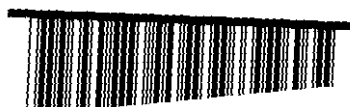


AYLESTREAM LIMITED
(REGISTERED NUMBER 486215)

DIRECTORS' REPORT AND ACCOUNTS

31 July 1999



AYLESTREAM LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 JULY 1999

The directors submit their report and the audited accounts of the company for the year ended 31 July 1999.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company was that of managing certain properties that are excess to Wolseley Group requirements.

The results for the year are set out in the profit and loss account on page 4.

Auditors' remuneration is borne by the ultimate parent company.

DIVIDENDS AND TRANSFERS AND RESERVES

No dividend is proposed. The profit of £18,773 (1998 - £51,883) has been transferred to reserves.

YEAR 2000

The directors recognise the potential implications of the Year 2000 problem. Detailed plans have been prepared to evaluate the risks and implement solutions.

The company's objective is that adequate and timely action is taken to ensure that systems continue to support normal business service without interruption into the Year 2000. The plans currently in place are expected to permit the achievement of the objective without material cost in excess of the company's normal replacement expenditure.

DIRECTORS

The directors of the company during the year ended 31 July 1999 were:

DA Branson
AJ Bushnell
SP Webster

AYLESTREAM LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 JULY 1999 (CONTINUED)

DIRECTORS' INTERESTS IN SHARES

The notifiable interests of the directors in the 25p ordinary shares of Wolseley plc and options on those shares granted pursuant with the terms of the various Wolseley plc share option schemes are shown below:

<u>Director</u>	Share interests at 31 July 1999	Share interests at 1 August 1998	Interests on 31 July 1999			Options Interests at 1 August 1998
				<u>Granted</u>	<u>Exercised</u>	
DA Branson	39,758	43,684	51,206	8,500	-	42,706
AJ Bushnell	-	-	-	-	-	-

Mr SP Webster is a director of Wolseley plc, accordingly his interests are not shown.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by United Kingdom company law to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss for that period.

Following discussions with the auditors, the directors consider that in preparing the accounts, appropriate accounting policies have been used and applied consistently, supported by reasonable and prudent judgements and estimates, and that applicable accounting standards have been followed.

The accounts have been prepared on the going concern basis.

The directors are also responsible for maintaining adequate accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the accounts comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud or any other irregularities.

AUDITORS

A proposal to dispense with the appointment of auditors under S388a Companies Act 1985 will be proposed at a General Meeting of the members.

By Order of the Board

DA Branson
DIRECTOR

23 September 1999

AUDITORS' REPORT TO THE MEMBERS OF AYLESTREAM LIMITED

We have audited the financial statements on pages 4 to 8 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 2 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the financial statements.

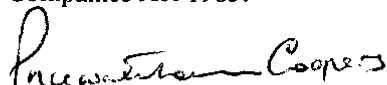
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 July 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors

23 September 1999

AYLESTREAM LIMITED

PROFIT AND LOSS ACCOUNT YEAR ENDED 31 JULY 1999

	<u>Notes</u>	<u>1999</u>	<u>1998</u>
Rent receivable		27,076	176,771
Other operating expenses		<u>-</u>	<u>(111,571)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		27,076	65,200
Tax charge on profit on ordinary activities	3	<u>(8,303)</u>	<u>(13,317)</u>
PROFIT FOR THE FINANCIAL YEAR	7	<u>£18,773</u>	<u>£51,883</u>

The profit for the financial year includes all recognised gains and losses in the year.

Movements on reserves are set out in note 7.

AYLESTREAM LIMITED

BALANCE SHEET AT 31 JULY 1999

	<u>Notes</u>	<u>1999</u>	<u>1998</u>
CURRENT ASSETS			
Debtors	4	360,254	349,310
CREDITORS (amounts falling due within one year)	5	<u>(8,303)</u>	<u>(16,132)</u>
NET CURRENT ASSETS		<u>351,952</u>	<u>333,178</u>
CAPITAL AND RESERVES			
Called up share capital	6	100	100
Other reserves	7	18,159	18,159
Profit and loss account	7	<u>333,692</u>	<u>314,919</u>
	8	<u>£351,951</u>	<u>£333,178</u>

DA Branson
DIRECTOR

23 September 1999

AYLESTREAM LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JULY 1999

1 ACCOUNTING POLICIES

(1) Accounting convention

These accounts have been prepared under the historical cost convention in accordance with applicable accounting standards.

(2) Cash flow statement

Wolseley plc, the ultimate parent company, has included a cash flow statement in its group accounts for the year ended 31 July 1999. Under paragraph 5a of Financial Reporting Standard 1 (Revised) no cash flow statement is therefore required in the accounts of this company.

2 DIRECTORS' EMOLUMENTS

None of the directors received any emoluments in respect of their services to the company during the current year (1998 - £Nil).

3 TAXATION

Corporation tax charge at 30.67% (1998 - 31%):

	<u>1999</u>	<u>1998</u>
Current year	8,303	13,316
Prior year	<u>-</u>	<u>1</u>
	<u>£8,303</u>	<u>£13,317</u>

4 DEBTORS

	<u>1999</u>	<u>1998</u>
Loan due from Wolseley Plc	360,254	329,605
VAT recoverable	<u>-</u>	<u>19,705</u>
	<u>£360,254</u>	<u>£349,310</u>

AYLESTREAM LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 31 JULY 1999 (CONTINUED)

5 CREDITORS

	<u>1999</u>	<u>1998</u>
Amounts falling due within one year:		
Bank overdraft	-	2,815
Taxation	<u>8,303</u>	<u>13,317</u>
	<u>£8,303</u>	<u>£16,132</u>

6 SHARE CAPITAL

	<u>1999 and 1998</u>
Authorised, allotted, issued and fully paid ordinary shares of £1 each	<u>£100</u>

7 RESERVES

	<u>Profit and loss account</u>	<u>Other</u>
Balance at 31 July 1998	314,919	18,159
Profit for the financial year	<u>18,773</u>	<u>-</u>
Balance at 31 July 1999	<u>£333,692</u>	<u>£18,159</u>

8 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1999</u>	<u>1998</u>
Net addition to shareholders' funds - profit	18,773	51,883
Opening shareholders' funds	<u>333,178</u>	<u>281,295</u>
Closing shareholders' funds	<u>£351,951</u>	<u>£333,178</u>

AYLESTREAM LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 31 JULY 1999 (CONTINUED)

9 CONTINGENT LIABILITIES

In addition to its own bank account, the company has a joint bank account with Wolseley plc and certain other group undertakings which is taken into the accounts of Wolseley plc and is not therefore taken into these accounts.

The company, together with certain other group undertakings, has given the bank authority at any time to transfer any sum outstanding to the credit of the company against or towards satisfaction of the liability to the bank of these other group undertakings.

The company, together with certain other group companies, is party to a group VAT registration.

10 PARENT COMPANY

The ultimate parent company is Wolseley plc, which is registered in England. Copies of the group accounts may be obtained from The Secretary, Wolseley plc, Vines Lane, Droitwich, Worcestershire, WR9 8ND.

11 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption to subsidiaries and other group undertakings granted by FRS8 not to disclose related party transactions.