

Registered number: 00636445

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

FRIDAY



\*ADODFRD7\*

A33

04/02/2011

219

COMPANIES HOUSE

# **Wolseley UK Limited**

## **Annual report and financial statements for the year ended 31 July 2010**

### **Contents**

### **Page**

Directors and advisers	1
Directors' report for the year ended 31 July 2010	2
Independent auditors' report to the members of Wolseley UK Limited	7
Profit and loss account for the year ended 31 July 2010	9
Statement of total recognised gains and losses for the year ended 31 July 2010	10
Balance sheet as at 31 July 2010	11
Accounting policies for the year ended 31 July 2010	12
Notes to the financial statements for the year ended 31 July 2010	17

# **Wolseley UK Limited**

## **Directors and advisers**

### **Executive directors**

M J Neville

S Ashmore

D Harding

### **Company secretary**

G Middlemiss

### **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 2010**

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

### **Business review and principal activities**

The Company is a wholly owned subsidiary of its ultimate parent company Wolseley plc (note 26) 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.

As shown in the Company's profit and loss account on page 9, turnover declined by 3.1% in the year due to the impact of branch closures with like-for-like revenue broadly flat. A decline in gross margins as a result of competitive pressure caused the gross margin to be £39.6 million lower than last year but this was largely offset by reductions of £31.2 million in the cost base arising from restructuring actions taken in the prior year resulting in the operating profit (before exceptional items) to be only £8.4 million lower than the prior year. Plumb and Parts Center performed well and ahead of the prior year. In addition, Build Center, which was loss making in 2009, strongly improved its trading performance and returned to profit in the year benefiting from a lower cost base.

### **Future development**

We expect the overall recovery to remain weak as activity levels are held back by fragile consumer confidence, and low availability of credit. In addition, public sector activity may come under pressure later in the year, following the UK Government's spending review in October 2010. We have seen a continuation of the gradual recovery in the more resilient RMI sector. Commercial and industrial markets have remained relatively weak throughout the year.

In response to difficult market conditions the Company has taken significant action during the current and prior years to reduce its cost base. In addition to a headcount reduction in the year of 1,503 (2009: 1,904) and branch closures of 42 (2009: 178), action to rationalise the supply chain was also taken in the prior year through the closure of the Didcot, Chorley, Henfield and Ripon distribution centres. Details of all exceptional items are provided in note 4 on page 19.

As a result of impairment reviews carried out on the investments that the Company has in subsidiary undertakings, exceptional charges totalling £52.0 million (2009: £26.5 million) have been recognised in the profit and loss account.

At 31 July 2010 the total number of branches operated by the Company was 1,039 (2009: 1,073).

The balance sheet on page 11 and note 19 on page 32 of the financial statements show that the Company's financial position at the year end has, in net assets terms, increased by £141.9 million. This is a result of the £235.8 million proceeds from the share issue in the year, the effect of which was offset by items including the £52.0 million impairment of investments and the £83.2 million actuarial loss generated from financial assumption changes on the pension scheme. Details of amounts owed to the parent company are shown in note 14 on pages 29 to 30.

There have been no significant events since the balance sheet date.

# **Wolseley UK Limited**

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

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 10 to 11 of the Group's Annual Report. The performance of the UK division of the Group, which includes the Company, is discussed on pages 18 to 19 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. Levels of activity have reduced markedly over the last three years, and there continues to be a risk that they may fluctuate rapidly or experience a second downturn. The Company reviews all available indicators of activity – such as market statistics, economic forecasts, surveys and competitor announcements – to assist in making decisions. The Company has an active approach, monitored by the Group, to manage its cost base in line with expected level of sales. The Company would take appropriate steps in the event of further economic downturn.

### **Restructuring actions**

During the course of the year and in response to the depressed levels of activity in its markets, the Company continued its restructuring programme to reduce costs and manage cash flows. This has involved closing branches, reducing headcount and curtailing capital expenditure. At the date of this report, the Company believes that a large majority of the restructuring actions needed to address current market conditions are complete. However, the continued economic uncertainty may drive further restructuring over the coming months and years.

### **Financial flexibility risk and financial risk management**

The Company's risks relating to financial flexibility and financial management are managed by the Group and are discussed on pages 32 and 29 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. Since the year end an updated compliance programme for the prevention of fraud, bribery and corruption was launched. It is expected that, among other regulation, it will meet the requirements of the UK Bribery Act, which is expected to come into force in April 2011.

# **Wolseley UK Limited**

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

### **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 in note 29 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 36 to 37 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 30 to 33 of the Group's Annual Report.

### **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.

### **Dividends and transfers to financial reserves**

The Company's loss for the financial year was £36.2 million (2009: loss of £25.6 million). The Directors do not recommend the payment of a dividend (2009: nil).

# **Wolseley UK Limited**

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

### **Payments to creditors**

The number of days creditors outstanding at 31 July 2010 was 115 (2009 105)

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**

The Company's charitable donations in 2010 totalled £11,000 (2009 £16,000)

### **Directors**

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

M J Neville

S Ashmore

D Harding (appointed 1 July 2010)

R H Marchbank (resigned 1 March 2010)

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' responsibilities statement**

The Directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and 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.

# **Wolseley UK Limited**

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

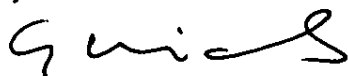
### **Disclosure of information to auditors**

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

### **Independent auditors**

Under the provisions of Companies Act 2006 the Company has passed an elective resolution to dispense with the obligation to appoint auditors annually, and as a result PricewaterhouseCoopers LLP will remain in office

By order of the Board



G Middlemiss

**Company Secretary**

25 January 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 2010 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 Directors' responsibilities statement set out on page 5 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 July 2010 and of its 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

25 January 2011

# Wolseley UK Limited

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

Continuing operations	Note	2010 Before exceptional items £'000	2010 Exceptional items (note 4) £'000	2010 Total after exceptional items £'000	2009 Before exceptional items £'000	2009 Exceptional items (note 4) £'000	2009 Total after exceptional items £'000
<b>Turnover</b>	1	1,849,910	-	1,849,910	1,909,387	-	1,909,387
Change in stocks of finished goods and in work in progress		11,782	-	11,782	(23,222)	-	(23,222)
Other operating income		27,401	-	27,401	32,042	-	32,042
Raw materials and consumables		(1,407,896)	(651)	(1,408,547)	(1,397,370)	(9,197)	(1,406,567)
Staff costs	2	(216,930)	(5,970)	(222,900)	(251,755)	(15,765)	(267,520)
Goodwill amortisation and impairment	8	(8,781)	(170)	(8,951)	(8,929)	(5,844)	(14,773)
Tangible fixed assets depreciation and impairment	10	(17,162)	(2,076)	(19,238)	(23,521)	(11,782)	(35,303)
Investment impairments	11	-	(51,952)	(51,952)	-	(26,513)	(26,513)
Other operating charges		(182,511)	(15,232)	(197,743)	(172,406)	(45,144)	(217,550)
<b>Operating profit / (loss)</b>	3	55,813	(76,051)	(20,238)	64,226	(114,245)	(50,019)
Profit / (loss) on sale of tangible fixed assets	10	1,036	(470)	566	3,075	(7,667)	(4,592)
Income from shares in group undertakings	5	31,590	-	31,590	83,642	-	83,642
<b>Profit / (loss) on ordinary activities before interest</b>		88,439	(76,521)	11,918	150,943	(121,912)	29,031
Interest receivable and similar income	6	16,658	-	16,658	31,125	-	31,125
Interest payable and similar charges	6	(51,285)	-	(51,285)	(89,236)	-	(89,236)
Other finance expense	22	(7,800)	-	(7,800)	(5,300)	-	(5,300)
<b>Profit / (loss) on ordinary activities before tax</b>		46,012	(76,521)	(30,509)	87,532	(121,912)	(34,380)
Tax on profit / (loss) on ordinary activities	7	(11,807)	6,119	(5,688)	(13,492)	22,264	8,772
<b>Profit / (loss) for the financial year</b>	18	34,205	(70,402)	(36,197)	74,040	(99,648)	(25,608)

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 38 form part of these financial statements.

## **Wolseley UK Limited**

### **Statement of total recognised gains and losses for the year ended 31 July 2010**

	Note	2010 £'000	2009 £'000
Loss for the financial year	19	(36,197)	(25,608)
Actuarial loss on pension scheme	22	(83,191)	(82,341)
Movement on deferred tax relating to pension liability – current year	13	18,967	20,630
Movement on current tax relating to pension liability – current year	18	1,420	2,426
Currency translation differences	18	5,065	17,483
Total loss recognised relating to the year		(93,936)	(67,410)

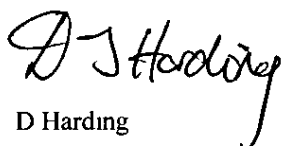
# Wolseley UK Limited

## Balance sheet as at 31 July 2010

Registered number 00636445

	Note	2010 £'000	2009 £'000
<b>Fixed assets</b>			
Intangible assets goodwill	8	84,565	93,516
Intangible assets other	9	-	80
Tangible assets	10	146,425	178,155
Investments	11	1,981,774	2,074,871
		<b>2,212,764</b>	<b>2,346,622</b>
<b>Current assets</b>			
Stocks	12	225,212	213,430
Debtors amounts falling due within one year	13	820,665	1,035,315
Debtors amounts falling due after more than one year	13	55,926	27,756
Cash at bank and in hand		457	479
		<b>1,102,260</b>	<b>1,276,980</b>
<b>Creditors: amounts falling due within one year</b>	14	<b>(1,017,721)</b>	<b>(827,289)</b>
<b>Net current assets</b>		<b>84,539</b>	<b>449,691</b>
<b>Total assets less current liabilities</b>		<b>2,297,303</b>	<b>2,796,313</b>
<b>Creditors: amounts falling due after more than one year</b>	14	<b>(992,795)</b>	<b>(1,707,891)</b>
<b>Provisions for liabilities</b>	15	<b>(78,942)</b>	<b>(63,252)</b>
<b>Net assets excluding pension liability</b>		<b>1,225,566</b>	<b>1,025,170</b>
Pension liability	22	(211,620)	(153,075)
<b>Net assets including pension liability</b>		<b>1,013,946</b>	<b>872,095</b>
<b>Capital and reserves</b>			
Called up share capital	16	24,531	24,531
Share premium account	17	845,108	609,321
Revaluation reserve	18	428	428
Foreign currency retranslation reserve	18	28,149	23,084
Profit and loss account	18	115,730	214,731
<b>Total shareholders' funds</b>	19	<b>1,013,946</b>	<b>872,095</b>

The financial statements on pages 9 to 38 were approved by the board of Directors on 25 January 2011 and were signed on its behalf by

  
D Harding  
Director

# **Wolseley UK Limited**

## **Accounting policies for the year ended 31 July 2010**

### **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 reinstated 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.

# Wolseley UK Limited

## Accounting policies for the year ended 31 July 2010 (continued)

### 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 (2009: 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 2010 the discount rate used was 8.3% (2009: 11.0%).

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 system. 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 – five years).

### Tangible fixed assets

Tangible fixed assets are recognised initially at cost. 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 investment's 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 2010 (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.

### **Stocks**

Stocks are 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 receivables**

Trade receivables 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 receivables 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 receivables funding arrangement which involved the sale of certain receivables to a counterparty. As the Company has transferred substantially all of the credit and late payment risk to the counterparty, advances made against purchased invoices are derecognised in the balance sheet of the Company.

### **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 borrowing are recognised in reserves to the extent that they are covered by exchange differences arising on the equity investments.

### **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 2010 (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 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 and is not subsequently remeasured unless the conditions on which the award was granted are modified. 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.

# **Wolseley UK Limited**

## **Accounting policies for the year ended 31 July 2010 (continued)**

### **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.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

### **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 2010. 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 2010

### 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

	2010 £'000	2009 £'000
<b>Staff costs (including directors)</b>		
Wages and salaries	183,108	210,857
Social security costs	14,175	17,472
Pension costs – defined benefit schemes	19,019*	23,175*
Pension costs – defined contribution schemes	229	-
Share-based payments granted to directors and employees (note 23)	1,915	1,074
Redundancy costs	4,454	14,942
	<b>222,900</b>	<b>267,520</b>

Exceptional staff costs of £5,970,000 (2009 £15,765,000) are included above and are broken down as follows, wages and salaries £2,079,000 (2009 £3,217,000), social security costs £342,000 (2009 £298,000), redundancy costs £3,924,000 (2009 £13,486,000) and pension costs £375,000 credit (2009 £1,236,000 credit) that include £400,000 credit (2009 £1,500,000 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 £1,628,000 (2009 £2,025,000) were met by other group companies. The total pension cost for the Plan was £20,647,000 (2009 £25,200,000) (note 22).

	2010 Number	2009 Number
<b>Average monthly number of employees and directors</b>		
Distribution	6,966	8,396
Administration	535	608
	<b>7,501</b>	<b>9,004</b>

# Wolseley UK Limited

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

### 2 Staff costs (continued)

	2010 £'000	2009 £'000
Directors' remuneration (excluding pension contributions) comprises		
Emoluments	793	591
Compensation for loss of office	-	315
	793	906
Emoluments (excluding pension contributions) of the highest paid director		
Aggregate emoluments	419	317
Accrued pension at end of year	10	7
	2010 Number	2009 Number
Number of directors accruing benefits under defined benefit pension scheme	3	2

In the financial years ended 31 July 2010 and 31 July 2009, R H Marchbank was remunerated by Wolseley plc and his emoluments are disclosed in that company's financial statements. Wolseley plc makes no recharge to the Company. Accordingly, the above details include no emoluments in respect of his services.

R H Marchbank, who is a US citizen, participated in the defined contribution pension arrangements of Ferguson Enterprises, Inc, a fellow group undertaking. All of the other Directors of the Company are members of a defined benefit scheme as referred to in note 22.

D Harding was remunerated by the fellow group subsidiary Wolseley (Group Services) Limited, which charges the Company for his services and so these costs are included in the figures above.

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

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

# Wolseley UK Limited

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

### 3 Operating loss before exceptional items

	2010 £'000	2009 £'000
Operating loss is stated after charging / (crediting)		
Operating lease rentals		
- Plant and machinery	5,642	5,123
- Other	34,190	38,523
Rent receivable	(155)	(383)
Services provided by the Company's auditors:		
Fees payable for the audit of accounts pursuant to legislation	200	241
Fees payable for services relating to taxation	138	165

### 4 Exceptional items

Exceptional items are analysed as follows

	2010 £'000	2009 £'000
Stock write down	651	9,197
Staff costs (note 2)	5,970	15,765
Goodwill impairment (note 8)	170	5,844
Impairment of fixed assets (note 10)	2,076	11,782
Impairment of investments (note 11)	51,952	26,513
Other operating charges		
- Property costs including provisions for future lease rentals on closed branches	13,392	43,313
- Other	1,840	1,831
Loss on disposal of fixed assets - asset write downs (note 10)	470	7,667
	76,521	121,912

Included in the items above are charges of £13,006,000 (2009 £59,580,000) relating to the restructuring provision (note 15)

The tax credit for the year includes a tax credit of £6,119,000 (2009 £22,264,000) relating to exceptional items

# Wolseley UK Limited

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

### 5 Income from shares in group undertakings

	2010 £'000	2009 £'000
Income from shares in group undertakings	31,590	83,642

The income from shares in group undertakings represents dividends paid by B Participations SAS

### 6 Interest

#### Interest receivable and similar income

	2010 £'000	2009 £'000
Interest on cash deposits	283	195
Interest receivable from group undertakings	11,875	26,700
Valuation gains on financial instruments	45	4,212
Other interest income	4,455	18
	16,658	31,125

#### Interest payable and similar charges

	2010 £'000	2009 £'000
Interest on bank loans and overdrafts	15,040	48,169
Interest payable to group undertakings	30,071	38,037
Valuation losses on financial instruments	2,433	-
Discount charge on receivables funding arrangements (note 13)	2,137	2,408
Other interest payable	1,604	622
	51,285	89,236

Other interest payable includes the unwinding of discounts (note 15) on long term provisions of £1,163,000 (2009 £359,000)

# Wolseley UK Limited

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

### 7 Tax on loss on ordinary activities

The tax (credit) / charge for the financial year comprises	2010 £'000	2009 £'000
<b>Current tax</b>		
UK corporation tax on loss for the financial year	6,782	(564)
Adjustment in respect of the prior years	(1,355)	5,612
<b>Total current tax charge</b>	<b>5,427</b>	<b>5,048</b>
<b>Deferred tax</b>		
Current year	(5,392)	(14,749)
Adjustment in respect of the prior years	5,580	3,040
Movement on deferred tax relating to pension liability	73	(2,111)
<b>Total deferred tax (note 13)</b>	<b>261</b>	<b>(13,820)</b>
<b>Tax on loss on ordinary activities</b>	<b>5,688</b>	<b>(8,772)</b>

During the financial year it was announced that the UK corporation tax rate would reduce from 28% to 27% effective from 1 April 2011, the resulting deferred tax charge is £3,798,000 of which £891,000 is included in the current year credit and £2,907,000 is within the movement on deferred tax (note 18) in reserves

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

<b>Tax reconciliation</b>	2010 %	2009 %
Standard UK corporation tax rate	28	28
Non-deductible and non-taxable items	(60)	(47)
Deferred tax origination and reversal of timing differences	(19)	(48)
Foreign income covered by UK dividend exemption	29	68
Adjustment in respect of the prior years	4	(16)
<b>Effective current tax rate on loss on ordinary activities before tax</b>	<b>(18)</b>	<b>(15)</b>

# Wolseley UK Limited

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

### 7 Tax on loss on ordinary activities (continued)

Included in non-deductible and non-taxable items are exceptional permanent disallowable items which contribute 40% (2009 35%) of the 60% (2009 47%) shown above. These exceptional permanent disallowable items include impairment of goodwill and investments (2009 impairment of goodwill and investments and impairment of fixed assets) which do not qualify for capital allowances.

### 8 Intangible assets: goodwill

	Goodwill
	£'000
<b>Cost</b>	
At 1 August 2009	185,017
<b>At 31 July 2010</b>	<b>185,017</b>
<b>Accumulated amortisation and impairment</b>	
At 1 August 2009	91,501
Charge for the year	8,781
Exceptional impairment charge	170
<b>At 31 July 2010</b>	<b>100,452</b>
<b>Net book value</b>	
<b>At 31 July 2010</b>	<b>84,565</b>
At 31 July 2009	93,516

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 groups of IGUs during the year ended 31 July 2010. These impairment reviews have resulted in an exceptional impairment charge of £170,000 in respect of the goodwill which arose on the transfer of the business and assets to the Company of Bromsgrove Hire (£145,000), and O'Rourke's Plumbing & Heating (£25,000).



## Wolseley UK Limited

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

#### 9 Intangible assets: other

	Software costs
	£'000
<b>Cost</b>	
At 1 August 2009	3,408
<b>At 31 July 2010</b>	<b>3,408</b>
<b>Accumulated amortisation</b>	
At 1 August 2009	3,328
Charge for the year	80
<b>At 31 July 2010</b>	<b>3,408</b>
<b>Net book value</b>	
<b>At 31 July 2010</b>	<b>-</b>
At 31 July 2009	80

The amortisation charge for the year of £80,000 (2009 £179,000) is included within 'Other operating charges' on the face of the profit and loss account

# Wolseley UK Limited

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

### 10 Tangible 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 2009	194,500	46,986	103,422	19,852	364,760
Additions	2,191	1,354	4,151	-	7,696
Disposals	(9,970)	(6,914)	(9,200)	(5,480)	(31,564)
Reclassifications	15,579	4,547	3,444	13,811	37,381
Transfer to property awaiting disposal	(24,104)	-	(5,597)	-	(29,701)
Transfer from group companies	3,134	(126)	1,843	-	4,851
<b>At 31 July 2010</b>	<b>181,330</b>	<b>45,847</b>	<b>98,063</b>	<b>28,183</b>	<b>353,423</b>

#### Accumulated depreciation and impairment

At 1 August 2009	68,449	44,781	58,495	14,880	186,605
Depreciation charge for year	4,235	3,185	7,121	2,621	17,162
Exceptional impairment charge	1,628	169	231	48	2,076
Disposals	(6,062)	(5,673)	(6,881)	(5,422)	(24,038)
Reclassifications	12,698	(2,572)	13,317	13,938	37,381
Transfer to property awaiting disposal	(10,649)	-	(2,922)	-	(13,571)
Transfer from group companies	287	15	1,081	-	1,383
<b>At 31 July 2010</b>	<b>70,586</b>	<b>39,905</b>	<b>70,442</b>	<b>26,065</b>	<b>206,998</b>

#### Net book value

<b>At 31 July 2010</b>	<b>110,744</b>	<b>5,942</b>	<b>27,621</b>	<b>2,118</b>	<b>146,425</b>
At 31 July 2009	126,051	2,205	44,927	4,972	178,155

#### Land and buildings cost or valuation

	2010 £'000	2009 £'000
Valuation 1974	573	573
Cost	180,757	193,927
	<b>181,330</b>	<b>194,500</b>

# Wolseley UK Limited

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

### 10 Tangible assets (continued)

The gain on disposal of fixed assets of £566,000 (2009 £4,592,000 loss) on the face of the profit and loss account comprises of a loss on disposal of fixed assets £971,000 (2009 £5,937,000 loss) and profit on disposal of properties held in property awaiting disposal £1,537,000 (2009 £1,345,000 profit)

Included within the loss on disposal are exceptional costs of £470,000 (2009 £7,667,000) relating to the disposal and scrapping of assets at closed branches

Cost or valuation of land and buildings comprises

	2010 £'000	2009 £'000
Freehold	121,763	136,176
Long leasehold	11,271	10,314
Short leasehold	48,296	48,010
	181,330	194,500

Freehold land, which is included above and amounts to £27,492,000 (2009 £35,258,000), 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

	2010 £'000	2009 £'000
Historical cost	180,896	194,066
Accumulated depreciation based on cost	(70,389)	(68,249)
Net book value	110,507	125,817

#### Future capital expenditure authorised by the Directors

	2010 £'000	2009 £'000
Contracted but not provided in the financial statements	-	313

# Wolseley UK Limited

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

### 11 Fixed assets investments

#### Interest in subsidiary undertakings

	£'000
<b>Cost</b>	
At 1 August 2009	2,111,677
Exchange loss on translation	(41,145)
<b>At 31 July 2010</b>	<b>2,070,532</b>
<b>Provision</b>	
At 1 August 2009	(36,806)
Exceptional impairment charge	(51,952)
<b>At 31 July 2010</b>	<b>(88,758)</b>
<b>Net book value</b>	
<b>At 31 July 2010</b>	<b>1,981,774</b>
At 31 July 2009	2,074,871

The Company has experienced a significant deterioration in its markets in the year and is forecasting for this to continue. In light of this, following a review of the carrying value of its investments, the Company's investment in Encon Limited has been impaired by £51,952,000.

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 (formerly Cofiger)	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

# Wolseley UK Limited

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

### 12 Stocks

	2010 £'000	2009 £'000
Goods purchased for resale	225,212	213,430

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

### 13 Debtors

	2010 £'000	2009 £'000
<b>Amounts falling due within one year</b>		
Trade debtors	200,685	227,965
Amounts owed by parent undertaking	426,276	620,587
Amounts owed by group undertakings	96,831	108,861
Corporation tax	6,825	-
Other debtors	17,388	4,518
Prepayments and accrued income	72,660	73,384
	<b>820,665</b>	<b>1,035,315</b>
<b>Amounts falling due after more than one year</b>		
Other debtors	29,436	396
Deferred tax asset	26,490	27,360
	<b>55,926</b>	<b>27,756</b>

The amount owed by the parent undertaking attracts interest at a rate of one year LIBOR + 0.5% (2009 one year LIBOR + 1%) and is unsecured. The amount owed by group undertaking includes an amount of €14,997,000 equivalent of £12,481,000 which attracts interest at a rate of one year LIBOR + 0.75% (2009 €28,997,000 equivalent of £24,723,000 at a rate of one year LIBOR + 0.75%) and is unsecured.

On 1 December 2008 the Company entered into a receivables funding arrangement of up to £100,000,000, committed for two years and on 24 July 2009 this arrangement was increased to up to £140,000,000. On 30 July 2010 the agreement was extended for a further two years, effective 2 November 2010. The arrangement involves the sale of certain receivables to a counterparty, for which the Company is paid substantially all of the receivable in advance and the balance on collection. These receivables continue to be collected by the Company and are then paid over to the counterparty.

# Wolseley UK Limited

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

### 13 Debtors (continued)

As the Company has transferred substantially all of the credit and late payment risk to the counterparty, advances made against purchased invoices are derecognised in the balance sheet of the Company. At 31 July 2010 £139.6 million (2009 £100.0 million) of funding in total had been received, resulting in derecognition of £104.7 million (2009 £71.3 million) from trade debtors, for receivables not yet collected and a reduction of £34.9 million (2009 £28.7 million) from cash at bank, for receivables collected by the Company but not yet paid over to the counterparty. Discount charges on the receivables funding arrangement included in interest payable were £2.1 million in the year ended 31 July 2010 (2009 £2.4 million).

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. Provision for all these onerous leases are included within the restructuring provision in note 15. The contract involved a series of annual payments to the third party. The first payment (£18,156,000) was made by 31 July 2010. Part of the initial payment was used to settle some liabilities associated with the onerous leases provided for in note 15. The remaining instalments have been included in other creditors due within one year (£11,500,000) and after more than one year (£18,111,000) and other debtors due within one year (£14,599,000) and after more than one year (£29,036,000).

The elements of deferred tax are as follows	2010 £'000	2009 £'000
Accelerated capital allowances	23,892	20,245
Tax losses carried forward	-	3,074
Other timing differences	2,598	4,041
<b>Deferred tax asset</b>	<b>26,490</b>	<b>27,360</b>
The movements in the deferred tax balance were as follows		
Asset at beginning of year	27,360	15,685
Amount (debited) / credited to profit and loss account	(870)	11,675
<b>Asset at end of year</b>	<b>26,490</b>	<b>27,360</b>
<b>Deferred tax reconciliation</b>	<b>2010 £'000</b>	<b>2009 £'000</b>
Asset at beginning of year	27,360	15,685
Deferred tax included within net pension liability at beginning of year	59,529	36,755
<b>Total asset</b>	<b>86,889</b>	<b>52,440</b>
Amount (debited) / credited to profit and loss account (note 7)	(261)	13,820
Amount taken directly to reserves (note 18)	18,967	20,630
<b>Total asset at end of year</b>	<b>105,595</b>	<b>86,890</b>

# Wolseley UK Limited

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

### 13 Debtors (continued)

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 £10.6 million (2009: £11.4 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.

### 14 Creditors

	2010 £'000	2009 £'000
<b>Amounts falling due within one year</b>		
Bank overdrafts	345,481	83,338
Trade creditors	443,588	404,650
Amounts owed to parent undertaking	-	135,826
Amounts owed to group undertakings	144,316	138,678
Corporation tax	-	12,146
Other taxation and social security	20,097	18,071
Other creditors	38,401	17,621
Accruals and deferred income	25,838	16,959
	<b>1,017,721</b>	<b>827,289</b>

Interest payments on the bank overdrafts are determined by reference to short-term benchmark rates applicable to the relevant currency or market, such as LIBOR.

Amounts owed to group undertakings includes amounts totalling £13,371,000 (2009: £13,176,000) which are repayable on demand and are subject to interest at a rate of six months GBP LIBOR + 0.5%. The remainder of the amounts owed to group undertakings are repayable on demand and are interest free.

	2010 £'000	2009 £'000
<b>Amounts falling due after more than one year</b>		
Bank loan	-	596,811
Loan from parent undertaking	135,543	38,366
Loan from group undertaking	838,626	1,072,199
Other creditors	18,626	515
	<b>992,795</b>	<b>1,707,891</b>

# Wolseley UK Limited

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

### 14 Creditors (continued)

The loan from the parent undertaking includes an amount of €159,945,000, equivalent to £133,110,000 (2009 €nil) which is repayable on 01 August 2013 and is subject to interest at a rate of one year USD LIBOR + 3.5%. The remaining balance from the parent undertaking is interest free.

The loan from group undertaking includes eleven (2009 nine) loan amounts totalling £551,673,000 (2009 £543,595,000) 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% (2009 one year GBP LIBOR + 1.0% to six months GBP LIBOR + 0.5%), and a loan amount of \$450,000,000, equivalent to £286,953,000 (2009 \$nil) 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

	2010 £'000	2009 £'000
Due between one and two years	9,448	38,881
Due between two and five years	428,563	1,125,415
Due in more than five years	554,784	543,595
	<b>992,795</b>	<b>1,707,891</b>

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

### 15 Provisions for liabilities

	1 August 2009 £'000	Charged £'000	Utilised £'000	Transferred £'000	Unwinding of discount £'000	Exchange £'000	31 July 2010 £'000
Restructuring	47,573	14,472	(22,124)	17,937	1,055	19	58,932
Property dilapidations	13,281	6,660	(798)	(1,409)	108	7	17,849
Environmental	2,398	6	(345)	-	-	-	2,059
Warranty	-	102	-	-	-	-	102
	<b>63,252</b>	<b>21,240</b>	<b>(23,267)</b>	<b>16,528</b>	<b>1,163</b>	<b>26</b>	<b>78,942</b>



# Wolseley UK Limited

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

### 15 Provision for liabilities (continued)

#### Restructuring

The restructuring provision includes provision for staff redundancy costs, future onerous lease rentals on closed branches and asset write downs. In determining the provision for onerous leases the cash flows have been discounted using a risk free rate adjusted for specific risk factors. The majority of the onerous provision relates directly to the specific leases which form the agreement between the Company and the third party as set out in note 13. The net charge to the profit and loss account of £14,472,000 comprises of property costs of £13,578,000 (of which £12,428,000 were exceptional), staff costs of £1,408,000 (of which £1,092,000 were exceptional), other exceptional costs of £54,000 and exceptional asset write downs release of £(568,000).

Included in transfers is £16,850,000 in respect of onerous lease commitments transferred to the Company from other group companies following the transfer of the leases to the Company.

#### 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.

Included in transfers is £322,000 dilapidations provision transferred to another group company.

#### Environmental

Included within this provision is an amount of £1,052,000 (2009 £1,046,000) relating to asbestos litigation. This amount has been actuarially determined as at 31 July 2010 based on advice from professional advisers. Some insurance is in place for asbestos related litigation and accordingly an insurance receivable of £400,000 (2009 £397,000) has been recorded in other debtors due after more than one year in note 13.

#### 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.

### 16 Called up share capital

	2010 £'000	2009 £'000
<b>Authorised</b>		
100,042,000 (2009 100,042,000) ordinary shares of £1 each	100,042	100,042
170,000,000 (2009 170,000,000) preference shares of £1 each	170,000	170,000
<b>Total authorised</b>	<b>270,042</b>	<b>270,042</b>
<b>Allotted, issued and fully paid</b>		
24,530,792 (2009 24,530,791) ordinary shares of £1 each	24,531	24,531

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

# Wolseley UK Limited

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

### 17 Share premium account

	£'000
At 1 August 2009	609,321
Premium on ordinary shares issued (note 16)	235,787
At 31 July 2010	845,108

### 18 Reserves

	Revaluation reserve £'000	Foreign currency retranslation reserve £'000	Profit and loss account £'000
At 1 August 2009	428	23,084	214,731
Loss for the financial year	-	-	(36,197)
Actuarial loss on pension scheme (note 22)	-	-	(83,191)
Movement on deferred tax relating to pension scheme (note 13)	-	-	18,967
Movement on current tax relating to pension scheme	-	-	1,420
Exchange gain for the financial year	-	5,065	-
At 31 July 2010	428	28,149	115,730

£31,341,000 (2009 £31,341,000) of cumulative goodwill has been eliminated against reserves

### 19 Reconciliation of movements in total shareholders' funds

	2010 £'000	2009 £'000
Loss for the financial year	(36,197)	(25,608)
Proceeds of issue of ordinary share capital (note 16)	235,787	169,521
Exchange gain for the financial year	5,065	17,483
Actuarial loss on pension scheme (note 22)	(83,191)	(82,341)
Movement on deferred tax relating to pension scheme (note 13)	18,967	20,630
Movement on current tax relating to pension scheme	1,420	2,426
Net addition to total shareholders' funds	141,851	102,111
Opening total shareholders' funds	872,095	769,984
Closing total shareholders' funds	1,013,946	872,095

# Wolseley UK Limited

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

### 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	
	2010 £'000	2009 £'000
Expiring		
Within one year	1,243	1,619
Between one and five years	12,382	16,109
After five years	18,621	13,809
	32,246	31,537
	Other	
	2010 £'000	2009 £'000
Expiring		
Within one year	1,665	1,090
Between one and five years	5,456	5,654
After five years	272	671
	7,393	7,415

# Wolseley UK Limited

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

### 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 £20,647,000 (2009 £25,200,000)

The Company paid 92.3% (2009 94.8%) 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 £56.2 million to the UK defined benefit scheme in the year ending 31 July 2011, including an additional £24.7 million arising as a result of the recently completed funding valuation.

#### Financial Assumptions

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

	2010	2009
Valuation method	Projected Unit	Projected Unit
Discount rate	5.4%	6.0%
Inflation rate	3.4%	3.7%
Increase to deferred benefits during deferment	3.4%	3.7%
Increases to pensions in payment	3.3%	3.6%
Salary increases	4.4%	4.7%

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

	2010	2009
Current pensioners (at age 65) – male	22.0	20.0
Current pensioners (at age 65) – female	24.0	23.0
Future pensioners (at age 65) – male	24.0	21.1
Future pensioners (at age 65) - female	26.0	24.1

# Wolseley UK Limited

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

### 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 2010	Value at 31 July 2010 £'000	Long-term rate of return expected at 31 July 2009	Value at 31 July 2009 £'000
Equities	8.0%	392,004	8.2%	336,191
Bonds	5.0%	149,204	5.2%	133,419
Other	4.7%	23,383	4.6%	20,250
Total market value of assets	6.4%	564,591	7.2%	489,860
Present value of scheme liabilities		(855,316)		(702,464)
Deficit in the scheme		(290,725)		(212,604)
Related deferred tax asset		79,105		59,529
Net pension liability		(211,620)		(153,075)

The Company had an amount of £2,175,000 owing to the Plan as at 31 July 2010 (2009 £2,393,000)

#### Fair value of plan assets

	2010 £'000	2009 £'000
At the beginning of the year	489,860	521,314
Expected return on plan assets	34,300	36,600
Actuarial gain / (loss)	36,605	(83,809)
Employers' contributions	33,517	39,164
Participants' contributions	394	450
Benefits paid	(30,085)	(23,859)
At the end of the year	564,591	489,860

# Wolseley UK Limited

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

### 22 Pension costs (continued)

	2010 £'000	2009 £'000
Actual return / (loss) on plan assets	70,905	(47,209)

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 2.9% per year as at 31 July 2010 (2009 3.2%) over the expected return from government bonds.

The Group's investment strategy for its funded post-employment plans is decided locally by the Group and, if relevant, the trustees of the Plan and takes account of the relevant statutory requirements. The Group's objective for the investment strategy is to achieve a target rate of return in excess of the increase in the liabilities, while taking an acceptable amount of investment risk relative to the liabilities.

This objective is implemented by using specific allocations to a variety of asset classes that are expected over the long-term to deliver the target rate of return. Most investment strategies have significant allocations to equities, with the intention being that this will result in the ongoing cost to the Group of the post-employment plans being lower over the long-term and be within acceptable boundaries of risk. The policy is to invest approximately 75% of the assets in equities and 25% in other asset classes, principally bonds. The investment strategy is subject to regular review by the scheme trustees in consultation with the Group.

#### Present value of defined benefit obligation

	2010 £'000	2009 £'000
At the beginning of the year	(702,464)	(660,241)
Current service cost	(20,200)	(26,700)
Past service cost	(847)	-
Curtailment gain	400	1,500
Interest cost	(42,100)	(41,900)
Participants' contributions	(394)	(450)
Benefits paid	30,085	23,859
Actuarial (loss) / gain	(119,796)	1,468
At the end of the year	(855,316)	(702,464)

# Wolseley UK Limited

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

### 22 Pension costs (continued)

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

	2010 £'000	2009 £'000
Current service cost	20,200	26,700
Curtailment gain	(400)	(1,500)
Past service cost	847	-
Charged to operating profit	*20,647	*25,200
Interest on pension liabilities	42,100	41,900
Expected return on scheme assets	(34,300)	(36,600)
Charged to other finance expense	7,800	5,300
Total expense	28,447	30,500

\* Pension costs of £1,628,000 (2009 £2,025,000) were met by other group companies. The total pension cost for the Plan was £20,647,000 (2009 £25,200,000), the pension cost for the company was £19,019,000 (note 2) (2009 £23,175,000)

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

	2010 £'000	2009 £'000
Actual return less expected return on pension scheme assets	36,605	(83,809)
Changes in assumptions underlying the present value of the scheme liabilities	(119,796)	1,468
Actuarial loss recognised in the STRGL	(83,191)	(82,341)

History of experience gains and losses	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Fair value of plan assets	564,591	489,860	521,314	567,457	481,900
Present value of defined benefit obligation	(855,316)	(702,464)	(660,241)	(602,600)	(591,500)
Deficit in the plan	(290,725)	(212,604)	(138,927)	(35,143)	(109,600)
Experience adjustments	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Experience adjustments to scheme assets	36,605	(83,809)	(100,210)	39,494	35,100
% of scheme assets	6.5%	(17.1)%	(19.2)%	7.0%	7.3%

# **Wolseley UK Limited**

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

### **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 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 note 34 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 £356.7 million and \$550 million, equivalent to £350.1 million (2009 £nil) and liabilities of €853.1 million, equivalent to £709.9 million (2009 £nil), 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 £2.5 million (2009 £nil).

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 £20.9 million gain (2009 £6.7 million loss) with £20.9 million gain (2009 £6.7 million loss) 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 (2009 £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.

### **26 Ultimate parent company**

The ultimate parent company and controlling party at 31 July 2010 was Wolseley plc, which is registered in England and was the smallest and largest parent undertaking to consolidate these financial statements as at 31 July 2010. On 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.