

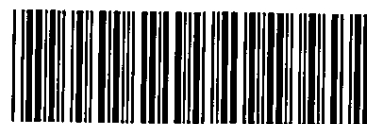
**Wolseley Europe Limited**

**Annual report and financial statements**

**for the year ended 31 July 2007**

Registered number 5309042

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**Directors and advisors**

**Directors**

R M Marchbank  
D M Kirby  
R I Shoylov

**Company Secretary**

A Drew

**Registered Office**

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

**Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants  
1 Embankment Place  
London  
WC2N 6RH  
United Kingdom

## **Directors' report for the year ended 31 July 2007**

The directors present their report and the audited financial statements of the Company for the year ended 31 July 2007

### **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 through 28 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.

During the period the Company entered into further 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 continued 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 further in future periods.

Details of amounts due from and to the Company's parent company and other Group undertakings are shown in notes 7 and 8 on pages 11 and 12. 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**

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. 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 business. 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.

## **Directors' report for the year ended 31 July 2007 (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 for the Company for the year ended 31 July 2007 are set out in the profit and loss account on page 7.

During the year no dividends were paid or proposed (2006: £nil). The loss of £584,000 (2006: Profit of £109,000) has been transferred from reserves.

### **Going Concern**

The Company has net current liabilities due to amounts due to fellow Group undertakings. The Directors have received confirmation from a subsidiary undertaking that it will provide financial support as and when required. Accordingly, the Directors believe that is appropriate for these accounts to be prepared on a going concern basis.

### **Post balance sheet events**

Other than the resignation and appointment of directors outlined below, there are no significant post balance sheet events.

### **Directors**

The directors of the Company during the year ended 31 July 2007 and subsequently were:

R J Coates	(resigned 11 October 2006)
D M Kirby	(appointed 3 January 2007)
R M Marchbank	
A M Michaelis	(resigned 31 December 2006)
R I Shoyilekov	(appointed 9 November 2007)
C P Watters	(appointed 31 May 2007, resigned 9 November 2007)
M J White	(appointed 8 December 2006, resigned 31 May 2007)

**Directors' report for the year ended 31 July 2007 (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,
- 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.

**Auditors and 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.

The auditors, PricewaterhouseCoopers LLP, are willing to continue in office.

By Order of the Board



Alison Drew  
Secretary

20 December 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 2007 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 the 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 Europe 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 2007 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

*7 January 2008*



**Profit and loss account for the year ended 31 July 2007**

	Notes	2007 £'000	2006 £'000
Turnover	2	13,176	6,680
Cost of sales		(11,164)	(2,683)
<b>Gross profit</b>		<b>2,012</b>	<b>3,997</b>
Administrative expenses		(3,132)	(3,836)
<b>Operating (loss)/profit</b>	4	<b>(1,120)</b>	<b>161</b>
Bank interest receivable		160	5
Interest receivable from Wolseley plc		126	-
Interest payable to other Group undertakings		-	(10)
<b>(Loss) / profit on ordinary activities before taxation</b>		<b>(834)</b>	<b>156</b>
Tax credit / (charge) on (loss) / profit on ordinary activities	5	250	(47)
<b>(Loss) / profit for the financial year</b>	10	<b>(584)</b>	<b>109</b>

The loss for the financial year relates to continuing activities and includes all recognised gains and losses in the year above and therefore no separate statement of total recognised gains and losses has been presented

There is no difference between the loss on ordinary activities before tax and the loss for the financial year stated above and their historical cost equivalents

**Balance sheet as at 31 July 2007**

	Notes	2007 £'000	2006 £'000
<b>Current assets</b>			
Stock	6	390	199
Debtors	7	17,046	8,920
Cash at bank and in hand		2,110	4,323
		19,546	13,442
<b>Creditors, amounts falling due within one year</b>	8	(19,809)	(13,121)
<b>Net current (liabilities) / assets</b>		(263)	321
<b>Net (liabilities) / assets</b>		(263)	321
<b>Capital and reserves</b>			
Called up share capital	9	-	-
Profit and loss reserve	10	(263)	321
<b>Total shareholders' (deficit) / funds</b>	11	(263)	321

The notes on pages 9 to 13 form part of these financial statements

The financial statements on pages 7 to 13 were approved by the Board on *20 December* 2007 and signed on its behalf by



R M Marchbank  
 Director

## **Notes to the financial statements for the year ended 31 July 2007**

### **1. Accounting policies**

#### **Accounting convention**

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

#### **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 the 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 2007. Under paragraph 5(a) of Financial Reporting Standard 1 (Revised 1996), 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.

## **Notes to the financial statements for the year ended 31 July 2007 (continued)**

### **1. Accounting policies (continued)**

#### **Going Concern**

The Company has net current liabilities due to amounts due to fellow Group undertakings. The Directors have received confirmation from a subsidiary undertaking that it will provide financial support as and when required. Accordingly, the Directors believe that is appropriate for these accounts to be prepared on a going concern basis.

### **2 Turnover**

	<b>2007</b> <b>£'000</b>	<b>2006</b> <b>£'000</b>
Sales of sourced products	<b>12,203</b>	3,067
Rebate income	<b>973</b>	3,613
	<b>13,176</b>	6,680

### **3. Employee information and directors' remuneration**

The company had no employees during the year under review (2006 nil)

None of the directors received any emoluments in respect of their services to the Company during the year (2006 £nil)

### **4. Operating (loss)/profit**

	<b>2007</b> <b>£'000</b>	<b>2006</b> <b>£'000</b>
Operating (loss)/profit is stated after charging		
Administration fee charged by other Group undertakings	<b>3,132</b>	3,790

The administration fee charged to the Company relates to administrative operating costs incurred by other Group undertakings on behalf of the Company.

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

## Notes to the financial statements for the year ended 31 July 2007 (continued)

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

	2007 £'000	2006 £'000
Tax at UK corporation tax of 30% (2006 30%)	(250)	47

There are no significant reconciling items between the actual and effective tax rate for the year ended 31 July 2007

There has been a change in the rate of corporation tax from 30% to 28% in the budget of March 2007 which will take effect on 1 April 2008

### 6. Stock

	2007 £'000	2006 £'000
Goods purchased for resale	390	199

### 7. Debtors

	2007 £'000	2006 £'000
Trade debtors	2,705	2,276
Amounts owed by Wolseley plc	2,037	-
Amounts owed by other Group undertakings	2,860	1,859
Corporation tax	796	545
Other tax and social security	158	-
Accrued income	8,490	4,240
	17,046	8,920

Accrued income relates to rebates receivable from European suppliers

Amounts owed by Wolseley plc are unsecured, have no fixed repayment terms and are interest bearing at a rate of LIBOR + 0.5%. Amounts owed by other Group undertakings are unsecured, have no fixed repayment terms and do not bear any interest

## Notes to the financial statements for the year ended 31 July 2007 (continued)

### 8. Creditors – amounts falling due within one year

	2007 £'000	2006 £'000
Trade creditors	1,843	830
Other tax and social security	-	194
Amounts owed to Wolseley plc	-	725
Amounts owed to other Group undertakings	17,858	11,259
Accruals	108	113
	<b>19,809</b>	<b>13,121</b>

Amounts owed to other Group undertakings are unsecured, have no fixed repayment terms and do not bear any interest

### 9. Share Capital

	2007 £	2006 £
<b>Authorised:</b>		
1,000 ordinary shares of £1 each	1,000	1,000
<b>Allotted, issued and fully paid</b>		
1 ordinary share of £1 each	1	1

### 10. Reserves

	Profit and loss reserve £'000
As at 1 August 2006	321
Loss for the year	(584)
As at 31 July 2007	(263)

### 11 Reconciliation of movements in shareholders' (deficit) / funds

	2007 £000	2006 £000
Opening shareholders' funds	321	212
(Loss) / profit for the year	(584)	109
Closing shareholders' (deficit) / funds	(263)	(321)

### 12. Ultimate parent company and other controlling party

The intermediate parent company and ultimate parent company 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

**Notes to the financial statements for the year ended 31 July 2007 (continued)**

**13 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

**14. 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

**15. Post balance sheet events**

There are significant post balance sheet events