

Wolseley-Hughes Limited
Annual report and accounts
for the year ended 31 July 2006

Registered number 518206



Wolseley-Hughes Limited

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Wolseley-Hughes Limited

Directors' report for the year ended 31 July 2006

The directors submit their report and the audited accounts of the company for the year ended 31 July 2006

Principal activity and business review

The company is a wholly owned subsidiary of Wolseley plc and operates as part of the Group's general corporate division

The Group's principal business activities are the distribution of heating and plumbing products to the professional market and the supply of building materials through 27 countries. The principal activity of the company is that of an investment company. There have been no significant changes in the company's principal activity in the year under review. The directors do not intend, at the date of this report, that there will be any major changes in the company's activities in the next year.

The company continues to invest in measures to limit the financial risks to the Group structure including cost-effective borrowing structures. This has enabled the Group to adjust its funding profile to match more precisely its investment profile. The directors regard this type of investment as necessary for continuing success in the medium to long term future.

The balance sheet on page 7 of the financial statements shows that the company's financial position at the year end is, in both net assets and cash terms, consistent with the prior year. Details of amounts with its parent company and other group undertakings are shown in note 4 and 5 on page 9.

There have been no significant events during the year under review.

The Wolseley Group manages its operations on a segmental basis. For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the general corporate division of Wolseley plc, which includes the company, is discussed in the Group's Annual Report which does not form part of this report.

Principal risks and uncertainties

The Group is exposed to market risks arising from its international operations. The Group has well defined and consistently applied policies for the management of foreign exchange and interest rate exposures. There has been no change since the year end in the major financial risks faced by the Group. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The treasury committee of the Wolseley plc Board reviews and agrees policies for managing each of these risks at Group level and these policies are regularly reviewed.

Group risks are discussed in depth in the Group's Annual Report which does not form part of this report.

Wolseley-Hughes Limited

Directors' report for the year ended 31 July 2006 (continued)

Health, safety and environment

The Group recognises the importance of its environmental responsibilities. A key driver of Wolseley plc Group's success has been the high degree of autonomy which has been afforded to local managements, allowing them to serve local markets in the most appropriate manner. Within this decentralised structure, the Board has set down a number of health, safety and environment principles with which all businesses are required to comply. The principles relating to environment cover the integration of environmental management into business operations, a commitment to the adoption and achievement of best practice wherever this is practicable, a commitment to prevent pollution, compliance with local environmental legislation, the adoption where practicable of local formal environmental management systems, a commitment to strive for continual improvement, and a commitment to ensure proper communication with employees on environmental matters.

The company operates in accordance with Group policies which are described in the Group's Annual Report which does not form part of this report.

Employees and auditors

The company had no employees in the year under review.

Auditors' remuneration is borne by the ultimate parent company.

Dividends and transfers to reserves

No dividend has been paid or proposed (2005 Nil). The loss of £992,000 has been transferred from reserves (2005 profit transferred to reserves of £5,858,000).

Directors

The directors of the company during the year ended 31 July 2006 were

MJR Verrier
SP Webster
MJ White

Directors' interest in shares

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

Name of Director	Shares at		Options			
	31.7.2006	31.7.2005	31.7.2006	Granted	Exercised	31.7.2005
M J White	4,674	-	64,682	20,675	20,000	64,007
MJR Verrier	2,650	1,250	74,231	10,632	1,400	64,999
Interests in shares under long term Incentive Plan						
	31.7.2006		Granted		Vested	31.7.2005
M J White	21,145		10,869		-	10,276
MJR Verrier	14,908		7,985		-	6,923

The interests of SP Webster, who is also a director of the ultimate parent company, Wolseley plc, are shown in the annual report of that company.

Wolseley-Hughes Limited

Directors' report for the year ended 31 July 2006 (continued)

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

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

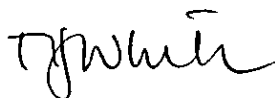
The directors are also responsible for maintaining adequate accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the accounts comply with the Companies Act 1985

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. The Directors, having prepared the financial statements, have permitted the auditors to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit opinion

Auditors

The auditors, PricewaterhouseCoopers LLP, are willing to continue in office and their re-appointment will be proposed at the Annual General Meeting

By Order of the Board



MJ White
Director



Independent auditors' report to the members of Wolseley-Hughes Limited

We have audited the financial statements of Wolseley-Hughes Limited for the year ended 31 July 2006 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 1985. We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, 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 other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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 misstatement, 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.

Independent auditors' report to the members of Wolseley-Hughes Limited (continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 July 2006 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London

4 April 2007

Wolseley-Hughes Limited

Profit and Loss account for the year ended 31 July 2006

	Notes	2006 £000	2005 £000
Exchange loss		(7,966)	-
Operating loss		(7,966)	-
External interest payable		(26)	-
Interest and similar income receivable from group undertakings		13,797	5,860
Interest payable to group undertakings		(7,222)	(3)
(Loss)/profit on ordinary activities before taxation		(1,417)	5,857
Tax on (loss)/profit on ordinary activities	3	425	1
(Loss)/profit for the financial year		(992)	5,858
Profit for the year transferred to share premium account	8	-	(5,860)
Loss for the year transferred from reserves	7,8	(992)	(2)

The above results all relate to continuing operations

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

Wolseley-Hughes Limited

Balance sheet as at 31 July 2006

	Notes	2006 £000	2005 £000
Current assets			
Debtors	4	404,214	135,392
Cash at bank and in hand		917	4,412
		405,131	139,804
Creditors amounts falling due within one year	5	(267,681)	(1,362)
Net current assets		137,450	138,442
Total assets less current liabilities		137,450	138,442
Capital and reserves			
Called up share capital	6	129,532	129,532
Share Premium	7	5,860	5,860
Profit and loss account	7	2,058	3,050
Total shareholders' funds – all equity	8	137,450	138,442

Approved by the Board on 27 MARCH 2007



SP Webster
Director

Wolseley-Hughes Limited

Notes to the accounts for the year ended 31 July 2006

1 Accounting policies

Accounting convention

These financial statements are prepared on the going concern basis, under the historical cost convention, as modified by the revaluation of certain fixed assets and in accordance with the Companies Act 1985 and applicable accounting standards. The principal accounting policies are set out below.

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 2006. Under paragraph 5(a) of Financial Reporting Standard 1 (Revised) no cash flow statement is therefore required in the accounts of this company.

Foreign currencies

All assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the balance sheet date. The exchange differences arising from re-translation are dealt with through the profit and loss account.

2 Directors' remuneration

None of the directors received any emoluments in respect of their services to the company (2005: £nil).

3 Tax on (loss)/profit on ordinary activities

	2006	2005
	£000	£000
Corporation tax charge at 30% (2005: 30%)		
Current year credit	425	1
	425	1
Tax reconciliation		
	2006	2005
	%	%
Profit on ordinary activities at standard rate of corporation tax in the UK		
At 30% (2005: 30%)	30	30
Non-taxable interest receivable which represents accrued discount on promissory notes obtained in exchange for an issue of shares	-	(30)
	30	-

Wolseley-Hughes Limited

Notes to the accounts for the year ended 31 July 2006 (continued)

4 Debtors

	2006	2005
	£000	£000
Amounts owed by Wolseley plc	248,885	-
Amounts owed by group undertakings	155,117	135,392
Corporation tax	212	-
	404,214	135,392

5 Creditors (amounts falling due within one year)

	2006	2005
	£000	£000
Amounts owed to group undertakings	265,161	1,362
Accrued interest	2,520	-
	267,681	1,362

6 Share capital

	2006	2005
	£	£
Authorised, issued, allotted and fully paid		
As at 1 August - 100 ordinary shares of £1 each	129,531,928	100
Increase in authorised share capital, issued, allotted and fully paid	-	129,531,828
As at 31 July	129,531,928	129,531,928

Wolseley-Hughes Limited

Notes to the accounts for the year ended 31 July 2006 (continued)

7 Reserves

	Share premium	Profit and loss account
	£000	£000
As at 1 August 2005	5,860	3,050
Loss for the year	-	(992)
As at 31 July 2006	5,860	2,058

8 Reconciliation of movements in equity shareholders' funds

	2006	2005
	£000	£000
Opening shareholders' funds	138,442	3,052
Issue of share capital	-	129,532
Share premium account	-	5,860
Loss for the year	(992)	(2)
Closing shareholders' funds	137,450	138,442

9 Contingent liabilities

The company, together with certain other group companies, has given its main UK clearing 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 intermediate parent company is Wolseley Group Holdings Limited. 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, Parkview 1220, Arlington Business Park, Theale, Reading, RG7 4GA.

11 Related party transactions

The company has taken advantage of the exemption available under FRS8 to dispense with the requirement to disclose transactions with fellow subsidiaries, 90% or more whose voting rights are held within the group, and which are included in the consolidated financial statements of Wolseley plc.