

**Wolseley-Hughes Limited**

**Annual report and financial statements**

**for the year ended 31 July 2010**

Registered number 518206

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## **Directors' report for the year ended 31 July 2010**

The directors present their annual report and the audited financial statements of the Company for the year ended 31 July 2010

### **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.

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

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, are 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 2010 (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 2010 are set out in the Profit and Loss account on page 6.

During the year, no dividends have been paid or proposed (2009: £nil). The profit of £24,578,000 (2009: £15,960,000) has been transferred to reserves.

### **Going concern**

The Company is fully supported by the Group. The directors consider that the Group and Company have adequate resources to continue in operational existence in the foreseeable future. Consequently the financial statements have been prepared on a going concern basis.

### **Directors**

The directors of the Company during the year ended 31 July 2010 and up to the date of signing the financial statements were:

M J R Verner	
S P Webster	Resigned 31 March 2010
M J Webb	Appointed 1 April 2010
Wolseley Directors Limited	

### **Directors' responsibilities statement**

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,
- prepare financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

**Directors' report for the year ended 31 July 2010 (continued)**

**Directors' responsibilities statement (continued)**

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.

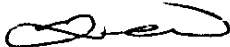
**Statement of disclosure of information to auditors**

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**

Wolseley plc 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

**Registered office:**  
Parkview 1220  
Arlington Business Park  
Theale  
Reading  
Berkshire  
RG7 4GA  
United Kingdom

Date: 21 January 2011

## **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 2010 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 pages 2 and 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 Chapter 3 of Part 16 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 2010 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



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

21 January 2011

**Profit and loss account for the year ended 31 July 2010**

	Notes	2010 £'000	2009 £'000
Interest receivable and similar income	3	40,301	59,564
Interest payable and similar charges	4	(6,616)	(36,178)
<b>Profit on ordinary activities before taxation</b>		<b>33,685</b>	<b>23,386</b>
Tax on profit on ordinary activities	5	(9,107)	(7,426)
<b>Profit for the financial year</b>	11	<b>24,578</b>	<b>15,960</b>

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 on ordinary activities before taxation and the profit for the financial years stated above and their historical cost equivalents



**Wolseley-Hughes Limited**  
**Annual report and financial statements**  
**for the year ended 31 July 2010**

**Balance sheet as at 31 July 2010**

	Notes	2010 £'000	2009 £'000
<b>Current assets</b>			
Debtors amounts due within one year	6	608	1,686,089
Debtors amounts due after one year	6	2,072,113	-
Cash at bank and in hand		-	1,105
		<b>2,072,721</b>	<b>1,687,194</b>
<b>Creditors: amounts falling due within one year</b>	7	<b>(1,757,742)</b>	<b>(1,529,429)</b>
<b>Net current assets</b>		<b>314,979</b>	<b>157,765</b>
<b>Creditors, amounts falling due after one year</b>	8	<b>(132,636)</b>	<b>-</b>
<b>Net assets</b>		<b>182,343</b>	<b>157,765</b>
<b>Capital and reserves</b>			
Called up share capital	10	129,532	129,532
Share premium account	11	5,860	5,860
Profit and loss account	11	46,951	22,373
<b>Total shareholders' funds</b>	12	<b>182,343</b>	<b>157,765</b>

The notes on pages 8 to 12 form part of these financial statements

The financial statements on pages 6 to 12 were approved by the Board on  
and signed on its behalf by

17 January 2011



M J Webb  
Director

**Wolseley-Hughes Limited**  
Registered number: 518206

Date 21 January 2011

## **Notes to the financial statements for the year ended 31 July 2010**

### **1. Accounting policies**

#### **Accounting convention**

These financial statements are prepared on the going concern basis, under the historical cost convention 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.

#### **Going concern**

The Company is fully supported by the Group. The directors consider that the Group and Company have adequate resources to continue in operational existence in the foreseeable future. Consequently the financial statements have been prepared on a going concern basis.

#### **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 2010. 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.

#### **Derivative financial instruments**

The Company uses derivative financial instruments with other Group companies to manage the foreign currency translation risk arising from its operating activities. There is no trading activity in derivative financial instruments. Derivative financial instruments with other Group companies are recognised as assets and liabilities measured at their retranslated values at the balance sheet date. Changes in their retranslated values are recognised in the profit and loss account.

#### **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 (2009: none).

None of the directors received any emoluments in respect of their services to the Company during the year (2009: £nil).

The audit fee for the year of £2,000 (2009: £2,000) was borne by Wolseley (Group Services) Limited and was not recharged to the Company.

### **3. Interest receivable and similar income**

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Bank interest receivable	3	105
Interest receivable from Wolseley plc	8,813	-
Interest receivable from other Group undertakings	29,725	55,419
Exchange gain	1,760	4,040
	<b>40,301</b>	<b>59,564</b>

## Notes to the financial statements for the year ended 31 July 2010 (continued)

### 4. Interest payable and similar charges

	2010 £'000	2009 £'000
Bank overdraft interest payable	113	-
Interest payable to Wolseley plc	-	26,438
Interest payable to other Group undertakings	6,503	9,740
	<b>6,616</b>	<b>36,178</b>

### 5. Tax on profit on ordinary activities

	2010 £'000	2009 £'000
<b>Current tax</b>		
Tax at UK corporation tax rate of 28% (2009 28%)	9,432	6,547
Adjustment in respect of prior years	(325)	879
	<b>9,107</b>	<b>7,426</b>

The standard rate of Corporation tax in the UK will change from 28% to 27% with effect from 1 April 2011

The tax assessed in the year is lower than (2009 higher than) the standard rate of corporation tax in the UK of 28% (2009 28%) The differences are explained below

	2010 %	2009 %
Profit on ordinary activities at standard rate of corporation tax in the UK at 28% (2009 28%)	28	28
Adjustment in respect of prior years	(1)	4
	<b>27</b>	<b>32</b>

### 6. Debtors

	2010 £'000	2009 £'000
<b>Amounts due within one year</b>		
Amounts owed by Wolseley plc	-	612,560
Amounts owed by other Group undertakings	-	1,073,391
Derivatives with Wolseley plc	494	-
Derivatives with other Group undertakings	114	138
	<b>608</b>	<b>1,686,089</b>

Financial commitments arising from foreign exchange forward contracts valued at £494,000 (2009 £nil) with Wolseley plc and £114,000 (2009 £138,000) with Wolseley Overseas Limited are shown separately above At 31 July 2009, amounts owed by both Wolseley plc and other Group undertakings were unsecured, had no fixed repayment terms and were interest bearing at rates that varied between LIBOR plus 0.5% and LIBOR plus 2.0%

At the balance sheet date the Company had entered into short-term foreign exchange forward contracts with Wolseley plc and other Group undertakings The fair value of these contracts is not materially different to the retranslated value stated above The forward contracts are as follows

	2010 Currency '000	2009 Currency '000
Bought forward	EUR 1,584,360	EUR 1,584,360
Sold forward	USD 879,000	USD 862,000
	<b>GBP 817,363</b>	<b>GBP 879,572</b>

**Notes to the financial statements for the year ended 31 July 2010 (continued)**

**6. Debtors (continued)**

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
<b>Amounts due after one year</b>		
Amounts owed by Wolseley plc	<b>624,457</b>	-
Amounts owed by other Group undertakings	<b>1,447,656</b>	-
	<b>2,072,113</b>	-

At 31 July 2010, amounts owed by both Wolseley plc and other Group undertakings are unsecured, are loaned under a three year revolving loan facility expiring 1 August 2013 and are interest bearing at rates that vary between LIBOR plus 0.5% and LIBOR plus 3.5%

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

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Bank overdraft	<b>362,643</b>	-
Bank overdraft interest payable	<b>106</b>	-
Amounts owed to Wolseley plc	<b>9,322</b>	696
Amounts owed to other Group undertakings	<b>2,650</b>	129,440
Derivatives with Wolseley plc	-	15,394
Derivatives with other Group undertakings	<b>59,945</b>	29,123
Redeemable ordinary shares (note 9)	<b>1,318,542</b>	1,350,805
Corporation tax	<b>4,534</b>	3,971
	<b>1,757,742</b>	1,529,429

Financial commitments arising from foreign exchange forward contracts valued at £nil (2009 £15,394,000) with Wolseley plc and £59,945,000 (2009 £29,123,000) with Wolseley Capital Parkview Limited are shown separately above. Amounts owed to both Wolseley plc and other Group undertakings are unsecured and have no fixed repayment terms. £9,322,000 (2009 £696,000) owed to Wolseley plc and £2,650,000 (2009 £5,023,000) owed to other Group undertakings is non-interest bearing. At 31 July 2009 amounts owed to other Group undertakings of £124,417,000 were interest bearing at rates that varied between LIBOR plus 0.5% and LIBOR plus 2.0%.

**8. Creditors: amounts falling due after one year**

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Amounts owed to other Group undertakings	<b>132,636</b>	-

At 31 July 2010 amounts owed to other Group undertakings are unsecured, are borrowed under a three year revolving loan facility expiring 1 August 2013 and are interest bearing at a fixed rate of 4.84%.

**Notes to the financial statements for the year ended 31 July 2010 (continued)**

**9. Redeemable ordinary shares**

	2010	2009
	Number	£'000
2009	Number	£'000
<b>Authorised:</b>		
Redeemable ordinary shares of €1 each	2,000,000,000	1,664,447
	2,000,000,000	1,705,175
<b>Allotted and fully paid:</b>		
Redeemable ordinary shares of €1 each	1,584,359,552	1,318,542
	1,584,359,552	1,350,805

In the year ended 31 July 2009, the Company issued 1,584,359,552 €1 redeemable ordinary shares at par to Wolseley Group Holdings Limited for cash consideration. The shares are classified as a liability and were accordingly revalued at the year end exchange rate of €1 2016 (2009 €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.

**10. Called up share capital**

	2010 and 2009	
	Number	£'000
<b>Authorised:</b>		
Ordinary shares of £1 each	129,531,928	129,532
<b>Allotted and fully paid</b>		
Ordinary shares of £1 each	129,531,928	129,532

**11. Reserves**

	Share premium account £'000	Profit and loss account £'000
As at 1 August 2009	5,860	22,373
Profit for the financial year	-	24,578
<b>As at 31 July 2010</b>	<b>5,860</b>	<b>46,951</b>

**12. Reconciliation of movements in total shareholders' funds**

	2010 £'000	2009 £'000
Opening shareholders' funds	157,765	141,805
Profit for the financial year	24,578	15,960
<b>Closing shareholders' funds</b>	<b>182,343</b>	<b>157,765</b>

**Notes to the financial statements for the year ended 31 July 2010 (continued)**

**13. 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

**14. Ultimate parent company and controlling party**

The immediate parent company is Wolseley Group Holdings Limited. The ultimate parent company and controlling party at 31 July 2010 was Wolseley plc, which is registered in England and was the smallest and largest parent undertaking to consolidate these financial statements as at 31 July 2010. On 25 November 2010 Wolseley plc re-registered as Wolseley Limited. Copies of the Group financial statements may be obtained from The Company Secretary, Wolseley Limited, Parkview 1220, Arlington Business Park, Theale, Reading, RG7 4GA.

On 23 November 2010, a new holding company, also called Wolseley plc, a company which is registered in Jersey, became the ultimate parent company and controlling party.