

Registered number: 00636445

Wolseley UK Limited  
Annual report and financial statements  
for the year ended 31 July 2013



# **Wolseley UK Limited**

## **Annual report and financial statements for the year ended 31 July 2013**

### **Contents**

### **Page**

Directors and advisers	1
Directors' report for the year ended 31 July 2013	2
Independent auditors' report to the members of Wolseley UK Limited	8
Profit and loss account for the year ended 31 July 2013	10
Statement of total recognised gains and losses for the year ended 31 July 2013	11
Balance sheet as at 31 July 2013	12
Accounting policies for the year ended 31 July 2013	13
Notes to the financial statements for the year ended 31 July 2013	19

# **Wolseley UK Limited**

## **Directors and advisers**

### **Executive directors**

S Ashmore

K H D Jones

P Turner

### **Company secretary**

V French

### **Independent auditors**

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Benson House

33 Wellington Street

Leeds

LS1 4JP

### **Registered office**

The Wolseley Center

Harrison Way

Leamington Spa

CV31 3HH

### **Registered number**

00636445

# Wolseley UK Limited

## Directors' report for the year ended 31 July 2013

The Directors present their report and the audited financial statements of the Company for the year ended 31 July 2013

### 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 business units include Plumb Center, Parts Center, Pipe Center, Climate Center, Drain Center, Integrated Services, BCG and Burdens. The Company is focused on its core, strong businesses with market leading positions in plumbing and heating and adjacent businesses. The majority of revenue is generated from the RMI market, with the public sector accounting for around 35% of revenue.

Plumbing and Heating includes Plumb and Parts Centers which are leading distributors 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 has delivered a strong financial performance in a tough trading environment and continues to look for opportunities to improve customer service and grow revenue.

Pipe and Climate Centers distribute pipes, valves, fittings, air conditioning and refrigeration products. The business has a sound track record of profitability, and volumes are driven by non-residential new build projects.

On 31 July 2013, the trade and assets of the continuing trade under the Burdens brand name were purchased from Wolseley Utilities Limited, a subsidiary of the Company. The Burdens branches operate in the utilities sector and have helped to gain a market leading position in the below ground drainage sector. Burdens will be the new "below ground drainage" brand of the Company and 21 Drain Center branches are being rebranded. The remaining 55 Drain Center branches will focus on "above ground drainage", which has been moved to form part of the Plumbing and Heating segment. Drain Center has had a difficult year due to the continuing poor market conditions seen in the second half of the year.

Integrated Services offers outsourced inventory management and procurement services for maintenance activities on a long-term contract basis, mainly to public institutions such as housing associations.

BCG is a distributor of heating, bathroom and kitchen products. The business operates through a national distribution network and provides excellence through its service and product availability. During the year, BCG saw strong growth in the second line merchant distribution channel.

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.

During the year a strategic review of the Group's business in France was conducted. The key outcomes were the disposal of 88 branches in the South of France and proposed restructuring of the building materials business including the sale or closure of a further 14 branches. As a result, management have re-assessed the recoverable amount of the Company's investment in the French business, and have recorded an exceptional impairment of the investment held of £218,267,000 (2012: £221,000,000).

On 20 September 2012, B Participations SAS, a French subsidiary of the Company, affected a decrease of equity (by reducing the nominal value of its shares) and a share premium repayment resulting in a total amount due to the Company of €1,434,907,000. This has reduced the cost of the investment held in B Participations SAS by £1,141,261,000, see note 12 on page 30, and also reduced the loans from group undertakings, see note 15 on page 34.

# Wolseley UK Limited

## Directors' report for the year ended 31 July 2013 (continued)

### Business review and principal activities (continued)

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. During the year ended 31 July 2009, the Plan was closed to new members and a defined contribution scheme was established. Following consultation, the Plan will be closed to future accrual as at 31 December 2013 and will be replaced by a new defined contribution scheme.

As shown in the Company's profit and loss account on pages 10 and 11, total turnover decreased by 4.2% in the year, due principally to the disposal of the Build Center business. The Company completed the sale of Build Center, the Company's building materials distribution business, on 4 November 2011.

Turnover from continuing operations increased by 1.2% in the year. New residential construction and RMI markets improved in the second half. There was no significant price inflation during the year. Plumb and Parts Center and Pipe and Climate Center gained market share although growth was held back by weaker industrial markets. Gross margins were down on last year due to a challenging pricing environment.

Operating profit before exceptional items of £85.1 million (2012: £76.4 million) was higher than last year.

At 31 July 2013 the total number of branches operated by the Company was 745 (2012: 900). The majority of this reduction is attributable to 157 Part Center branches that were amalgamated with Plumb Center branches on the same site during the year.

The balance sheet on page 12 and note 20 on page 38 of the financial statements show that the Company's financial position at the year end has, in net assets terms, decreased by £123.5 million. The change is principally due to the exceptional impairment charge referred to above and the reduction in the net pension deficit, see note 23.

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 18 to 19 of the Group's Annual Report for the year ended 31 July 2013 (‘the Group's Annual Report’). The performance of the UK division of the Group, which includes the Company, is discussed on pages 30 to 31 of the Group's Annual Report.

Details of post balance sheet events are included in note 28 on page 45.

### Principal risks and uncertainties

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, international trade, fraud, bribery and corruption, land usage, zoning, the environment, health and safety, transportation, labour and employment practices (including pensions), data protection, payment terms and other matters.

The principal risks and uncertainties facing the Company are integrated with the principal risks of the UK business of which the Company forms part. The UK business has identified product liability, customer and supplier default, the economic downturn, IT systems performance, major contract compliance, and fraud, bribery and corruption as its top risks. Ongoing actions are in place to provide appropriate mitigations, including a programme to ensure appropriate written contracts are in place with major suppliers, a product integrity programme, an anti-bribery and corruption programme, and compliance with the UK business's Code of Conduct.

# Wolseley UK Limited

## Directors' report for the year ended 31 July 2013 (continued)

### Principal risks and uncertainties (continued)

Core IT systems and data centres have documented disaster recovery plans which are tested annually. The Group operates an IT governance framework including dedicated IT security policies. The Group has formally documented and tested plans for those distribution centres, head office buildings and data centres where the risk is deemed to be greatest.

During the year, the Company, as part of the UK business, has reviewed and augmented its anti-fraud, bribery and corruption processes, including launching an online Code of Conduct training programme to managers. The UK business also underwent a product integrity audit, and has started to implement a programme of activities to reflect the audit's findings and drive product integrity initiatives to ensure the sourcing and supply of safe products that are of suitable quality.

The UK business conducts a six-monthly risk assessment to identify risks and ensure appropriate action plans are in place. This is part of the wider Group risk management process, which is designed to identify, manage and mitigate business risk. The reports submitted by the UK business and other Group businesses are aggregated to identify the overall Group risks and the principal risks and risk management activities / controls of Wolseley plc, which include and reflect those of the Company, are discussed in the Group's Annual Report on pages 42 to 47 (which does not form part of this report).

There are a number of risks and uncertainties which the Directors believe could have an impact on the Company's long-term financial 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.

#### *Economic downturn*

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 these markets. There continues to be a risk that markets may fluctuate rapidly or experience further downturns.

The Company believes it has effective measures in place to respond to market conditions. Existing measures in place include the development of business models, resource allocation processes, planning, budgeting and forecasting processes, cost reduction, pricing and gross margin management initiatives, including a focus on customer service and productivity improvement, and improvements in monthly management information.

#### *Pressure on margins*

Market conditions continued to drive greater competition during the year which, if not mitigated, could lead to downward pressure on sales prices and profit margins. Gross margin improvement initiatives remain a priority 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 page 41 of the Group's Annual Report.

#### *Credit risk*

The Company provides 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 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.

# **Wolseley UK Limited**

## **Directors' report for the year ended 31 July 2013 (continued)**

### **Principal risks and uncertainties (continued)**

#### *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 41 of the Group's Annual Report.

### **Health, safety and environment**

The Company recognises the importance of its health, safety and environmental responsibilities and operates in accordance with the Group's Corporate Responsibility programme which is described on pages 48 to 63 of the Group's Annual Report.

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. Tools such as risk assessments, documented safe working practices and self-assessments are in place.

Environmental principles include the integration of environmental management into business operations, a commitment to comply with local environmental legislation and ensuring proper communication with employees on environmental matters. There is a risk of increased operational cost due to rising energy and fuel prices, increasing carbon and waste taxes and more burdensome regulatory requirements. To address the risk, the UK business has targets in place to improve energy, fuel and waste efficiency.

### **Employment policies**

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

It is the Company's 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 interests. 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 UK business and 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 £174.7 million (2012: £220.1 million). The Directors do not recommend the payment of a dividend (2012: £nil).

### **Payments to creditors**

The number of days creditors outstanding at 31 July 2013 was 95 (2012: 92).

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

### **Donations**

During the year the Company made charitable donations of £69,000 (2012: £79,000), principally to local charities serving the communities in which the Company operates.

# **Wolseley UK Limited**

## **Directors' report for the year ended 31 July 2013 (continued)**

### **Directors**

The Directors of the Company during the year ended 31 July 2013 and up to the date of signing the financial statements were

S Ashmore

D Harding (resigned 30 July 2013)

K H D Jones

P Turner (appointed 30 July 2013)

During the year there was a change to the Company Secretary Graham Middlemiss resigned on 14 June 2013 and Vanessa French was appointed on 14 June 2013

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and remains in force at the date of approval of the financial statements. The Group also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors.

### **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,
- 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.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.




# **Wolseley UK Limited**

## **Directors' report for the year ended 31 July 2013 (continued)**

### **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



V French

**Company Secretary**

13 January 2014

# **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 2013 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, 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 pages 6-7, 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 2013 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



**Randal Casson (Senior Statutory Auditor)**

**For and on behalf of PricewaterhouseCoopers LLP**

Chartered Accountants and Statutory Auditors

Leeds

13 January 2014

# Wolseley UK Limited

## Profit and loss account for the year ended 31 July 2013

	Note	2013 Before exceptional items £'000	2013 Exceptional items (note 4) £'000	2013 Total after exceptional items £'000	2012 Before exceptional items £ 000	2012 Exceptional items (note 4) £'000	2012 Total after exceptional items £ 000
<b>Turnover</b>							
Continuing operations		1,630,934	-	1,630,934	1,610,905	-	1,610,905
Discontinued operations		-	-	-	91,417	-	91,417
	1	1,630,934	-	1,630,934	1,702,322	-	1,702,322
Change in stocks of finished goods and in work in progress		23,078	-	23,078	(52,747)	-	(52,747)
Other operating income		9,999	-	9,999	27,599	-	27,599
Purchase of raw materials and consumables		(1,253,045)	-	(1,253,045)	(1,222,152)	474	(1,221,678)
Staff costs	2	(176,609)	(3,931)	(180,540)	(197,065)	(1,546)	(198,611)
Goodwill amortisation and impairment	9	(2,374)	-	(2,374)	(2,374)	-	(2,374)
Tangible fixed assets depreciation and impairment	11	(11,593)	(670)	(12,263)	(11,137)	-	(11,137)
Investment impairments	12	-	(218,389)	(218,389)	-	(221,438)	(221,438)
Other operating charges		(135,294)	(6,246)	(141,540)	(167,998)	(791)	(168,789)
<b>Operating loss</b>	<b>3</b>						
Continuing operations		85,096	(229,236)	(144,140)	75,575	(223,301)	(147,726)
Discontinued operations		-	-	-	873	-	873
		85,096	(229,236)	(144,140)	76,448	(223,301)	(146,853)
Profit/(loss) on sale of tangible fixed assets	11	900	(82)	818	(30)	(10)	(40)
Profit on disposal of discontinued operations	5	-	9,753	9,753	-	13,372	13,372
Profit/(loss) on disposal of investments	12	-	2,300	2,300	-	(34,533)	(34,533)
Income from shares in group undertakings	6	-	-	-	711	-	711
<b>Loss on ordinary activities before interest (cfwd)</b>		<b>85,996</b>	<b>(217,265)</b>	<b>(131,269)</b>	<b>77,129</b>	<b>(244,472)</b>	<b>(167,343)</b>

# Wolseley UK Limited

## Profit and loss account for the year ended 31 July 2013 (continued)

	Note	2013 Before exceptional items £'000	2013 Exceptional items (note 4) £'000	2013 Total after exceptional items £'000	2012 Before exceptional items £'000	2012 Exceptional items (note 4) £ 000	2012 Total after exceptional items £ 000
Loss on ordinary activities before interest (bfwd)		85,996	(217,265)	(131,269)	77,129	(244,472)	(167,343)
Interest receivable and similar income	7	5,642	-	5,642	10,895	-	10,895
Interest payable and similar charges	7	(19,434)	-	(19,434)	(53,965)	-	(53,965)
Other finance costs	23	1,423	-	1,423	(6 500)	-	(6 500)
Loss on ordinary activities before taxation		73,627	(217,265)	(143,638)	27,559	(244,472)	(216,913)
Tax on loss on ordinary activities	8	(33,652)	2,577	(31,075)	(4,018)	797	(3,221)
Loss for the financial year	19	39,975	(214,688)	(174,713)	23,541	(243,675)	(220,134)

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 13 to 45 form part of these financial statements.

## Statement of total recognised gains and losses for the year ended 31 July 2013

	Note	2013 £'000	2012 £ 000
Loss for the financial year	19	(174,713)	(220,134)
Actuarial gain/(loss) recognised on pension scheme	23	41,827	(42,095)
Movement on deferred tax relating to pension liability	14	(38,891)	(12,466)
Movement on deferred tax relating to losses	14	29,587	-
Movement on current tax relating to pension liability	20	-	18,957
Currency translation differences	19	19,500	(23,665)
Total recognised loss for the year		(122,690)	(279,403)

# Wolseley UK Limited

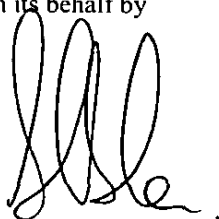
## Balance sheet as at 31 July 2013

Registered number 00636445

	Note	2013 £'000	2012 £'000
<b>Fixed assets</b>			
Intangible assets goodwill	9	48,686	19,776
Intangible assets other	10	12,241	8,694
Tangible assets	11	109,116	98,546
Investments	12	248,630	1,540,531
		<b>418,673</b>	<b>1,667,547</b>
<b>Current assets</b>			
Stocks	13	228,746	205,670
Debtors amounts falling due within one year	14	945,646	562,354
Debtors amounts falling due after more than one year	14	55,903	43,250
Cash at bank and in hand		48,459	273,671
		<b>1,278,754</b>	<b>1,084,945</b>
<b>Creditors amounts falling due within one year</b>	15	<b>(455,487)</b>	<b>(432,440)</b>
<b>Net current assets</b>		<b>823,267</b>	<b>652,505</b>
<b>Total assets less current liabilities</b>		<b>1,241,940</b>	<b>2,320,052</b>
<b>Creditors amounts falling due after more than one year</b>	15	<b>(566,721)</b>	<b>(1,364,531)</b>
<b>Provisions for liabilities</b>	16	<b>(38,628)</b>	<b>(48,915)</b>
<b>Net assets excluding pension deficit</b>		<b>636,591</b>	<b>906,606</b>
<b>Pension deficit</b>	23	<b>(18,242)</b>	<b>(164,778)</b>
<b>Net assets including pension deficit</b>		<b>618,349</b>	<b>741,828</b>
<b>Capital and reserves</b>			
Called up share capital	17	24,531	24,531
Share premium account	18	245,108	245,108
Revaluation reserve	19	381	381
Foreign currency retranslation reserve	19	34,766	15,266
Profit and loss account	19	313,563	456,542
<b>Total shareholders' funds</b>	20	<b>618,349</b>	<b>741,828</b>

The financial statements on pages 10 to 45 were approved by the board of Directors on 13 January 2014 and were signed on its behalf by

S Ashmore  
Director



# **Wolseley UK Limited**

## **Accounting policies for the year ended 31 July 2013**

### **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, which are 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, excluding 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, income from group undertakings for the provision of services to them, and income from other parties for the provision of transitional services relating to the disposals of subsidiary undertakings and discontinued operations.

### **Supplier rebates**

The Company enters into arrangements with certain suppliers for stock purchase rebates. These purchase rebates are accrued as earned and are recorded initially as a reduction in stock with a subsequent reduction in cost of sales when the related product is sold.

### **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.

# Wolseley UK Limited

## Accounting policies for the year ended 31 July 2013 (continued)

### Intangible assets: goodwill (continued)

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 business unit 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

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 (2012: 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 2013 the post tax discount rate used was 8.5% (2012: 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 consultancy 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)

Branding costs are included at cost and depreciated in equal annual instalments over a period of 20 years which is their estimated useful economic life Provision is made for any impairment

### 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



# **Wolseley UK Limited**

## **Accounting policies for the year ended 31 July 2013 (continued)**

### **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 investment's net realisable value and value in use.

### **Leased assets**

Where the Company enters into a lease agreement which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a "finance lease". The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter.

Future lease obligations, excluding interest, are included as creditors in the balance sheet. The interest element of the lease rental is charged to the profit and loss account as incurred.

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

### **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 properties 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.

### **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.

# **Wolseley UK Limited**

## **Accounting policies for the year ended 31 July 2013 (continued)**

### **Foreign currencies (continued)**

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

1 GBP = 1 1434 EUR (2012 1 GBP = 1 2742 EUR)

1 GBP = 1 5209 USD (2012 1 GBP = 1 5678 USD)

### **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.

### **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.

# **Wolseley UK Limited**

## **Accounting policies for the year ended 31 July 2013 (continued)**

### **Share-based payments**

Share-based incentives are provided to employees under the Group's executive share option, long-term incentive, employee share purchase and ordinary share plan schemes. The Company recognises a compensation cost in respect of these schemes that is based on the fair value of the awards, measured using the 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.

The fair value at the date of grant of options awarded during the year has been estimated by the Binomial and Monte Carlo valuation methodologies. The fair value of the shares granted under the Ordinary Share Plan and 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 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. Following consultation, the Plan will be closed to future accrual as at 31 December 2013 and will be replaced by a new defined contribution scheme.

# **Wolseley UK Limited**

## **Accounting policies for the year ended 31 July 2013 (continued)**

### **Share capital**

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

### **Cash flow statement**

Wolseley plc, the Company's ultimate parent company (note 27), has included a cash flow statement in its group financial statements for the year ended 31 July 2013. 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 401 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 27) 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 2013

### 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

	2013 £'000	2012 £ 000
<b>Staff costs (including directors)</b>		
Wages and salaries	142,937	157,784
Social security costs	12,668	13,722
Pension costs – defined benefit schemes*	16,623	18,028
Pension costs – defined contribution schemes	1,846	1,683
Share-based payments granted to directors and employees (note 24)	2,825	3,158
Redundancy costs	3,641	4,236
	<b>180,540</b>	<b>198,611</b>

Exceptional staff costs of £3,931,000 (2012 £1,546,000) relating to internal restructuring are included above and are broken down as follows, wages and salaries £1,756,000 (2012 £244,000), social security costs £nil (2012 £47,000), redundancy costs £2,183,000 (2012 £3,032,000) and pension costs £8,000 credit (2012 £1,777,000 credit), which include £8,000 credit (2012 £2,000,000) relating to pension curtailment gain.

\*Pension costs of defined benefit schemes shown above are the costs to the Company. In addition pension costs of £958,000 (2012 £1,172,000) were met by other group companies. The total pension cost for the Plan was £17,581,000 (2012 £19,200,000) (note 23).

	2013 Number	2012 Number
<b>Average monthly number of employees and directors</b>		
Distribution	5,100	5,728
Administration	549	563
	<b>5,649</b>	<b>6,291</b>

## Wolseley UK Limited

### Notes to the financial statements for the year ended 31 July 2013 (continued)

#### 2 Staff costs (continued)

	2013 £'000	2012 £'000
Directors' remuneration (excluding pension contributions) comprises		
Emoluments	1,456	1,795
Compensation for loss of office	-	293
	1,456	2,088

#### Emoluments (excluding pension contributions) of the highest paid director

Aggregate emoluments	516	539
Accrued pension at end of year	17	14

	2013 Number	2012 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 23

All of the Directors exercised share options during the year ended 31 July 2013 (2012 none)

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 and K H D Jones were paid by the fellow Group company Wolseley (Group Services) Limited, which recharges the Company for their services and so these costs are included above

In 2012, the compensation for loss of office paid to a former director of £293,000 was paid by the Company and the cost included within loss on disposal of investments in the profit and loss account

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 2013 (continued)

### 3 Operating profit before exceptional items

	2013 £'000	2012 £'000
Operating profit is stated after charging/(crediting)		
Operating lease rentals		
- Plant and machinery	5,150	6,198
- Other	31,609	32,342
Rent receivable	(662)	(821)
<b>Services provided by the Company's auditors:</b>		
Fees payable for the audit of financial statements pursuant to legislation	326	330
Fees payable for services relating to taxation	155	188

### 4 Exceptional items

Exceptional items are analysed as follows	2013 £'000	2012 £'000
Stock impairment credit	-	(474)
Staff costs (note 2)	3,931	1,546
Impairment of investments (note 12)	218,389	221,438
Profit on disposal of discontinued operations (note 5)	(9,753)	(13,372)
(Profit)/loss on disposal of investments (note 12)	(2,300)	34,533
Tangible fixed assets impairment	670	-
Other operating charges		
- Property costs including provisions for future lease rentals on closed branches	3,227	(423)
- Write back balances relating to strike off of subsidiary undertakings	-	134
- Professional fees incurred relating to consultancy and legal costs	2,192	778
- Other	827	302
Loss on disposal of fixed assets - asset write downs (note 11)	82	10
	<b>217,265</b>	<b>244,472</b>

Included in the items above is £7,399,000 (2012 £1,077,000) relating to the charge of amounts to the restructuring provision (note 16)

The tax charge for the year includes a tax credit of £2,577,000 (2012 £797,000) relating to exceptional items

# Wolseley UK Limited

## Notes to the financial statements for the year ended 31 July 2013 (continued)

### 4 Exceptional items (continued)

All of the following exceptional items relate to (credits)/costs incurred as part of the Build Center, Encon Limited and Bathstore com Limited disposals which took place in the prior year

	2013 £'000	2012 £'000
Staff costs (note 2)	-	(2,000)
Profit on disposal of discontinued operations (note 5)	(9,753)	(13,372)
(Profit)/loss on disposal of investments (note 12)	(2,300)	34,533
	(12,053)	19,161

### 5 Profit on disposal of discontinued operations

On 4 November 2011, the trade and assets of Build Center, a trading division of the Company, were sold to Jewson Limited resulting in a profit of £13,372,000 in the year ended 31 July 2012. This included a write-off of goodwill totalling £47,365,000.

In the year ended 31 July 2013, a further profit of £9,393,000 was recognised. This included a release of a warranty provision held of £10,000,000, see note 16.

Also in the year ended 31 July 2013, the trade and assets of Unifix, a trading division of the Company, were disposed of resulting in a profit of £360,000.

### 6 Income from shares in group undertakings

	2013 £'000	2012 £'000
Income from shares in group undertakings	-	711

In year ended 31 July 2012, the income from shares in group undertakings represents dividends paid by B Participations SAS of £711,000.



# Wolseley UK Limited

## Notes to the financial statements for the year ended 31 July 2013 (continued)

### 7 Interest

#### Interest receivable and similar income

	2013 £'000	2012 £ 000
Interest on cash deposits	2,790	1,607
Interest receivable from group undertakings	2,674	-
Other interest receivable	178	9,288
	5,642	10,895

In 2013, other interest receivable included the unwinding of discounts (note 16) on long term provisions of £178,000

In 2012, other interest receivable included the exchange differences arising on the retranslation of foreign currency loans from parent and group undertakings of £9,288,000

#### Interest payable and similar charges

	2013 £'000	2012 £'000
Interest on bank loans and overdrafts	308	11,523
Interest payable to group undertakings	19,039	41,356
Valuation losses on financial instruments	5	12
Other interest payable	82	1,074
	19,434	53,965

In 2013, other interest payable included the exchange differences arising on the retranslation of foreign currency loans from parent and group undertakings of £37,000

In 2012, other interest payable included the unwinding of discounts (note 16) on long term provisions of £1,082,000

# Wolseley UK Limited

## Notes to the financial statements for the year ended 31 July 2013 (continued)

### 8 Tax on loss on ordinary activities

The tax charge for the financial year comprises	2013 £'000	2012 £'000
<b>Current tax</b>		
UK corporation tax on loss for the financial year	-	13,435
Adjustment in respect of the prior years	7,943	6,078
<b>Total current tax charge</b>	<b>7,943</b>	<b>19,513</b>
<b>Deferred tax</b>		
Current year	16,135	(11,714)
Adjustment in respect of the prior years	1,219	(4,570)
Movement on deferred tax relating to pension liability	5,778	(8)
<b>Total deferred tax (note 14)</b>	<b>23,132</b>	<b>(16,292)</b>
<b>Tax on loss on ordinary activities</b>	<b>31,075</b>	<b>3,221</b>

The tax charge for the financial year is lower (2012 lower) than the standard rate of corporation tax in the UK of 23.67% (2012 25.33%). The differences are explained below

<b>Tax reconciliation</b>	2013 %	2012 %
Standard UK corporation tax rate	24	25
Non-deductible and non-taxable items	(35)	(31)
Deferred tax origination and reversal of timing differences	11	-
Adjustment in respect of the prior years	(6)	(3)
<b>Effective current tax rate on loss/profit on ordinary activities before tax</b>	<b>(6)</b>	<b>(9)</b>

Included in non-deductible and non-taxable items are exceptional permanent disallowable items which contribute 34% (2012 28%) of the 35% (2012 31%) shown above. These exceptional permanent disallowable items include impairment of investments and loss on disposal of investments (2012 impairment of investments and loss on disposal of investments).

During the prior year, there was a change in the UK main corporation tax rate that was enacted on 17 July 2012, to 23% which became effective from 1 April 2013. A further reduction to the UK corporation tax rate was enacted in Finance Act 2013 on 17 July 2013, reducing the rate to 21% from 1 April 2014 and 20% from 1 April 2015. As all of these changes had been enacted at the balance sheet date, deferred tax balances have been remeasured accordingly.

# Wolseley UK Limited

## Notes to the financial statements for the year ended 31 July 2013 (continued)

### 9 Intangible fixed assets: goodwill

	£'000
<b>Cost</b>	
At 1 August 2012	60,140
Acquisition	31,284
<b>At 31 July 2013</b>	<b>91,424</b>
<b>Accumulated amortisation and impairment</b>	
At 1 August 2012	40,364
Charge for the year	2,374
<b>At 31 July 2013</b>	<b>42,738</b>
<b>Net book value</b>	
<b>At 31 July 2013</b>	<b>48,686</b>
At 31 July 2012	19,776

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 2013. These impairment reviews have resulted in no impairment charge this year (2012: £nil)

# Wolseley UK Limited

## Notes to the financial statements for the year ended 31 July 2013 (continued)

### 9 Intangible fixed assets: goodwill (continued)

The Company acquired the trade and assets of the continuing trade under the Burdens brand name from Wolseley Utilities Limited, a subsidiary of the Company, on 31 July 2013

The assets acquired were as shown below

	Fair value/Book value £'000
Goodwill	7,649
Intangible assets (note 10)	1,333
Tangible fixed assets (note 11)	2,931
Stock	9,773
Bank & Cash	5,793
Debtors	27,703
Creditors	(24,444)
Provisions (note 16)	(613)
	<b>30,125</b>

The book values approximate to the fair value of the assets acquired. The consideration paid was £53,760,000 in the form of an intercompany loan. Accordingly the goodwill arising on acquisition was £23,635,000.

# Wolseley UK Limited

## Notes to the financial statements for the year ended 31 July 2013 (continued)

### 10 Intangible fixed assets: other

	Software costs	Branding costs	Total
	£'000	£'000	£'000
<b>Cost</b>			
At 1 August 2012	10,532	-	10,532
Acquisition	-	1,403	1,403
Additions	3,709	-	3,709
<b>At 31 July 2013</b>	<b>14,241</b>	<b>1,403</b>	<b>15,644</b>
<b>Accumulated amortisation</b>			
At 1 August 2012	1,838	-	1,838
Acquisition	-	70	70
Charge for the year	1,495	-	1,495
<b>At 31 July 2013</b>	<b>3,333</b>	<b>70</b>	<b>3,403</b>
<b>Net book value</b>			
<b>At 31 July 2013</b>	<b>10,908</b>	<b>1,333</b>	<b>12,241</b>
At 31 July 2012	8,694	-	8,694

The amortisation charge for the year of £1,495,000 (2012 £1,303,000) is included within 'Other operating charges' on the face of the profit and loss account

The acquisition in the year relates to the purchase of the trade and assets of the continuing trade under the Burdens brand name from Wolseley Utilities Limited, a subsidiary of the Company, on 31 July 2013, see note 9

# Wolseley UK Limited

## Notes to the financial statements for the year ended 31 July 2013 (continued)

### 11 Tangible fixed assets

	Land and buildings £'000	Plant and machinery £'000	Fixtures, fittings, tools and equipment £'000	Motor vehicles £'000	Total £'000
<b>Cost or valuation</b>					
At 1 August 2012	115,976	35,799	91,763	7,759	251,297
Acquisition	-	686	121	2,892	3,699
Additions	13,985	6,365	62	2,105	22,517
Disposals	(7,691)	(3,572)	(3,003)	(1,843)	(16,109)
Reclassifications	521	60	(720)	139	-
Transfer to property awaiting disposal	(548)	-	-	-	(548)
<b>At 31 July 2013</b>	<b>122,243</b>	<b>39,338</b>	<b>88,223</b>	<b>11,052</b>	<b>260,856</b>
<b>Accumulated depreciation and impairment</b>					
At 1 August 2012	49,333	29,274	67,189	6,955	152,751
Acquisition	-	313	18	437	768
Depreciation and impairment charge	3,494	2,570	5,864	335	12,263
Disposals	(5,842)	(3,565)	(2,907)	(1,827)	(14,141)
Reclassifications	-	-	2	(2)	-
Transfer to property awaiting disposal	99	-	-	-	99
<b>At 31 July 2013</b>	<b>47,084</b>	<b>28,592</b>	<b>70,166</b>	<b>5,898</b>	<b>151,740</b>
<b>Net book value</b>					
<b>At 31 July 2013</b>	<b>75,159</b>	<b>10,746</b>	<b>18,057</b>	<b>5,154</b>	<b>109,116</b>
At 31 July 2012	66,643	6,525	24,574	804	98,546

The acquisition in the year relates to the purchase of the trade and assets of the continuing trade under the Burdens brand name from Wolseley Utilities Limited, a subsidiary of the Company, on 31 July 2013, see note 9

# Wolseley UK Limited

## Notes to the financial statements for the year ended 31 July 2013 (continued)

### 11 Tangible fixed assets (continued)

Land and buildings cost or valuation

	2013 £'000	2012 £'000
Property valuation completed in 1974	532	532
Cost	121,711	115,444
	<b>122,243</b>	<b>115,976</b>

The profit on sale of tangible fixed assets of £818,000 (2012 £40,000 loss) on the face of the profit and loss account comprises of a profit on disposal of fixed assets £3,000 (2012 £47,000 profit) and profit on disposal of properties £815,000 (2012 £87,000 loss)

Included within the profit on disposal are exceptional items of £82,000 charge (2012 £10,000 charge) relating to the disposal of closed branches

Cost or valuation of land and buildings comprises

	2013 £'000	2012 £'000
Freehold	80,493	71,252
Long leasehold	4,985	5,714
Short leasehold	36,765	39,010
	<b>122,243</b>	<b>115,976</b>

Freehold land, which is included above and amounts to £17,523,000 (2012 £15,842,000), 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

	2013 £'000	2012 £'000
Historical cost	121,835	115,568
Accumulated depreciation based on cost	(46,886)	(49,140)
Net book value	<b>74,949</b>	<b>66,428</b>

#### 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 (2012 £nil)

# Wolseley UK Limited

## Notes to the financial statements for the year ended 31 July 2013 (continued)

### 12 Fixed assets investments: Interest in subsidiary undertakings

	£'000
<b>Cost</b>	
At 1 August 2012	1,785,115
Additions	39
Exchange gain on translation	67,710
Capital reduction	(1,141,261)
<b>At 31 July 2013</b>	<b>711,603</b>
<b>Provision</b>	
At 1 August 2012	244,584
Exceptional impairment charge	218,389
<b>At 31 July 2013</b>	<b>462,973</b>
<b>Net book value</b>	
<b>At 31 July 2013</b>	<b>248,630</b>
At 31 July 2012	1,540,531

The additions in the year relate to the set up of the following three entities Wolseley France Real Estate 1 SAS, Wolseley France Real Estate 2 SAS and Wolseley France Real Estate 3 SAS

The exchange gain on translation of £67,710,000 (2012 £185,578,000 loss) arose from the retranslation at the balance sheet date of investments in subsidiary undertakings denominated in foreign currencies

On 20 September 2012, B Participations SAS, a subsidiary of the Company, effected a decrease of equity (by reducing the nominal value of its shares) and a share premium repayment resulting in a total amount due to the Company of €1,434,907,000 which has reduced the cost of the investment held in B Participations SAS by £1,141,261,000

During the year a strategic review of the Group's business in France was conducted. The key outcomes were the disposal of 88 branches in the south of France and proposed restructuring of the building materials business including the sale or closure of a further 14 branches. As a result, the carrying amount of the investment has been reduced resulting in an exceptional impairment of the investment held of £218,267,000 (2012 £221,000,000)

A further impairment has been recognised in respect of William Wilson Limited of £122,000, following a review of the carrying value of the investments



## Wolseley UK Limited

### Notes to the financial statements for the year ended 31 July 2013 (continued)

#### 12 Fixed assets investments (continued)

On 27 October 2011, the subsidiary undertaking Encon Limited was disposed of, and in addition to the cost of disposing of the business the investment value of £33,640,000 was written off to the profit and loss account in the prior year. A loss on disposal of £1,340,000 (2012: £41,000 profit) is recognised in the profit and loss account this year.

On 11 May 2012, the subsidiary undertaking Bathstore.com Limited was disposed of, and in addition to the cost of disposing of the business the investment value of £31,398,000 was written off to the profit and loss account in the prior year. A profit on disposal of £3,640,000 (2012: £34,574,000 loss) is recognised in the profit and loss account.

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

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
Pinault Bois et Matériaux SAS	France	100%	Building materials company
William Wilson Holdings Limited	England	100%	Plumbing, heating and electrical supplier

#### 13 Stocks

	2013 £'000	2012 £'000
Goods purchased for resale	228,746	205,670

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.

# Wolseley UK Limited

## Notes to the financial statements for the year ended 31 July 2013 (continued)

### 14 Debtors

	2013 £'000	2012 £'000
<b>Amounts falling due within one year</b>		
Trade debtors	298,772	256,252
Amounts owed by ultimate parent undertaking	563,845	228,860
Amounts owed by group undertakings	22,499	16,459
Corporation tax	-	7,948
Other debtors	4,093	4,094
Prepayments and accrued income	56,437	48,741
	<b>945,646</b>	<b>562,354</b>
<b>Amounts falling due after more than one year</b>		
Amounts owed by group undertakings	5,000	-
Other debtors	12,046	15,837
Deferred tax asset	38,857	27,413
	<b>55,903</b>	<b>43,250</b>

The net amount owed by the parent undertaking of £563,845,000 (2012 £228,860,000) consists of a debtor balance of £760,000,000 (2012 £413,715,000) that attracts interest at a rate of one year LIBOR + 0.5%, a creditor balance of £196,244,000 (2012 £196,244,000) that attracts interest at a rate of one year LIBOR + 3.5%, and the remaining debtor balance of £89,000 (2012 £11,389,000) that attracts no interest. All of these balances are unsecured and repayable on demand.

The amount owed by the group undertakings consists of £22,499,000 (2012 £16,459,000) of trading balances with no interest charged, repayment due within the normal terms of business and unsecured.

The amount owed by group undertakings falling due after more than one year consists of £5,000,000 (2012 £nil) that attracts interest at a rate of six months LIBOR + 3.5% and is unsecured.

On 3 June 2010 the Company entered into an agreement whereby a third party assumed responsibility for the management of a number of vacant property leases. Provisions for all these onerous leases are included within the restructuring provision in note 16. The contract involved a series of annual payments to the third party. No advanced payments were made in the year ended 31 July 2013 (2012 £7,750,000). The advanced payments made but not yet utilised are included in other debtors due within one year £1,444,000 (2012 £1,739,000) and after more than one year £784,000 (2012 £2,980,000). There are no other remaining instalments due to be paid.

Included within other debtors are elements of deferred consideration in relation to the disposals of Encon Limited and Bathstore.com Limited.

# Wolseley UK Limited

## Notes to the financial statements for the year ended 31 July 2013 (continued)

### 14 Debtors (continued)

The elements of deferred tax are as follows	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Accelerated capital allowances	11,445	24,370
Other timing differences	27,412	3,043
<b>Deferred tax asset</b>	<b>38,857</b>	<b>27,413</b>
The movements in the deferred tax balance were as follows		
Asset at beginning of year	27,413	9,079
Amount credited/(charged) to the profit and loss account	(17,354)	18,334
Amount charged to reserves	28,798	-
<b>Asset at end of year</b>	<b>38,857</b>	<b>27,413</b>
<b>Deferred tax reconciliation</b>	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Asset at beginning of year	27,413	9,079
Deferred tax asset included within net pension deficit at beginning of year	49,231	63,739
<b>Total asset</b>	<b>76,644</b>	<b>72,818</b>
Amount credited/(charged) to the profit and loss account (note 8)	(23,132)	16,292
Amount taken directly to reserves (note 19)	(10,093)	(12,466)
<b>Total asset at end of year</b>	<b>43,419</b>	<b>76,644</b>
Consisting of		
Asset at end of year	38,857	27,413
Deferred tax asset included within net pension deficit at end of year	4,562	49,231
<b>Total asset at end of year</b>	<b>43,419</b>	<b>76,644</b>

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 unprovided amount is £5.4 million (2012: £6.5 million). At present, it is not envisaged that any tax will become payable in the foreseeable future.

# Wolseley UK Limited

## Notes to the financial statements for the year ended 31 July 2013 (continued)

### 15 Creditors

	2013 £'000	2012 £ 000
<b>Amounts falling due within one year</b>		
Bank loans and overdrafts	5	-
Trade creditors	342,756	307,818
Amounts owed to parent undertakings	152	-
Amounts owed to group undertakings	51,627	44,277
Other creditors	24,273	47,538
Other taxation and social security	16,511	13,973
Corporation tax	2,678	-
Accruals and deferred income	17,485	18,834
	<b>455,487</b>	<b>432,440</b>

The Company operates within a notional cash pool within the Group, deposits receive interest at 0.75% plus a rate set by the bank and overdrafts are charged at 1.75% plus a rate set by the bank.

At 31 July 2013, amounts owed to group undertakings included amounts totalling £7,582,000 which is repayable on demand and subject to interest at a rate of 12 months GBP LIBOR +0.5%. The remainder of the amounts owed to group undertakings were repayable on demand and interest free.

At 31 July 2012, amounts owed to group undertakings included amounts totalling £308,000 which was repayable on demand and subject to interest at a rate of 6 months GBP LIBOR + 0.5%, and amounts totalling £5,926,000 which was repayable on demand and subject to interest at a rate of 6 months GBP LIBOR +3.5%. The remainder of the amounts owed to group undertakings were repayable on demand and interest free.

# Wolseley UK Limited

## Notes to the financial statements for the year ended 31 July 2013 (continued)

### 15 Creditors (continued)

	2013 £'000	2012 £'000
<b>Amounts falling due after more than one year</b>		
Loan from group undertaking	566,276	1,363,969
Other creditors	445	562
	<b>566,721</b>	<b>1,364,531</b>

At 31 July 2013, amounts owed to group undertakings included amounts totalling £3,742,000 subject to interest at a rate of 6 months GBP LIBOR +3%, £47,903,000 subject to interest at a rate of 6 months GBP LIBOR +0.5%, £12,555,000 subject to interest at a rate of 12 months GBP LIBOR +0.5%, £256,009,000 subject to interest at a rate of 12 months GBP LIBOR +1% and accrued interest on these balances of £1,199,000 all repayable in full on 16 November 2013. In addition, there was also an amount totalling €154,468,000, equivalent to £135,095,000, subject to interest at a rate of 6 months EUR LIBOR +3.5% repayable under a revolving facility arrangement, £37,994,000 subject to interest at a rate of 6 months GBP LIBOR +3.5% repayable in full on 1 August 2014, and £15,331,000 subject to interest at a rate of 6 months GBP LIBOR +3.5% repayable in full on 26 January 2016.

At 31 July 2012, amounts owed to group undertaking included eight loan amounts totalling £322,108,000 all repayable in full on 30 January 2021, subject to interest rates ranging from 6 months GBP LIBOR + 3.0% to 6 months GBP LIBOR + 0.5%, 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 £941,767,000 repayable 1 August 2013, subject to an interest rate of 6 month GBP LIBOR + 3.5%, and a loan amount of £36,442,000 repayable 1 August 2014 subject to an interest rate of 6 month GBP LIBOR + 3.5%.

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

	2013 £'000	2012 £'000
Due between one and two years	38,439	949,911
Due between two and five years	150,426	36,442
Due in more than five years	377,856	378,178
	<b>566,721</b>	<b>1,364,531</b>

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 2013 (continued)

### 16 Provisions for liabilities

	1 August 2012 £'000	Charged/ (released) £'000	Acquisition £'000	Utilised £'000	Transferred £'000	Unwinding of discount £'000	Exchange £'000	31 July 2013 £'000
Restructuring	16,775	7,399	22	(3,681)	(765)	(230)	66	19,586
Property dilapidations	18,395	(1,983)	591	(1,416)	807	52	-	16,446
Environmental	2,652	(104)	-	(47)	-	-	-	2,501
Warranty	11,093	(10,998)	-	-	-	-	-	95
	48,915	(5,686)	613	(5,144)	42	(178)	66	38,628

#### Restructuring

The majority of the restructuring provision is 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 14. In determining the provision for onerous leases the cash flows have been discounted using a risk free rate.

The remaining provision relates to restructuring on the purchase of the trade and assets of the continuing trade under the Burdens brand name from Wolseley Utilities Limited, a subsidiary of the Company, on 31 July 2013, see note 9.

The net charge to the profit and loss account of £7,399,000 (2012 £1,077,000) comprises of net property cost charges of £3,315,000 (2012 £62,000), staff cost charges of £3,029,000 (2012 £1,015,000), and a further £1,055,000 (2012 £nil) relating to other costs associated with the closure of branches, all of which are 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 three years.

During the year, £42,000 of property dilapidations provision was transferred from William Wilson Limited, a subsidiary of the Company.

#### Environmental

Included within this provision is an amount of £1,973,000 (2012 £1,992,000) relating to asbestos litigation. This amount has been actuarially determined as at 31 July 2013 based on advice from professional advisers. Some insurance is in place for asbestos related litigation and accordingly an insurance receivable of £1,325,000 (2012 £1,332,000) has been recorded in other debtors due after more than one year in note 14. The provision is expected to unwind over the next thirty years.

## **Wolseley UK Limited**

### **Notes to the financial statements for the year ended 31 July 2013 (continued)**

#### **16 Provisions for liabilities (continued)**

##### **Warranty**

The closing 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. Releases in the year include £11,000,000 relating to provisions set up as part of the accounting for the disposals of the investment in Bathstore.com Limited and the transfer of trade and assets of Build Center £10,000,000 of the release is included within profit on disposal of investments (see note 12) and £1,000,000 of the release is included within profit on disposal of discontinued operations (see note 5).

#### **17 Called up share capital**

	2013 £'000	2012 £'000
<b>Allotted and fully paid</b>		
24,530,792 (2012: 24,530,792) ordinary shares of £1 each	<b>24,531</b>	24,531

#### **18 Share premium account**

	£'000
<b>At 1 August 2012 &amp; 31 July 2013</b>	<b>245,108</b>

# Wolseley UK Limited

## Notes to the financial statements for the year ended 31 July 2013 (continued)

### 19 Reserves

	Revaluation reserve	Foreign currency retranslation reserve	Profit and loss account
	£'000	£'000	£'000
At 1 August 2012	381	15,266	456,542
Loss for the financial year	-	-	(174,713)
Actuarial gain on pension scheme (note 23)	-	-	41,827
Movement on deferred tax relating to pension scheme (note 14)	-	-	(38,891)
Movement on deferred tax relating to losses (note 14)	-	-	29,587
Movement on deferred tax relating to share schemes (note 14)	-	-	(789)
Exchange gain on translation of fixed asset investment	-	67,710	-
Exchange loss on translation of overseas branch	-	(18,875)	-
Exchange loss on foreign currency borrowings	-	(29,335)	-
<b>At 31 July 2013</b>	<b>381</b>	<b>34,766</b>	<b>313,563</b>

£31,341,000 (2012 £31,341,000) of cumulative goodwill has been eliminated against reserves

### 20 Reconciliation of movements in shareholders' funds

	2013 £'000	2012 £'000
Loss for the financial year	(174,713)	(220,134)
Exchange gain/(loss) for the financial year	19,500	(23,665)
Actuarial gain/(loss) on pension scheme (note 23)	41,827	(42,095)
Movement on deferred tax relating to pension scheme (note 14)	(38,891)	(12,466)
Movement on deferred tax relating to losses (note 14)	29,587	-
Movement on deferred tax relating to share schemes (note 14)	(789)	-
Movement on current tax relating to pension scheme	-	18,957
Net deduction from shareholders' funds	(123,479)	(279,403)
Opening shareholders' funds	741,828	1,021,231
<b>Closing shareholders' funds</b>	<b>618,349</b>	<b>741,828</b>



## Wolseley UK Limited

### Notes to the financial statements for the year ended 31 July 2013 (continued)

#### 21 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.

#### 22 Obligations under leases

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

	Land and buildings		Other	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Expiring				
Within one year	1,652	2,915	1,426	977
Between one and five years	13,039	13,212	5,982	7,201
After five years	5,827	6,628	285	861
	20,518	22,755	7,693	9,039

# Wolseley UK Limited

## Notes to the financial statements for the year ended 31 July 2013 (continued)

### 23 Pension costs

The Company participates in the Wolseley Group Retirement Benefits Plan ("the Plan") which provides benefits based on final or the average of the last five years of 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 £17,581,000 (2012: £19,200,000).

The Company paid 94.8% (2012: 94.5%) of the contributions to the Plan. The total figures for the Plan are 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 £24.6 million (2012: £44 million) to the UK defined benefit scheme in the year ending 31 July 2014.

Following consultation, the Plan will be closed to future accrual as at 31 December 2013 and will be replaced by a new defined contribution scheme.

#### Financial Assumptions

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

	2013	2012
Valuation method	Projected Unit	Projected Unit
Discount rate	4.5%	4.6%
Inflation rate	3.4%	2.9%
Increase to deferred benefits during deferment	2.4%	1.9%
Increases to pensions in payment	3.3%	2.8%
Salary increases	3.4%	3.9%

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

	2013	2012
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	25.0
Future pensioners (at age 65) – female	27.0	27.0

# Wolseley UK Limited

## Notes to the financial statements for the year ended 31 July 2013 (continued)

### 23 Pension costs (continued)

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

	Long-term rate of return expected at 31 July 2013	Value at 31 July 2013 £'000	Long-term rate of return expected at 31 July 2012	Value at 31 July 2012 £'000
Equities	6.6%	744,916	6.1%	497,796
Bonds	3.5%	289,389	3.0%	191,927
Other	3.4%	8,761	2.8%	42,984
Total market value of assets	5.7%	1,043,066	5.1%	732,707
Present value of scheme liabilities		(1,065,870)		(946,716)
Deficit in the scheme		(22,804)		(214,009)
Related deferred tax asset		4,562		49,231
Net pension liability		(18,242)		(164,778)

The Company had an amount of £nil owing to the Plan as at 31 July 2013 (2012: £nil)

#### Reconciliation of fair value of scheme assets

	2013 £'000	2012 £'000
At the beginning of the year	732,707	662,576
Expected return on plan assets	44,675	42,900
Actuarial gain/(loss)	128,812	(43,858)
Employers' contributions	165,536	100,538
Participants' contributions	195	255
Benefits paid	(28,859)	(29,704)
At the end of the year	1,043,066	732,707

# Wolseley UK Limited

## Notes to the financial statements for the year ended 31 July 2013 (continued)

### 23 Pension costs (continued)

	2013 £'000	2012 £'000
Actual return on plan assets	173,487	(958)

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 3.2% per year as at 31 July 2013 (2012: 3.9%) over the expected return from government bonds.

#### Reconciliation of present value of scheme liabilities

	2013 £'000	2012 £'000
At the beginning of the year	(946,716)	(917,528)
Current service cost	(18,317)	(21,200)
Curtailment gain	736	10,200
Interest cost	(43,252)	(49,400)
Participants' contributions	(195)	(255)
Benefits paid	28,859	29,704
Actuarial (loss)/gain	(86,985)	1,763
At the end of the year	(1,065,870)	(946,716)

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 10.4%
Discount rate	Decrease by 0.5%	Increase by 11.7%

# Wolseley UK Limited

## Notes to the financial statements for the year ended 31 July 2013 (continued)

### 23 Pension costs (continued)

#### Analysis of total expense recognised in the profit and loss account

	2013 £'000	2012 £'000
Current service cost	18,317	21,200
Curtailment gain	(736)	(2,000)
Charged to operating profit*	17,581	19,200
Interest on pension liabilities	43,252	49,400
Expected return on scheme assets	(44,675)	(42,900)
(Credit)/charge to other finance expense	(1,423)	6,500
Total expense	16,158	25,700

\* Pension costs of £958,000 (2012 £1,172,000) were met by other group companies. The total pension cost for the Plan was £17,581,000 (2012 £19,200,000), the pension cost for the company was £16,623,000 (note 2) (2012 £18,028,000)

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

	2013 £'000	2012 £'000
Actual return less expected return on pension scheme assets	128,812	(43,858)
Changes in assumptions underlying the present value of the scheme liabilities	(86,985)	1,763
Actuarial gain/(loss) recognised in the STRGL	41,827	(42,095)

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
<b>History of experience gains and losses</b>					
Fair value of plan assets	1,043,065	732,707	662,576	564,591	489,860
Present value of defined benefit obligation	(1,065,870)	(946,716)	(917,528)	(855,316)	(702,464)
<b>Deficit in the plan</b>	<b>(22,805)</b>	<b>(214,009)</b>	<b>(254,952)</b>	<b>(290,725)</b>	<b>(212,604)</b>
<b>Experience adjustments</b>					
Experience adjustments to scheme assets	128,812	(43,858)	34,769	36,605	(100,210)
% of scheme assets	12.3%	(6.0)%	5.2%	6.5%	(20.5)%

## **Wolseley UK Limited**

### **Notes to the financial statements for the year ended 31 July 2013 (continued)**

#### **24 Share-based payments**

The Company participates in the Group's discretionary share option plans (collectively, the "Executive Option Schemes") and in the Group's all employee sharesave plans for UK employees. The Company also participates in the Group's Long Term Incentive Scheme ("LTIS") for senior executives and the Wolseley Group Ordinary Share Plan 2011.

Further detailed information relating to share-based payments is provided in notes 27 and 37 of the Group's Annual Report.

#### **25 Derivative financial instruments**

In 2012, at the balance sheet date the Company had entered into certain short-term currency swaps amounting to assets of £490.1 million and liabilities of £624.4 million, equivalent to £501.4 million, which were designated as effective hedges of net investments in overseas operations. The fair value of these currency swaps was estimated as the cost of closing out the contracts using the closing exchange rate at the balance sheet date and was £11.3 million. In 2013, there were no outstanding short-term currency swaps at the balance sheet date.

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 £29.3 million loss (2012: £52.9 million gain) all of which is 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 (2012: £nil).

#### **26 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 27), whose financial statements are publicly available.

#### **27 Ultimate parent company**

The Company's immediate parent company is Wolseley UK Holdings Limited, a company registered in England and Wales.

The ultimate parent company and controlling party at 31 July 2013 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 2013. Copies of the Group financial statements may be obtained from The Group Company Secretary, Wolseley plc, c/o Wolseley Limited, Parkview 1220, Arlington Business Park, Theale, Reading, RG7 4GA.

## **Wolseley UK Limited**

### **Notes to the financial statements for the year ended 31 July 2013 (continued)**

#### **28 Post balance sheet events**

Homeoutlet Online Limited, a subsidiary of the Company, ceased all trading on 18 December 2013. At the balance sheet date amounts owed by group undertakings (note 14) included £6,505,000 due from Homeoutlet Online Limited. Initial estimates suggest approximately £5,000,000 of this balance may not be recovered upon winding up of Homeoutlet Online Limited.