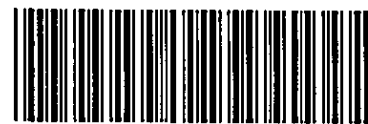


Wolseley Europe Limited
Annual report and accounts
for the year ended 31 July 2006

Registered number 5309042

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Wolseley Europe Limited

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Wolseley Europe 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

Business Review and Principal Activities

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 a sourcing company, leveraging the Group's purchasing power across its European operations. 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 balance sheet on page 6 of the financial statements shows that the company's financial position at the year end has strengthened as it reflects a full 12 months of trading compared with a 33 week prior period. During the period the company entered into new agreements with more of its European suppliers which resulted in an increase in the amount of rebates collected and allocated to Wolseley Group operating companies. In addition the company commenced its product sourcing operations during the year, purchasing products from international suppliers and selling them on to Wolseley Group operating companies. The level of product sourcing is expected to increase in future periods.

Details of amounts owed to the company's parent company and other group undertakings are shown in note 8 on page 9. There have been no significant events since the balance sheet date.

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

There are a number of risks and uncertainties which could have an impact on the company's long-term performance. The company has an extensive risk management structure in place which is designed to identify, manage and mitigate business risk.

Wolseley Europe's products are distributed solely to fellow subsidiaries within the Group and the company's results are consequently dependent on the levels of activity in the respective markets and competitive positions of its fellow subsidiaries. The market price and the availability of the products distributed by the company, such as steel, copper and plastic can fluctuate. These fluctuations can affect the operating results.

The company's growth strategy is principally dependent on consolidating demand from its fellow subsidiaries within the plumbing and heating building materials and complementary distribution businesses.

While the company is not engaged in a 'regulated' industry, its operations are affected by various statutes, regulations and laws in the countries and markets in which it operates. The company monitors regulation across its markets to ensure that the effects of changes are minimised.

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

Wolseley Europe 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

There have been no dividends paid or proposed (2005: £nil). The profit of £109,000 has been transferred to reserves (2005: £212,000).

Directors

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

RH Marchbank

AM Michaelis (resigned 31 December 2006)

RJ Coates (resigned 11 October 2006)

MJ White was appointed a director on 8 December 2006 and DM Kirby was appointed a director on 3 January 2007.

Directors' interest in shares

The notifiable interests of the directors at 31 July 2006 in the 25p ordinary shares of Wolseley plc and options on those shares granted pursuant to the terms of the various Wolseley Share Option and Long Term Incentive Schemes are shown below:

Name of Director	Shares at		Options			
	31.7.2006	31.7.2005	31.7.2006	Granted	Exercised	31.7.2005
AM Michaelis	-	-	64,253	17,552	-	46,701
RJ Coates	-	-	26,125	12,827	-	13,298
Interests in shares under Long term Incentive Plan						
			31.7.2006	Granted	Vested	31.7.2005
AM Michaelis			17,881	9,228	-	8,653
RJ Coates			10,099	5,394	-	4,705

The interests of RH Marchbank, who is also a director of the ultimate parent company, Wolseley plc, are shown in the annual report of that company. No director in office at the end of the year had any beneficial interest in the shares of the company or any fellow subsidiary undertaking in Wolseley plc.

Wolseley Europe 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

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

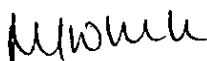
The directors are also responsible for maintaining adequate accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the accounts comply with the Companies Act 1985

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. 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

27 March 2007

Independent auditors' report to the members of Wolseley Europe Limited

We have audited the financial statements of Wolseley Europe 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.

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 profit 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 Europe Limited

Profit and loss account for the year ended 31 July 2006

	Notes	Year ended 31 July 2006 £'000	33 weeks ended 31 July 2005 £'000
Turnover	2	6,680	-
Cost of sales		(2,683)	-
Gross profit		3,997	-
Administrative expenses		(3,836)	-
Other operating income		-	303
Operating profit	4	161	303
Bank interest receivable		5	-
Interest payable to other group undertakings		(10)	-
Profit on ordinary activities before taxation		156	303
Tax charge on profit on ordinary activities	5	(47)	(91)
Retained profit transferred to reserves	10	109	212

The above results all relate to continuing operations

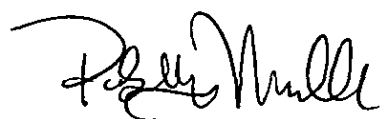
The profit for the financial period includes all recognised gains and losses in the period

Wolseley Europe Limited

Balance sheet as at 31 July 2006

		2006	2005
	Notes	£000	£000
Current assets			
Stock	6	199	-
Debtors	7	8,920	2,340
Cash at bank		4,323	-
Creditors' amounts falling due within one year	8	(13,121)	(2,128)
Net current assets		321	212
Net assets		321	212
Capital and reserves			
Share capital	9	-	-
Profit and loss account	10	321	212
Equity shareholders' funds	11	321	212

Approved by the Board on 27 MARCH 2007 and signed on its behalf by



RH Marchbank
Director

Wolseley Europe Limited

Notes to the accounts for the year ended 31 July 2006

1. Accounting policies

Accounting convention

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

Turnover

Turnover is comprised of the sale of sourced products to other group undertakings and rebates receivable from European suppliers

Turnover from the sale of sourced products is recognised when the risks and rewards of ownership of the products have been transferred to the customer, a Wolseley Group undertaking. The risks and rewards of ownership of goods are deemed to have been transferred when the goods are shipped to, or are picked up by, the customer.

The company has entered into agreements with certain European suppliers that provide for inventory purchase rebates on purchases made by Wolseley Group's European operating companies. These purchase rebates are accrued as earned and recorded as turnover when the products to which they relate are sold by the Wolseley Group. Turnover is shown net of rebates receivable centrally by the company that have or will be allocated to Wolseley Group's European operating companies.

Stock

Stock is stated at the lower of cost and net realisable value.

Foreign currencies

Foreign denominated currency balances are translated at the exchange rate ruling at the balance sheet date with exchange differences arising taken to the profit and loss account.

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

Deferred tax

Deferred tax has been recognised as a liability or asset if transactions have occurred at the Balance Sheet date that give rise to an obligation to pay more tax in the future or a right to pay less tax in the future. An asset is not recognised to the extent that the transfer of economic benefit in the future is uncertain. Deferred tax assets and liabilities have not been discounted.

Provision is made for UK or foreign taxation arising on the distribution to the UK of retained profits of overseas subsidiary undertakings where dividends have been recognised as receivable.

Accrued income

Accrued income is credited to the profit and loss account over the period for which the service is provided or to which the incentive relates.

Wolseley Europe Limited

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

2. Turnover

	Year ended 31 July 2006	33 weeks ended 31 July 2005
	£000	£000
Sales of sourced products	3,067	-
Rebate income	3,613	-
	6,680	-

3. Directors' remuneration

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

4. Operating profit

	Year ended 31 July 2006	33 weeks ended 31 July 2005
	£000	£000
Operating profit is stated after charging		
Administration fee charged by other group undertakings	3,790	-
The administration fee charged to the company relates to staff, travel and other operating costs incurred by other group undertakings on behalf of the company		

5. Tax charge on profit on ordinary activities

	Year ended 31 July 2006	33 weeks ended 31 July 2005
	£000	£000
Corporation tax charge at 30% (2005 30%)		
Current period charge	47	91
	47	91

There are no significant reconciling items between the actual and effective tax rates

Wolseley Europe Limited

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

6. Stock

	2006	2005
	£000	£000
Goods purchased for resale	199	-

7. Debtors

	2006	2005
	£000	£000
Trade debtors	2,276	-
Amounts due from other group undertakings	1,859	-
Accrued income	4,785	2,340
	8,920	2,340

Accrued income relates to rebates receivable from European suppliers

8. Creditors (amounts falling due within one year)

	2006	2005
	£000	£000
Trade creditors	830	-
Corporation tax	-	91
Other tax and social security	194	-
Amounts due to Wolseley plc	725	42
Amounts due to other group undertakings	11,259	1,995
Accruals	113	-
	13,121	2,128

Wolseley Europe Limited

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

9. Called up share capital

	2006 and 2005
	£
Authorised	
1 ordinary class share of £1 each	1
Allotted, issued and fully paid	
1 ordinary class share of £1 each	1

10. Reserves

	Profit and loss account
	£000
As at 1 August 2005	212
Profit for the year	109
As at 31 July 2006	321

11. Reconciliation of movement in shareholders funds

	Shareholders funds
	£000
As at 1 August 2005	212
Profit for the year	109
As at 31 July 2006	321

12. Parent company

The intermediate parent company and 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

13. Related party disclosures

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