

Results for the half year ended 31 January 2017
GOOD TRADING IN THE FIRST HALF, FURTHER PROGRESS ON STRATEGY

£m	H1 2017	H1 2016 ⁽²⁾	Change	Change (at constant exchange rates)	Like-for- like Change ⁽³⁾
Revenue	8,461	6,795	+24.5%	+6.7%	+3.2%
Trading profit ⁽¹⁾	515	412	+25.0%	+5.0%	
Impairment and exceptional charges	(124)	(1)			
Profit before tax	328	367			
Headline earnings per share ⁽¹⁾	141.0p	111.3p	+26.7%		
Net debt	1,297	1,253			
Interim dividend per share	36.67p	33.28p	+10.2%		

Financial highlights

- Revenue 6.7% ahead of last year at constant exchange rates with like-for-like growth of 3.2%.
- Changes in foreign exchange rates increased revenue by £1,131 million.
- Gross margin of 28.6%, 0.3% ahead of last year.
- Trading profit of £515 million, 5.0% ahead of last year at constant exchange rates. Commodity deflation reduced trading profit by £17 million in the USA.
- Net debt of £1,297 million.
- Interim dividend of 36.67 pence per share, an increase of 10.2%.

Operating highlights

- US revenue growth of 9.9% at constant exchange rates.
- US residential and commercial markets were good, the industrial market improved slightly.
- UK transformation program on plan and trading held up well in the first half.
- Strong e-commerce growth with sales of £1.4 billion, now 17% of Group revenue.
- Completed eight bolt-on acquisitions for total consideration of £271 million and two further acquisitions since the period end.

Corporate highlights

- Decision to exit the Nordics announced today.
- Agreement to merge Tobler with Walter Meier in Switzerland as previously announced.
- Group to change name to Ferguson plc.
- Presentational currency to change to US dollars from 1 August 2017.
- Frank Roach to retire on 31 July 2017 and Kevin Murphy to succeed him as US CEO as announced separately today.
- As previously announced Mike Powell will join the Company on 1 June 2017 as Group CFO.

1) Before exceptional items and the amortisation and impairment of acquired intangible assets and with respect to headline earnings per share before non-recurring tax items and non-controlling interest.

2) Trading profit and headline earnings per share for the half year to 31 January 2016 have been restated to exclude £2 million of restructuring costs classified as exceptional.

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

Results for the half year ended 31 January 2017**John Martin, Chief Executive, commented:**

“The Group delivered a good trading performance in the first half driven by Ferguson. In the US, residential and commercial markets remained good and industrial markets improved but were still negative. Commodity price deflation reduced US revenue growth by 1.8 per cent in the first half.

“The UK transformation programme has started well and we are making good progress clarifying our customer propositions and simplifying our logistics network. We have concluded our review of the Nordic operating strategy and identified a clear and executable plan to return the business to profitable growth. However, there are few synergies with the rest of the Group’s plumbing and heating businesses and we have initiated a process to exit our business in the region. We have excellent opportunities to generate attractive returns in our other businesses and we will focus resources there in the future.

“Ferguson now accounts for 84 per cent of Group trading profit and we have decided to align the Group’s name with our most significant brand in our largest market. Whilst the Group will be known as Ferguson plc going forward we will continue to use the Wolseley name in the UK and Canada where it has strong local recognition.

“Like-for-like revenue growth since the end of the period has been about 4.5 per cent for the Group and 5.5 per cent in the USA. Commodity deflation has been negligible in this period. We continue to execute our strategy of investing in profitable growth and expansion where appropriate while keeping tight control of the cost base. We expect the Group to make further progress in the second half.”

For further information please contact**Wolseley plc**

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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.wolseley.com. We recommend you register at 0815 (UK time). Photographs are available at www.newscast.co.uk.

Group results

The Group delivered a good result in the first half. In the US, residential and commercial markets, which account for 75% of revenue, remained good and industrial markets improved but were still negative. There was little growth in the UK heating market. Nordic markets overall were weak, though there has been some recovery in the last two months.

Revenue of £8,461 million (2016: £6,795 million) was 6.7% ahead at constant exchange rates and 3.2% ahead on a like-for-like basis. US commodity price deflation remained a headwind in the first half, this has eased over the period. Gross margins of 28.6% (2016: 28.3%) were 0.3% ahead of last year as we continue to focus on improving our mix of customers, products and sales of higher margin private label products. Operating expenses were 8.2% higher at constant exchange rates including 2.1% from acquisitions.

Trading profit was £515 million (2016: £412 million), 5.0% ahead of last year at constant exchange rates. The trading margin was 6.1% (2016: 6.1%). In the first half there were two more trading days than last year which increased trading profit by about £12 million. There will be one fewer trading day in the second half. Foreign exchange movements increased reported revenue by £1,131 million and trading profit by £78 million. At exchange rates of USD 1.25 and EUR 1.16, trading profit in the second half last year would have been £60 million higher.

We invested £271 million in eight acquisitions with annualised revenue of £214 million. We have completed two further acquisitions since the period end with annualised revenue of £33 million.

The normal amortisation charge in relation to the Group's acquired intangible assets was £38 million (2016: £24 million). A net £22 million pre-tax exceptional charge (2016: £1 million charge) was incurred comprising a £36 million charge as a result of restructuring in the UK and Nordic regions partly offset by a £14 million gain predominantly relating to a pension curtailment gain in the UK. An impairment charge of £102 million was incurred in relation to goodwill and acquired intangible assets in the Nordics reflecting the weak performance in the region.

Net finance costs were £25 million (2016: £20 million). The effective tax rate on trading profit less net finance costs was 27.8% (2016: 27.8%).

Profit before tax of £328 million (2016: £367 million) is after the impairment and exceptional costs of £124 million. Headline earnings per share were 141.0 pence (2016: 111.3 pence) an increase of 26.7%, reflecting foreign exchange movements, the growth in trading profit and the reduction in share count as a result of the buyback last year. Basic earnings per share from continuing operations were 83.7 pence (2016: 103.9 pence).

Operating and financial review

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

First half regional analysis

£m	Revenue 2017	Revenue 2016	Change (at constant exchange rates)	Trading profit 2017	Trading profit 2016	Change (at constant exchange rates)
USA	5,761	4,381	+9.9%	450	345	+9.1%
UK	1,011	996	+1.5%	35	36	(2.8%)
Nordic	1,036	885	(0.7%)	16	23	(38.7%)
Canada and Central Europe	653	533	+1.6%	35	30	(6.5%)
Central costs				(21)	(22)	
Group	8,461	6,795	+6.7%	515	412	+5.0%

Quarterly like-for-like revenue growth

	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
USA	+4.0%	+5.0%	+3.1%	+4.2%	+6.7%
UK	(2.9%)	(0.4%)	(2.1%)	(2.9%)	+3.6%
Nordic	+2.4%	(2.6%)	(2.3%)	(2.9%)	(1.5%)
Canada and Central Europe	(1.7%)	-	+0.3%	(2.7%)	+0.3%
Group	+2.3%	+2.8%	+1.5%	+1.8%	+4.8%

USA (84% of Group trading profit)

Ferguson, our US plumbing and heating business, grew revenue by 5.4% on a like-for-like basis including price deflation of 1.8%. Acquisitions contributed 2.5% of additional revenue growth. Residential and commercial markets (both new build and RMI) continued to grow well. Blended Branches continued to generate good growth from a combination of growing markets and good market share gains. Sales to industrial customers, which represented 10% of Ferguson's revenues, were broadly flat. The B2C e-commerce business grew very strongly. Fire and Fabrication, HVAC and MRO all generated good growth with Waterworks growing more modestly in flat markets. Gross margins improved.

Operating expense growth was 11.8% at constant exchange rates, including 3.0% from acquisitions. We invested substantially in our MRO capability, B2C branding and enhancing technology to support future profitable growth. Operating expenses were slightly higher than planned in the first half and we expect to reduce cost growth in the remainder of the year. Trading profit of £450 million (2016: £345 million) was 9.1% ahead of last year at constant exchange rates and exchange rate movements increased trading profit by £68 million. The trading margin was 7.8%. The impact of commodity price deflation reduced trading profit by £17 million.

Six bolt-on acquisitions were completed in the period with total annualised revenues of £212 million. As previously announced this included Signature Hardware, an online private label sanitary retailer, and Westfield Lighting, a lighting showroom in Indianapolis. We also acquired Ramapo, a regional residential plumbing business in New York, The Plumbing Source, a plumbing business in Hawaii, Underground Pipe, a waterworks business in Indiana and Michigan and Matera Paper Company Inc, a commercial MRO business in San Antonio. We have completed two further acquisitions since the period end with annualised revenue of £33 million. These are PV Sullivan, a commercial plumbing business in Boston, and Custom Lighting and Hardware, a showroom in Houston.

We are currently in the process of disposing a non-core business in the USA which contributed £168 million of revenue and £14 million of trading profit in the year ended 31 July 2016.

UK (7% of Group trading profit)

Like-for-like revenue in the UK was 0.3% higher, including price inflation of 0.8%. The repair, maintenance and improvement (“RMI”) and social housing markets, where we generate the majority of our revenue, were weak. Good growth in the small customer segment was offset by challenges faced by large customers. Pipe and Climate and Infrastructure traded well and both grew by taking share in challenging markets.

Gross margins were well managed and improved over last year. Operating costs increased 3.5% and trading profit of £35 million was £1 million lower than last year. The trading margin was 3.5% (2016: 3.6%).

The UK transformation program is proceeding in line with our plans. To date the UK has announced 51 branch closures subject to consultation and expects to retain the majority of the revenue. Exceptional restructuring costs of £15 million were partly offset by £14 million of one-off credits predominantly related to a pension curtailment gain.

Nordics (3% of Group trading profit)

In the Nordic region revenue was 2.3% behind last year on a like-for-like basis. Market conditions were weaker in Denmark and Sweden, whilst Finland recovered modestly. Gross margins declined, while the cost base was in-line with last year at constant exchange rates.

Trading profit of £16 million was £7 million behind last year after favourable exchange rate movements added £4 million. The trading margin of 1.5% was behind last year. During the period we acquired two businesses with annualised revenue of £2 million and closed 32 branches, exceptional costs relating to the restructuring actions taken amounted to £21 million.

We have concluded our review of the Nordic operating strategy and identified a clear and executable plan to return the business to profitable growth. However, there are few synergies with the rest of the Group’s plumbing and heating businesses and we have initiated a process to exit our business in the region. We have excellent opportunities to generate attractive returns in our other businesses and we will focus resources there in the future.

Canada and Central Europe (6% of Group trading profit)

In Canada and Central Europe like-for-like revenue was 1.4% lower including price inflation of 1.7%. Acquisitions contributed 1.3% of additional growth. Canada declined due to challenging markets in the oil producing regions in the West, Switzerland continued to face difficult market conditions though the Netherlands held up well.

Gross margins were weaker as a result of competitive conditions in Switzerland. Operating expenses were tightly controlled and were broadly consistent with last year at constant exchange rates before acquisitions. Trading profit of £35 million was £5 million ahead of last year, due to favourable exchange rate movements which increased trading profit by £6 million. The trading margin was 5.4% (2016: 5.6%).

As announced on 21 February 2017, we have entered into an agreement to merge our Swiss business Tobler with Walter Meier, a competitor in Switzerland. Once the transaction is complete Wolseley will have a minority interest of 39.2 per cent in the combined business and accordingly it will be accounted for as an associate. Tobler generated £235 million of revenue and £15 million of trading profit in the year ended 31 July 2016.

Corporate actions

We are announcing today that we will change the name of the Group to Ferguson plc from 31 July 2017, subject to shareholder approval. This will align the Group's name with our most significant brand in our largest market where we generate 84% of Group trading profit. The Ferguson brand has been in existence for over 60 years in the USA and is synonymous with high quality and great customer service. The Group will continue to maintain the Wolseley trading name in the UK and Canada where it has strong local recognition. The change is subject to shareholder approval and a general meeting will be held at 1500 (UK time) on 23 May 2017. A circular will shortly be sent to shareholders.

We will also change the presentational currency of the Group to US dollars from 1 August 2017 to remove the largest driver of translation volatility and provide greater transparency of the underlying performance of the Group.

Board and management changes

We have today made a separate announcement that Frank Roach will retire as Chief Executive of Ferguson Enterprises on 31 July 2017 and will be succeeded by Kevin Murphy, who has been Ferguson's Chief Operating Officer for the past 10 years.

As announced on 1 March 2017 Mike Powell, currently Group Finance Director of BBA Aviation plc, will join the Company on 1 June 2017 as Group CFO. Mike has extensive international experience having worked overseas in a variety of senior finance positions. In his current role he oversees a business which generates more than 85% of its revenues in North America. Mike is also a non executive director of Low & Bonar plc.

Dave Keltner, who has held the position of interim CFO since September 2016, will retire later in the year following Mike's induction and the orderly handover of responsibilities. Bill Brundage, who has been Vice President of Finance at Ferguson since 2008, has been appointed US CFO.

Tax

The tax charge of £118 million includes an underlying charge of £136 million. The charge is net of the impact of a £14 million tax credit on the amortisation and impairment of acquired intangible assets, a £5 million tax credit on exceptional items and a £1 million charge relating to tax rate changes. The underlying tax charge of £136 million represents an effective tax rate on trading profit less net finance costs of 27.8% (2016: 27.8%).

Cash flow

The Group generated EBITDA before exceptional items of £601 million (2016: £477 million). The Group experienced a normal seasonal outflow of working capital of £258 million (2016: £307 million). Acquisitions resulted in a cash outflow of £230 million and capital investment was £73 million (2016: £109 million). Interest and tax payments amounted to £170 million (2016: £106 million) and dividends were £167 million (2016: £154 million).

Net debt

The Group's net debt at 31 January 2017 was £1,297 million (31 January 2016: £1,253 million) and the ratio of net debt to the last twelve months EBITDA was 1.1x. The Group has a strong liquidity position with credit facilities of £2.5 billion and aims to operate with investment grade credit metrics and with a net debt to EBITDA ratio of between 1x and 2x.

Shareholder returns

The Group aims to generate attractive and sustainable financial returns for its shareholders. An interim dividend of 36.67 pence per share (2016: 33.28 pence per share), an increase of 10.2%, will be paid on 28 April 2017 to shareholders on the register on 7 April 2017. Our investment priorities remain focused on achieving good organic growth, maintaining the ordinary dividend through the cycle and investing in bolt-on acquisitions that meet our stringent investment criteria. Any surplus cash after meeting these investment needs will be returned to shareholders.

Outlook

Like-for-like revenue growth since the end of the period has been about 4.5 per cent for the Group and 5.5 per cent in the USA. Commodity deflation has been negligible in this period. We continue to execute our strategy of investing in profitable growth and expansion where appropriate while keeping tight control of the cost base. We expect the Group to make further progress in the second half.

Principal risks and uncertainties

The principal risks and uncertainties which affect the Group are:

Strategic change, new business models To respond to changing customer needs the Group is introducing new business models, including digital capabilities, and changing traditional ways of working. These changes are underway in all of our key markets and will continue for several years. The Group's ability to successfully execute these changes will affect its ability to grow profitably in the future.

Pressure on margins Wolseley's ability to maintain attractive profit margins can be affected by a range of factors. These include levels of demand and competition in our markets, the arrival of new competitors with new business models, the flexibility of the Group's cost base, changes in the costs of commodities or goods purchased, customer or supplier consolidation or manufacturers shipping directly to customers. There is a risk that the Company may not identify or respond effectively to changes in these factors. If it fails to do so, the amount of profit generated by the Company could be significantly reduced.

Market conditions and growth This risk relates to the Company's exposure to short term macro-economic conditions and market cycles in our sector (i.e. periodic market downturns). Some of the factors driving market growth are beyond the Group's control and are difficult to forecast.

Commodity price volatility Prices of commodities such as copper, plastic (oil) and steel have fallen as global demand weakened. There is a risk that further sharp falls (or rises) in these commodities may occur too quickly for the Company to adjust its inventory levels, impacting revenue and profit margins.

New competitors and technology Wholesale and distribution businesses in other industry sectors have been disrupted by the arrival of new competitors with lower cost business models or new technologies to aggregate demand away from incumbents. There has to date been limited competitor activity in this area; however the nature of Wolseley's industry is such that its markets could be disrupted by new entrants.

Information security Technology systems and data are fundamental to the future growth and success of the Group. These digital assets are threatened by increasingly sophisticated security threats, including hacking, viruses, "phishing" or inadvertent errors. The

Company is reliant on a number of different legacy technology systems, some of which have been in place for many years or have been subject to in-house development. Data breaches in our industry and others indicate that such events are highly likely and difficult to prevent. Sensitive employee, customer or other data may be stolen and distributed or used illegally, leading to increased operating costs, litigation and fines or penalties. These technology systems, on which our branches, distribution centres and e-commerce businesses rely, may be disrupted for several hours or days. As a result, Wolseley could forego revenue or profit margins as we are unable to trade.

Litigation

The international nature of Wolseley's operations exposes it to the potential for litigation from third parties and such exposure is considered to be greater in the USA than in Europe. Material levels of litigation may arise from many of the Group's facilities. Significant levels of litigation in our industry sector have in the past related to products, employees or major contracts. Acquisitions and disposals and the restructuring of under-performing businesses may also give rise to litigation.

Regulations

The Group's operations are affected by various statutes, regulations and laws in the countries and markets in which it operates. The amount of such regulation and the penalties can vary. While the Group is not engaged in a highly regulated industry, it is subject to the laws governing businesses generally, including laws relating to competition, product safety, timber sourcing, data protection, labour and employment practices, accounting and tax standards, international trade, fraud, bribery and corruption, land usage, the environment, health and safety, transportation, payment terms and other matters. Breach of any legal or regulatory requirement could result in significant fines and penalties, and damage to the Company's reputation.

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

Statement of directors' responsibilities

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

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

The directors of Wolseley plc are listed in the Wolseley plc Annual Report and Accounts 2016. A list of current directors is maintained on the Wolseley plc website: www.wolseley.com

By order of the Board,

John W Martin
Group Chief Executive

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, operating in North America, the UK and Continental Europe. Revenue for the year ended 31 July 2016 was £14,430 million and Trading profit was £916 million. Wolseley has about 39,000 employees and is listed on the London Stock Exchange (LSE: WOS) and is in the FTSE 100 index of listed companies. For more information, please visit www.wolseley.com or follow us on Twitter <https://twitter.com/wolseleyplc>.

2. Financial calendar

General meeting	23 May 2017
Q3 IMS for the period ending 30 April 2017	20 June 2017
Full Year Results for the year ended 31 July 2017	3 October 2017
Annual general meeting	28 November 2017
Q1 IMS for the period ending 31 October 2017	5 December 2017

3. Timetable for the interim dividend

The timetable for payment of the interim dividend of 36.67 pence per share is as follows:

Ex dividend date:	6 April 2017
Record date:	7 April 2017
Payment date:	28 April 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 interim dividend, may do so by contacting Equiniti on 0371 384 2268 (or if outside the UK +44 (0) 121 415 7173). The last day for election for the proposed interim dividend is 7 April 2017 and any requests should be made in good time ahead of that date.

4. Legal disclaimer

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

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

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Condensed consolidated income statement (unaudited)

Half year to 31 January 2017

Half year to 31 January	Notes	2017			2016		
		Before exceptional items £m	Exceptional items (note 3) £m	Total £m	Before exceptional items £m	Exceptional items (note 3) £m	Total £m
<i>Continuing operations</i>							
Revenue	2	8,461	–	8,461	6,795	–	6,795
Cost of sales		(6,039)	(10)	(6,049)	(4,871)	–	(4,871)
Gross profit		2,422	(10)	2,412	1,924	–	1,924
Operating costs:							
amortisation of acquired intangible assets	9	(38)	–	(38)	(24)	–	(24)
impairment of goodwill and acquired intangible assets	9	(102)	–	(102)	–	–	–
other		(1,907)	(12)	(1,919)	(1,512)	(1)	(1,513)
Operating costs		(2,047)	(12)	(2,059)	(1,536)	(1)	(1,537)
Operating profit	2	375	(22)	353	388	(1)	387
Finance costs	4	(25)	–	(25)	(20)	–	(20)
Profit before tax		350	(22)	328	368	(1)	367
Tax	5	(123)	5	(118)	(103)	–	(103)
Profit from continuing operations		227	(17)	210	265	(1)	264
<i>Discontinued operations</i>							
Profit from discontinued operations		2	4	6	2	1	3
Profit for the period		229	(13)	216	267	–	267
Attributable to:							
Shareholders of the Company		229	(13)	216	268	–	268
Non-controlling interest		–	–	–	(1)	–	(1)
		229	(13)	216	267	–	267
Earnings per share	8						
<i>Continuing operations and discontinued operations</i>							
Basic earnings per share				86.1p			105.1p
Diluted earnings per share				85.4p			104.7p
<i>Continuing operations only</i>							
Basic earnings per share				83.7p			103.9p
Diluted earnings per share				83.1p			103.6p
Non-GAAP performance measures							
Trading profit	2	515			412		
EBITDA before exceptional items		601			477		
Profit before tax, exceptional items and the amortisation and impairment of acquired intangible assets		490			392		
Headline earnings per share		141.0p			111.3p		
Headline diluted earnings per share		140.0p			111.0p		

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

Condensed consolidated statement of comprehensive income (unaudited)

Half year to 31 January 2017

Half year to 31 January	2017 £m	2016 £m
Profit for the period	216	267
Other comprehensive income/(expense):		
Items that may be reclassified subsequently to profit or loss:		
Exchange gain on translation of overseas operations ¹	139	225
Exchange loss on translation of borrowings and derivatives designated as hedges of overseas operations ¹	(34)	(39)
Items that will not be reclassified to profit or loss:		
Actuarial gain/(loss) on retirement benefit plans ²	21	(16)
Income tax (charge)/credit on retirement benefit plans ²	(4)	4
Other comprehensive income for the period	122	174
Total comprehensive income for the period	338	441

1 Impacting the translation reserve.

2 Impacting the profit and loss reserve account.

Condensed consolidated statement of changes in equity (unaudited)

Half year to 31 January 2017

For the half year to 31 January 2017	Notes	Reserves					Non-controlling interest £m	Total equity £m	
		Share capital £m	Share premium £m	Translation reserve £m	Treasury shares £m	Own shares £m			Profit and loss account £m
Profit for the period		–	–	–	–	–	216	–	216
Other comprehensive income		–	–	105	–	–	17	–	122
Total comprehensive income		–	–	105	–	–	233	–	338
Purchase of own shares by Employee Benefit Trusts		–	–	–	–	(6)	–	–	(6)
Issue of own shares by Employee Benefit Trusts		–	–	–	–	14	(14)	–	–
Credit to equity for share based payments		–	–	–	–	–	11	–	11
Tax on share based payments		–	–	–	–	–	2	–	2
Disposal of Treasury shares		–	–	–	20	–	(8)	–	12
Dividends paid	6	–	–	–	–	–	(167)	–	(167)
Net addition to shareholders' equity		–	–	105	20	8	57	–	190
Opening shareholders' equity		29	42	380	(516)	(57)	3,025	(2)	2,901
Closing shareholders' equity		29	42	485	(496)	(49)	3,082	(2)	3,091

For the half year to 31 January 2016	Notes	Reserves					Non-controlling interest £m	Total equity £m	
		Share capital £m	Share premium £m	Translation reserve £m	Treasury shares £m	Own shares £m			Profit and loss account £m
Profit for the period		–	–	–	–	–	268	(1)	267
Other comprehensive income/ (expense)		–	–	186	–	–	(12)	–	174
Total comprehensive income		–	–	186	–	–	256	(1)	441
Purchase of own shares by Employee Benefit Trusts		–	–	–	–	(14)	–	–	(14)
Issue of own shares by Employee Benefit Trusts		–	–	–	–	16	(16)	–	–
Credit to equity for share based payments		–	–	–	–	–	11	–	11
Tax on share based payments		–	–	–	–	–	(7)	–	(7)
Purchase of Treasury shares		–	–	–	(162)	–	–	–	(162)
Disposal of Treasury shares		–	–	–	2	–	(1)	–	1
Dividends paid	6	–	–	–	–	–	(154)	–	(154)
Net addition to shareholders' equity		–	–	186	(160)	2	89	(1)	116
Opening shareholders' equity		29	42	117	(240)	(63)	2,715	7	2,607
Closing shareholders' equity		29	42	303	(400)	(61)	2,804	6	2,723

Condensed consolidated balance sheet (unaudited)

As at 31 January 2017

As at 31 July 2016 £m	Notes	As at 31 January 2017 £m	As at 31 January 2016 £m	
Assets				
Non-current assets				
902	Intangible assets: goodwill	9	978	904
202	Intangible assets: other	9	221	204
1,434	Property, plant and equipment	9	1,484	1,295
23	Financial assets		22	13
–	Retirement benefit assets	12	–	53
127	Deferred tax assets		112	99
212	Trade and other receivables		237	187
20	Derivative financial assets	18	16	22
2,920			3,070	2,777
Current assets				
2,017	Inventories		2,165	1,882
2,207	Trade and other receivables		2,230	1,927
–	Current tax receivable		–	5
11	Derivative financial assets	18	10	10
940	Cash and cash equivalents	14	866	1,215
5,175			5,271	5,039
56	Assets held for sale	10	155	190
8,151	Total assets		8,496	8,006
Liabilities				
Current liabilities				
2,634	Trade and other payables		2,536	2,068
101	Current tax payable		88	78
701	Bank loans and overdrafts		996	958
4	Obligations under finance leases		4	4
88	Provisions	11	83	82
9	Retirement benefit obligations	12	8	8
3,537			3,715	3,198
Non-current liabilities				
163	Trade and other payables		191	139
1,175	Bank loans		1,163	1,513
27	Obligations under finance leases		26	25
65	Deferred tax liabilities		60	43
133	Provisions	11	138	134
138	Retirement benefit obligations	12	97	80
1,701			1,675	1,934
12	Liabilities held for sale	10	15	151
5,250	Total liabilities		5,405	5,283
2,901	Net assets		3,091	2,723
Equity				
29	Share capital		29	29
42	Share premium account		42	42
2,832	Reserves		3,022	2,646
2,903	Equity attributable to shareholders of the Company		3,093	2,717
(2)	Non-controlling interest		(2)	6
2,901	Total equity		3,091	2,723

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

Condensed consolidated cash flow statement (unaudited)

Half year to 31 January 2017

Half year to 31 January	Notes	2017 £m	2016 £m
Cash flows from operating activities			
Cash generated from operations	13	324	191
Interest paid		(27)	(17)
Tax paid		(143)	(89)
Net cash generated from operating activities		154	85
Cash flows from investing activities			
Acquisition of businesses (net of cash acquired)	15	(230)	(62)
Disposals of businesses (net of cash disposed)		–	1
Purchases of property, plant and equipment		(60)	(96)
Proceeds from sale of property, plant and equipment and assets held for sale		4	34
Purchases of intangible assets		(13)	(13)
Disposals of financial assets		–	4
Net cash used in investing activities		(299)	(132)
Cash flows from financing activities			
Purchase of own shares by Employee Benefit Trusts		(6)	(14)
Purchase of Treasury shares		–	(162)
Proceeds from the sale of Treasury shares		12	1
Proceeds from borrowings and derivatives		352	644
Repayments of borrowings		(1)	(288)
Finance lease capital payments		(3)	(1)
Dividends paid to shareholders	6	(167)	(154)
Net cash generated from financing activities		187	26
Net cash generated/(used)		42	(21)
Effects of exchange rate changes		(2)	37
Net increase in cash, cash equivalents and bank overdrafts		40	16
Cash, cash equivalents and bank overdrafts at the beginning of the period		248	256
Cash, cash equivalents and bank overdrafts at the end of the period		288	272

	Notes	2017 £m	2016 £m
Cash, cash equivalents and bank overdrafts at the end of the period in the condensed consolidated balance sheet	14	288	264
Cash and bank balances in assets held for sale		–	8
Cash, cash equivalents and bank overdrafts at the end of the period		288	272

Notes to the condensed consolidated interim financial statements

Half year to 31 January 2017

1. Basis of preparation

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

The condensed consolidated interim financial statements for the six months ended 31 January 2017 were approved by the Board of Directors on 27 March 2017. The condensed consolidated interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and International Accounting Standard 34 "Interim Financial Reporting" (IAS 34) as adopted by the European Union.

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

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those set out in the Group's Annual Report and Accounts for the year ended 31 July 2016.

No material new standards, amendments to standards or interpretations are effective in the period ending 31 July 2017.

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

IFRS 9 "Financial Instruments" – applicable from year ending 31 July 2019;

IFRS 15 "Revenue from Contracts with Customers" – applicable from year ending 31 July 2019; and

IFRS 16 "Leases" – applicable from year ending 31 July 2020.

The Directors do not expect the adoption of IFRS 9 and IFRS 15 will have a material impact on the financial statements of the Group in future periods.

The adoption of IFRS 16 will have a significant impact on the Group's balance sheet and reported results because of the value of the Group's operating lease commitments, which was £853 million as at 31 July 2016. The application of IFRS 16 will not reflect any changes in the underlying economics of the business. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed. As at the date of this report, IFRS 16 has not been endorsed by the EU.

The condensed consolidated interim financial statements are unaudited. The financial information for the year ended 31 July 2016 does not constitute the Group's statutory financial statements. The Group's statutory financial statements for that year have been filed with the Jersey Registrar of Companies and received an unqualified auditor's report.

2. Segmental analysis

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

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

Canada and Central Europe do not represent a reportable segment due to their size. They have been reported on a combined basis and all comparatives have been restated for the purposes of consistency and comparability. In addition, as disclosed in note 3, exceptional items for the half year to 31 January 2016 have been restated by £2 million, thereby increasing the UK's trading profit.

The change in revenue and trading profit between the periods ended 31 January 2016 and 31 January 2017 is analysed in the following tables into the effects of changes in exchange rates and acquisitions, with the remainder being organic change.

Notes to the condensed consolidated interim financial statements

Half year to 31 January 2017

2. Segmental analysis continued

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

Revenue by reportable segment for continuing operations is as follows:

	2016 £m	Exchange £m	Acquisitions £m	Organic change £m	2017 £m
Analysis of change in revenue					
USA	4,381	862	130	388	5,761
UK	996	–	–	15	1,011
Nordic	885	159	1	(9)	1,036
Canada and Central Europe	533	110	8	2	653
Group	6,795	1,131	139	396	8,461
Analysis of change in trading profit (note 7)					
USA	345	68	16	21	450
UK	36	–	–	(1)	35
Nordic	23	4	–	(11)	16
Canada and Central Europe	30	6	1	(2)	35
Central and other costs	(22)	–	–	1	(21)
Group	412	78	17	8	515

The reconciliation between trading profit/(loss) (note 7) and operating profit/(loss) by reportable segment for continuing operations is as follows:

	2017				2016			
	Trading profit/(loss) £m	Exceptional items £m	Amortisation and impairment of acquired intangible assets £m	Operating profit/(loss) £m	Trading profit/(loss) £m	Exceptional items £m	Amortisation of acquired intangible assets £m	Operating profit/(loss) £m
USA	450	–	(35)	415	345	–	(15)	330
UK	35	(1)	–	34	36	(1)	(6)	29
Nordic	16	(21)	(104)	(109)	23	–	(2)	21
Canada and Central Europe	35	–	(1)	34	30	–	(1)	29
Central and other costs	(21)	–	–	(21)	(22)	–	–	(22)
Group	515	(22)	(140)	353	412	(1)	(24)	387
Finance costs				(25)				(20)
Profit before tax				328				367

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

	31 January 2017			31 January 2016		
	Segment assets £m	Segment liabilities £m	Segment net assets/ (liabilities) £m	Segment assets £m	Segment liabilities £m	Segment net assets/ (liabilities) £m
Segment assets and liabilities						
USA	4,780	(1,674)	3,106	3,795	(1,260)	2,535
UK	908	(540)	368	1,053	(481)	572
Nordic	1,121	(529)	592	1,078	(446)	632
Canada and Central Europe	607	(218)	389	508	(193)	315
Central and other balances	12	(83)	(71)	26	(109)	(83)
Discontinued	64	(24)	40	195	(173)	22
Total	7,492	(3,068)	4,424	6,655	(2,662)	3,993
Taxation assets/(liabilities)	112	(148)	(36)	104	(121)	(17)
Net cash/(debt)	892	(2,189)	(1,297)	1,247	(2,500)	(1,253)
Group assets/(liabilities)	8,496	(5,405)	3,091	8,006	(5,283)	2,723

Notes to the condensed consolidated interim financial statements

Half year to 31 January 2017

3. Exceptional items

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

Exceptional items are analysed as follows:

Half year to 31 January	2017 £m	2016 £m
<i>Continuing operations</i>		
Gain on disposal of businesses	–	1
Loss on closure of branches	(36)	(2)
Other exceptional items	14	–
Exceptional items in operating profit	(22)	(1)

For the half year to 31 January 2017, the loss on closure of branches principally relates to restructuring costs (£26 million) and inventory write downs (£10 million in cost of sales) incurred in respect of branch closures in the UK and Nordic regions. 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.

Exceptional items for the half year to 31 January 2016 have been restated to include £2 million of restructuring costs incurred in the UK during the first phase of the UK turnaround strategy. This is consistent with the presentation for the year ended 31 July 2016.

4. Finance costs

Half year to 31 January	2017 £m	2016 £m
Interest payable		
– Bank loans and overdrafts	(23)	(19)
– Finance lease charges	–	(1)
Net interest expense on defined benefit obligation (note 12)	(2)	–
Total finance costs	(25)	(20)

5. Tax

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

Half year to 31 January	2017 £m	2016 £m
Current period tax charge	(122)	(100)
Deferred tax credit/(charge): origination and reversal of temporary differences	4	(3)
Total tax charge	(118)	(103)

6. Dividends

Half year to 31 January	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
Final dividend for the year ended 31 July 2016	167	66.72p	–	–
Dividends paid	167	66.72p	154	60.50p

An interim dividend of 36.67 pence per share is proposed (2016: 33.28 pence). This is not included as a liability in the balance sheet at 31 January 2017.

Notes to the condensed consolidated interim financial statements

Half year to 31 January 2017

7. Non-GAAP performance measures

Trading profit is defined as operating profit before exceptional items and the amortisation and impairment of acquired intangible assets. It is a non-GAAP measure. The Group considers that trading profit, and other performance measures based on it, including EBITDA before exceptional items, presents valuable additional information to users of the condensed consolidated interim financial statements. Trading profit is the key performance measure upon which the Group is managed.

Half year to 31 January	2017 £m	2016 £m
<i>Continuing operations</i>		
Operating profit	353	387
Add back: amortisation and impairment of acquired intangible assets	140	24
Add back: exceptional items in operating profit	22	1
Trading profit	515	412
Add back: depreciation, amortisation and impairment of property, plant and equipment and software excluding exceptional items in operating profit	86	65
EBITDA before exceptional items	601	477
Profit before tax	328	367
Add back: amortisation and impairment of acquired intangible assets	140	24
Add back: exceptional items in profit before tax	22	1
Profit before tax, exceptional items and the amortisation and impairment of acquired intangible assets	490	392
Tax expense	(118)	(103)
Deduct: tax credit on the amortisation and impairment of acquired intangible assets	(14)	(8)
Deduct: tax credit on exceptional items	(5)	–
Add back: non-recurring tax charge relating to changes in tax rates	1	2
Adjusted tax expense	(136)	(109)
Net profit from continuing operations	210	264
Add back: amortisation and impairment of acquired intangible assets net of tax	126	16
Add back: exceptional items net of tax	17	1
Add back: non-recurring tax charge relating to changes in tax rates	1	2
Add back: loss attributable to non-controlling interest	–	1
Headline profit after tax from continuing operations	354	284

Applying the adjusted tax expense of £136 million to the profit before tax, exceptional items and the amortisation and impairment of acquired intangible assets of £490 million gives an effective tax rate of 27.8 per cent (2016: 27.8 per cent).

8. Earnings per share

Attributable to shareholders of the Company	2017			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
Half year to 31 January						
Headline profit after tax from continuing operations	354	141.0	140.0	284	111.3	111.0
Exceptional items (net of tax)	(17)	(6.8)	(6.7)	(1)	(0.4)	(0.4)
Amortisation and impairment of acquired intangible assets (net of tax)	(126)	(50.1)	(49.8)	(16)	(6.2)	(6.2)
Non-recurring tax charge relating to changes in tax rates	(1)	(0.4)	(0.4)	(2)	(0.8)	(0.8)
Profit from continuing operations	210	83.7	83.1	265	103.9	103.6
Profit from discontinued operations	6	2.4	2.3	3	1.2	1.1
Profit from continuing and discontinued operations	216	86.1	85.4	268	105.1	104.7

Notes to the condensed consolidated interim financial statements

Half year to 31 January 2017

8. Earnings per share continued

The weighted average number of ordinary shares in issue during the period, excluding those held by Employee Benefit Trusts and those held by the Company as Treasury shares, was 251.0 million (2016: 255.1 million).

The calculations of basic and diluted earnings per share are based on the profit attributable to ordinary shareholders and a weighted average number of shares outstanding during the related period.

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 252.8 million (2016: 255.9 million).

9. Property, plant and equipment and intangible assets

	Goodwill £m	Other acquired intangible assets £m	Software £m	Total intangible assets £m	Property, plant and equipment £m	Total tangible and intangible fixed assets £m
Net book value at 1 August 2016	902	143	59	1,104	1,434	2,538
Additions	–	–	13	13	61	74
Acquisition of businesses	130	71	–	201	26	227
Disposals and transfers	–	–	(2)	(2)	(2)	(4)
Depreciation and amortisation	–	(38)	(11)	(49)	(73)	(122)
Impairment	(82)	(20)	(1)	(103)	(1)	(104)
Reclassified as held for sale	(20)	(2)	–	(22)	(8)	(30)
Exchange rate adjustment	48	8	1	57	47	104
Net book value at 31 January 2017	978	162	59	1,199	1,484	2,683

The Group tests goodwill and other acquired intangible assets for impairment annually, or more frequently if there are indications that these assets might be impaired. During the period, the performance of our Swedish building materials business, Beijer, deteriorated sharply with trading profit 50 per cent 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. The methodology for this assessment is consistent with the process described in the Group's Annual Report and Accounts for the year ended 31 July 2016. This assessment resulted in an impairment charge, as follows:

31 January 2017 CGU	Goodwill £m	Acquired intangible assets £m	Total £m	Impairment £m	Remaining balance £m	Post-tax discount rate %	Pre-tax discount rate %
Beijer	82	20	102	(102)	–	7.5	9.6

10. Assets and liabilities held for sale

As at 31 January	2017 £m	2016 £m
Properties awaiting disposal	54	9
Assets of disposal groups held for sale	101	181
Assets held for sale	155	190
Liabilities of disposal groups held for sale	15	151

As at 31 January 2017, the Group had commenced the sales process for a non-core business in the USA and accordingly this business has been classified as a disposal group held for sale.

There are also a number of properties awaiting disposal in the USA, Nordic region and Central Europe.

Last year, the Group announced the decision to sell its remaining businesses in France. The operations were sold on 7 March 2016 and the sales process for the remaining French property assets is continuing. These assets have been reclassified as properties awaiting disposal.

Notes to the condensed consolidated interim financial statements

Half year to 31 January 2017

11. Provisions

	Environmental and legal £m	Wolseley Insurance £m	Restructuring £m	Other provisions £m	Total £m
At 1 August 2016	75	53	28	65	221
Utilised in the period	(3)	(7)	(6)	(2)	(18)
Charge/(credit) for the period	3	11	14	(2)	26
Changes in discount rate	(8)	–	–	–	(8)
Reclassified as held for sale	–	–	–	(8)	(8)
Exchange rate adjustment	3	2	–	3	8
At 31 January 2017	70	59	36	56	221

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

Current	15	14	22	32	83
Non-current	55	45	14	24	138
	70	59	36	56	221

Environmental and legal provisions include £57 million (31 July 2016: £61 million) on a discounted basis for the estimated liability for asbestos litigation. This amount has been actuarially determined as at 31 January 2017 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. 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 US casualty and global property damage).

Restructuring provisions include provisions for staff redundancy costs and future lease rentals on closed branches primarily in the UK and Nordic regions. Other provisions include warranty costs relating to businesses disposed of, rental commitments on vacant properties other than those arising from restructuring actions, dilapidations on leased properties and warranties.

12. Retirement benefit obligations

The total (income)/expense recognised in the income statement in respect of defined benefit obligations is as follows:

Half year to 31 January	2017 £m	2016 £m
Current service costs	4	2
Exceptional past service gain (note 3)	(11)	–
Past service gain from settlements	(2)	–
(Credited)/charged to operating costs	(9)	2
Charged to finance costs (note 4)	2	–
Total (credit)/charge recognised in the income statement	(7)	2

The value of assets and liabilities in the balance sheet in respect of defined benefit obligations is as follows:

	31 January 2017 £m	31 July 2016 £m	31 January 2016 £m
Fair value of plan assets	1,623	1,558	1,398
Present value of defined benefit obligation	(1,728)	(1,705)	(1,433)
Net liability	(105)	(147)	(35)
UK pension plan discount rate	2.8%	2.4%	3.6%

Notes to the condensed consolidated interim financial statements

Half year to 31 January 2017

12. Retirement benefit obligations continued

Following the 30 April 2016 triennial valuation, the Company has agreed a recovery plan with the Trustees for the UK defined benefit pension plan, committing to pay £63 million of additional employer contributions over the period ending 31 March 2019.

13. Reconciliation of profit to cash generated from operations

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

Half year to 31 January	2017 £m	2016 £m
Profit for the period	216	267
Net finance costs - continuing operations	25	20
Net finance income - discontinued operations (net of tax)	(3)	–
Tax expense - continuing operations	118	103
(Profit)/loss on disposal and closure of businesses and revaluation of disposal groups	(3)	7
Depreciation and impairment of property, plant and equipment	74	58
Amortisation and impairment of non-acquired intangible assets	12	7
Amortisation and impairment of goodwill and acquired intangible assets	140	24
Profit on disposal of property, plant and equipment and assets held for sale	–	(9)
Increase in inventories	(76)	(49)
Decrease in trade and other receivable assets	26	112
Decrease in trade and other payables	(208)	(370)
(Decrease)/increase in provisions and other liabilities	(8)	10
Share based payments	11	11
Cash generated from operations	324	191

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

Half year to 31 January	2017 £m	2016 £m
Trading profit	515	412
Exceptional items in operating profit	(22)	(1)
(Profit)/loss on disposal and closure of businesses and revaluation of disposal groups	(3)	7
Operating profit from discontinued operations	3	3
Depreciation and impairment of property, plant and equipment	74	58
Amortisation and impairment of non-acquired intangible assets	12	7
Profit on disposal of property, plant and equipment and assets held for sale	–	(9)
Increase in inventories	(76)	(49)
Decrease in trade and other receivable assets	26	112
Decrease in trade and other payables	(208)	(370)
(Decrease)/increase in provisions and other liabilities	(8)	10
Share based payments	11	11
Cash generated from operations	324	191

14. Reconciliation of opening to closing net debt

	1 August 2016 £m	Cash flows £m	Acquisitions/new finance leases £m	Fair value adjustments £m	Exchange movements £m	31 January 2017 £m
Cash and cash equivalents	940					866
Bank overdrafts	(692)					(578)
	248	34	8	–	(2)	288
Derivative financial instruments	31	(5)	–	–	–	26
Bank loans	(1,184)	(346)	–	4	(55)	(1,581)
Obligations under finance leases	(31)	3	(1)	–	(1)	(30)
Net debt	(936)	(314)	7	4	(58)	(1,297)

Notes to the condensed consolidated interim financial statements

Half year to 31 January 2017

14. Reconciliation of opening to closing net debt continued

Included in the cash and cash equivalents balance at 31 January 2017 is an amount of £517 million (31 July 2016: £606 million) which is part of the Group's cash pooling arrangement where there is an equal and opposite balance included within bank overdrafts. The amounts are subject to a master netting arrangement.

15. Acquisitions

The Group acquired eight bolt-on businesses in the period ended 31 January 2017. All of these businesses are engaged in the distribution of plumbing and heating products and building materials. These transactions have been accounted for by the purchase method of accounting.

	Date	Country of incorporation	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

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	–	16	16
– Trade names and brands	–	46	46
– Other	–	9	9
Property, plant and equipment	25	1	26
Inventories	43	(9)	34
Receivables	19	–	19
Cash, cash equivalents and bank overdrafts	8	–	8
Payables	(10)	–	(10)
Deferred tax	–	(7)	(7)
Total	85	56	141
Goodwill arising			130
Consideration			271

Satisfied by:

Cash	232
Deferred consideration	39
Total consideration	271

The fair value adjustments for the period ended 31 January 2017 are provisional figures, being the best estimates currently available. Amendments may be made to these figures in the 12 months following the date of acquisition when additional information is available 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 to additional profitability and operating efficiencies in respect of existing markets.

The acquisitions contributed £75 million to revenue and £13 million to the Group's trading profit for the period between the date of acquisition and the balance sheet date. If each acquisition had been completed on the first day of the financial year, Group revenue would have been £8,496 million and Group trading profit would have been £517 million. It is not practicable to disclose profit before or after tax, as the Group manages its borrowings as a portfolio and cannot attribute an effective borrowing rate to an individual acquisition. It is also

Notes to the condensed consolidated interim financial statements

Half year to 31 January 2017

15. Acquisitions continued

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 the half year to 31 January 2017 with respect to the purchase of businesses is as follows:

	2017 £m
Purchase consideration	232
Deferred and contingent consideration in respect of prior year acquisitions	6
Cash consideration	238
Cash and cash equivalents acquired	(8)
Net cash outflow in respect of the purchase of businesses	230

16. 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 2017.

17. 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 we 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 these interim financial statements, 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. 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.

Notes to the condensed consolidated interim financial statements

Half year to 31 January 2017

18. Financial risk management and financial instruments

The Group is exposed to risks arising from the international nature of its operations and the financial instruments which fund them, in particular to foreign currency risk, interest rate risk and liquidity risk. Full details of the Group's policies for managing these risks are disclosed in the Group's Annual Report and Accounts for the financial year ended 31 July 2016. Since the date of that report, there have been no significant changes in:

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

At 31 January 2017, derivative financial assets of £26 million were categorised at level 2 (2016: £32 million) and financial assets of £22 million were categorised at level 3 (2016: £13 million). There have been no transfers between categories.

Bank loans and overdrafts include senior unsecured loan notes with a book value at 31 January 2017 of £1,004 million (2016: £894 million) and an estimated fair value of £1,008 million (2016: £931 million). The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The fair value of financial instruments that are not traded in an active market (such as over-the-counter derivatives) is determined by using valuation techniques including net present value calculations. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves. The fair value of foreign exchange swaps has been calculated as the present value of the estimated future cash flows based on observable future foreign exchange rates.

The Group's other financial instruments are measured on bases other than fair value. Other receivables include an amount of £56 million (2016: £53 million) which has been discounted at a rate of 2.5 per cent (2016: 1.9 per cent) due to the long-term nature of the receivable. Other current assets and liabilities are either of short maturity or bear floating rate interest and so their fair values approximate to book values.

19. Subsequent events

On 21 February 2017, the Group announced its intention to merge Tobler, its Swiss plumbing and heating business, with Walter Meier AG, a leading Swiss heating and HVAC distributor. For the year ended 31 July 2016, Tobler reported revenues of £235 million and trading profit of £15 million.

Subsequent to the period end, the Group has decided to exit its businesses in the Nordic region. For the year ended 31 July 2016, this region reported revenues of £1,881 million and trading profit of £59 million.

Neither Tobler nor the Nordic region met the required criteria to be classified as disposal groups held for sale or discontinued operations in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" as at 31 January 2017.

Since 31 January 2017, the Group has acquired two businesses in the USA. These businesses have annual revenues of £33 million. As at the date of this report, the accounting for these acquisitions has not been finalised.

20. Exchange rates

Exchange rates (equivalent to £1)	2017	2016
US Dollar		
Income statement (average rate for the six months to 31 January)	1.26	1.51
Balance sheet (rate at 31 January)	1.26	1.42
Balance sheet (rate at 31 July)		1.32
Euro		
Income statement (average rate for the six months to 31 January)	1.16	1.37
Balance sheet (rate at 31 January)	1.16	1.31
Balance sheet (rate at 31 July)		1.18
Canadian Dollar		
Income statement (average rate for the six months to 31 January)	1.67	2.03
Balance sheet (rate at 31 January)	1.64	1.99
Balance sheet (rate at 31 July)		1.72

Independent review report to Wolseley plc

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 2017 which comprises the Condensed consolidated income statement, the Condensed consolidated balance sheet, the Condensed consolidated statement of comprehensive income, the Condensed consolidated statement of changes in equity, the Condensed consolidated cash flow statement and related notes 1 to 20. 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.

This report is made solely to the Company 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. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have formed.

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 Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRS 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.

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 inquiries, 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 2017 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 Conduct Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
27 March 2017