</b>	<b>(220)</b>
<b>Earnings/(loss) per share</b>	8						
<i>Continuing operations and discontinued operations</i>							
Basic earnings/(loss) per share				<b>47.1p</b>			(78.1)p
Diluted earnings/(loss) per share				<b>46.8p</b>			(78.1)p
<i>Continuing operations only</i>							
Basic earnings/(loss) per share				<b>47.1p</b>			(79.5)p
Diluted earnings/(loss) per share				<b>46.8p</b>			(79.5)p
<b>Non-GAAP performance measures</b>	8,9						
Trading profit		<b>275</b>			<b>167</b>		
EBITDA before exceptional items		<b>353</b>			<b>266</b>		
Profit before tax, exceptional items and the amortisation and impairment of acquired intangibles		<b>244</b>			<b>112</b>		
Basic earnings per share from continuing operations before exceptional items and the amortisation and impairment of acquired intangibles		60.5p			24.5p		
Diluted earnings per share from continuing operations before exceptional items and the amortisation and impairment of acquired intangibles		60.1p			24.4p		

# Condensed Group statement of comprehensive income (unaudited)

Half year to 31 January 2011

Half year to 31 January	2011 £m	2010 £m
Profit/(loss) for the period	133	(220)
Other comprehensive income:		
Exchange gain on translation of overseas operations	41	140
Exchange gain/(loss) on translation of borrowings and derivatives designated as hedges of overseas operations	9	(51)
Cumulative currency translation differences on disposals recycled to income statement	–	(13)
Actuarial gain/(loss) on retirement benefit plans	82	(29)
Valuation gains on interest rate swaps	–	5
Valuation losses on cashflow hedges reclassified to income statement	2	–
Tax on gains and losses not recognised in the income statement	(21)	8
Other comprehensive income for the period	113	60
Total comprehensive income for the period attributable to shareholders	246	(160)

# Condensed Group statement of changes in equity (unaudited)

Half year to 31 January 2011

	Share capital £m	Share premium £m	Translation reserve £m	Retained Earnings			Total £m
				Hedging reserve £m	Own shares £m	Profit and loss account £m	
For the half year to 31 January 2011							
Total comprehensive income	–	–	50	2	–	194	246
Reclassification on group reconstruction	(213)	3,805	–	–	–	(3,592)	–
Capital reduction	–	(4,961)	–	–	–	4,961	–
New share capital subscribed	–	1	–	–	–	–	1
Credit to equity for share-based payments	–	–	–	–	–	1	1
Net increase in shareholders' funds	(213)	(1,155)	50	2	–	1,564	248
Opening shareholders' funds	241	1,156	300	(5)	(78)	1,445	3,059
Closing shareholders' funds	28	1	350	(3)	(78)	3,009	3,307

On 23 November 2010 a new Jersey incorporated, Swiss headquartered, company became the holding company of the Wolseley Group. Shareholders received one 10p ordinary share in this new company in place of each 10p ordinary share they held in the old Wolseley holding company (note 12). On 7 December 2010 the new holding company undertook a reduction of capital under which the entire amount of the share premium account as at 7 December 2010 was cancelled and transferred to retained earnings.

	Share capital £m	Share premium £m	Translation reserve £m	Retained Earnings			Total £m
				Hedging reserve £m	Own shares £m	Profit and loss account £m	
For the half year to 31 January 2010							
Total comprehensive income	–	–	76	5	–	(241)	(160)
Debit to equity for share-based payments	–	–	–	–	–	(1)	(1)
Net reduction in shareholders' funds	–	–	76	5	–	(242)	(161)
Opening shareholders' funds	241	1,152	228	(11)	(78)	1,844	3,376
Closing shareholders' funds	241	1,152	304	(6)	(78)	1,602	3,215

# Condensed Group balance sheet (unaudited)

Half year to 31 January 2011

As at 31 July 2010 £m	Notes	As at 31 January 2011 £m	As at 31 January 2010 £m
<b>Assets</b>			
<b>Non-current assets</b>			
1,347	10	1,343	1,496
465	10	436	531
1,409	10	1,349	1,486
–		–	40
3		3	3
284		241	283
182		175	128
66		47	5
3,756		3,594	3,972
<b>Current assets</b>			
1,611		1,722	1,689
1,850		1,804	1,698
1		11	7
10		13	39
80		63	124
665		378	410
4,217		3,991	3,967
111		188	80
8,084		7,773	8,019
<b>Liabilities</b>			
<b>Current liabilities</b>			
2,673		2,097	2,190
177		165	149
80		63	124
226		73	275
14		12	17
5		3	11
123	11	109	114
23		21	33
3,321		2,543	2,913
<b>Non-current liabilities</b>			
83		87	69
778		1,020	1,009
61		44	48
3		–	4
136		161	172
223	11	205	251
409		317	338
1,693		1,834	1,891
11		89	–
5,025		4,466	4,804
3,059		3,307	3,215
<b>Shareholders' equity</b>			
241	12	28	241
1,156		1	1,152
300		350	304
1,362		2,928	1,518
3,059		3,307	3,215

# Condensed Group cash flow statement (unaudited)

Half year to 31 January 2011

Half year to 31 January	Notes	2011 £m	2010 £m
<b>Cash flows from operating activities</b>			
Cash (used in)/generated from operations	13	(378)	56
Interest received		10	23
Interest paid		(35)	(55)
Tax (paid)/received		(46)	100
Net cash (used in)/generated from operating activities		(449)	124
<b>Cash flows from investing activities</b>			
Acquisition of businesses (net of cash acquired)		(8)	(7)
Disposals of businesses (net of cash disposed of)	16	60	(15)
Purchases of property, plant and equipment		(37)	(21)
Proceeds from sale of property, plant and equipment and assets held for sale		34	54
Purchases of intangible assets		(11)	(20)
Disposals of investments		–	161
Net cash generated from investing activities		38	152
<b>Cash flows from financing activities</b>			
Proceeds from the issue of shares to shareholders		1	–
Proceeds from new borrowings		259	89
Repayments of borrowings and derivatives		(134)	(663)
Finance lease capital payments		(9)	(8)
Net cash generated from/(used in) financing activities		117	(582)
Net cash used	14	(294)	(306)
Overdrafts of disposal groups transferred to held for sale		18	–
Effects of exchange rate changes		9	63
Net decrease in cash, cash equivalents and bank overdrafts		(267)	(243)
Cash, cash equivalents and bank overdrafts at the beginning of the period		575	598
Cash, cash equivalents and bank overdrafts at the end of the period	14	308	355

In the half year to 31 January 2010 a tax loss arising on the disposal of Stock Building Supply Holdings LLC was carried back against taxable US profits of earlier years resulting in a £130 million tax refund in the period.

# Notes to the condensed half-year financial statements

Half year to 31 January 2011

## 1. Basis of preparation

On 23 November 2010, pursuant to a Scheme of Arrangement under Part 26 of the Companies Act 2006, a new parent company was introduced which is now called Wolseley plc (the "Company"). The previous parent company has been renamed as Wolseley Limited ("Old Wolseley").

Immediately after the Scheme of Arrangement became effective the Company had the same management and corporate governance arrangements as Old Wolseley had immediately before. The consolidated assets and liabilities of the Company immediately after the effective date of the Scheme of Arrangement are the same as the consolidated assets and liabilities of Old Wolseley immediately before.

The introduction of a new holding company constitutes a group reconstruction and has been accounted for using merger accounting principles. Therefore, although the group reconstruction did not become effective until 23 November 2010, the consolidated financial statements of the Group are presented as if the Company and Old Wolseley had always been part of the same Group.

Accordingly, the results of the Group for the entire six months ended 31 January 2011 are shown in the Group income statement, and the comparative figures for the year ended 31 July 2010 and the period ended 31 January 2010 are also prepared on this basis. Earnings per share are unaffected by the reorganisation.

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

The condensed half-year financial statements for the six months ended 31 January 2011 were approved by the Board of Directors on 29 March 2011. The half-year financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with International Accounting Standard 34 'Interim Financial Reporting' (IAS 34) as adopted by the EU.

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

The accounting policies applied by the Group in these half-year financial statements are the same as those set out in the Group's Annual Report and Accounts 2010.

The half-year financial statements are unaudited. The financial information for the year ended 31 July 2010 does not constitute the full financial statements within the meaning of section 434 of the UK Companies Act 2006. The full financial statements of Old Wolseley for that year have been reported on by the Group's auditors and filed with the Registrar of Companies in England and Wales. The audit report was unqualified and did not contain a statement under section 498 of the UK Companies Act 2006.

## 2. Segmental analysis

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

During the period the Electro-Oil business in Denmark has been reclassified from the Central Europe segment to the Nordic segment. The comparative figures for 2010 have been restated to reflect the transfer of £6 million of revenue and £1 million of trading profit and operating profit from Central Europe to Nordic. The Central Europe segment was formerly named "Central and Eastern Europe".

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

Revenue by reportable segment for continuing operations is as follows:

Half year to 31 January	2011 £m	2010 (restated) £m
USA	2,678	2,373
Canada	408	353
UK	1,221	1,233
Nordic	1,020	990
France	888	934
Central Europe	414	448
Group	6,629	6,331

# Notes to the condensed half-year financial statements

Half year to 31 January 2011

Trading profit (note 9) and operating profit/(loss) by reportable segment for continuing operations for the half year to 31 January 2011 are as follows:

	Trading profit/(loss) £m	Exceptional items £m	Amortisation and impairment of acquired intangibles £m	Operating profit/(loss) £m
USA	146	1	(12)	135
Canada	23	–	–	23
UK	51	(11)	(3)	37
Nordic	48	–	(22)	26
France	13	2	(1)	14
Central Europe	16	(3)	–	13
Central and other costs	(22)	–	–	(22)
Group	275	(11)	(38)	226
Finance revenue				8
Finance costs				(39)
Profit before tax				195

Trading profit (note 9) and operating profit/(loss) by reportable segment for continuing operations for the half year to 31 January 2010 are as follows:

	Trading profit/(loss) (restated) £m	Exceptional items £m	Amortisation and impairment of acquired intangibles £m	Operating profit/(loss) (restated) £m
USA	98	(5)	(13)	80
Canada	18	(1)	–	17
UK	33	(66)	(77)	(110)
Nordic	47	(11)	(27)	9
France	(5)	(4)	(2)	(11)
Central Europe	4	(2)	–	2
Central and other costs	(28)	(166)	–	(194)
Group	167	(255)	(119)	(207)
Finance revenue				21
Finance costs				(62)
Share of after tax loss of associate				(13)
Loss before tax				(261)

# Notes to the condensed half-year financial statements

Half year to 31 January 2011

The movement in revenue and trading profit between the periods ended 31 January 2010 and 31 January 2011 can be analysed into the effects of changes in exchange rates, disposals and acquisitions, with the remainder being organic change.

Analysis of change in revenue	2010 (restated) £m	Exchange £m	Disposals £m	Acquisitions £m	Organic change £m	2011 £m
USA	2,373	91	–	4	210	<b>2,678</b>
Canada	353	30	–	–	25	<b>408</b>
UK	1,233	–	(97)	–	85	<b>1,221</b>
Nordic	990	(21)	–	–	51	<b>1,020</b>
France	934	(46)	(9)	–	9	<b>888</b>
Central Europe	448	(6)	(12)	–	(16)	<b>414</b>
Group	6,331	48	(118)	4	364	<b>6,629</b>

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

Analysis of change in trading profit (note 9)	2010 (restated) £m	Exchange £m	Disposals £m	Acquisitions £m	Organic change £m	2011 £m
USA	98	4	–	–	44	146
Canada	18	1	–	–	4	23
UK	33	–	5	–	13	51
Nordic	47	(1)	–	–	2	48
France	(5)	–	1	–	17	13
Central Europe	4	1	–	–	11	16
Central and other costs	(28)	–	–	–	6	(22)
Group	167	5	6	–	97	275

# Notes to the condensed half-year financial statements

Half year to 31 January 2011

## 3. Exceptional items

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

Half year to 31 January	2011 £m	2010 £m
USA	1	(5)
Canada	–	(1)
UK	(11)	(66)
Nordic	–	(11)
France	2	(4)
Central Europe	(3)	(2)
Central and other costs	–	(166)
Group	(11)	(255)

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

Half year to 31 January	2011 £m	2010 £m
Staff redundancy costs	–	(14)
Asset write downs, disposals and other property related restructuring costs	5	(28)
Restructuring costs	5	(42)
Impairment of software assets under construction	–	(137)
Other costs arising from revised approach to the Group's Business Change Programme	–	(27)
Loss on disposal of businesses and revaluations of disposal groups	(16)	(49)
Group	(11)	(255)

# Notes to the condensed half-year financial statements

Half year to 31 January 2011

## 4. Finance revenue

Half year to 31 January	2011 £m	2010 £m
Interest receivable	8	21

## 5. Finance costs

Half year to 31 January	2011 £m	2010 £m
Interest payable		
– Bank loans and overdrafts	25	48
– Finance lease charges	2	2
Discount charge on receivables funding arrangements	3	3
Unwinding of discount on provisions	1	2
Net pension finance cost	6	6
Exchange on retranslation of financial instruments	9	1
Valuation (gains)/losses on financial instruments		
– Derivatives held at fair value through profit and loss	9	(3)
– Loans in a fair value hedging relationship	(18)	3
Valuation losses on cash flow hedges reclassified from equity	2	–
Total finance costs	39	62

## 6. Taxation

The tax charge on ordinary activities for the half year has been calculated by applying the expected full year rate to the half year results with specific adjustments for one-off items (intangibles, exceptional items, share options and share of associate loss).

The tax charge/(credit) for the period comprises:

Half year to 31 January	2011 £m	2010 £m
Current year tax charge	25	15
Adjustments to tax charge in respect of prior years	–	(22)
Total current tax charge/(credit)	25	(7)
Deferred tax charge/(credit): origination and reversal of temporary differences	37	(30)
Total tax charge/(credit) - continuing operations	62	(37)

As detailed in note 9, the effective tax rate for the period on profit before exceptional items, the amortisation and impairment of acquired intangible assets and the after tax loss of associate was 29.8% (half year to 31 January 2010: 34.0%).

## 7. Dividends

An interim dividend of 15.0 pence per share is proposed. This dividend, which is expected to amount to £42 million, was approved by the Board after the balance sheet to date and is therefore not reflected as a liability in the financial statements. No dividends were paid in or proposed for the year ended 31 July 2010.

# Notes to the condensed half-year financial statements

Half year to 31 January 2011

## 8. Earnings/(loss) per share

Basic earnings per share from continuing and discontinued operations of 47.1 pence (2010: loss per share of 78.1 pence) is calculated on the profit for the period attributable to shareholders of £133 million (31 January 2010: loss of £220 million) on a weighted average number of ordinary shares in issue during the period, excluding those held by Employee Benefit Trusts, of 283 million (31 January 2010: 282 million).

Basic earnings per share from continuing operations of 47.1 pence (2010: loss per share of 79.5 pence) is calculated on the profit after tax from continuing operations of £133 million (31 January 2010: loss of £224 million).

As detailed in note 9, the Group believes that profit measures before exceptional items and the amortisation and impairment of acquired intangibles provide valuable additional information for users of the financial statements. Basic earnings per share from continuing operations, before exceptional items and the amortisation and impairment of acquired intangibles has therefore been presented in the following table.

Half year to 31 January - continuing operations	2011	2010
Before exceptional items and the amortisation and impairment of acquired intangibles	<b>60.5p</b>	24.5p
Add back: exceptional items (net of tax)	<b>(4.2)p</b>	(67.8)p
Add back: amortisation and impairment of acquired intangibles (net of deferred tax)	<b>(9.2)p</b>	(36.2)p
Basic earnings/(loss) per share	<b>47.1p</b>	(79.5)p

The impact of all potentially dilutive share options on earnings per share would be to increase the weighted average number of shares in issue to 284 million (31 January 2010: 283 million). The diluted earnings per share from continuing operations is 46.8 pence (31 January 2010: loss per share of 79.5 pence). The diluted earnings per share from continuing operations before exceptional items and the amortisation and impairment of acquired intangibles is 60.1 pence (31 January 2010: 24.4 pence).

## 9. Non-GAAP performance measures

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

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

Half year to 31 January	2011 £m	2010 £m
Operating profit/(loss)	<b>226</b>	(207)
Add back: amortisation and impairment of acquired intangibles	<b>38</b>	119
Add back: exceptional items	<b>11</b>	255
Trading profit	<b>275</b>	167
Depreciation, amortisation and impairment of property, plant and equipment and software excluding exceptional items	<b>78</b>	99
EBITDA before exceptional items	<b>353</b>	266
Profit/(loss) before tax	<b>195</b>	(261)
Add back: amortisation and impairment of acquired intangibles	<b>38</b>	119
Add back: exceptional items	<b>11</b>	254
Profit before tax and exceptional items and the amortisation and impairment of acquired intangibles	<b>244</b>	112

# Notes to the condensed half-year financial statements

Half year to 31 January 2011

## 9. Non-GAAP measures of performance (continued)

Half year to 31 January	2011 £m	2010 £m
Tax (expense)/income	(62)	37
Add back: deferred tax credit on the amortisation and impairment of acquired intangibles	(12)	(17)
Add back: tax charge/(credit) on exceptional items	1	(63)
Tax expense before exceptional items and the amortisation and impairment of acquired intangibles	(73)	(43)

Applying the tax charge before the effect of exceptional items and the amortisation and impairment of acquired intangibles of £73 million to the profit before exceptional items and the amortisation and impairment of acquired intangibles of £244 million gives an effective tax rate of 29.8%.

## 10. Tangible and intangible fixed assets

	Goodwill £m	Other acquired intangible assets £m	Software £m	Property, plant and equipment £m	Total tangible and intangible fixed assets £m
Net book value at 1 August 2010	1,347	432	33	1,409	3,221
Additions	–	–	5	32	37
Disposals	–	–	–	(9)	(9)
Acquisition of businesses	4	–	–	–	4
Disposal of businesses	–	–	–	(6)	(6)
Reclassified as held for sale	(27)	–	(1)	(29)	(57)
Depreciation and amortisation	–	(38)	(6)	(72)	(116)
Exchange rate adjustment	19	11	–	24	54
<b>Net book value at 31 January 2011</b>	<b>1,343</b>	<b>405</b>	<b>31</b>	<b>1,349</b>	<b>3,128</b>

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

Impairment reviews have been conducted for cash-generating units or groups of cash-generating units (“CGUs”) which have performed below the level assumed in the impairment reviews at 31 July 2010.

The recoverable amounts of the CGUs are determined from value in use calculations. These calculations use cash flow projections based on five year financial forecasts approved by management. The key assumptions for these forecasts are those regarding revenue growth, trading margin and the level of working capital required to support trading, which management estimates based on past experience, reflecting the cyclical nature of earnings, and expectations of future changes in the market. To prepare value in use calculations, the cash flow forecasts are extrapolated after the five year period at an estimated average long-term nominal growth rate for each market (ranging from 1 per cent to 3 per cent), and discounted back to present value. The discount rate assumptions use an estimate of the Group’s post-tax weighted average cost of capital of 8.3 per cent, based on the five year historic volatility of Wolseley shares and on benchmark interest rates. The pre-tax discount rate which ranges from 10 per cent to 12 per cent has been applied to the risk adjusted cashflows of each CGU.

These impairment reviews have resulted in no impairment to the carrying value of goodwill and intangible assets of the Group’s CGUs.

Authorised capital expenditure which was contracted for but not provided in these accounts amounted to £9 million (31 July 2010: £6 million).

# Notes to the condensed half-year financial statements

Half year to 31 January 2011

## 11. Provisions

	Environmental and legal £m	Wolseley Insurance £m	Restructuring £m	Other provisions £m	Total £m
At 1 August 2010	67	55	139	85	346
Utilised in the period	(1)	(7)	(39)	(4)	(51)
Amortisation of discount	–	–	1	–	1
Charge for the period	3	9	(2)	1	11
Unearned premium	–	9	–	–	9
Disposal of businesses and reclassified as held for sale	–	–	(6)	6	–
Exchange differences	(1)	–	–	(1)	(2)
<b>At 31 January 2011</b>	<b>68</b>	<b>66</b>	<b>93</b>	<b>87</b>	<b>314</b>
Current	25	28	30	26	109
Non-current	43	38	63	61	205

The environmental and legal provision includes the estimated liability for asbestos litigation on a discounted basis. This amount has been actuarially determined as at 31 January 2011 based on advice from independent professional advisers. The Group has insurance that it currently believes is sufficient cover for the estimated liability and accordingly an equivalent insurance receivable has been recorded in other receivables. Based on current estimates, the amount of performing insurance cover significantly exceeds the expected level of future claims and no material profit or cash flow impact is therefore expected to arise in the foreseeable future. There were 211 claims outstanding at 31 January 2011 (31 July 2010: 249).

Restructuring provisions include provisions for staff redundancy costs and future lease rentals on closed branches. Other provisions include the Group's best estimate of the cost of potential product and service warranty claims arising in Stock Building Supply Holdings LLC ("Stock") before its disposal on 6 May 2009, separation costs relating to the disposal of Stock and contractual and constructive obligations relating to the Business Change Programme. Other provisions also include rental commitments on vacant properties other than those arising from restructuring actions, dilapidations on leased properties and warranties.

## 12. Share capital

	Allotted and issued	
	As at 31 January 2011	As at 31 July 2010
Number of deferred 24 pence shares in Old Wolseley (million)	–	887
Number of ordinary 10 pence shares in Old Wolseley (million)	–	284
Number of ordinary 10 pence shares in the Company (million)	<b>284</b>	–
Total number of shares (million)	284	1,171
Nominal value of deferred 24 pence shares in Old Wolseley (£ million)	–	213
Nominal value of ordinary 10 pence shares in Old Wolseley (£ million)	–	28
Nominal value of ordinary 10 pence shares in the Company (£ million)	<b>28</b>	–
Total nominal value of shares (£ million)	<b>28</b>	241

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

On 23 November 2010 pursuant to the Scheme of Arrangement under Part 26 of the Companies Act 2006 between Old Wolseley (the former holding company of the Group) and the Old Wolseley shareholders, and as sanctioned by the High Court, all the issued 10 pence ordinary shares in Old Wolseley were cancelled and the same number of new shares were issued to the Company in consideration for the allotment to shareholders of one ordinary 10 pence share in the Company for each ordinary 10 pence share in Old Wolseley held at the scheme record date of 19 November 2010.

The Old Wolseley deferred shares had no voting rights, no entitlement to a dividend and could not be traded. On 24 November 2010 the Old Wolseley deferred shares were transferred from their current holders to the Company for no consideration and were then repurchased and cancelled by Old Wolseley.

# Notes to the condensed half-year financial statements

Half year to 31 January 2011

## 13. Reconciliation of profit/(loss) to cash (used in)/generated from operations

Profit/(loss) for the period is reconciled to cash (used in)/generated from operations as follows:

Half year to 31 January	2011 £m	2010 £m
Profit/(loss) for the period	<b>133</b>	(220)
Net finance costs	<b>31</b>	41
Share of after tax loss of associate	–	13
Tax expense/(income)	<b>62</b>	(37)
Loss on disposal of businesses and revaluation of disposal groups	<b>16</b>	45
Depreciation and impairment of property, plant and equipment	<b>72</b>	93
Amortisation and impairment of non-acquired intangibles	<b>6</b>	145
Profit on disposal of property, plant and equipment and assets held for sale	(8)	(2)
Amortisation and impairment of acquired intangibles	<b>38</b>	119
Increase in inventories	<b>(151)</b>	(49)
(Increase)/decrease in trade and other receivables	(1)	323
Decrease in trade and other payables	<b>(533)</b>	(416)
(Decrease)/increase in provisions and other liabilities	<b>(44)</b>	2
Share-based payments and other non-cash items	<b>1</b>	(1)
Cash (used in)/generated from operations	<b>(378)</b>	56

Trading profit is reconciled to cash (used in)/generated from operations as follows:

Half year to 31 January	2011 £m	2010 £m
Trading profit	<b>275</b>	167
Exceptional items in operating profit	<b>(11)</b>	(255)
Loss on disposal of businesses and revaluation of disposal groups	<b>16</b>	49
Depreciation and impairment of property, plant and equipment	<b>72</b>	93
Amortisation and impairment of non-acquired intangibles	<b>6</b>	145
Profit on disposal of property, plant and equipment and assets held for sale	(8)	(2)
Increase in inventories	<b>(151)</b>	(49)
(Increase)/decrease in trade and other receivables	(1)	323
Decrease in trade and other payables	<b>(533)</b>	(416)
(Decrease)/increase in provisions and other liabilities	<b>(44)</b>	2
Share-based payments and other non-cash items	<b>1</b>	(1)
Cash (used in)/generated from operations	<b>(378)</b>	56

# Notes to the condensed half-year financial statements

Half year to 31 January 2011

## 14. Reconciliation of opening to closing net debt

For the half year to 31 January 2011	As at 1 August 2010 £m	Cash flows £m	Held for sale and disposals £m	New finance leases £m	Fair value adjustment s and other movement s £m	Exchange movement £m	As at 31 January 2011 £m
Cash and cash equivalents	665						378
Bank overdrafts	(90)						(70)
	575	(294)	18	–	–	9	308
Derivative financial instruments	68	2	–	–	(12)	(1)	57
Bank loans	(914)	(127)	–	–	8	10	(1,023)
Obligations under finance leases	(75)	9	15	(2)	–	(3)	(56)
	(346)	(410)	33	(2)	(4)	15	(714)

## 15. Acquisitions

On 31 December 2010 the Group acquired Summit Pipe and Supply, Inc, a supplier of water and waste water products in the USA, for cash consideration of £6 million. On 28 January 2011 the Group acquired SL-BYG Alfred Nielson NS, a builders merchant in Denmark, for a cash consideration of £1 million. The acquisition of these companies has not had a material effect on the half-year financial statements.

## 16. Disposals

During the six months ended 31 January 2011 the Group disposed of Brandon Hire, its UK tool and equipment hire business, a small business in France and a small business in the USA. Details of assets and liabilities disposed of, transaction costs and consideration received in respect of these disposals are provided in the following table.

	2011 Assets disposed of £m
Property, plant and equipment	6
Inventories	3
Receivables	5
Assets and liabilities held for sale	31
Cash, cash equivalents and bank overdrafts	(4)
Payables and provisions	(2)
Total	39
Consideration	(48)
Disposal costs and provisions for separation costs	8
Profit on disposal	(1)

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

	2011 £m
Cash consideration received	48
Cash, cash equivalents and bank overdrafts disposed	4
Disposal costs paid	(2)
Amounts received in respect of prior year disposals	12
Payments made to settle liabilities regarding prior year disposals	(2)
Net cash inflow in respect of the disposal of businesses	60

# Notes to the condensed half-year financial statements

Half year to 31 January 2011

## 17. Related party transactions

There are no material related party transactions requiring disclosure under IAS 24, Related Party Disclosures, other than compensation of key management personnel which will be disclosed in the Group's Annual Report for the year ending 31 July 2011.

## 18. Post balance sheet events

On 16 February 2011 the Group disposed of its business in Italy, for a consideration of £29 million. This business was classified as held for sale at 31 January 2011.

## 19. Exchange rates

Exchange rates (equivalent to £1)	2011	2010
<b>US dollar translation rate</b>		
Income statement (rate for the six months to 31 January)	<b>1.57</b>	1.63
Balance sheet (rate at 31 January)	<b>1.60</b>	1.60
Balance sheet (rate at 31 July)		1.57
<b>Euro translation rate</b>		
Income statement (rate for the six months to 31 January)	<b>1.18</b>	1.12
Balance sheet (rate at 31 January)	<b>1.17</b>	1.15
Balance sheet (rate at 31 July)		1.20
<b>Danish Krone translation rate</b>		
Income statement (rate for the six months to 31 January)	<b>8.78</b>	8.34
Balance sheet (rate at 31 January)	<b>8.72</b>	8.59
Balance sheet (rate at 31 July)		8.96
<b>Canadian dollar translation rate</b>		
Income statement (rate for the six months to 31 January)	<b>1.60</b>	1.74
Balance sheet (rate at 31 January)	<b>1.60</b>	1.71
Balance sheet (rate at 31 July)		1.61

# Independent review report to Wolseley plc

## Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 January 2011, which comprises the Condensed Group income statement, Condensed Group statement of comprehensive income, Condensed Group statement of changes in equity, Condensed Group balance sheet, Condensed Group cash flow statement and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

## Directors' responsibilities

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

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

## Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, 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.

## Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 January 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP  
Chartered Accountants  
29 March 2011  
London

### Notes:

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

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