NEWS RELEASE

Final Results for the year ended 31 July 2017

10/3/2017

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Ferguson PLC
03 October 2017

Ferguson plc

Results for the year ended 31 July 2017

GOOD TRADING MOMENTUM IN FOURTH QUARTER, WELL PLACED FOR FURTHER PROGRESS IN 2018

£m1		2017	2016	Change	Change (at constant exchange rates)	Like-for-like change
Revenue	Ongoing businesses	14,878	12,146	+22.5%	+8.6%	+6.0%
	Non-ongoing businesses	346	403			
	Continuing operations	15,224	12,549			
Trading profit	Ongoing businesses	1,032	827	+24.8%	+8.7%	
	Non-ongoing businesses	27	30			
	Continuing operations	1,059	857			
Impairment and exceptional profit / (loss)		229	(98)			
Statutory profit before tax		1,180	675			
Headline earnings per share		288.9p	234.7p	+23.1%	+6.8%	
Discontinued (loss) / profit after tax		(105)	185			
Net debt		534	936			
Ordinary dividend per share		110p	100p	+10.0%		

Financial highlights1

− Total Group2 revenue of £17,324 million including £2,100 million from discontinued operations and trading profit of £1,122 million including £63 million from discontinued operations.

− Revenue in the ongoing businesses was 8.6% ahead of last year at constant exchange rates and trading profit of £1,032 million was 8.7% ahead of last year at constant exchange rates.

− Gross margin of the ongoing businesses was 28.9%, 0.4% ahead of last year.

− Strong cash flow conversion. Net debt of £534 million at 31 July 2017.

− Proposed final dividend of 73.33p, bringing the total for the year to 110p, 10% ahead of last year.

− Share buyback of £500 million announced today.

Operating highlights

- US revenue growth of 10.4% at constant exchange rates including 7.1% on a like-for-like basis and continued market share gains.

- Good US residential and commercial markets, improved industrial markets in the second half.

- UK transformation continuing, trading profit stable in difficult markets.

- E-commerce revenue of £3 billion, now 20% of Group revenue.

- Completed 11 bolt-on acquisitions for total consideration of £292 million with five further acquisitions since year end.

- Nordics disposal progressing as planned.

- Group name changed on 31 July 2017 and presentational currency to US dollars from 1 August 2017.

John Martin, Group Chief Executive, commented:
"I am delighted to report another good year for the Group, in which ongoing trading profit increased to £1,032 million. In the USA, Blended Branches, Waterworks, B2C e-commerce, HVAC, Fire and Fabrication and Facilities Supply generated good growth and gained market share and Industrial revenues recovered in the second half.
"In line with our strategy to generate the best profitable growth in the USA we continued to invest in the further development of our service offerings including the next generation of our e-commerce platforms, expanding our fleet and logistics capabilities and developing adjacent business opportunities.
"Given our strong financial position, which includes proceeds from recent disposals, we are initiating a £500 million share buyback programme which we expect to complete over the next 12 months. The Group will continue to target net debt in the range of 1x to 2x EBITDA, consistent with investment grade credit metrics.
"US markets continue to be favourable, in particular residential and commercial markets where we generate the majority of our revenue. Organic revenue growth3 in the new financial year has been about 6%. Our business is performing well, we have a strong balance sheet to support our plans and the Board continues to look to the medium-term with confidence."

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There will be an analyst and investor presentation at 0830 (UK time) today at The London Stock Exchange, 10 Paternoster Square, London EC4M 7LS. A live video webcast and slide presentation of this event will be available on **www.fergusonplc.com.** We recommend you register at 0815 (UK time). Photographs are available on **www.fergusonplc.com.**

1) The Group uses Alternative Performance Measures ("APMs"), which are not defined or specified under IFRS, to provide additional helpful information. These measures are not considered to be a substitute for IFRS measures and are consistent with how business performance is planned, reported and assessed internally by management and the Board. For further information on APMs, including a description of our policy, purpose, definitions and reconciliations to equivalent IFRS statutory measures see note 2 on pages 13 to 15. Unless otherwise stated, the measures referred to in this Results Announcement are APMs which are applied consistently with the basis and definitions set out in note 2.

2) The total of continuing and discontinued operations.

3) The increase or decrease in revenue excluding the effect of currency exchange, acquisitions and disposals and trading days.

Group results

Ferguson plc delivered a good set of results driven by favourable US residential and commercial markets, which account for the majority of our revenue. Industrial markets, which account for 7% of US revenue, were weak in the first half though recovered well in the second half. In the UK, the heating market remained pretty weak. In Canada markets improved progressively through the year.

Revenue in the ongoing businesses of £14,878 million (2016: £12,146 million) was 6.0% ahead on a like-for-like basis with a further 2.1% of growth from acquisitions, 0.4% from one additional trading day and 0.1% from new branches. Gross margins were 40 basis points ahead as we continued to focus on a better mix of higher value-added products and services and improving our procurement. Operating expenses in the ongoing businesses were 10.1% higher at constant exchange rates, with increased headcount costs, further investment in the business and 2.6% from acquisitions.

Trading profit in the ongoing businesses was £1,032 million (2016: £827 million), 8.7% ahead of last year at constant exchange rates. The trading margin in the ongoing businesses was 10 basis points ahead of last year at 6.9%. The additional trading day increased trading profit by about £9 million. Foreign
exchange rate movements increased revenue by £1,550 million and trading profit by £122 million. Trading profit from the non-ongoing businesses was £27 million (2016: £30 million). Trading profit from continuing operations was £1,059 million (2016: £857 million). Trading profit from discontinued operations was £63 million (2016: £59 million).

The amortisation charge in relation to the Group's acquired intangible assets was £64 million (2016: £48 million). Net impairment and exceptional items amounted to £229 million profit (2016: £98 million loss) comprising principally of £266 million gains from the disposal of businesses and a £40 million charge from restructuring in the UK.

Finance costs were £43 million (2016: £36 million) with the increase due mainly to movements in foreign exchange rates. The ongoing effective tax rate on trading profit less finance costs was 28.0% (2016: 27.4%).

Statutory profit before tax of £1,180 million (2016: £675 million) is after the exceptional profit. Headline earnings per share were 288.9 pence (2016: 234.7 pence) an increase of 23.1%, reflecting the growth in trading profit and benefit from movements in foreign exchange rates. Statutory basic earnings per share from continuing operations were 353.4 pence (2016: 183.4 pence).

Operating and financial review

Further details of the financial performance and market conditions in the Group's businesses, and the reconciliation to reported results, are set out below.

Regional analysis

£m	Revenue 2017	Revenue 2016	Change (at constant exchange rates)	Trading profit 2017	Trading profit 2016	Change (at constant exchange rates)
US	11,824	9,288	+10.4%	950	761	+8.2%
UK	2,012	1,996	+0.8%	76	74	+2.7%
Canada and Central Europe	1,042	862	+5.0%	45	37	+3.1%
Central costs	-	-		(39)	(45)	
Ongoing businesses	14,878	12,146	+8.6%	1,032	827	+8.7%
Non-ongoing businesses	346	403		27	30	
Continuing operations	15,224	12,549		1,059	857	
Discontinued operations	2,100	2,136		63	59	
Total operations	17,324	14,685		1,122	916	

Quarterly like-for-like revenue growth

	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017
US	+3.2%	+4.3%	+6.7%	+8.6%	+8.8%	+7.1%
UK	(2.1%)	(2.9%)	+3.6%	(0.4%)	+4.2%	+1.0%
Canada and Central Europe	+1.4%	(1.5%)	+1.2%	+7.3%	+7.9%	+3.6%
Ongoing businesses	+2.3%	+2.8%	+5.8%	+7.1%	+8.1%	+6.0%

USA (89% of Group trading profit)

Our US business grew revenue 7.1% on a like-for-like basis which included price deflation of 0.5% principally due to falling commodity prices in the first half. In the second half commodity deflation subsided and overall there were low levels of inflation in the market.

The organic revenue growth by customer end market was as follows:

	% of US revenue1	Organic revenue growth
Residential	~50%	+9 - 10%
Commercial	~35%	+7 - 8%
Civil / Infrastructure	~7.5%	+4 - 5%
Industrial	~7.5%	Flat

1) Previously reported Municipal has now been more accurately analysed between Residential, Commercial and Civil / Infrastructure

Blended Branches, Waterworks, HVAC, Fire and Fabrication and Facilities Supply generated good growth and gained market share. Industrial revenues recovered after a weak first half which was impacted by a slowdown in end markets. Build.com, our B2C e-commerce business, continued to grow strongly throughout the year. Acquisitions contributed 2.7% of additional revenue in the year.

E-commerce accounted for over £2.6 billion (22%) of revenue in the USA and we have continued to prioritise investment in both our B2B and B2C platforms. Online ordering is a valuable sales order channel for our customers, giving them greater flexibility. During the year we upgraded our technology platforms including the delivery of a new Ferguson.com website and a dedicated showroom website to enable customers to prepare for consultations. These new platforms have added new time-saving features and greater functionality to enhance the customer experience.

We improved our gross margins and operating expenses grew with investments in technology, marketing and fleet along with increased associate numbers, wage inflation and expense growth from acquisitions. Trading profit of £950 million (2016: £761 million) was 8.2% ahead of last year at constant exchange rates and exchange rate movements increased trading profit by £116 million. The US trading margin was 8.0% (2016: 8.2%).

Nine acquisitions were completed during the year with total annualised revenue of £267 million. Since the year end we have acquired two more B2C businesses, AC Wholesalers and Supply.com which generate £86 million of annualised revenue. During the year we disposed of Endries, a small fasteners business, for £186 million. The business generated revenue of £170 million and trading profit of £16 million in the 10 months to disposal in June 2017.

UK (7% of Group trading profit)

In the UK, like-for-like revenue was 1.0% ahead including price inflation of 2.2%.
Whilst new residential construction markets grew, repairs, maintenance and improvement markets, where we generate the majority of our trading profit, were flat. We continued to achieve good growth in the small customer segment which was offset by declining revenue in the large customer segments. The Pipe and Climate and Infrastructure businesses traded well and gained market share, though Plumbing and Heating markets remained challenging. We continue to invest in our B2C business, soak.com, which traded well and achieved good growth.

Gross margins were ahead of last year and headcount was 2.8% lower. Trading profit of £76 million was £2 million ahead of last year. The trading margin grew by 10 basis points to 3.8%.

During the year we remained firmly focused on implementing the strategy we announced in September last year. The transformation programme is continuing and we made progress in simplifying our customer propositions and optimising the supply chain and branch network to deliver a more efficient business. The programme remains in the early stages. Exceptional restructuring charges of £40 million were partly offset by £11 million one-off credits relating to a pension curtailment gain.

Canada and Central Europe (4% of Group trading profit)

In Canada and Central Europe like-for-like revenue grew by 3.6% including price inflation of 1.7%. Acquisitions contributed 0.9% of additional growth. Canada grew well and the Netherlands also made very good progress. Gross margins were broadly flat, mainly due to competitive conditions in Western Canada.

Operating expenses were well controlled with headcount up 1.2%. Exchange rate movements were favourable and increased trading profit by £6 million. Reported trading profit of £45 million was £8 million ahead of last year. The trading margin was maintained at 4.3%.

As previously announced the merger of our Tobler business with Walter Meier in Switzerland was completed on 6 April 2017 and we now own 39.2% of the combined business. For the 8 months prior to the transaction Tobler generated £176 million of revenue and £11 million of trading profit.

Since the year end we have acquired three more businesses, Aircovent in the Netherlands and Plomberium Pierrefonds and Tackaberry in Canada, combined they generate £23 million of annualised revenue.

Central costs

Central costs in the year were £39 million (2016: £45 million) with the reduction mostly due to a one-off insurance benefit in the year.

Discontinued operations

At 31 July 2017 the Group's discontinued operations consisted of the Nordic region, which the Group is in the process of selling, and the Group's remaining property assets in France. Revenue was £2,100 million (2016: £2,136 million) and trading profit was £63 million (2016: £59 million). After a challenging first half, the Nordic building materials businesses returned to good revenue and profit growth in the second half. The statutory loss after tax was £105 million (2016: £185 million profit) after incurring an impairment charge of £102 million against the goodwill and acquired intangible assets in the Nordic region.

Cash flow

The Group generated EBITDA before exceptional items of £1,199 million (2016: £971 million). Net interest and tax amounted to £363 million (2016: £232 million) and acquisitions resulted in a cash outflow of £256 million (2016: £113 million). Capital investment was lower than expected at £178 million (2016: £218 million) due to

the timing of projects and we expect this to return to normal levels next year. Dividend payments were £259 million (2016: £238 million).

Net debt

The Group's reported net debt at 31 July 2017 was £534 million (31 July 2016: £936 million). The Group has a strong liquidity position and has £2.3 billion in credit facilities.

Pension obligations

Net pension liabilities under IAS 19 were £21 million (2016: £147 million), the decrease arising primarily from the treatment of the Nordics as discontinued operations and the disposal of Tobler. In addition the Group paid £55 million of additional funding in the US and UK. During the year the UK pension plan entered into a buy-in annuity insurance policy with a major insurance company to cover all existing pensioner liabilities.

Board and management changes

Mike Powell joined the Group as Chief Financial Officer (CFO) on 1 June 2017 and he brings a wealth of experience having worked overseas in a variety of senior finance positions. He has spent many years running large businesses in North America which will stand him in good stead in his new career at Ferguson. Dave Keltner's appointment as Interim CFO last year enabled us to conduct a thorough search for a suitable long-term CFO and execute an orderly handover of responsibilities to Mike.

Frank Roach, formerly Chief Executive of our US business, also retired this year. Frank had a remarkable career with Ferguson, having joined the business 41 years ago. In particular, his tenure as Chief Executive of the US business for the last eight years has been outstanding and Frank leaves the business well positioned for the future. His legacy is strong and he developed a highly capable leadership team.

Both Frank and Dave made significant contributions to the Group's success and we wish them both a long and happy retirement.

Kevin Murphy succeeded Frank on 1 August 2017. Kevin joined the business in 1999 and spent the last 10 years as Chief Operating Officer of our US business. He has deep industry knowledge, a great track record of driving profitable growth and exceptional leadership qualities. His skills, expertise and deep understanding of the business make him the ideal executive to drive future growth and development of the US.

While the Group has made excellent progress in developing our e-commerce platforms, the Board is mindful of the need to stay vigilant to future potential opportunities and threats in the digital space. Accordingly, the Board recently appointed a new Non Executive Director with considerable expertise in this area to provide support and challenge to management. Nadia Shouraboura was appointed on 1 July 2017 having spent her earlier career working in, and running, large international e-commerce businesses including 8 years at Amazon.com. The Board is confident that Nadia will help the company to accelerate our execution and assist in capitalising on the significant opportunities in the years ahead.

Shareholder returns

Our investment priorities remain focused on achieving organic growth greater than market growth, funding the ordinary dividend through the cycle and investing in bolt-on acquisitions that meet our stringent investment criteria. The Board has a progressive dividend policy for future payouts, with the aim of increasing dividends in line with the long-term underlying growth in earnings. Any surplus cash after meeting these investment needs will be returned to shareholders. Our balance sheet remains strong and the Group will continue to target net debt in the range of 1x to 2x EBITDA, consistent with investment grade credit metrics.

In line with these capital priorities the Board is recommending a final dividend of 73.33 pence per share (2016: 66.72 pence per share), to be paid on 1 December 2017 to shareholders on the register at 27 October 2017. This will bring the total dividend for the year to 110 pence per share (2016: 100 pence per share) representing a year-on-

year increase of 10.0 per cent.

Reflecting management's confidence in the business and the continuing strong cash generation of the Group, and after taking into account the excellent opportunities to invest in organic growth and acquisitions, the Board considers that the Group has surplus cash resources available. The Group will now commence a £500 million share buyback programme which we intend to complete within the next 12 months.

Outlook

US markets continue to be favourable, in particular residential and commercial markets where we generate the majority of our revenue. Organic revenue growth in the new financial year has been about 6%. Our business is performing well, we have a strong balance sheet to support our plans and the Board continues to look to the medium-term with confidence.

Notes to statement

US dollar financial highlights

USDm	Revenue 2017	Revenue 2016	Trading profit 2017	Trading profit 2016
US	14,977	13,562	1,204	1,111
UK	2,548	2,915	96	108
Canada and Central Europe	1,320	1,259	57	55
Central costs	-	-	(50)	(66)
Ongoing businesses	18,845	17,736	1,307	1,208

For additional US dollar financial data please visit our corporate website.

About Ferguson plc

Ferguson plc is the world's largest specialist trade distributor of plumbing and heating products to professional contractors principally operating in North America and the UK. Ongoing revenue for the year ended 31 July 2017 was $18.8 billion and ongoing trading profit was $1.3 billion. Ferguson plc is listed on the London Stock Exchange (LSE: FERG) and is in the FTSE 100 index of listed companies. On 31 July 2017 the Group changed its name to Ferguson plc. For more information, please visit **www.fergusonplc.com** or follow us on Twitter **https://twitter.com/Ferguson_plc**

Financial calendar

2017	
Annual General Meeting	28 November
Q1 IMS for the period ending 30 October 2017	5 December
2018	
H1 results for period ending 31 January 2018	27 March
Q3 IMS for the period ending 30 April 2018	19 June
Full Year Results for year ended 31 July 2018	2 October

Timetable for the final dividend

The timetable for payment of the final dividend of 73.33 pence per share is as follows:

Ex-dividend date: 26 October 2017

Record date: 27 October 2017

Payment date: 1 December 2017

A dividend reinvestment plan is in operation. Those shareholders who have not elected to participate in this plan, and who would like to participate with respect to the 2017 final dividend, may do so by contacting Equiniti on 0371 384 2934 (or if outside the UK +44 (0) 121 415 7173). The last day for election for the proposed final dividend is 10 November 2017 and any requests should be made in good time ahead of that date.

Legal disclaimer

Certain information included in this announcement is forward-looking and involves risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied by forward looking statements. Forward-looking statements cover all matters which are not historical facts and include, without limitation, projections relating to results of operations and financial conditions and the Company's plans and objectives for future operations, including, without limitation, discussions of expected future revenues, financing plans, expected expenditures and divestments, risks associated with changes in economic conditions, the strength of the plumbing and heating and building materials market in North America and Europe, fluctuations in product prices and changes in exchange and interest rates. Forward-looking statements can be identified by the use of forward-looking terminology, including terms such as "believes", "estimates", "anticipates", "expects", "forecasts", "intends", "plans", "projects", "goal", "target", "aim", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. Forward-looking statements are not guarantees of future performance. All forward-looking statements in this announcement are based upon information known to the Company on the date of this announcement. Accordingly, no assurance can be given that any particular expectation will be met and readers are cautioned not to place undue reliance on forward-looking statements, which speak only at their respective dates. Additionally, forward-looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules, the Prospectus Rules, the Disclosure Rules and

the Transparency Rules of the Financial Conduct Authority), the Company undertakes no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future events or otherwise. Nothing in this announcement shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.

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Group income statement

Year ended 31 July 2017

	Notes	2017 Before exceptional items £m	2017 Exceptional items (note 5) £m	2017 Total £m	2016 Before exceptional items £m	2016 Exceptional items (note 5) £m	Restated* 2016 Total £m
Revenue	3	15,224	-	15,224	12,549	-	12,549
Cost of sales		(10,814)	(2)	(10,816)	(8,956)	(1)	(8,957)
Gross profit		4,410	(2)	4,408	3,593	(1)	3,592
Operating costs:							
amortisation of acquired intangible assets		(64)	-	(64)	(48)	-	(48)
impairment of goodwill and acquired intangible assets		-	-	-	(94)	-	(94)
other		(3,351)	231	(3,120)	(2,736)	(3)	(2,739)
Operating costs		(3,415)	231	(3,184)	(2,878)	(3)	(2,881)
Operating profit	3, 4	995	229	1,224	715	(4)	711
Finance costs	6	(43)	-	(43)	(36)	-	(36)

Share of result of associate		(1)	-	(1)	-	-	-
Profit before tax		951	229	1,180	679	(4)	675
Tax	7	(270)	(22)	(292)	(211)	1	(210)
Profit from continuing operations		681	207	888	468	(3)	465
(Loss)/profit from discontinued operations	8	(47)	(58)	(105)	31	154	185
Profit for the year		634	149	783	499	151	650
Attributable to:							
Shareholders of the Company		634	149	783	508	151	659
Non-controlling interests		-	-	-	(9)	-	(9)
		634	149	783	499	151	650

Earnings per share	10		
Continuing operations and discontinued operations			
Basic earnings per share		311.6p	256.4p
Diluted earnings per share		309.4p	254.8p
Continuing operations only			
Basic earnings per share		353.4p	183.4p
Diluted earnings per share		350.8p	182.3p

Alternative performance measures			
Trading profit from ongoing operations	2, 3	1,032	827
Trading profit from non-ongoing operations	2, 3	27	30
Trading profit from continuing operations	2, 3	1,059	857
EBITDA before exceptional items	2	1,199	971
Headline earnings per share	2, 10	288.9p	234.7p

* Restated to present the Nordic businesses as discontinued operations in accordance with IFRS 5.

Group statement of comprehensive income

Year ended 31 July 2017

	Notes	2017 £m	Restated 2016 £m
Profit for the year		783	650
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange gain on translation of overseas operations(a)		26	495
Exchange loss on translation of borrowings and derivatives designated as hedges of overseas operations(a)		(6)	(107)
Cumulative currency translation differences on disposals(a)		(49)	(125)
Tax credit/(charge) on items that may be reclassified to profit or loss(b)	7	1	(7)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial loss on retirement benefit plans(b)		(1)	(120)
Tax (charge)/credit on items that will not be reclassified to profit or loss(b)	7	(1)	25
Other comprehensive (expense)/income for the year		(30)	161
Total comprehensive income for the year		753	811
Total comprehensive income/(expense) attributable to:			
Continuing operations		850	744
Discontinued operations		(97)	67
Total comprehensive income for the year		753	811

(a) Impacting the translation reserve.

(b) Impacting retained earnings.

Group statement of changes in equity

	Notes	Share capital £m	Share premium £m	Translation reserve £m	Treasury shares £m	Own shares £m	Reserves Retained earnings £m	Non- controlling interest £m	Total equity £m
At 1 August 2015		29	42	117	(240)	(63)	2,715	7	2,607
Profit/(loss) for the year		-	-	-	-	-	659	(9)	650
Other comprehensive income/(expense)		-	-	263	-	-	(102)	-	161
Total comprehensive income/(expense)		-	-	263	-	-	557	(9)	811
Purchase of own shares by Employee Benefit Trusts		-	-	-	-	(14)	-	-	(14)
Issue of own shares by Employee Benefit Trusts		-	-	-	-	20	(19)	-	1
Credit to equity for share-based payments		-	-	-	-	-	20	-	20
Purchase of Treasury shares		-	-	-	(300)	-	-	-	(300)
Disposal of Treasury shares		-	-	-	24	-	(10)	-	14
Dividends paid	9	-	-	-	-	-	(238)	-	(238)
At 31 July 2016		29	42	380	(516)	(57)	3,025	(2)	2,901
Profit for the year		-	-	-	-	-	783	-	783
Other comprehensive expense		-	-	(29)	-	-	(1)	-	(30)
Total comprehensive (expense)/income		-	-	(29)	-	-	782	-	753
Purchase of own shares by Employee Benefit Trusts		-	-	-	-	(6)	-	-	(6)
Issue of own shares by Employee Benefit Trusts		-	-	-	-	15	(15)	-	-

Credit to equity for share-based payments		-	-	-	-	-	22	-	22
Tax relating to share-based payments	7	-	-	-	-	-	4	-	4
Disposal of Treasury shares		-	-	-	31	-	(10)	-	21
Dividends paid	9	-	-	-	-	-	(259)	-	(259)
At 31 July 2017		29	42	351	(485)	(48)	3,549	(2)	3,436

Group balance sheet

As at 31 July 2017

	Notes	2017 £m	2016 £m
Assets			
Non-current assets			
Intangible assets: goodwill	11	888	902
Intangible assets: other	11	182	202
Property, plant and equipment	11	808	1,434
Interests in associates		124	-
Financial assets		11	23
Retirement benefit assets		3	-
Deferred tax assets		121	127
Trade and other receivables		226	212
Derivative financial assets		15	20
		2,378	2,920
Current assets			
Inventories		1,816	2,017

Trade and other receivables		2,093	2,207
Current tax receivable		2	-
Derivative financial assets		5	11
Cash and cash equivalents		1,911	940
		5,827	5,175
Assets held for sale	12	1,298	56
Total assets		9,503	8,151
Liabilities			
Current liabilities			
Trade and other payables		2,279	2,634
Current tax payable		88	101
Bank loans and overdrafts		1,627	701
Obligations under finance leases		3	4
Provisions	13	81	88
Retirement benefit obligations		8	9
		4,086	3,537
Non-current liabilities			
Trade and other payables		180	163
Bank loans		831	1,175
Obligations under finance leases		4	27
Deferred tax liabilities		9	65
Provisions	13	120	133
Retirement benefit obligations		16	138
		1,160	1,701
Liabilities held for sale	12	821	12
Total liabilities		6,067	5,250
Net assets		3,436	2,901
Equity			
Share capital		29	29

Share premium	42	42
Reserves	3,367	2,832
Equity attributable to shareholders of the Company	3,438	2,903
Non-controlling interest	(2)	(2)
Total equity	3,436	2,901

Group cash flow statement

Year ended 31 July 2017

	Notes	2017 £m	2016 £m
Cash flows from operating activities			
Cash generated from operations	14	1,115	1,019
Interest received		3	2
Interest paid		(56)	(41)
Tax paid		(310)	(193)
Net cash generated from operating activities		752	787
Cash flows from investing activities			
Acquisition of businesses (net of cash acquired)	15	(256)	(113)
Disposals of businesses (net of cash disposed of)	16	231	9
Purchases of property, plant and equipment		(153)	(187)
Proceeds from sale of property, plant and equipment and assets held for sale		19	56
Purchases of intangible assets		(25)	(31)
Disposals of financial assets		17	-
Net cash used in investing activities		(167)	(266)
Cash flows from financing activities			

Purchase of own shares by Employee Benefit Trusts		(6)	(14)
Purchase of Treasury shares		-	(300)
Proceeds from the sale of shares by Employee Benefit Trusts		-	1
Proceeds from the sale of Treasury shares		21	14
Proceeds from borrowings and derivatives		339	585
Repayments of borrowings		(464)	(591)
Finance lease capital payments		(5)	(4)
Dividends paid to shareholders	9	(259)	(238)
Net cash used by financing activities		(374)	(547)
Net cash generated/(used)		211	(26)
Effects of exchange rate changes		(15)	18
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		196	(8)
Cash, cash equivalents and bank overdrafts at the beginning of the year		248	256
Cash, cash equivalents and bank overdrafts at the end of the year		444	248

		2017 £m	2016 £m
Cash, cash equivalents and bank overdrafts at the end of the year in the Group balance sheet	17	411	248
Cash, cash equivalents and bank overdrafts in assets held for sale	12	33	-
Cash, cash equivalents and bank overdrafts at the end of the year		444	248

Notes to the full year results announcement

Year ended 31 July 2017

1 - Basis of preparation

The full year results announcement for the year ended 31 July 2017, which is an abridged statement of the full Annual Report and Accounts, has been prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The full year results announcement has been prepared on a going concern basis. The Directors are confident that on the basis of current financial projections and facilities available, and after considering sensitivities, the Group has sufficient resources for its operational needs and will remain in compliance with the financial covenants in its bank facilities for the foreseeable future.

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

The financial information for the year ended 31 July 2017 does not constitute the statutory financial statements of the Group. The statutory financial statements for the year ended 31 July 2016 have been filed with the Jersey Registrar of Companies. The auditors have reported on those accounts and on the statutory financial statements for the year ended 31 July 2017 which will be filed with the Jersey Registrar of Companies following the Annual General Meeting. Both the audit reports were unqualified and did not contain any statements under Article 111(2) or Article 111(5) of the Companies (Jersey) Law 1991 or under section 498 of the Companies Act 2006.

The Nordic businesses have been reclassified as discontinued operations in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" and the consolidated financial statements and affected notes for the year ended 31 July 2016 have been restated to reflect this.

Accounting developments and changes

At the time of this report a number of accounting standards have been published, but not yet applied.

IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" are effective for the Group from the year ending 31 July 2019. The Group has completed an initial assessment of the impact of IFRS 9 and IFRS 15 and it is expected adoption will not have a material impact on the Group's consolidated financial results.

IFRS 16 "Leases", which is yet to be endorsed by the EU, is effective for the Group for the year ending 31 July 2020. IFRS 16 represents a significant change for the treatment of leases in the lessee's financial results. Lessees will be required to apply a single model to recognise a lease liability and asset for all leases, including those classified as

operating leases under current accounting standards, unless the underlying asset has a low value or the lease term is 12 months or less.

On adoption of IFRS 16 there will be a significant change to the financial statements, as each lease will give rise to a right of use asset, which will be depreciated on a straight line basis, and a lease liability, with the related interest charge. This will replace existing lease balances on the balance sheet and charges to the income statement. At 31 July 2017, the Group had operating lease commitments of £854 million.

The Group continues to assess the full impact of IFRS 16, however the impact will depend on the transition approach and the contracts in effect at the time of adoption. It is therefore not yet practicable to provide a reliable estimate of the financial impact on the Group's consolidated financial results.

2 - Alternative performance measures

The Group uses alternative performance measures ("APMs"), which are not defined or specified under IFRS. The Group believes that these APMs, which are not considered to be a substitute for IFRS measures, provide additional helpful information. APMs are consistent with how business performance is planned, reported and assessed internally by management and the Board and provide comparable information across the Group.

The Group reports some financial measures net of businesses or branches that have been disposed of, closed or classified as held for sale and uses the following terminology:

Non-ongoing operations: businesses and groups of branches, which do not meet the criteria to be classified as discontinued operations under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", which have been disposed of, closed or classified as held for sale. In 2017, the Group's Swiss business, Tobler, and a small Industrial business in the USA, Endries, have been classified as non-ongoing.

Ongoing operations: continuing operations excluding non-ongoing operations.

A reconciliation between ongoing and continuing operations is shown below.

	Revenue		Trading profit	
2017 £m	Restated 2016 £m	2017 £m	Restated 2016 £m	

Ongoing operations	14,878	12,146	1,032	827
Non-ongoing operations	346	403	27	30
Continuing operations	15,224	12,549	1,059	857
Discontinued operations	2,100	2,136	63	59

Constant exchange rates

The Group measures some financial metrics on both a reported basis and at constant exchange rates. The constant exchange rate basis re-translates the prior year at the current year exchange rate to eliminate the effect of exchange rate fluctuations when comparing information year-on-year.

		Ongoing Revenue		Ongoing Trading profit
	£m	%	£m	%
Reported 2016 at 2016 exchange rates (restated)	12,146		827	
Impact of exchange rates	1,550		122	
Reported 2016 at 2017 exchange rates	13,696		949	
Constant currency growth	1,182	8.6	83	8.7
Reported 2017	14,878		1,032	

Like-for-like revenue growth

Management uses like-for-like revenue growth as it provides a consistent measure of the percentage increase/decrease in revenue year-on-year, excluding the effect of currency exchange, branch openings and closures, trading days and acquisitions and disposals.

		Ongoing revenue
	£m	%
Reported 2016 at 2017 exchange rates (restated)	13,696	
Like-for-like revenue growth	818	6.0
Opened and closed branches	10	
Trading days	60	
Acquisitions and divestments	294	
Reported 2017	14,878	

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 as these types of cost do not form part of the underlying business.

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

− material restructuring costs within a segment incurred as part of a significant change in strategy or due to the closure of a large part of a business and are not expected to be repeated on a regular basis.

− significant costs incurred as part of the integration of an acquired business and which are considered to be material.

− gains or losses on disposals of businesses are considered to be exceptional in nature as they do not reflect the performance of the trading business.

− costs or credits arising as a result of material regulatory and litigation matters.

If provisions have been made for exceptional items in previous years, then any reversal of these provisions is treated as exceptional.

Exceptional items for the current and prior year are disclosed in note 5.

Gross margin

The ratio of gross profit, excluding exceptional items, to revenue. This is presented for both ongoing operations and continuing operations. Gross margin is used by management for assessing business unit performance and it is a key performance indicator for the Group.

Trading profit

Trading profit is defined as operating profit before exceptional items and the amortisation and impairment of acquired intangible assets. Trading profit is used as a performance measure because it excludes costs and other items that do not form part of the underlying trading business.

		Ongoing		Continuing
	2017 £m	Restated 2016 £m	2017 £m	Restated 2016 £m
Operating profit	931	675	1,224	711
Amortisation and impairment of acquired intangible assets	64	142	64	142
Exceptional items	37	10	(229)	4
Trading profit	1,032	827	1,059	857

Ongoing trading margin

The ratio of ongoing trading profit to ongoing revenue is used to assess business unit profitability and is a key performance indicator for the Group.

EBITDA before exceptional items

The profit before charges/credits relating to interest, tax, depreciation, amortisation and exceptional items. EBITDA before exceptional items is used in the net debt to EBITDA ratio to assess the appropriateness of the Group's financial gearing.

	2017 £m	Restated 2016 £m
Trading profit	1,059	857
Depreciation, amortisation and impairment of property, plant and equipment and software excluding exceptional items in operating profit	140	114
EBITDA before exceptional items	1,199	971

Ongoing effective tax rate

The ongoing effective tax rate is the ratio of the ongoing tax expense to ongoing profit before tax and is used as a measure of the tax rate of the ongoing business. See reconciliation in note 7.

Headline profit after tax and headline earnings per share

Headline profit after tax is calculated as the profit from continuing operations after tax, before charges for amortisation and impairment of acquired intangible assets net of tax, exceptional items net of tax and non-recurring tax relating to changes in tax rates.

Headline earnings per share is the ratio of headline profit after tax to the weighted average number of ordinary shares in issue during the year, excluding those held by the Employee Benefit Trusts and those held by the Company as Treasury shares. Headline earnings per share is used for the purpose of setting remuneration targets for executive directors and other senior executives. See reconciliation in note 10.

Net debt

Net debt comprises cash and cash equivalents, bank overdrafts, bank loans, derivative financial instruments and obligations under finance leases. Net debt is a good indicator of the strength of the Group's balance sheet position and is widely used by credit rating agencies. See note 17 for a reconciliation.

3 - 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.

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

In the year ended 31 July 2017, the Nordic businesses have been reclassified into discontinued operations and all comparatives have been restated for consistency and comparability.

The changes in revenue and trading profit for continuing operations between the years ended 31 July 2016 and 31 July 2017 include 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:

Analysis of change in revenue	Restated 2016 £m	Exchange £m	Disposals £m	Acquisitions £m	Organic change £m	2017 £m
USA	9,456	1,445	(35)	285	843	11,994
UK	1,996	-	-	-	16	2,012
Canada and Central Europe	1,097	164	(85)	9	33	1,218
Group	12,549	1,609	(120)	294	892	15,224

Trading profit/(loss) (note 2) by reportable segment for continuing operations is as follows:

Analysis of change in trading profit/(loss) (note 2)	Restated 2016 £m	Exchange £m	Disposals £m	Acquisitions £m	Organic change £m	2017 £m
USA	775	118	(4)	33	44	966
UK	74	-	-	-	2	76
Canada and Central Europe	53	8	(5)	1	(1)	56
Central and other costs	(45)	-	-	-	6	(39)
Group	857	126	(9)	34	51	1,059

The reconciliation between trading profit/(loss) (note 2) and operating profit/(loss) by reportable segment for continuing operations is as follows:

	2017				Restated 2016			
	Trading profit/(loss)	Exceptional items	Amortisation and impairment of acquired intangible assets	Operating profit/(loss)	Trading profit/(loss)	Exceptional items	Amortisation and impairment of acquired intangible assets	Operating profit/(loss)
	£m	£m	£m	£m	£m	£m	£m	£m
USA	966	94	(62)	998	775	2	(34)	743
UK	76	(28)	-	48	74	(9)	(106)	(41)
Canada and Central Europe	56	170	(2)	224	53	-	(2)	51
Central and other costs	(39)	(7)	-	(46)	(45)	3	-	(42)
Group	1,059	229	(64)	1,224	857	(4)	(142)	711
Finance costs				(43)				(36)
Share of after tax loss of associate				(1)				-

Profit before tax	1,180	675

In 2016 and 2017, 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 operations") are analysed in the following table. These are alternative performance measures.

	Revenue		Trading profit	
	2017 £m	Restated 2016 £m	2017 £m	Restated 2016 £m
Ongoing operations				
USA	11,824	9,288	950	761
UK	2,012	1,996	76	74
Canada and Central Europe	1,042	862	45	37
Central and other costs	-	-	(39)	(45)
Total ongoing operations	14,878	12,146	1,032	827
Non-ongoing operations	346	403	27	30
Continuing operations	15,224	12,549	1,059	857

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

	2017			Restated 2016		
Segment assets and liabilities	Segment assets £m	Segment liabilities £m	Segment net assets/ (liabilities) £m	Segment assets £m	Segment liabilities £m	Segment net assets/ (liabilities) £m

USA	4,681	(1,872)	2,809	4,268	(1,645)	2,623
UK	850	(492)	358	856	(508)	348
Canada and Central Europe(a)	598	(195)	403	599	(265)	334
Central and other costs	16	(95)	(79)	18	(103)	(85)
Discontinued	1,304	(851)	453	1,312	(656)	656
Total	7,449	(3,505)	3,944	7,053	(3,177)	3,876
Tax assets and liabilities	123	(97)	26	127	(166)	(39)
Net cash/(debt)	1,931	(2,465)	(534)	971	(1,907)	(936)
Group assets/(liabilities)	9,503	(6,067)	3,436	8,151	(5,250)	2,901

(a) 2017 segmental assets includes £124 million relating to interest in associate.

	2017				Restated 2016			
	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	136	80	11	81	34	25	17	123
UK	-	-	8	21	-	-	5	15
Canada and Central Europe	-	-	3	9	6	3	2	18
Central and other costs	-	-	1	-	-	-	1	1
Discontinued	3	1	2	46	-	-	6	33
Group	139	81	25	157	40	28	31	190

	2017				Restated 2016			
	Impairment of goodwill and other acquired intangible assets £m	Amortisation of other acquired intangible assets £m	Amortisation and impairment of non-acquired intangible assets £m	Depreciation and impairment of property, plant and equipment £m	Impairment of goodwill and other acquired intangible assets £m	Amortisation of other acquired intangible assets £m	Amortisation and impairment of non-acquired intangible assets £m	Depreciation and impairment of property, plant and equipment £m
USA	-	62	11	92	-	34	7	72
UK	-	-	5	17	94	12	5	17
Canada and Central Europe	-	2	2	8	-	2	1	9
Central and other costs	-	-	3	2	-	-	1	2
Discontinued	102	4	3	24	-	5	1	25
Group	102	68	24	143	94	53	15	125

4 - Operating profit

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

	Notes	2017 £m	Restated 2016 £m
Depreciation of property, plant and equipment	11	118	99
Impairment of property, plant and equipment	11	1	1
Gain on disposal and closure of businesses	16	(266)	(6)
Loss on disposal of property, plant and equipment and assets held for sale		-	1
Staff costs		2,140	1,766
Amortisation of non-acquired intangible assets	11	19	14

Amortisation of acquired intangible assets	11	64	48
Impairment of non-acquired intangible assets	11	2	-
Impairment of goodwill and acquired intangible assets	11	-	94
Operating lease rentals: land and buildings		187	161
Operating lease rentals: plant and machinery		59	49
Amounts included in costs of goods sold with respect to inventory		10,758	8,806
Trade receivables impairment		10	9

	2017	2016
	£m	£m
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	0.9	0.9
Fees for the audit of the Company's subsidiaries pursuant to legislation	2.5	2.0
Total audit fees	3.4	2.9
Audit related assurance services	0.5	0.2
Other assurance services	0.1	-
Other services	0.2	-
Total non-audit fees	0.8	0.2
Total fees payable to the auditor	4.2	3.1

5 - Exceptional items

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

	2017 £m	Restated 2016 £m
Gain on disposal of businesses (note 16)	266	6
Business restructuring	(40)	(10)
Other exceptional items	3	-
Total included in operating profit	229	(4)

For the year to 31 July 2017, business restructuring comprises costs incurred in the UK in respect of its business transformation strategy and includes £2 million charged to cost of sales for inventory write downs.

Other exceptional items include an £11 million one-off credit relating to the UK defined benefit pension plan which arose as a result of a change in future earnings assumptions.

The net cash outflow from exceptional items, excluding the gain on disposal of businesses, was £20 million (2016: £6 million). The net inflow of cash in respect of the disposal of businesses is detailed in note 16.

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

6 - Finance costs

	2017 £m	Restated 2016 £m
Interest payable		
- Bank loans and overdrafts	48	45

- Unwind of fair value adjustment to senior unsecured loan notes	(8)	(9)
- Finance lease charges	1	2
Net interest expense/(income) on defined benefit obligation	2	(1)
Valuation gains on financial instruments		
- Derivatives held at fair value through profit and loss	-	(1)
Total finance costs	43	36

Finance costs relating to discontinued operations are detailed in note 8.

7 - Tax

The tax charge for the year comprises:	2017 £m	Restated 2016 £m
Current year tax charge	294	225
Adjustments to tax charge in respect of prior years	1	(13)
Total current tax charge	295	212
Deferred tax credit: origination and reversal of temporary differences	(3)	(2)
Total tax charge	292	210

An exceptional tax charge of £22 million was recorded against exceptional items (2016: credit £1 million). The deferred tax credit of £3 million (2016: credit £2 million) includes a charge of £10 million (2016: charge £5 million) resulting from changes in tax rates.

Tax on items credited/(charged) to the statement of other comprehensive income:	2017 £m	2016 £m
Deferred tax (charge)/credit on actuarial loss on retirement benefits	(3)	25

Current tax credit on actuarial loss on retirement benefits	2	-
Deferred tax credit/(charge) on losses	1	(7)
Total tax on items credited to the statement of other comprehensive income	-	18

In 2017, there is no tax in the statement of other comprehensive income which relates to changes in tax rates. In 2016, £1 million of the £18 million credit related to changes in tax rates.

Tax on items credited/(charged) to equity:	2017 £m	2016 £m
Current tax credit on share-based payments	3	6
Deferred tax credit/(charge) on share-based payments	1	(6)
Total tax on items credited to equity	4	-

					2017	
	Ongoing profit/tax(h)		Non-ongoing and other profit/tax(i)		Total profit/tax from continuing operations	
Tax reconciliation:	£m	%	£m	%	£m	%
Profit before tax	989		191		1,180	
Expected tax at weighted average tax rate(a)	(241)	24.4	(52)	27.2	(293)	24.8
Adjusted for the effects of:						
(under)/over provisions in respect of prior periods(b)	(5)	0.5	11	(5.7)	6	(0.5)
exceptional items which are non-taxable(d)	-	-	26	(13.6)	26	(2.2)
current year increase in uncertain tax provisions(e)	(25)	2.5	-	-	(25)	2.1
tax credits and incentives	3	(0.3)	-	-	3	(0.2)
non-taxable income	8	(0.8)	-	-	8	(0.7)

other non-tax deductible expenditure(f)	(9)	0.9	-	-	(9)	0.8
other	2	(0.2)	-	-	2	(0.2)
effect of UK tax rate changes(g)	(10)	1.0	-	-	(10)	0.8
Tax charge/effective tax rate	(277)	28.0	(15)	7.9	(292)	24.7

					Restated 2016	
	Ongoing profit/tax(h)		Non-ongoing and other loss/tax(i)		Total profit/tax from continuing operations	
Tax reconciliation:	£m	%	£m	%	£m	%
Profit/(loss) before tax	792		(117)		675	
Expected tax at weighted average tax rate(a)	(202)	25.5	26	22.2	(176)	26.1
Adjusted for the effects of:						
over provisions in respect of prior periods(b)	18	(2.3)	-	-	18	(2.7)
non-tax deductible amortisation/impairment of acquired intangible assets(c)	-	-	(15)	(12.8)	(15)	2.2
exceptional items which are non-taxable(d)	-	-	1	0.9	1	(0.1)
current year increase in uncertain tax provisions(e)	(31)	3.9	-	-	(31)	4.6
tax credits and incentives	3	(0.4)	-	-	3	(0.4)
non-taxable income	4	(0.5)	-	-	4	(0.6)
other non-tax deductible expenditure(f)	(6)	0.8	-	-	(6)	0.9
other	(3)	0.4	-	-	(3)	0.4
effect of UK tax rate changes(g)	-	-	(5)	(4.3)	(5)	0.7
Tax (charge)/credit/effective tax rate	(217)	27.4	7	6.0	(210)	31.1

(a) This expected weighted average tax rate reflects the applicable statutory corporate tax rates on the accounting profits/losses in the countries in which the Group operates after intra-group financing. This results in interest deductions and lower taxable profits in many of the countries and therefore reduces the tax rate. The pre intra-group financing ongoing expected weighted average tax rate is 32.7 per cent (2016: 37.6 per cent) and this is reduced to a post intra-group financing ongoing expected weighted average tax rate of 24.4 per cent (2016: 25.5 per cent). The 1.1 per cent decrease in the post intra-group financing ongoing expected weighted average tax rate is primarily due to a change in profit mix.

(b) This includes adjustments arising out of movements in uncertain tax provisions regarding prior periods and differences between the final tax liabilities in the tax computations and the tax liabilities provided in the accounts. The non-ongoing and other credit of £11 million relates primarily to a one-off settlement of tax enquiries in the UK.

(c) In 2016, this relates primarily to non-tax deductible impairment of goodwill in the UK.

(d) In 2017, this relates primarily to non-taxable disposals of businesses.

(e) This reflects management's assessment of the potential tax liability for the current year in relation to open tax issues and audits.

(f) This relates to certain expenditure for which no tax relief is available such as disallowable business entertaining costs.

(g) This relates to the reduction in the UK standard rate of corporation tax from 20 per cent to 19 per cent from 1 April 2017 and to 17 per cent from 1 April 2020. The rate change was considered exceptional in 2016 on the grounds that it was only announced at the end of the 2015 financial year and could not be foreseen in the Group's forecast ongoing effective tax rate for the 2016 financial year.

(h) Ongoing profit means profit before tax, exceptional items and the amortisation and impairment of acquired intangible assets for ongoing operations as defined in note 2. Ongoing tax is the tax expense arising on ongoing profit.

(i) Non-ongoing and other profit or loss is profit or loss from non-ongoing operations as defined in note 2 and from the amortisation and impairment of acquired intangible assets and exceptional items. Non-ongoing and other tax is the tax expense or credit arising on the non-ongoing and other profit or loss.

8 - Discontinued operations

The Group is in the process of selling its business and property assets (the "disposal group") in the Nordic region 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.

As at 31 July 2017, the sales process for the remaining French property assets is in progress and these are classified as discontinued.

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

	2017			Restated 2016		
	Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items £m	Exceptional items £m	Total £m
Revenue	2,100	-	2,100	2,136	-	2,136
Cost of sales	(1,565)	(8)	(1,573)	(1,573)	-	(1,573)
Gross profit	535	(8)	527	563	-	563
Operating costs:						
gain on disposal of businesses	-	-	-	-	139	139
amortisation of acquired intangible assets	(4)	-	(4)	(5)	-	(5)
impairment of goodwill and acquired intangible assets	(102)	-	(102)	-	-	-
other	(472)	(60)	(532)	(504)	16	(488)
Operating costs	(578)	(60)	(638)	(509)	155	(354)
Operating (loss)/profit	(43)	(68)	(111)	54	155	209
Finance (costs)/income	(4)	8	4	(2)	4	2
(Loss)/profit before tax	(47)	(60)	(107)	52	159	211
Attributable tax	-	2	2	(21)	(5)	(26)
(Loss)/profit from discontinued operations	(47)	(58)	(105)	31	154	185

Basic (loss)/earnings per share	(18.7)p	(23.1)p	(41.8)p	12.3p	60.7p	73.0p
Diluted (loss)/earnings per share	(18.5)p	(22.9)p	(41.4)p	12.1p	60.4p	72.5p

The discontinued exceptional items in 2017 relate predominantly to restructuring activities in the Nordic region.

During the year, discontinued operations generated cash of £51 million (2016: £51 million) in respect of operating activities, used £28 million (2016: generated £17 million) in respect of investing activities and used £54 million (2016: generated £26 million) in respect of financing activities.

9 - Dividends

	2017		2016	
	£m	Pence per share	£m	Pence per share
Amounts recognised as distributions to equity shareholders:				
Final dividend for the year ended 31 July 2015	-	-	154	60.50p
Interim dividend for the year ended 31 July 2016	-	-	84	33.28p
Final dividend for the year ended 31 July 2016	167	66.72p	-	-
Interim dividend for the year ended 31 July 2017	92	36.67p	-	-
Dividends paid	259		238	

Since the end of the financial year, the Directors have proposed a final ordinary dividend of £185 million (73.33 pence per share). The dividend is subject to approval by shareholders at the Annual General Meeting and is therefore not included in the balance sheet as a liability at 31 July 2017.

10 - Earnings per share

	2017			Restated 2016		
	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	726	288.9		595	234.7	
Exceptional items (net of tax)	207	82.4		(3)	(1.2)	
Amortisation and impairment of acquired intangible assets (net of tax)	(45)	(17.9)		(122)	(48.1)	
Non-recurring tax charge relating to changes in tax rates	-	-		(5)	(2.0)	
Profit from continuing operations	888	353.4	350.8	465	183.4	182.3
(Loss)/profit from discontinued operations	(105)	(41.8)	(41.4)	185	73.0	72.5
Profit from continuing and discontinued operations	783	311.6	309.4	650	256.4	254.8

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 251.3 million (2016: 253.5 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 253.1 million (2016: 255.1 million).

11 - Intangible and tangible assets

	Goodwill £m	Acquired intangible assets £m	Software £m	Property, plant and equipment £m	Total intangible and tangible assets £m
Net book amount at 1 August 2016	902	143	59	1,434	2,538
Additions	-	-	25	157	182
Acquisitions	139	81	-	26	246
Disposals and transfers	-	-	-	(24)	(24)
Disposal of businesses	(62)	(3)	(3)	(40)	(108)
Reclassification as held for sale	(15)	(4)	(6)	(643)	(668)

Depreciation and amortisation	-	(68)	(22)	(142)	(232)
Impairment charge for the year	(82)	(20)	(2)	(1)	(105)
Exchange rate adjustment	6	1	1	41	49
Net book amount at 31 July 2017	888	130	52	808	1,878

The depreciation and amortisation charge includes £31 million in respect of discontinued operations of which £4 million relates to acquired intangible assets, £3 million relates to software and £24 million relates to property, plant and equipment. The impairment charges in goodwill and acquired intangible assets of £82 million and £20 million respectively relate solely to discontinued operations.

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 below at a segmental level except for certain CGUs in the USA which are considered to be significant (more than 10 per cent of the current year goodwill balance). Impairment reviews were performed for each individual CGU during the year ended 31 July 2017.

				2017				2016
	Long-term growth rate	Post-tax discount rate	Pre-tax discount rate	Goodwill	Long-term growth rate	Post-tax discount rate	Pre-tax discount rate	Goodwill
	%	%	%	£m	%	%	%	£m
Blended Branches				327				314
B2C				199				89
Waterworks				128				127
Rest of USA				110				113
USA	2.3	9.3	15.2	764	2.2	8.2	13.4	643
UK	2.0	8.1	10.0	32	2.0	8.2	10.2	32
Canada	2.0	8.7	11.9	92	2.0	8.0	10.8	88
Central Europe	n/a	n/a	n/a	-	1.0	6.6	8.4	48
Nordic (held for sale)	n/a	n/a	n/a	-	2.2	7.5	9.7	91

Total	888	902

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. The other inputs include a risk-adjusted, pre-tax discount rate, calculated by reference to the weighted average cost of capital ("WACC") of each country and the 30-year long-term growth rate by country, as published by the IMF in April 2017.

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

Management has performed a sensitivity analysis across all CGUs which have goodwill and acquired intangible assets using reasonably possible changes in the following key impairment review assumptions: compound average revenue growth rate, post-tax discount rate and long-term growth rate, keeping all other assumptions constant. The sensitivity testing identified no reasonably possible changes in key assumptions that would cause the carrying amount of any CGU to exceed its recoverable amount.

Nordic

During the period, the performance of our Swedish building materials business, Beijer, deteriorated sharply with trading profit significantly lower compared with the corresponding period last year and significantly lower than management's expectations. This generated a trigger event for management to reassess the recoverability of its associated goodwill and acquired intangible assets. This assessment resulted in an impairment charge, as follows:

CGU	Goodwill	Acquired intangible assets	Total	Impairment	Remaining balance	Post-tax discount rate	Pre-tax discount rate
	£m	£m	£m	£m	£m	%	%

Beijer	82	20	102	(102)	-	7.5	9.6

As at 31 July 2017, the Nordic businesses have been classified as held for sale (note 12) and discontinued operations (note 8).

12 - Assets and liabilities held for sale

	2017 £m	2016 £m
Properties awaiting disposal	66	10
Assets of disposal groups held for sale	1,232	46
Assets held for sale	1,298	56
Liabilities of disposal groups held for sale	821	12

During the year ended 31 July 2017, the Group announced its decision to sell its Nordic businesses and subsequently classified these as held for sale.

At 31 July 2017, the sales process for the remaining French property assets was progressing and accordingly these properties have been reclassified as properties awaiting disposal.

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

	2017 £m	2016 £m
Intangible assets	25	-
Property, plant and equipment	615	42

Inventories	274	-
Trade and other receivables	256	4
Tax receivables	29	-
Cash and cash equivalents	33	-
Bank loans	(79)	-
Trade and other payables	(598)	(7)
Provisions and retirement benefit obligations	(73)	(1)
Tax payables	(71)	(4)
	411	34

13 - Provisions

	Environmental and legal £m	Wolseley Insurance £m	Restructuring £m	Other provisions £m	Total £m
At 31 July 2015	70	41	32	63	206
Utilised in the year	(7)	(12)	(12)	(4)	(35)
Amortisation of discount	3	-	-	-	3
Charge for the year	5	18	8	7	38
Disposal of businesses and reclassified as held for sale	(7)	-	(1)	(11)	(19)
Exchange rate adjustment	11	6	1	10	28
At 31 July 2016	75	53	28	65	221
Utilised in the year	(11)	(13)	(23)	(4)	(51)
Changes in discount rate	(10)	-	-	-	(10)
Charge for the year	7	14	50	5	76
Disposal of businesses and reclassified as held for sale	(3)	-	(10)	(24)	(37)
Exchange rate adjustment	1	-	-	1	2

At 31 July 2017	59	54	45	43	201

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

At 31 July 2017	Environmental and legal £m	Wolseley Insurance £m	Restructuring £m	Other provisions £m	Total £m
Current	10	18	28	25	81
Non-current	49	36	17	18	120
Total provisions	59	54	45	43	201

The environmental and legal provision includes £52 million (2016: £61 million) for the estimated liability for asbestos litigation on a discounted basis using a long-term discount rate of 2.3 per cent (2016: 1.5 per cent). This amount has been actuarially determined as at 31 July 2017 based on advice from independent professional advisers. The Group has insurance that it 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. Due to the nature of these provisions, the timing of any settlements is uncertain.

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). Due to the nature of these provisions, the timing of any settlements is uncertain.

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, rental commitments on vacant properties and dilapidations on leased properties. The weighted average maturity of these obligations is approximately three years.

14 - Reconciliation of profit to cash generated from operations

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

	2017 £m	2016 £m
Profit for the year	783	650
Net finance costs	39	34
Share of result of associate	1	-
Tax expense	290	236
Gain on disposal and closure of businesses and revaluation of assets held for sale	(256)	(147)
Depreciation and impairment of property, plant and equipment	143	125
Amortisation and impairment of non-acquired intangible assets	24	15
Amortisation and impairment of goodwill and acquired intangible assets	170	147
Loss/(profit) on disposal of property, plant and equipment and assets held for sale	9	(18)
Increase in inventories	(97)	(36)
Increase in trade and other receivables	(211)	(21)
Increase in trade and other payables	231	13
(Decrease)/increase in provisions and other liabilities	(33)	1
Share-based payments	22	20
Cash generated from operations	1,115	1,019

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

	2017 £m	Restated 2016 £m
Trading profit	1,059	857
Exceptional items in operating profit	229	(4)
Gain on disposal and closure of businesses and revaluation of assets held for sale	(256)	(147)
Operating (loss)/profit from discontinued operations before the amortisation and impairment of goodwill and acquired intangible assets (note 8)	(5)	214
Depreciation and impairment of property, plant and equipment	143	125
Amortisation and impairment of non-acquired intangible assets	24	15
Loss/(profit) on disposal of property, plant and equipment and assets held for sale	9	(18)
Increase in inventories	(97)	(36)
Increase in trade and other receivables	(211)	(21)
Increase in trade and other payables	231	13
(Decrease)/increase in provisions and other liabilities	(33)	1
Share-based payments	22	20
Cash generated from operations	1,115	1,019

15 - Acquisitions

The Group acquired the following 11 businesses in the year ended 31 July 2017. All these businesses are engaged in the distribution of plumbing and heating products and building materials. All transactions have been accounted for by the purchase method of accounting. The Group also acquired a share of Walter Meier AG, which has been accounted for as an associate.

Name	Date of acquisition	Country of incorporation	Shares/ asset deal	% acquired
Clawfoot Supply LLC (t/a Signature Hardware)	August 2016	USA	Shares	100
Westfield Lighting Co., Inc.	August 2016	USA	Asset	100
Mölnlycke Trä AB	October 2016	Sweden	Shares	100
Berners Tunga Fordon Fastighet AB	October 2016	Sweden	Shares	100
Ramapo Wholesalers Inc.	October 2016	USA	Asset	100
The Plumbing Source Co., Inc.	October 2016	USA	Shares	100
Underground Pipe & Valve, Incorporated	November 2016	USA	Asset	100
Matera Paper Company, Inc.	December 2016	USA	Shares	100
P.V. Sullivan Supply Co., Inc.	February 2017	USA	Asset	100
Custom Lighting Incorporated and Custom Hardware and Accessories, Inc.	February 2017	USA	Asset	100
Lighting Unlimited, LLC	February 2017	USA	Asset	100

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 assets			
- Customer relationships	-	25	25
- Trade names and brands	-	46	46
- Other	-	10	10
Property, plant and equipment	25	1	26
Inventories	47	(9)	38
Receivables	23	-	23
Cash, cash equivalents and bank overdrafts	8	-	8
Payables	(14)	-	(14)
Deferred tax	-	(9)	(9)

Total	89	64	153
Goodwill arising			139
Consideration			292
Satisfied by:			
Cash			254
Deferred consideration			38
Total consideration			292

The fair value adjustments are provisional figures, being the best estimates currently available. Further adjustments may be necessary when additional information is available for 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 £214 million to revenue, £29 million to trading profit and £12 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 £15,277 million and Group trading profit would have been £1,062 million. It is not practicable to disclose profit before tax or profit attributable to equity shareholders, as stated above. It is also 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:

	2017 £m	2016 £m

Purchase consideration	254	94
Deferred and contingent consideration in respect of prior year acquisitions	10	21
Cash consideration	264	115
Cash acquired	(8)	(2)
Net cash outflow in respect of the purchase of businesses	256	113

16 - Disposals

In the year ended 31 July 2017, the Group disposed of the following businesses:

Name	Country	Date of disposal	Shares/asset deal
HR Sandvold AS	Norway	March 2017	Shares
Tobler Haustechnik AG	Switzerland	April 2017	Shares
Endries International Inc.	USA	June 2017	Shares
Endries International Canada Inc.	Canada	June 2017	Shares
Endries International de Mexico SA de C.V.	Mexico	June 2017	Shares
Wolseley Liegenschaftsverwaltung GmbH	Austria	June 2017	Shares

The Group recognised a total gain on current year disposals of £266 million.

	Continuing operations	Discontinued operations	Group
	£m	£m	2017
			£m
Consideration received	408	-	408
Net assets disposed of	(166)	-	(166)
Disposal costs	(25)	-	(25)

Recycling of deferred foreign exchange gains	49	-	49
Gain on disposal	266	-	266

Details of assets and liabilities at the date of disposal are provided in the following table:

	Continuing operations	Discontinued operations	Group
	£m	£m	2017
			£m
Goodwill and intangible assets	68	-	68
Property, plant and equipment	40	-	40
Inventory	78	1	79
Receivables	71	-	71
Payables	(63)	(1)	(64)
Provisions	(2)	-	(2)
Pensions	(18)	-	(18)
Current and deferred tax	(4)	-	(4)
Net debt	(4)	-	(4)
Total net assets disposed of	166	-	166

The net inflow/(outflow) of cash in respect of the disposal of businesses is as follows:

	Continuing operations	Discontinued operations	Group
	£m	£m	2017
			£m
Cash consideration received for current year disposals (net of cash disposed of)	257	-	257

Cash paid in respect of prior year disposals	-	(1)	(1)
Disposal costs paid	(25)	-	(25)
Net cash inflow/(outflow)	232	(1)	231

17 - Reconciliation of opening to closing net debt

For the year ended 31 July 2017	At 1 August 2016 £m	Cash flows £m	Acquisitions and new finance leases £m	Disposal of businesses £m	Fair value and other adjustments £m	Held for sale movements £m	Exchange movement £m	At 31 July 2017 £m
Cash and cash equivalents	940							1,911
Bank overdrafts	(692)							(1,500)
	248	228	8	(25)	-	(33)	(15)	411
Derivative financial instruments	31	(9)	-	-	-	-	(2)	20
Bank and other loans	(1,184)	134	-	7	8	79	(2)	(958)
Obligations under finance leases	(31)	5	(3)	22	-	-	-	(7)
Net debt	(936)	358	5	4	8	46	(19)	(534)

For the year ended 31 July 2016	At 1 August 2015 £m	Cash flows £m	Acquisitions and new finance leases £m	Disposal of businesses £m	Fair value and other adjustments £m	Held for sale movements £m	Exchange movement £m	At 31 July 2016 £m
Cash and cash equivalents	1,105							940
Bank overdrafts	(848)							(692)

	257	(28)	2	-	-	(1)	18	248
Derivative financial instruments	33	(10)	-	-	1	-	7	31
Bank and other loans	(1,066)	16	-	27	9	-	(170)	(1,184)
Obligations under finance leases	(29)	4	(2)	-	-	-	(4)	(31)
Net debt	(805)	(18)	-	27	10	(1)	(149)	(936)

18 - Contingent liabilities

Group companies are, from time to time, subject to certain claims and litigation arising in the normal course of business in relation to, among other things, the products that they supply, contractual 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 protection.

Warranties and indemnities in relation to business disposals

Over the past few years, the Group has disposed of a number of non-core businesses and various Group companies have provided certain standard warranties and indemnities to acquirers and other third parties. 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 crystallise in the future. Group companies have also made contractual commitments for certain property and other obligations which could be called upon in an event of default. As at the date of this report, there are no significant outstanding claims in relation to business disposals.

Environmental liabilities

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 of claims and litigation

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.

19 - Exchange rates

The results of overseas subsidiaries have been translated into sterling using average rates of exchange. The year end rates of exchange have been used to convert balance sheet amounts. The principal currencies impacting the full year results announcement are as follows:

	2017 £m	2016 £m
US dollar translation rate		
Income statement	1.27	1.46
Balance sheet	1.32	1.32
Euro translation rate		
Income statement	1.16	1.31
Balance sheet	1.12	1.18
Canadian dollar translation rate		
Income statement	1.68	1.94
Balance sheet	1.65	1.72

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