

Wolseley-Hughes Limited

Annual report and financial statements

for the year ended 31 July 2009

Registered number: 518206

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Contents

	Page
Directors' report for the year ended 31 July 2009	1
Independent auditors' report to the members of Wolseley-Hughes Limited	4
Profit and loss account for the year ended 31 July 2009	6
Balance sheet as at 31 July 2009	7
Notes to the financial statements for the year ended 31 July 2009	8

Directors' report for the year ended 31 July 2009

The directors present their annual report and the audited financial statements of the Company for the year ended 31 July 2009.

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 7 of the financial statements shows the Company's financial position as at the year end.

In December 2008, the Company issued 210,000,000 €1 redeemable ordinary shares at par to Wolseley Group Holdings Limited for cash consideration. In February 2009 the Company issued a further 900,000,000 €1 redeemable ordinary shares to the same company for cash consideration. In July 2009 the Company issued a further 474,359,552 €1 redeemable ordinary shares at par to the same company for cash consideration.

Given the straightforward nature of the business, the Company's Directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business. The key performance indicators 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 2009 (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 2009 are set out in the Profit and Loss account on page 6.

During the year, no dividends have been paid or proposed (2008: £nil). The profit of 15,960,000 (2008: loss of £985,000) has been transferred to / (from) reserves.

Post balance sheet events

There are no significant post balance sheet events.

Directors

The directors of the Company during the year and up to the date of signing the financial statements were:

M J R Verrier
S P Webster
Wolseley Directors Limited

Directors' report for the year ended 31 July 2009 (continued)

Statement of directors' responsibilities

The Directors are responsible for preparing the Directors' 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). Under company law the Directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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 financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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.

Directors' indemnities

The company maintains directors' and officers liability insurance which gives appropriate cover for any legal action brought against its directors.

By order of the Board,



A Drew
Company Secretary

20 January 2010

Registered office:

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

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 2009 which comprise the Profit and Loss account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement on page 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Sections 495 and 496 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 July 2009 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



David Reeman (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

20 January 2010

Profit and loss account for the year ended 31 July 2009

	Notes	2009 £'000	2008 £'000
Interest receivable and similar income	3	59,564	47,093
Interest payable and similar charges	4	(36,178)	(48,486)
Profit / (loss) on ordinary activities before taxation		23,386	(1,393)
Tax (charge) / credit on profit / (loss) on ordinary activities	5	(7,426)	408
Profit / (loss) for the financial year	10	15,960	(985)

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

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

Balance sheet as at 31 July 2009

	Notes	2009 £'000	2008 £'000
Current assets			
Debtors	6	1,686,089	1,020,204
Cash at bank and in hand		1,105	18,028
		1,687,194	1,038,232
Creditors: amounts falling due within one year	7	(1,529,429)	(896,427)
Net current assets		157,765	141,805
Total assets less current liabilities		157,765	141,805
Capital and reserves			
Called up share capital	9	129,532	129,532
Share premium account	10	5,860	5,860
Profit and loss account	10	22,373	6,413
Total shareholders' funds	11	157,765	141,805

The notes on pages 8 to 11 form part of these financial statements.

The financial statements on pages 6 to 11 were approved by the Board on
and signed on its behalf by:

20 January 2010



M J R Verrier
Director

Wolseley-Hughes Limited
Registered number: 518206

Notes to the financial statements for the year ended 31 July 2009

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 foreign exchange forward contracts with other Group companies, and in accordance with the Companies Act 2006 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 financial statements for the year ended 31 July 2009. Under paragraph 5(a) of FRS 1 "Cash flow statements" (revised 1996), no cash flow statement is therefore required in the financial statements of this Company.

Foreign currencies

Foreign currency transactions entered into during the year are translated into sterling at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All currency translation differences are taken to the profit and loss account. The financial commitments resulting from foreign exchange forward contracts with other Group companies are recognised at fair value based on the exchange rates ruling at the balance sheet date and included within amounts owed to or by other Group undertakings.

Redeemable ordinary shares

Redeemable ordinary shares issued by the Company have been classified as a liability in accordance with FRS 25 "Financial Instruments: Disclosure and Presentation". Similarly any dividends paid on these redeemable ordinary shares are classified as an interest expense.

2. Employees, directors' remuneration and audit fees

The Company had no employees during the year under review (2008: none).

None of the directors received any emoluments in respect of their services to the Company during the year (2008: £nil).

The audit fee for the year £2,000 (2008: £2,000) was borne by Wolseley (Group Services) Limited and was not recharged to the Company.

3. Interest receivable and similar income

	2009	2008
	£'000	£'000
Bank interest receivable	105	1,339
Interest receivable from Wolseley plc	-	12,693
Interest receivable from other Group undertakings	55,419	33,061
Exchange gain	4,040	-
	59,564	47,093

Notes to the financial statements for the year ended 31 July 2009 (continued)

4. Interest payable and similar charges

	2009	2008
	£'000	£'000
Interest payable to Wolseley plc	26,438	-
Interest payable to Group undertakings	9,740	43,687
Exchange loss	-	4,799
	36,178	48,486

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

	2009	2008
	£'000	£'000
Tax at UK corporation tax rate of 28% (2008: 29.33%)	6,547	(408)
Adjustment in respect of prior years	879	-
	7,426	(408)

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 the prior accounting year were taxed at an effective rate of 29.33% and will be taxed at 28% in the future.

The tax assessed in the year is higher than (2008: equal to) the standard rate of corporation tax in the UK of 28% (2008: effective rate of 29.33%). The differences are explained below.

	2009	2008
	%	%
Loss on ordinary activities at standard rate of corporation tax in the UK at 28% (2008: effective rate of 29.33%)	28	29
Adjustment to tax charge in respect of previous years	4	-
	32	29

6. Debtors

	2009	2008
	£'000	£'000
Amounts owed by Wolseley plc	612,560	44,523
Amounts owed by other Group undertakings	1,073,529	975,477
Corporation tax	-	204
	1,686,089	1,020,204

Amounts owed by both Wolseley plc and other Group undertakings are unsecured and have no fixed repayment terms. £612,560,000 (2008:£44,305,000) owed by Wolseley plc and £1,073,391,000 (2008: £925,988,000) owed by other Group undertakings is interest bearing at rates that vary between LIBOR plus 0.5% and LIBOR plus 2.0%. £nil (2008: £218,000) owed by Wolseley plc and £nil (2008: £5,293,000) owed by other Group undertakings is non-interest bearing. Financial commitments arising from foreign exchange forward contracts valued at £138,000 with Wolseley Overseas Limited are included within amounts owed by other Group undertakings (2008: £44,196,000 with Wolseley Capital Parkview Limited).

Notes to the financial statements for the year ended 31 July 2009 (continued)

7. Creditors: amounts falling due within one year

	2009 £'000	2008 £'000
Amounts owed to Wolseley plc	16,090	-
Amounts owed to other Group undertakings	158,563	232,479
Redeemable ordinary shares (note 8)	1,350,805	
Bank overdraft	-	663,948
Corporation tax	3,971	-
	1,529,429	896,427

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 £124,417,000 (2008: £229,897,000) are interest bearing at rates that vary between LIBOR plus 0.5% and LIBOR plus 2.0%. £696,000 (2008: £nil) owed to Wolseley plc and £5,023,000 (2008: £2,582,000) owed to other Group undertakings is non-interest bearing. Financial commitments arising from foreign exchange forward contracts valued at £15,394,000 with Wolseley plc and £29,123,000 with Wolseley Capital Parkview Limited are included within amounts owed to Wolseley plc and other Group undertakings, respectively (2008: £nil).

8. Redeemable ordinary shares

	2009		2008	
	Number	£'000	Number	£'000
Authorised:				
Redeemable ordinary shares of €1 each	2,000,000,000	1,705,175	-	-
Issued, allotted and fully paid:				
Redeemable ordinary shares of €1 each	1,584,359,552	1,350,805	-	-

In December 2008, the Company issued 210,000,000 €1 redeemable ordinary shares at par to Wolseley Group Holdings Limited for cash consideration. In February 2009 the Company issued a further 900,000,000 €1 redeemable ordinary shares to the same company for cash consideration. In July 2009 the Company issued a further 474,359,552 €1 redeemable ordinary shares at par to the same company for cash consideration. The shares are classified as a liability and were accordingly revalued at the year end exchange rate of €1.1729 to £1.

The redeemable ordinary shares are redeemable by the holder of the shares, effected by the holder giving the Company notice of the proposed redemption, the number of shares to be redeemed and the date for redemption. The redemption proceeds payable on each redeemable share is the total of the nominal amount of the redeemable share and the premium originally paid on such redeemable share if any. The redeemable ordinary shares rank pari passu with the Company's ordinary shares in all other respects.

Notes to the financial statements for the year ended 31 July 2009 (continued)

9. Called up share capital

	2009 and 2008	
Authorised:	Number	£'000
Ordinary shares of £1 each	129,531,928	129,532
Issued, allotted and fully paid		
Ordinary shares of £1 each	129,531,928	129,532

10. Reserves

	Share premium account £'000	Profit and loss account £'000
As at 1 August 2008	5,860	6,413
Profit for the financial year	-	15,960
As at 31 July 2009	5,860	22,373

11. Reconciliation of movements in total shareholders' funds

	2009 £'000	2008 £'000
Opening shareholders' funds	141,805	142,790
Profit / (loss) for the financial year	15,960	(985)
Closing shareholders' funds	157,765	141,805

12. Related party transactions

The Company has taken advantage of the exemption available under FRS 8 "Related party disclosures" to dispense with the requirement to disclose transactions with fellow subsidiaries, all of 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 financial statements may be obtained from The Company Secretary, Wolseley plc, Parkview 1220, Arlington Business Park, Theale, Reading, RG7 4GA.