Registered number: 00636445

Wolseley UK Limited

Annual report and financial statements

for the year ended 31 July 2011

Wolseley UK Limited

Annual report and financial statements for the year ended 31 July 2011

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Directors and advisers

Executive directors
S Ashmore
D Harding
K Jones

Company secretary
G Middlemiss

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Registered number
00636445

Wolseley UK Limited

Directors' report for the year ended 31 July 2011

The Directors present their report and the audited financial statements of the Company for the year ended 31 July 2011

Business review and principal activities
The Company is a wholly owned subsidiary of its ultimate parent company Wolseley plc and operates as part of the UK business of the Wolseley plc group of companies ("the Group")

The Company's principal business activities are that of supplying central heating, plumbing, sanitary equipment, building materials and associated construction related products The Company also acts as a holding company and has a substantial investment in a group of French companies which are also part of the Group There have been no significant changes in the Company's principal activities in the year under review

In July, the Group announced an agreement, subject to competition authority clearance, to dispose of Build Center, the Company's building materials distribution business Build Center employs around 1,600 people and operates through a network of around 150 branches For the year ended 31 July 2011, its turnover was £325 million On 4 November 2011 the Company completed the sale of Build Center, see Post Balance Sheet Events note 27 The management team of the Company is now in a strong position to focus on its core businesses with market leading positions

Plumb and Parts Center is a leading distributor of plumbing and heating products The business operates through a national branch network and can deliver superior fill rates and a wide range of products through its distribution centres The business also supplies a wide range of spares and replacements Efficiencies arise from purchasing volumes, from opportunities to cross-sell and from shared sites During the year, the business continued to deliver strong financial performance in a tough trading environment and continued to look for opportunities to improve customer service and grow sales

Pipe Center and Climate Center distribute pipes, values, fittings, air conditioning and refrigeration products The business has a sound track record of profitability, and volumes are particularly dependent on non-residential new build projects

The smaller UK business units include

- Drain Center, a specialist in above and below ground drainage,

- Integrated Services, which provides outsourced inventory management and procurement services for maintenance activities on a long-term contract basis, mainly to public institutions for example housing associations,

- BCG, which supplies kitchens, bathrooms and associated fittings to other builders' merchants and to retailers

As shown in the Company's profit and loss account on page 9, turnover increased by 3 1% in the year due principally to commodity price inflation This was despite a contract loss in the year where the business was unsuccessful in the retendering of a national supply contract for boilers and parts The existing contract ended on 31 March 2011 and the annual full year impact is estimated to be £70 million in revenue and £5 million in operating profit Public sector activity weakened in the second half of the year but the more resilient RMI sector held up reasonably well

Business review and principal activities (continued)
Operating profit before exceptional items of £58 4 million was slightly higher than last year

Despite strong competition, Plumb and Parts Center was able to improve gross margins and gained market share in the fourth quarter Pipe and Climate and Drain Center performed well, generating strong growth in the period as a result of improved management focus and some benefits from commodity price inflation Both businesses gained market share

As a result of impairment reviews carried out on the investments that the Company has in subsidiary undertakings, exceptional charges totalling £47 1 million (2010 £52 0 million) have been recognised in the profit and loss account £37 7m of the exceptional charges relate to impairment of the Company's investment in Encon Limited On 31 October 2011, the Company announced the sale of its Encon business, see Post Balance Sheet Events note 27 Also, a credit of £4 6 million arose in respect of adjustments to restructuring provisions made in previous years, the largest part of which related to the exit from certain onerous leases on better terms than previously expected A full analysis of exceptional items can be found in note 4

At 31 July 2011 the total number of branches operated by the Company was 1,045 (2010 1,039)

The balance sheet on page 11 and note 19 on page 34 of the financial statements show that the Company's financial position at the year end has, in net assets terms, increased by £7 3 million Details of amounts owed to the parent company are shown in note 14 on pages 30 to 31

Details of post balance sheet events are included in note 27 on page 40

The Group manages its operations on a segmental basis For this reason, the 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 Details of the key performance indicators are shown on pages 8 to 9 of the Group's Annual Report for the year ended 31 July 2011 (''the Group's Annual Report'') The performance of the UK division of the Group, which includes the Company, is discussed on pages 26 to 27 in the Group's Annual Report

Principal risks and uncertainties
There are a number of risks and uncertainties which the Directors believe could have an impact on the Company's long-term performance The Company has in place an extensive risk management programme which is designed to ensure that significant and emerging risks are identified, assessed and managed effectively The principal risks faced by the Company and its management response are summarised below

Market conditions
The Company's products are in the main distributed to professional contractors in connection with commercial, industrial and residential construction projects and the Company's results are consequently dependent on the levels of activity in their markets In light of debt levels in Europe and concerns about economic recovery in the US, there continues to be a risk that markets may fluctuate rapidly or experience a second downturn

As already noted, the Build business was disposed of on 4 November 2011 This has made the Company intrinsically better placed to withstand a second downturn Market conditions are considered in detail during the Strategic Planning process, which includes forecasting and budgeting relating to the current economic climate Performance is constantly monitored through reviews with each business Internal visibility of monthly business performance is being enhanced Cost reduction and pricing initiatives continue to be developed where possible, and there is greater knowledge sharing on these topics across the businesses

Competitive pressures

Current market conditions have further increased competition during the period under review which, if not mitigated, could lead to downward pressure on sales prices and profit margins Gross margin improvement initiatives are a strategic priority for all businesses and the focus is on continuous improvement in customer service, product availability and product mix

Liquidity and funding risks and financial risk management

The Company's risks relating to liquidity and funding and financial management are managed by the Group and are discussed on pages 43 and 37 respectively of the Group's Annual Report

Governmental and other regulations

The Company's operations are affected by various statutes, regulations and laws in the countries and markets in which it operates While the Company is not engaged in a highly regulated industry, it is subject to the laws governing businesses generally, including laws affecting competition, land usage, zoning, the environment, health and safety, transportation, labour and employment practices (including pensions), data protection, and other matters The Company monitors regulation across its markets to ensure that the effects of changes are minimised During the year an updated compliance programme for the prevention of fraud, bribery and corruption was launched Among other regulation, the Company reviewed its policies against the guidance raised by the UK Ministry of Justice regarding compliance with the UK Bribery Act, which came in to force in July 2011

Credit risk

The Company provides sales on credit terms to many of its customers There is an associated risk that customers may not be able to pay outstanding balances due to the Company There are established procedures in place to review and collect outstanding receivables Significant outstanding and overdue balances are reviewed regularly and prompt action is taken Some protection is provided for significant customers through credit insurance arrangements and the Company has a professional, dedicated credit team Appropriate provisions are made promptly for debts that may be impaired

Risks related to international transactions

The Company's risks relating to international transactions are managed by the Group The Group seeks to manage its foreign currency risk and the steps it takes are described on page 37 of the Group's Annual Report

Health, safety and environment

The Company recognises the importance of its environmental responsibilities In relation to health, safety and environment principles, the Company operates in accordance with the Group policies which are described on pages 47 to 48 in the Group's Annual Report Environmental principles include the integration of environmental management into business operations, a commitment to prevent pollution and comply with local environmental legislation and ensuring proper communication with employees on environmental matters Health and safety principles include the prohibition of substance abuse, fleet maintenance in compliance with local legislation, the provision and use of protective clothing and apparatus and full safety training for all employees

Details of the Group's risk management programme are on pages 38 to 43 of the Group's Annual Report

Wolseley UK Limited

Directors' report for the year ended 31 July 2011 (continued)

Employment policies

Details of the number of employees and related costs can be found in note 2 to the financial statements

It is Company policy to give full and fair consideration to applications for employment made by disabled persons, to continue wherever possible the employment of staff who become disabled and to provide equal opportunities for the training and career development of disabled employees

Considerable importance is placed on the involvement of employees The Company is committed to providing employees with information on matters of concern to them on a regular basis, so that the views of employees can be taken into account when making decisions that are likely to affect their interest This is done through formal and informal meetings, in-house publications and the Company's intranet site, which provides up to date information on significant developments in the Group Company employees can participate in the Wolseley plc savings related share option scheme

Results and dividends

The Company's loss for the financial year was £8 1 million (2010 loss of £36 2 million) The Directors do not recommend the payment of a dividend (2010 nil)

Payments to creditors

The number of days creditors outstanding at 31 July 2011 was 99 (2010 115)

It is the Company's policy to establish terms and conditions of trading with their suppliers and to make payments to suppliers within these agreed terms

Donations

During the year the Company made charitable donations of £13,000 (2010 £11,000), principally to local charities serving the communities in which the Company operates

Directors

The Directors of the Company during the year ended 31 July 2011 and up to the date of signing the financial statements were

M J Neville (resigned 31 October 2011)

S Ashmore

D Harding

K Jones (appointed 31 October 2011)

In accordance with the Company's Articles of Association, the Company has always indemnified its directors and officers in respect of liabilities incurred as a result of their office, subject to the limits of law Qualifying third party indemnity provisions (as defined in section 234 Companies Act 2006) have been granted to all directors and officers in office and remain in force The Company has also arranged appropriate insurance cover in respect of legal action against its directors and officers

Directors' report for the year ended 31 July 2011 (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 prepared 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 the 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

Disclosure of information to auditors

So far as the Directors are aware, there is no relevant audit information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware, and each Director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

By order of the Board

G Middlemiss
Company Secretary
15 December 2011

Wolseley UK Limited

Independent auditors' report to the members of Wolseley UK Limited

We have audited the financial statements of Wolseley UK Limited for the year ended 31 July 2011 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, the reconciliation of movement in shareholders' funds, the accounting policies 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 Statement of Directors' responsibilities set out on page 6 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 and express an opinion on 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

In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

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 2011 and of its loss 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

Wolseley UK Limited

Independent auditors' report to the members of Wolseley UK 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

R Casson

Randal Casson (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
15 December 2011

Wolseley UK Limited

Profit and loss account for the year ended 31 July 2011

Continuing operations	Note	2011 Before exceptional items £'000	2011 Exceptional items (note 4) £'000	2011 Total after exceptional items £'000	2010 Before exceptional items £'000	2010 Exceptional items (note 4) £'000	2010 Total after exceptional items £'000
Turnover	1	**1,906,668**	**-**	**1,906,668**	1,849,910	-	1,849,910
Change in stocks of finished goods and in work in progress		**33,205**	**-**	**33,205**	11,782	-	11,782
Other operating income		**27,441**	**-**	**27,441**	27,401	-	27,401
Raw materials and consumables		**(1,461,442)**	**(474)**	**(1,461,916)**	(1,407,896)	(651)	(1,408,547)
Staff costs	2	**(225,523)**	**690**	**(224,833)**	(216,930)	(5,970)	(222,900)
Goodwill amortisation and impairment	8	**(8,767)**	**(6,283)**	**(15,050)**	(8,781)	(170)	(8,951)
Tangible fixed assets depreciation and impairment	10	**(15,701)**	**-**	**(15,701)**	(17,162)	(2,076)	(19,238)
Investment impairments	11	**-**	**(47,068)**	**(47,068)**	-	(51,952)	(51,952)
Other operating charges		**(197,473)**	**2,722**	**(194,751)**	(182,511)	(15,232)	(197,743)
Operating profit / (loss)	3	**58,408**	**(50,413)**	**7,995**	55,813	(76,051)	(20,238)
Profit / (loss) on sale of tangible fixed assets	10	**5,903**	**266**	**6,169**	1,036	(470)	566
Income from shares in group undertakings	5	**52,969**	**-**	**52,969**	31,590	-	31,590
Profit / (loss) on ordinary activities before interest		117,280	**(50,147)**	**67,133**	88,439	(76,521)	11,918
Interest receivable and similar income	6	**12,702**	**-**	**12,702**	16,658	-	16,658
Interest payable and similar charges	6	**(67,648)**	**-**	**(67,648)**	(51,285)	-	(51,285)
Other finance expenses	22	**(10,200)**	**-**	**(10,200)**	(7,800)	-	(7,800)
Profit / (loss) on ordinary activities before tax		**52,134**	**(50,147)**	**1,987**	46,012	(76,521)	(30,509)
Tax on profit / (loss) on ordinary activities	7	**6,054**	**(16,157)**	**(10,103)**	(11,807)	6,119	(5,688)
Profit / (loss) for the financial year		**58,188**	**(66,304)**	**(8,116)**	34,205	(70,402)	(36,197)

There is no material difference between the results as described in the profit and loss account above and the results on an unmodified historical cost basis The accounting policies and notes on pages 12 to 40 form part of these financial statements

Wolseley UK Limited

Statement of total recognised gains and losses for the year ended 31 July 2011

	Note	2011 £'000	2010 £'000
Loss for the financial year	18	**(8,116)**	(36,197)
Actuarial gain/(loss) recognised on pension scheme	22	**12,947**	(83,191)
Movement on deferred tax relating to pension liability	13	**(8,328)**	18,967
Movement on current tax relating to pension liability		**-**	1,420
Currency translation differences	18	**10,782**	5,065
Total recognised gain/(loss) for the year		**7,285**	(93,936)

Wolseley UK Limited

Balance sheet as at 31 July 2011

Registered number 00636445

	Note	2011 £'000	2010 £'000
Fixed assets			
Intangible assets goodwill	8	**69,515**	84,565
Intangible assets other	9	**6,175**	-
Tangible assets	10	**141,450**	146,425
Investments in subsidiary undertakings	11	**2,012,585**	1,981,774
		2,229,725	2,212,764
Current assets			
Stock	12	**258,417**	225,212
Debtors amounts falling due within one year	13	**749,381**	820,665
Debtors amounts falling due after more than one year	13	**20,485**	55,926
Cash at bank and in hand		**40,837**	457
		1,069,120	1,102,260
Creditors: amounts falling due within one year	14	**(1,039,359)**	(1,017,721)
Net current assets		**29,761**	84,539
Total assets less current liabilities		**2,259,486**	2,297,303
Creditors: amounts falling due after more than one year	14	**(996,577)**	(992,795)
Provisions for liabilities	15	**(50,465)**	(78,942)
Net assets excluding pension deficit		**1,212,444**	1,225,566
Pension deficit	22	**(191,213)**	(211,620)
Net assets including pension deficit		**1,021,231**	1,013,946
Capital and reserves			
Called up share capital	16	**24,531**	24,531
Share premium account	17	**845,108**	845,108
Revaluation reserve	18	**428**	428
Foreign currency retranslation reserve	18	**38,931**	28,149
Profit and loss account	18	**112,233**	115,730
Total shareholders' funds	19	**1,021,231**	1,013,946

The financial statements on pages 9 to 40 were approved by the board of Directors on 15 December 2011 and were signed on its behalf by

D J Harding

D Harding
Director

Wolseley UK Limited

Accounting policies for the year ended 31 July 2011

Basis of accounting
The financial statements are prepared on the going concern basis, under the historic cost convention, as modified by the inclusion of certain properties at a valuation, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom A summary of the principal accounting policies applied consistently is set out below

Exceptional items
Exceptional items are those material items which, by virtue of their size or incidence, are presented separately in the profit and loss account to enable a full understanding of the Company's financial performance Transactions which may give rise to exceptional items include restructurings of business activities, gains or losses on the disposal of businesses and the impairment of investments

Turnover
Turnover is the amount derived from the provision of goods and services falling within the Company's ordinary activities, estimated and actual sales returns, trade and early settlement discounts, value added tax and similar sales taxes

Revenue from the provision of goods is recognised when the risks and rewards of ownership of goods have been transferred to the customer 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

Revenue from services, including rental income, is recognised when the service provided to the customer has been completed

Other operating income
Other operating income includes settlement discounts receivable on inventory purchases from suppliers and income from group undertakings for the provision of services to them

Impairment of fixed assets
In accordance with FRS 11, "Impairment of Fixed Assets and Goodwill", fixed assets are subject to review for impairment Any impairment is recognised in the profit and loss account or revaluation reserve as appropriate in the year in which it occurs

Intangible assets: goodwill
Goodwill arising on acquisitions represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired and is capitalised and amortised over its estimated useful life Following publication of FRS 10, "Goodwill and Intangible Assets", a revised policy for goodwill was adopted with effect from 1 August 1998

Goodwill arising from acquisitions completed on or after that date is capitalised and amortised on a straight-line basis over a period of not more than 20 years Goodwill arising on acquisitions prior to 1 August 1998 has not been restated on the balance sheet

All goodwill has been allocated to income generating units ("IGUs") These are independent sources of income streams, and represent the lowest level within the Company at which associated goodwill is monitored for management purposes, typically brand level The Company tests annually for impairment or more frequently if there are indications that goodwill might be impaired If testing at the IGU level indicates impairment then this is allocated across the statutory entities on which the goodwill initially arose

Intangible assets: goodwill (continued)
The recoverable amount of the IGUs is determined from value in use calculations These calculations use cash flow projections based on five year financial forecasts approved by management The key assumptions for these forecasts are those regarding revenue growth, net margin and level of working capital to support trading, which management estimates based on past experience and expectations of future changes in the market To prepare value in use calculations, the cash flow forecasts are extrapolated after the five year period at an estimated average long-term nominal growth rate of 2 5% for each market (2010 2 5%), and discounted back to present value The discount rate assumptions use an estimate of the weighted average cost of capital, based on the five year historic volatility of the Group's shares and on benchmark interest rates, adjusted for the risk attributable to individual IGUs For the year ended 31 July 2011 the post tax discount rate used was 8 3% (2010 8 3%)

The net assets of businesses acquired are incorporated in the Company at their fair value Fair value adjustments relate principally to adjustments necessary to bring the accounting policies of the acquired businesses into line with those of the Company but may also include other adjustments necessary to restate assets and liabilities at their fair values at the date of acquisition

Intangible assets: other
Computer software that is not integral to an item of property, plant and equipment is recognised separately as an intangible asset and is carried at cost less accumulated amortisation and accumulated impairment losses Costs include software licences and consulting costs attributable to the development, design and implementation of the computer software and internal costs directly attributable to the development, design and implementation of the computer software Costs in respect of training and data conversion are expensed as incurred Amortisation is calculated using the straight-line method so as to charge the cost of the computer software to the profit and loss account statement over its estimated useful life (three to five years)

Tangible fixed assets and depreciation
Tangible fixed assets are stated at historic purchase cost less accumulated depreciation Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use Depreciation is provided on all tangible fixed assets (except freehold land) on a straight-line basis to write off the cost or valuation of those assets, less their residual values, over their estimated useful lives The principal rates of depreciation are as follows

Land and buildings	2% - life of lease
Plant and machinery	10 - 15%
Fixtures, fittings, tools and equipment	15 - 33⅓%
Motor vehicles	25%

The Company has adopted the transitional arrangements of FRS 15, "Tangible Fixed Assets" and therefore the carrying amount of fixed assets reflects previous revaluations, which have not been restated to depreciated historical cost

Fixed assets investments
Fixed asset investments are recorded at cost less provision for impairment The Company assesses at each balance sheet date whether there is objective evidence that an investment or a group of investments is impaired An impairment loss is recognised for the amount by which the investment's carrying amount exceeds its recoverable amount The recoverable amount is the higher of an investments net assets and value in use

Leased assets
Costs in respect of operating leases are charged on a straight-line basis over the period of the lease

Wolseley UK Limited

Accounting policies for the year ended 31 July 2011 (continued)

Properties awaiting disposal
Properties awaiting disposal are transferred to current assets at the lower of net written down value and estimated net realisable value Depreciation is not applied to property awaiting disposal but the carrying value is reviewed annually and written down through the profit and loss account to current estimated net realisable value if lower than the carrying amount

Stock
Stock is valued at the lower of cost and net realisable value, due allowance being made for obsolete or slow moving items Goods purchased for resale are stated at cost on a first in, first out basis

Trade debtors
Trade debtors are recognised initially at fair value and measured subsequently at amortised cost using the effective interest method, less provision for impairment A provision for impairment of trade debtors is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables

In December 2008 the Company entered into a debtors funding arrangement which involved the sale of certain debtors to a counterparty As the Company had transferred substantially all of the credit and late payment risk to the counterparty, advances made against purchased invoices were derecognised in the balance sheet of the Company The arrangement ceased on 27 May 2011

Cash at bank and in hand
Cash includes cash in hand, deposits held at call with banks and bank overdrafts Bank overdrafts are shown within borrowings in current liabilities on the balance sheet to the extent that there is no right of offset and no practice of net settlement with cash balances

Foreign currencies
Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date The operating results of overseas branches are translated into sterling using average rates of exchange ruling during the relevant period Assets and liabilities of overseas branches operations are translated at the exchange rate ruling at the balance sheet date and accounted for under the net investment method

All currency translation differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against foreign currency equity investments Exchange differences arising on the borrowings are recognised in reserves to the extent that they are covered by exchange differences arising on the equity investments

Balances denominated in foreign currency at the balance sheet date were translated at the following rate

1 GBP = 1 1407 EUR

Derivatives and financial instruments
Derivative financial instruments, in particular, currency swaps and forwards, are used to hedge the risk of changes in exchange rates on foreign currency equity investments There is no trading activity in derivative financial instruments

Foreign currency gains and losses arising on settlement of foreign currency swaps and forwards are recognised in reserves to the extent that they are covered by exchange differences arising on the equity investments hedged

Wolseley UK Limited

Accounting policies for the year ended 31 July 2011 (continued)

Deferred tax
Provision is made for deferred tax in so far as a liability or asset arises as a result of transactions that have occurred by the balance sheet date and give rise to an obligation to pay more tax in the future, or a right to pay less tax in the future A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward losses and from which the future reversal of underlying timing differences can be deducted Deferred tax assets and liabilities recognised have not been discounted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date

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

Provisions
Provisions are recognised when the Company has a present obligation as a result of a past event, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated

Provision is made against the estimated costs to be incurred under leasehold property dilapidation claims anticipated in respect of properties within ten years of the end of the lease period Within the dilapidations provision, a decommissioning provision for distribution centres is recognised, being the present value of management's best estimate of the expenditure required to settle the present obligation at that balance sheet date The discount rate used to determine the present value reflects market assessments of the time value of money

Provision is made for restructuring costs based on management's estimation of the outflow of resources required to settle the obligation

Environmental liabilities include known and potential legal claims and environmental liabilities

A warranty provision for goods sold by the Company under its own brand label is made based upon historic data of returns from customers

Share-based payments
Share-based incentives are provided to employees under the Group's executive share option, long-term incentive and employee share purchase schemes The Company recognises a compensation cost in respect of these schemes that is based on the fair value of the awards, measured using Black-Scholes, Binomial and Monte Carlo valuation methodologies For equity-settled schemes, the fair value is determined at the date of grant (including the impact of any non-vesting conditions such as a requirement for employees to save) and is not subsequently remeasured unless the conditions on which the award was granted are modified For cash-settled schemes, the fair value is determined at the date of grant and is re-measured at each balance sheet date until the liability is settled

Wolseley UK Limited

Accounting policies for the year ended 31 July 2011 (continued)

Share-based payments (continued)
The fair value at the date of grant of options awarded during the year has been estimated by the binomial methodology for all schemes except the long term incentive scheme, for which a Monte Carlo simulation was used The fair value of the shares granted under the Wolseley Restricted Share Plan was calculated as the market price of the shares at the date of grant reduced by the present value of dividends expected to be paid over the vesting period

Generally, the compensation cost is recognised on a straight-line basis over the vesting period Adjustments are made to reflect expected and actual forfeitures during the vesting period due to the failure to satisfy service conditions or achieve non-market performance conditions

Pensions
The Company participates in the Wolseley Group Retirement Benefits Plan ("the Plan"), a defined benefit pension arrangement that provides benefits to employees within the Group The assets of the Plan are held separately from the Company's assets

Scheme assets are measured using market value Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond rate of equivalent terms and currency to the liability

A credit representing the expected return on the assets of the Plan during the year is included within other finance income This is based on the market value of the assets of the Plan at the start of the financial year Other finance income includes an interest expense charge representing the expected increase in the liabilities of the scheme during the year This arises from the liabilities of the Plan being one year closer to payment

Differences between actual and expected returns on assets during the year are recognised in the statement of total recognised gains and losses in the year, together with differences arising from changes in assumptions

The difference between the market value of assets and the present value of accrued pension liabilities is shown as an asset or liability in the balance sheet net of deferred tax

During the year ended 31 July 2009, the Plan was closed to new members and a defined contribution scheme was established The assets of the defined contribution scheme are held separately from those of the company in an independently administered fund The pension cost charge disclosed in note 2 represents contributions payable by the Company to the fund

Share capital
The Company only has one class of issued share, ordinary shares, which are classified as equity

Cash flow statement
Wolseley plc, the Company's ultimate parent company (note 26), has included a cash flow statement in its group financial statements for the year ended 31 July 2011 Under FRS 1, "Cash Flow Statements (Revised 1996)" no cash flow statement is therefore required in the financial statements of this company

Group financial statements
As permitted by Section 400 of the Companies Act 2006, consolidated financial statements have not been prepared because the Company itself is a wholly owned subsidiary of its ultimate parent company Wolseley plc (note 26) and its results are included in the consolidated financial statements of that company

Wolseley UK Limited

Notes to the financial statements for the year ended 31 July 2011

1 Turnover

Turnover originates primarily from the UK and relates entirely to the principal activities Turnover and operating profit derived from overseas is not material to the results as a whole

2 Staff costs

	2011 **£'000**	2010 £'000
Staff costs (including directors)		
Wages and salaries	**184,935**	183,108
Social security costs	**15,542**	14,175
Pension costs – defined benefit schemes	***20,467**	*19,019
Pension costs – defined contribution schemes	**1,079**	229
Share-based payments granted to directors and employees (note 23)	**1,567**	1,915
Redundancy costs	**1,243**	4,454
	224,833	222,900

Exceptional staff costs of £690,000 credit (2010 £5,970,000 charge) are included above and are broken down as follows, wages and salaries £8,000 credit (2010 £2,079,000 charge), social security costs £nil (2010 £342,000 charge), redundancy costs £82,000 credit (2010 £3,924,000 charge) and pension costs £600,000 credit (2010 £375,000 credit) that include £600,000 credit (2010 £400,000 credit) relating to pension curtailment gain

*Pension costs to defined benefit schemes shown above are the costs to the Company In addition pension costs of £1,133,000 (2010 £1,628,000) were met by other group companies The total pension cost for the Plan was £21,600,000 (2010 £20,647,000) (note 22)

	2011 **Number**	2010 Number
Average monthly number of employees and directors		
Distribution	**6,943**	6,966
Administration	**577**	535
	7,520	7,501

Wolseley UK Limited

Notes to the financial statements for the year ended 31 July 2011 (continued)

2 Staff costs (continued)

	2011 £'000	2010 £'000
Directors' remuneration (excluding pension contributions) comprises		
Emoluments	**1,242**	793

Emoluments (excluding pension contributions) of the highest paid director		
Aggregate emoluments	**509**	419
Accrued pension at end of year	**12**	10

	2011 Number	2010 Number
Number of directors accruing benefits under defined benefit pension scheme	**3**	3

All of the Directors of the Company are members of a defined benefit scheme as referred to in note 22

Directors' emoluments for the year ended 31 July 2011 includes the emoluments of 3 Directors for a full year whereas the prior year includes 2 Directors for the full year and 1 Director for 1 month

No Directors exercised any share options during the year ended 31 July 2011 or 31 July 2010

The Company did not pay any amounts to a money purchase scheme from which a Director would receive retirement benefits

The emoluments of D Harding were paid by the fellow Group company Wolseley (Group Services) Limited, which recharges the Company for his services and so these costs are included above

All of the Directors were also Directors of a number of fellow subsidiaries during this and the preceding financial years It is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries and so the above details include all emoluments in respect of their services with none recharged to the subsidiaries

Wolseley UK Limited

Notes to the financial statements for the year ended 31 July 2011 (continued)

3 Operating profit before exceptional items

	2011	2010
	£'000	£'000
Operating profit is stated after charging/(crediting)		
Operating lease rentals		
- Plant and machinery	**5,230**	5,642
- Other	**31,579**	34,190
Rent receivable	**(199)**	(155)
Services provided by the Company's auditors:		
Fees payable for the audit of financial statements pursuant to legislation	**350**	200
Fees payable for services relating to taxation	**200**	138

4 Exceptional items

Exceptional items are analysed as follows

	2011	2010
	£'000	£'000
Stock impairment	**474**	651
Staff costs (note 2)	**(690)**	5,970
Goodwill impairment (note 8)	**6,283**	170
Impairment of fixed assets	**-**	2,076
Impairment of investments (note 11)	**47,068**	51,952
Other operating charges		
- Property costs including provisions for future lease rentals on closed branches	**(4,617)**	13,392
- Write off balances relating to strike off of subsidiary undertakings (note 11)	**(2,114)**	-
- Professional fees incurred relating to transactions completed post year end (note 27)	**3,878**	-
- Other	**131**	1,840
(Gain)/loss on disposal of fixed assets - asset write downs (note 10)	**(266)**	470
	50,147	76,521

Included in the items above are credits of £4,458,000 (2010 £13,006,000) relating to the release of amounts from the restructuring provision (note 15)

The tax credit for the year includes a tax charge of £16,157,000 (2010 £6,119,000 credit) relating to exceptional items

5 Income from shares in group undertakings

	2011 £'000	2010 £'000
Income from shares in group undertakings	**52,969**	31,590

The income from shares in group undertakings represents dividends paid by B Participations SAS of £24,123,000 (2010 £31,590,000), Encon Limited of £16,876,000 (2010 £nil) and Nevill Long Limited of £11,970,000 (2010 £nil)

6 Interest

Interest receivable and similar income

	2011 £'000	2010 £'000
Interest on cash deposits	**981**	283
Interest receivable from group undertakings	**11,221**	11,875
Valuation gains on financial instruments	-	45
Other interest receivable	**500**	4,455
	12,702	16,658

In 2010, other interest receivable included the exchange differences arising on the retranslation of foreign currency loans from parent and group undertakings of £3,845,000

Interest payable and similar charges

	2011 £'000	2010 £'000
Interest on bank loans and overdrafts	**18,772**	15,040
Interest payable to group undertakings	**38,030**	30,071
Valuation losses on financial instruments	**945**	2,433
Discount charge on receivables funding arrangements (note 13)	**2,199**	2,137
Other interest payable	**7,702**	1,604
	67,648	51,285

Other interest payable includes the unwinding of discounts (note 15) on long term provisions of £2,612,000 (2010 £1,163,000), and the exchange differences arising on the retranslation of foreign currency loans from parent and group undertakings of £5,038,000 (2010 £nil)

Wolseley UK Limited

Notes to the financial statements for the year ended 31 July 2011 (continued)

7 Tax on profit on ordinary activities

The tax (credit)/charge for the financial year comprises	**2011 £'000**	2010 £'000
Current tax		
UK corporation tax on profit/(loss) for the financial year	**(8,507)**	6,782
Adjustment in respect of the prior years	**(5,839)**	(1,355)
Total current tax charge	**(14,346)**	5,427
Deferred tax		
Current year	**17,517**	(5,392)
Adjustment in respect of the prior years	**(142)**	5,580
Movement on deferred tax relating to pension liability	**7,074**	73
Total deferred tax (note 13)	**24,449**	261
Tax on profit on ordinary activities	**10,103**	5,688

The tax charge for the financial year is lower (2010 lower) than the standard rate of corporation tax in the UK of 27% (2010 28%) The differences are explained below

Tax reconciliation	**2011 %**	2010 %
Standard UK corporation tax rate	**27**	28
Non-deductible and non-taxable items	**498**	(60)
Deferred tax origination and reversal of timing differences	**(621)**	(19)
Foreign income covered by UK dividend exemption	**(332)**	29
Adjustment in respect of the prior years	**(294)**	4
Effective current tax rate on profit on ordinary activities before tax	**(722)**	(18)

Included in non-deductible and non-taxable items are exceptional permanent disallowable items which contribute 775% (2010 40%) of the 498% (2010 60%) shown above These exceptional permanent disallowable items include impairment of goodwill and investments and professional fees relating to transactions completed post year end (note 27) (2010 impairment of goodwill and investments)

7 Tax on loss on ordinary activities (continued)

Dunng the year, as a result of the changes in the UK main corporation tax rate to 26% that was substantively enacted on 29 March 2011 and that will be effective from 1 Apnl 2011, and to 25% that was substantively enacted on 5 July 2011 and that will be effective from 1 April 2012, the relevant deferred tax balances have been re-measured

Further reductions to the UK corporation tax rate were announced in the March 2011 Budget The changes, which are expected to be enacted separately each year, propose to reduce the rate by 1% per annum to 23% by April 2014 The changes had not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements

8 Intangible assets: goodwill

	Goodwill
	£'000
Cost	
At 1 August 2010 and 31 July 2011	**185,017**
Accumulated amortisation and impairment	
At 1 August 2010	100,452
Charge for the year	8,767
Exceptional impairment charge	6,283
At 31 July 2011	**115,502**
Net book value	
At 31 July 2011	**69,515**
At 31 July 2010	84,565

On acquisitions to date a life of 20 years has been determined to reflect the estimated useful economic life and goodwill is being amortised on a straight-line basis over this period

Impairment tests were performed for all IGUs during the year ended 31 July 2011 These impairment reviews have resulted in an exceptional impairment charge of £6,283,000 for the BCG branded companies

Notes to the financial statements for the year ended 31 July 2011 (continued)

9 Intangible assets: other

	Software costs
	£'000
Cost	
At 1 August 2010	3,408
Additions	6,175
At 31 July 2011	**9,583**
Accumulated amortisation	
At 1 August 2010	3,408
Charge for the year	-
At 31 July 2011	**3,408**
Net book value	
At 31 July 2011	**6,175**
At 31 July 2010	-

The amortisation charge for the year of £nil (2010 £80,000) is included within 'Other operating charges' on the face of the profit and loss account

The additions in the year had not been brought into use at the year end and so no amortisation has been accounted for

Notes to the financial statements for the year ended 31 July 2011 (continued)

10 Tangible assets

	Land and buildings £'000	Plant and machinery £'000	Fixtures, fittings, tools and equipment £'000	Motor vehicles £'000	Total £'000
Cost or valuation					
At 1 August 2010	181,330	45,847	98,063	28,183	353,423
Additions	3,098	4,509	8,014	174	15,795
Disposals	(5,718)	(1,471)	(3,952)	(6,603)	(17,744)
Reclassifications	76	-	(76)	-	-
Transfer to property awaiting disposal	(807)	-	-	-	(807)
Transfer from/(to) group companies	627	(109)	55	(1,298)	(725)
At 31 July 2011	**178,606**	**48,776**	**102,104**	**20,456**	**349,942**
Accumulated depreciation and impairment					
At 1 August 2010	70,586	39,905	70,442	26,065	206,998
Depreciation charge for year	5,432	2,285	6,438	1,546	15,701
Disposals	(1,972)	(1,426)	(2,981)	(6,609)	(12,988)
Reclassifications	32	(5)	(28)	1	-
Transfer to property awaiting disposal	(354)	-	-	-	(354)
Transfer from/(to) group companies	298	(79)	48	(1,132)	(865)
At 31 July 2011	**74,022**	**40,680**	**73,919**	**19,871**	**208,492**
Net book value					
At 31 July 2011	**104,584**	**8,096**	**28,185**	**585**	**141,450**
At 31 July 2010	110,744	5,942	27,621	2,118	146,425

Land and buildings cost or valuation

	2011 £'000	2010 £'000
Property valuation completed in 1974	**573**	573
Cost	**178,033**	180,757
	178,606	181,330

10 Tangible assets (continued)

The profit on sale of tangible fixed assets of £6,169,000 (2010 £566,000 gain) on the face of the profit and loss account comprises of a profit on disposal of fixed assets £810,000 (2010 £971,000 loss) and profit on disposal of properties held in property awaiting disposal £5,359,000 (2010 £1,537,000 profit)

Included within the profit on disposal are exceptional items of £266,000 credit (2010 £470,000 charge) relating to the disposal of closed branches

Cost or valuation of land and buildings comprises

	2011 £'000	2010 £'000
Freehold	**119,929**	121,763
Long leasehold	**10,978**	11,271
Short leasehold	**47,699**	48,296
	178,606	181,330

Freehold land, which is included above and amounts to £31,544,000 (2010 £27,492,000), is not depreciated

Historical cost
If certain land and buildings had not been revalued, the aggregate amount of land and buildings at 31 July would have been

	2011 £'000	2010 £'000
Historical cost	**178,172**	180,896
Accumulated depreciation based on cost	**(73,811)**	(70,389)
Net book value	**104,361**	110,507

Future capital expenditure authorised by the Directors
There is no future capital expenditure authorised by the directors that is contracted but not provided in the financial statements (2010 £nil)

Wolseley UK Limited

Notes to the financial statements for the year ended 31 July 2011 (continued)

11 Fixed assets investments

Interest in subsidiary undertakings

	£'000
Cost	
At 1 August 2010	2,070,532
Additions	1,212
Exchange gain on translation	89,772
Disposals	(15,699)
At 31 July 2011	**2,145,817**
Provision	
At 1 August 2010	88,758
Exceptional impairment charge	47,068
Disposals	(2,594)
At 31 July 2011	**133,232**
Net book value	
At 31 July 2011	**2,012,585**
At 31 July 2010	1,981,774

Following a review of the carrying value of its investments, the Company's investments in Encon Limited, AC Electrical Limited, Nevill Long Limited and Hall & Co Limited have been impaired by £37,701,000, £588,000, £8,634,000 and £145,000 respectively This has resulted in an exceptional impairment charge of £47,068,000

On 26 April 2011, the subsidiary undertakings Lunts Heath Limited, K&R Building Supplies Limited, Ivybridge Building Supplies Limited, HGH Plumbing Supplies Limited, RJ Hosking Building Supplies Limited, Instalrite Plastics Limited and High Cool Limited were struck off and their combined investment value of £13,105,000 (shown as disposals above) was written off to the profit and loss account Intercompany balances with these entities of £15,219,000 were also written back resulting in a net credit of £2,114,000 included within exceptional other operating charges in the profit and loss account (note 4)

The addition of £1,212,000 consists of 100% ordinary share capital of King and Company (1744) Limited transferred to the Company from a subsidiary undertaking

The exchange gain on translation of £89,772,000 arises from the retranslation at the balance sheet date of investments in subsidiary undertakings denominated in foreign currencies

The Directors believe that the carrying values of all investments are supported by their underlying net assets

11 Fixed assets investments (continued)

Principal subsidiary undertakings	Country of incorporation or registration	Proportion of ordinary shares held	Activity
B Participations SAS	France	100%	Investment holding company
Wolseley France SAS	France	100%	Investment holding company
Brossette BTI SA	France	100%	Plumbing and heating company
Pinault Bois et Matériaux SA	France	100%	Building materials company
Bathstore com Limited	England	100%	Bathroom retailer
Encon Limited	England	100%	Distributor of insulation products
William Wilson Holdings Limited	England	100%	Plumbing, heating and electrical supplier

12 Stock

	2011 **£'000**	2010 £'000
Goods purchased for resale	**258,417**	225,212

In the opinion of the Directors there is no material difference between the value of stock as disclosed in the balance sheet and their replacement cost at the balance sheet date

13 Debtors

	2011 **£'000**	2010 £'000
Amounts falling due within one year		
Trade debtors	**312,497**	200,685
Amounts owed by ultimate parent undertaking	**336,821**	426,276
Amounts owed by group undertakings	**18,942**	96,831
Corporation tax	**8,986**	6,825
Other debtors	**9,902**	17,388
Prepayments and accrued income	**62,233**	72,660
	749,381	820,665

Wolseley UK Limited

Notes to the financial statements for the year ended 31 July 2011 (continued)

13 Debtors (continued)

	2011 £'000	2010 £'000
Amounts falling due after more than one year		
Other debtors	**11,406**	29,436
Deferred tax asset	**9,079**	26,490
	20,485	55,926

The amount owed by the parent undertakmg attracts mterest at a rate of one year LIBOR + 0 5% (2010 one year LIBOR + 0 5%) and is unsecured

The amount owed by the group undertakmgs consists of £18,942,000 (2010 £84,350,000) of tradmg balances with no mterest charged, repayment due withm the normal terms of busmess and unsecured In 2010, the amount owed by group undertakmgs also mcluded an amount of €14,997,000 equivalent of £12,481,000 at a rate of one year LIBOR + 0 75% which was repayable on 31 July 2011

On 1 December 2008 the Company entered mto a receivables fundmg arrangement of up to £100,000,000, committed for two years and on 24 July 2009 this arrangement was mcreased to up to £140,000,000 On 30 July 2010 the agreement was extended for a further two years, effective 2 November 2010 On 27 May 2011 the arrangement was termmated The arrangement mvolved the sale of certam receivables to a counterparty, for which the Company was paid substantially all of the receivable m advance and the balance on collection These receivables contmued to be collected by the Company and were then paid over to the counterparty

As the Company had transferred substantially all of the credit and late payment risk to the counterparty, advances made agamst purchased mvoices were derecognised m the balance sheet of the Company At 31 July 2011 £nil (2010 £139 6 million) of fundmg m total had been received, resultmg m derecognition of £nil (2010 £104 7 million) from trade debtors, for receivables not yet collected and a reduction of £nil (2010 £34 9 million) from cash at bank, for receivables collected by the Company but not yet paid over to the counterparty Discount charges on the receivables fundmg arrangement mcluded m mterest payable were £2 2 million m the year ended 31 July 2011 (2010 £2 1 million)

On 3 June 2010 the Company entered mto an agreement whereby a third party assumed responsibility for the management of a number of vacant property leases Provision for all these onerous leases are mcluded withm the restructurmg provision m note 15 The contract mvolved a series of annual payments to the third party Advanced payments of £14,426,000 were made m the year ended 31 July 2011 (2010 £18,156,000) The remainmg mstalments have been mcluded m other creditors due withm one year of £6,500,000 (2010 £11,500,000) and after more than one year of £7,544,000 (2010 £18,111,000) The advanced payments made but not yet due are mcluded m other debtors due withm one year £5,474,000 (2010 £14,599,000) and after more than one year £10,099,000 (2010 £29,036,000)

Wolseley UK Limited

Notes to the financial statements for the year ended 31 July 2011 (continued)

13 Debtors (continued)

The elements of deferred tax are as follows	**2011**	2010
	£'000	£'000
Accelerated capital allowances	**20,439**	23,892
Tax losses carried forward	**-**	-
Other timing differences	**(11,360)**	2,598
Deferred tax asset	**9,079**	26,490
The movements in the deferred tax balance were as follows		
Asset at beginning of year	**26,490**	27,360
Amount charged to the profit and loss account	**(17,411)**	(870)
Asset at end of year	**9,079**	26,490

Deferred tax reconciliation	**2011**	2010
	£'000	£'000
Asset at beginning of year	**26,490**	27,360
Deferred tax asset included within net pension deficit at beginning of year	**79,105**	59,529
Total asset	**105,595**	86,889
Amount charged to the profit and loss account (note 7)	**(24,449)**	(261)
Amount taken directly to reserves (note 18)	**(8,328)**	18,967
Asset at end of year	**72,818**	105,595

No provision has been made for deferred tax gains recognised on revaluing property to its market value or on the sale of properties where potentially taxable gains have been rolled over into replacement assets Such tax would become payable only if the property were sold without it being possible to claim rollover relief The total amount unprovided for is £9 4 million (2010 £10 6 million) At present, it is not envisaged that any tax will become payable in the foreseeable future Also, a deferred tax asset on capital losses has not been provided as it is not expected that these amounts will reverse in the foreseeable future

Notes to the financial statements for the year ended 31 July 2011 (continued)

14 Creditors

	2011 £'000	2010 £'000
Amounts fallıng due within one year		
Bank overdrafts	**540,223**	345,481
Trade credıtors	**396,678**	443,588
Amounts owed to group undertakıngs	**35,087**	144,316
Other taxatıon and socıal securıty	**15,266**	20,097
Other credıtors	**29,160**	38,401
Accruals and deferred ıncome	**22,945**	25,838
	1,039,359	1,017,721

The Company operates wıthın a notıonal cash pool wıthın the Group, deposıts receıve ınterest at 0 75% and overdrafts are charged at 1 75%

Amounts owed to group undertakıngs ıncludes amounts totallıng £303,000 whıch are repayable on demand and are subject to ınterest at a rate of sıx months GBP LIBOR + 0 5% (2010 £13,371,000 at a rate of sıx monthly GBP LIBOR+ 0 05%) The remaınder of the amounts owed to group undertakıngs are repayable on demand and are ınterest free

	2011 £'000	2010 £'000
Amounts falling due after more than one year		
Loan from parent undertakıng	**100,767**	135,543
Loan from group undertakıng	**887,751**	838,626
Other credıtors	**8,059**	18,626
	996,577	992,795

14 Creditors (continued)

The loan from the parent is €114,945,000, equivalent to £100,767,000, which is repayable on 1 August 2013 and is subject to interest at a rate of one year EUR LIBOR + 3 5%

In 2010, the loan from the parent undertaking included an amount of €159,945,000, equivalent to £133,110,000, which is repayable on 1 August 2013 and is subject to interest at a rate of one year EUR LIBOR + 3 5% The remaining balance from the parent undertaking was interest free

The loan from group undertaking includes ten loan amounts totalling £345,903,000 all repayable in full on 30 January 2021, subject to interest rates ranging from six months GBP LIBOR + 3 0% to six months GBP LIBOR + 0 5%, a loan amount of £5,926,000 repayable in full on 31 July 2013, subject to an interest rate of six months GBP LIBOR + 3 5%, a loan amount of £7,582,000 repayable in full on 31 July 2014, subject to an interest rate of 12 months GBP LIBOR + 0 5%, a loan amount of £438,327,000 repayable 1 August 2013, subject to an interest rate of 6 month GBP LIBOR + 3 5%, and a loan amount of £34,750,000 repayable 1 August 2014 subject to an interest rate of 6 month GBP LIBOR + 3 5%

The loan from group undertaking in 2010 included eleven loan amounts totalling £551,673,000 all repayable in full on 30 January 2021, subject to interest rates ranging from six months GBP LIBOR + 3 0% to six months GBP LIBOR + 0 5%, and a loan amount of $450,000,000, equivalent to £286,953,000 which is repayable on 1 August 2013 and is subject to interest at a rate of one year USD LIBOR + 3 5%

The maturity of creditors falling due after more than one year can be analysed as follows

	2011 **£'000**	2010 £'000
Due between one and two years	**10,441**	9,448
Due between two and five years	**584,970**	428,563
Due in more than five years	**401,166**	554,784
	996,577	992,795

No security has been given for the amounts due in more than five years, which are not payable in instalments

Wolseley UK Limited

Notes to the financial statements for the year ended 31 July 2011 (continued)

15 Provisions for liabilities

	1 August 2010 £'000	Charged/ (released) £'000	Utilised £'000	Transferred £'000	Unwinding of discount £'000	Exchange £'000	**31 July 2011 £'000**
Restructuring	58,932	(3,902)	(30,624)	(785)	2,395	11	**26,027**
Property dilapidations	17,849	2,352	(596)	785	217	14	**20,621**
Environmental	2,059	1,861	(230)	-	-	-	**3,690**
Warranty	102	25	-	-	-	-	**127**
	78,942	336	(31,450)	-	2,612	25	**50,465**

Restructuring
The remaining restructuring provision is predominately provision for future onerous lease rentals on closed branches and is expected to unwind over the next five years The majority of the onerous lease provision relates directly to the specific leases which form the agreement between the Company and the third party as set out in note 13 In determining the provision for onerous leases the cash flows have been discounted using a risk free rate

The net credit to the profit and loss account of £3,902,000 comprises of net property cost releases of £3,856,000 (which includes £4,412,000 of exceptional releases) and staff cost releases of £46,000 (all of which is exceptional)

Property dilapidations
The dilapidations provision includes provision against the estimated costs to be incurred under leasehold property dilapidation claims anticipated in respect of properties within ten years of the end of the lease period and decommissioning costs associated with the distribution centres The decommissioning provision has been stated on a discounted basis using discount rates depending on the expiry date of the lease and is expected to unwind over the next five years

Environmental
Included within this provision is an amount of £2,913,000 (2010 £1,052,000) relating to asbestos litigation This amount has been actuarially determined as at 31 July 2011 based on advice from professional advisers Some insurance is in place for asbestos related litigation and accordingly an insurance receivable of £1,107,000 (2010 £400,000) has been recorded in other debtors due after more than one year in note 13 The provision is expected to unwind over the next thirty years

Warranty
The warranty provision is an amount to cover any costs should a customer return any of the goods sold by the Company under its own brand label that had a fault and is expected to unwind over the next year

Notes to the financial statements for the year ended 31 July 2011 (continued)

16 Called up share capital

	2011 £'000	2010 £'000
Allotted, issued and fully paid		
24,530,792 (2010 24,530,792) ordinary shares of £1 each	**24,531**	24,531

During the year ended 31 July 2010 one ordinary share was issued for cash The nominal value of this share is £1 and the consideration received was £235,787,000

17 Share premium account

	£'000
At 1 August 2010 and 31 July 2011	**845,108**

18 Reserves

	Revaluation reserve £'000	Foreign currency retranslation reserve £'000	Profit and loss account £'000
At 1 August 2010	428	28,149	115,730
Loss for the financial year	-	-	(8,116)
Actuarial gain on pension scheme (note 22)	-	-	12,947
Movement on deferred tax relating to pension scheme (note 13)	-	-	(8,328)
Exchange gain for the financial year	-	10,782	-
At 31 July 2011	**428**	**38,931**	**112,233**

£31,341,000 (2010 £31,341,000) of cumulative goodwill has been eliminated against reserves

19 Reconciliation of movements in shareholders' funds

	2011 **£'000**	2010 £'000
Loss for the financial year	**(8,116)**	(36,197)
Proceeds of issue of ordinary share capital (note 16)	**-**	235,787
Exchange gain for the financial year	**10,782**	5,065
Actuarial gain/(loss) on pension scheme (note 22)	**12,947**	(83,191)
Movement on deferred tax relating to pension scheme (note 13)	**(8,328)**	18,967
Movement on current tax relating to pension scheme	**-**	1,420
Net addition to shareholders' funds	**7,285**	141,851
Opening shareholders' funds	**1,013,946**	872,095
Closing shareholders' funds	**1,021,231**	1,013,946

20 Contingent liabilities

The Company, together with certain other group companies, has given the banks authority to transfer at any time any sum outstanding to the credit of the Company against or towards satisfaction of the liability to those banks of these other group companies No security has been provided by the Company under these arrangements

21 Obligations under leases

The Company has entered into non-cancellable operating leases for which the annual commitments are as follows

	Land and buildings		**Other**	
	2011 **£'000**	2010 £'000	**2011** **£'000**	2010 £'000
Expiring				
Within one year	**1,553**	1,243	**620**	1,665
Between one and five years	**15,222**	12,382	**8,609**	5,456
After five years	**9,718**	18,621	**912**	272
	26,493	32,246	**10,141**	7,393

22 Pension costs

The Company participates in the Wolseley Group Retirement Benefits Plan ("the Plan") which provides benefits based on final pensionable salaries The assets are held in separate trustee administered funds The scheme's retirement benefits are funded by a salary sacrifice arrangement from employees with the balance being paid by Group companies Employees salary sacrifice is either 5% or 8% of earnings depending on the level of benefits accruing The Company contribution rate is calculated on the Projected Unit Method and agreed with an independent consulting actuary During the year ended 31 July 2009, this scheme was closed to new members and a defined contribution plan was established

The total pension cost for the Plan was £21,600,000 (2010 £20,647,000)

The Company paid 94 9% (2010 92 3%) of the contributions to the Plan The total figures for the Plan have been shown below and the pension liability included in the Company's financial statements is the liability for the whole of the Plan

The Company expects to contribute £104 million (2010 £56 2 million) to the UK defined benefit scheme in the year ending 31 July 2012, including an intended one off contribution of £60 million following the completion of the disposal of Build Center

Financial Assumptions
The financial assumptions used to calculate scheme liabilities under FRS 17, "Retirement Benefits" are

	2011	2010
Valuation method	**Projected Unit**	Projected Unit
Discount rate	**5.4%**	5 4%
Inflation rate	**3 7%**	3 4%
Increase to deferred benefits during deferment	**2.7%**	3 4%
Increases to pensions in payment	**3.6%**	3 3%
Salary increases	**4.7%**	4 4%

The life expectancy assumptions used to estimate the defined benefit obligation are

	2011	2010
Current pensioners (at age 65) – male	**22.0**	22 0
Current pensioners (at age 65) – female	**24.0**	24 0
Future pensioners (at age 65) – male	**25.0**	24 0
Future pensioners (at age 65) - female	**26.0**	26 0

22 Pension costs (continued)

The assets in the scheme and the expected rates of return were

	Long-term rate of return expected at 31 July 2011	**Value at 31 July 2011 £'000**	Long-term rate of return expected at 31 July 2010	Value at 31 July 2010 £'000
Equities	**7.3%**	**459,798**	8 0%	392,004
Bonds	**4.4%**	**166,053**	5 0%	149,204
Other	**4.1%**	**36,725**	4 7%	23,383
Total market value of assets	**6.4%**	**662,576**	6 4%	564,591
Present value of scheme liabilities		**(917,528)**		(855,316)
Deficit in the scheme		**(254,952)**		(290,725)
Related deferred tax asset		**63,739**		79,105
Net pension liability		**(191,213)**		(211,620)

The Company had an amount of £nil owing to the Plan as at 31 July 2011 (2010 £2,175,000)

Reconciliation of fair value of scheme assets

	2011 £'000	2010 £'000
At the beginning of the year	**564,591**	489,860
Expected return on plan assets	**35,800**	34,300
Actuarial gain	**34,769**	36,605
Employers' contributions	**54,426**	33,517
Participants' contributions	**316**	394
Benefits paid	**(27,326)**	(30,085)
At the end of the year	**662,576**	564,591

22 Pension costs (continued)

	2011 £'000	2010 £'000
Actual return on plan assets	**70,569**	70,905

The expected long-term rates of return for equities are long-term assumptions and were set after taking actuarial advice The expected equity returns can be considered as a risk free rate of return (determined by reference to government bond rates in the countries in which the plans are based) plus a risk premium to reflect the additional risks associated with equities The expected return implies a premium of 3 1% per year as at 31 July 2011 (2010 2 9%) over the expected return from government bonds

Reconciliation of present value of scheme liabilities

	2011 £'000	2010 £'000
At the beginning of the year	**(855,316)**	(702,464)
Current service cost	**(22,200)**	(20,200)
Past service cost	**-**	(847)
Curtailment gain	**800**	400
Interest cost	**(46,000)**	(42,100)
Participants' contributions	**(316)**	(394)
Benefits paid	**27,326**	30,085
Actuarial loss	**(21,822)**	(119,796)
At the end of the year	**(917,528)**	(855,316)

£200,000 of the curtailment gain above relates to another group company so is not included in the profit and loss account of Wolseley UK Limited

The sensitivities regarding the principal assumption used to measure the scheme liabilities are

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase by 0 5%	Decrease by 10 3%
Discount rate	Decrease by 0 5%	Increase by 11 6%

Wolseley UK Limited

Notes to the financial statements for the year ended 31 July 2011 (continued)

22 Pension costs (continued)

Analysis of total expense recognised in the profit and loss account

	2011 £'000	2010 £'000
Current service cost	**22,200**	20,200
Curtailment gain	**(600)**	(400)
Past service cost	**-**	847
Charged to operating profit	***21,600**	*20,647
Interest on pension liabilities	**46,000**	42,100
Expected return on scheme assets	**(35,800)**	(34,300)
Charged to other finance expense	**10,200**	7,800
Total expense	**31,800**	28,447

* Pension costs of £1,133,000 (2010 £1,628,000) were met by other group companies The total pension cost for the Plan was £21,600,000 (2010 £20,647,000), the pension cost for the company was £20,467,000 (note 2) (2010 £19,019,000)

Analysis of amount recognised in statement of total recognised gains and losses ("STRGL")

	2011 £'000	2010 £'000
Actual return less expected return on pension scheme assets	**34,769**	36,605
Changes in assumptions underlying the present value of the scheme liabilities	**(21,822)**	(119,796)
Actuarial loss recognised in the STRGL	**12,947**	(83,191)

History of experience gains and losses	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Fair value of plan assets	**662,576**	564,591	489,860	521,314	567,457
Present value of defined benefit obligation	**(917,528)**	(855,316)	(702,464)	(660,241)	(602,600)
Deficit in the plan	**(254,952)**	(290,725)	(212,604)	(138,927)	(35,143)

Experience adjustments	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Experience adjustments to scheme assets	**34,769**	36,605	(100,210)	39,494	35,100
% of scheme assets	**5.2%**	6 5%	(17 1)%	(19 2)%	7 0%

23 Share-based payments

The Company participates in the following of the Group's share option plans the 1984 Executive Share Option Scheme, the 1989 Executive Share Option Scheme, the 2003 Executive Share Option Scheme and the Wolseley Share Option Plan 2003 (collectively, the "Executive Option Schemes") and the Wolseley Employees Savings Related Share Option Scheme 1981 The Company also participates in a Long Term Incentive Scheme ("LTIS") for senior executives operated by the Group

Further detailed information relating to share-based payments is provided in notes 30 and 40 of the Group's Annual Report

24 Derivative financial instruments

At the balance sheet date the Company had entered into certain short-term currency swaps amounting to assets of £526 7 million (2010 £356 7 million and $550 million, equivalent to £350 1 million) and liabilities of €602 8 million, equivalent to £528 4 million (2010 €853 1 million, equivalent to £709 9 million), which were designated as effective hedges of net investments in overseas operations The fair value of these currency swaps has been estimated as the cost of closing out the contracts using the closing exchange rate at the balance sheet date and is £1 7 million (2010 £2 5 million)

The Company entered into these derivatives to hedge against its investment in its French subsidiary and a foreign currency bank overdraft

The net amount of exchange gains and losses on foreign currency borrowings, less deposits totalled £28 2 million loss (2010 £20 9 million gain) with £28 2 million loss (2010 £20 9 million gain) offset in reserves under the offset procedure No charge or credit was made to the profit and loss account in relation to hedged foreign investments (2010 £nil)

25 Related party transactions

The Company has taken advantage of the exemption under paragraph 3(c) from the provisions of FRS 8, "Related Party Disclosures" from disclosure of transactions with group undertakings on the grounds that it is a wholly owned subsidiary of a group headed by Wolseley plc (note 26), whose financial statements are publicly available

Wolseley UK Limited

Notes to the financial statements for the year ended 31 July 2011 (continued)

26 Ultimate parent company

The Company's immediate parent company is Wolseley UK Holdings Limited, a company registered in England The ultimate parent company and controlling party at 31 July 2011 was Wolseley plc, which is registered in Jersey and was the smallest and largest parent undertaking to consolidate these financial statements as at 31 July 2011

On 24 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

27 Post Balance Sheet Events

In July 2011, the Company announced its intention to dispose of Build Center On 25 July 2011, the Company received a binding offer to buy the business from Jewson Limited The transaction was subject to regulatory review by the European Commission That review has now been completed and the sale completed on 4 November 2011

The Company announced internally its intention to sell its investment in Encon Limited on 25 July 2011, having taken the decision that the market in which Encon operates is no longer part of its core strategic business activities The sale completed on 27 October 2011 in a management buy-out