

**Wolseley-Hughes Limited**

**Annual report and financial statements**

**for the year ended 31 July 2008**

Registered number: 518206

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## **Contents**

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	<b>Page</b>
Directors and advisors	1
Directors' report for the year ended 31 July 2008	2
Independent auditors' report to the members of Wolseley-Hughes Limited	5
Profit and loss account for the year ended 31 July 2008	7
Balance sheet as at 31 July 2008	8
Notes to the financial statements for the year ended 31 July 2008	9

**Directors and advisors**

**Directors**

M J R Verrier  
S P Webster  
Wolseley Directors Limited

**Company secretary**

A Drew

**Registered office**

Parkview 1220  
Arlington Business Park  
Theale  
Reading  
RG7 4GA  
United Kingdom

**Independent auditors**

PricewaterhouseCoopers LLP  
Chartered accountants and registered auditors  
1 Embankment Place  
London WC2N 6RH  
United Kingdom

## **Directors' report for the year ended 31 July 2008**

The directors present their annual report and the audited financial statements of the Company for the year ended 31 July 2008.

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### **Principal activities and business review**

The Company is a wholly owned subsidiary of Wolseley plc and operates within the Wolseley 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 throughout Europe and North America. The principal activity of the Company is that of a Group financing company. There have been no significant changes in the Company's principal activity in the year under review. The directors do not foresee, 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 the continuing success in the medium to long term future.

The balance sheet on page 8 of the financial statements shows the Company's financial position at the year end in both net assets and cash terms. Details of amounts due from and to its parent company and other Group undertakings are shown in notes 6 and 7 on page 10 .

There have been no significant events in 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 Company does not operate external to the Group and therefore its financial risks are governed by the Group policies and procedures. 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.

## **Directors' report for the year ended 31 July 2008 (continued)**

### **Health, safety and environment**

The Group recognises the importance of its environmental responsibilities. A key driver of the Wolseley 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.

### **Results and dividends**

The results of the Company for the year ended 31 July 2008 are set out in the Profit and Loss account on page 7.

During the year, no dividends have been paid or proposed (2007: £Nil). The loss of £985,000 (2007: profit of £5,340,000) has been transferred from/to reserves.

### **Post balance sheet events**

On 23 December 2008, the Company issued 210,000,000 €1 redeemable ordinary shares at par to Wolseley Group Holdings Limited and on 2 February 2009 issued a further 900,000,000 to the same company.

### **Directors**

The directors of the Company during the year ended 31 July 2008 were:

M J R Verrier  
S P Webster  
Wolseley Directors Limited

## Directors' report for the year ended 31 July 2008 (continued)

### Statement of directors' responsibilities in respect of the Annual report and the financial statements

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Statement of disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware. The directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### Auditors

The auditors, PricewaterhouseCoopers LLP, are willing to continue in office and have been re-appointed.

By Order of the Board,



A Drew  
Secretary

a/05/ 2009

## **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 2008 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**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we 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 2008 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

*1 May* 2009



**Profit and loss account for the year ended 31 July 2008**

	Notes	2008 £'000	2007 £'000
Exchange (loss)/gain		(4,799)	1,225
<b>Operating (loss)/profit</b>		<b>(4,799)</b>	<b>1,225</b>
Interest receivable and similar income	3	47,093	25,517
Interest payable and similar charges	4	(43,687)	(19,113)
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(1,393)</b>	<b>7,629</b>
Tax credit/(charge) on (loss)/profit on ordinary activities	5	408	(2,289)
<b>(Loss)/profit for the financial year</b>	<b>9</b>	<b>(985)</b>	<b>5,340</b>

All results derive from continuing operations.

The Company has no recognised gains or losses other than those included in the profit and loss account for the financial year above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the (loss)/profit on ordinary activities before taxation and the (loss)/profit for the financial years stated above and their historical cost equivalents.

**Balance sheet as at 31 July 2008**

	Notes	2008 £'000	2007 £'000
<b>Current assets</b>			
Debtors	6	1,020,204	802,613
Cash at bank and in hand		18,028	57,955
		<b>1,038,232</b>	<b>860,568</b>
<b>Creditors: amounts falling due within one year</b>	7	<b>(896,427)</b>	<b>(717,778)</b>
<b>Net current assets</b>		<b>141,805</b>	<b>142,790</b>
<b>Net assets</b>		<b>141,805</b>	<b>142,790</b>
<b>Capital and reserves</b>			
Called up share capital	8	129,532	129,532
Share premium account	9	5,860	5,860
Profit and loss reserve	9	6,413	7,398
<b>Total shareholders' funds</b>	10	<b>141,805</b>	<b>142,790</b>

The notes on pages 9 to 11 form part of these financial statements.

The financial statements on pages 7 to 11 were approved by the Board on 01/05/ 2009 and signed on its behalf by:



M J R Verrier  
Director

## Notes to the financial statements for the year ended 31 July 2008

### 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 in the United Kingdom. The principal accounting policies, that have been consistently applied, 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 2008. Under paragraph 5(a) of Financial Reporting Standard 1 "Cash flow statements" (revised 1996) no cash flow statement is therefore required in the accounts of this Company.

#### Foreign currencies

All monetary 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. The financial commitments resulting from hedging activities are recognised at fair value at the exchange rate ruling at the balance sheet date.

### 2. Employees, directors' remuneration and audit fees

The Company had no employees during the year under review (2007: none).

None of the directors received any emoluments in respect of their services to the Company during the year (2007: £nil).

The audit fee for the year was borne by Wolseley (Group Services) Limited and was not recharged to the Company (2007: £nil).

### 3. Interest receivable and similar income

	2008 £'000	2007 £'000
Bank interest receivable	1,339	805
Interest receivable from Wolseley plc	12,693	13,042
Interest receivable from other Group undertakings	33,061	11,670
	<b>47,093</b>	<b>25,517</b>

### 4. Interest payable and similar charges

	2008 £'000	2007 £'000
Interest payable to Group undertakings	43,687	19,011
Bank interest payable	-	102
	<b>43,687</b>	<b>19,113</b>

## Notes to the financial statements for the year ended 31 July 2008 (continued)

### 5. Tax (credit)/charge on (loss)/profit on ordinary activities

	2008	2007
	£'000	£'000
Tax at UK corporation tax rate of 29.33% (2007: 30%)	(408)	2,289

The standard rate of Corporation tax in the UK changed from 30% to 28% with effect from 1 April 2008. Accordingly, the company's profits for this accounting period are taxed at an effective rate of 29.33% and will be taxed at 28% in the future.

There are no significant reconciling items between the actual and effective tax rate for the year ended 31 July 2008.

### 6. Debtors

	2008	2007
	£'000	£'000
Amounts owed by Wolseley plc	44,523	225,098
Amounts owed by other group undertakings	975,477	577,515
Corporation tax	204	-
	<b>1,020,204</b>	<b>802,613</b>

Amounts owed by both Wolseley plc and other group undertakings are unsecured and have no fixed repayment terms. £44,305,000 (2007: £224,885,000) due from Wolseley plc is interest bearing at a rate of LIBOR + 0.5%. The remaining £218,000 (2007: £213,000) is non interest bearing. Amounts owed by other group undertakings of £925,988,000 (2007: £524,595,000) are interest bearing at a rate of LIBOR + 0.5%. The remaining balance is non interest bearing, of which £44,196,000 (2007: £52,920,000) and relates to financial commitments with Wolseley Capital Parkview Limited arising from currency contracts, with £5,293,000 (2007: £nil) relating to non interest bearing intercompany balances.

### 7. Creditors: amounts falling due within one year

	2008	2007
	£'000	£'000
Amounts owed to Wolseley plc	-	1,144
Amounts owed to other group undertakings	232,479	687,787
Bank overdraft	663,948	27,703
Corporation tax	-	1,144
	<b>896,427</b>	<b>717,778</b>

Amounts owed to both Wolseley plc and other group undertakings are unsecured and have no fixed repayment terms. Amounts owed to other group undertakings of £229,897,000 (2007: £609,317,000) are interest bearing at a rate of LIBOR + 0.5%. The remaining balance of £277,000 is non interest bearing and relates to financial commitments with Wolseley Capital Parkview Limited resulting from foreign currency contracts (2007: £71,494,000 with Wolseley Investment Inc) .

## Notes to the financial statements for the year ended 31 July 2008 (continued)

### 8. Called up share capital

	2008 and 2007	
Authorised:	Number	£'000
Ordinary shares of £1 each	129,531,928	129,532
<b>Issued, allotted and fully paid</b>		
Ordinary shares of £1 each	129,531,928	129,532

### 9. Reserves

	Share premium account £'000	Profit and loss reserve £'000
As at 1 August 2007	5,860	7,398
Loss for the financial year	-	(985)
<b>As at 31 July 2008</b>	<b>5,860</b>	<b>6,413</b>

### 10. Reconciliation of movements in total shareholders' funds

	2008 £'000	2007 £'000
Opening shareholders' funds	142,790	137,450
(Loss)/profit for the year	(985)	5,340
<b>Closing shareholders' funds</b>	<b>141,805</b>	<b>142,790</b>

### 11. 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.

### 12. Related party transactions

The Company has taken advantage of the exemption available under FRS8 "Related party disclosures" 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.

### 13. Ultimate parent company and controlling party

The immediate parent company is Wolseley Group Holdings Limited. The ultimate parent company and controlling party is Wolseley plc which is registered in England and is the smallest and largest parent undertaking to consolidate these financial statements. Copies of the Group accounts may be obtained from The Secretary, Wolseley plc, Parkview 1220, Arlington Business Park, Theale, Reading, RG7 4GA.

### 14. Post balance sheet events

On 23 December 2008, the Company issued 210,000,000 €1 redeemable ordinary shares at par to Wolseley Group Holdings Limited and on 2 February 2009 issued a further 900,000,000 to the same company.