

Registered number: 00636445

Wolseley UK Limited
Annual report and financial statements
for the year ended 31 July 2016



Wolseley UK Limited

Annual report and financial statements

For the year ended 31 July 2016

Contents

Page

Directors and advisers	1
Strategic report	2
Directors' report	6
Directors' responsibilities statement.....	9
Independent auditor's report.....	10
Profit and loss account.....	12
Statement of comprehensive income	13
Balance sheet	14
Statement of changes in equity	16
Notes to the financial statements	17

Wolseley UK Limited

Directors and advisers

Directors

P Headon
E L Hancox
P Turner

Company secretary

V French

Independent auditors

Deloitte LLP
Chartered Accountants and Statutory Auditor
Abbots House
Abbey Street
Reading
RG1 3BD

Registered office

The Wolseley Center
Harrison Way
Leamington Spa
Warwickshire
CV31 3HH

Registered number

00636445

Wolseley UK Limited

Strategic report

The Directors present their strategic report on the Company for the year ended 31 July 2016.

Operating performance

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").

Our objective is to deliver long term profitable growth through a relentless focus on providing the very best service in our industry, improving gross margins and maintaining an efficient cost base.

We have identified a number of important strategic themes which are the primary drivers for how we will win in our local markets, outperform our competitors and drive strong financial results. More details can be found on page 4 of the Group's annual report for the year ended 31 July 2016 ("the Group's annual report").

The UK heating market has been relatively flat and the competitive landscape has been very challenging for some time. We have just completed a review of operating strategy and on 27 September 2016 we announced a transformation programme to return the business to profitable growth. There are good opportunities to improve our customer propositions and transform the way we serve our customers and we have started an investment programme to enhance the customer experience and to generate better returns for shareholders. More details can be found on page 20 of the Group's annual report.

We expect to incur restructuring charges of about £100 million, of which £70 million is cash and will be fully funded by working capital efficiencies and disposal proceeds. In addition we plan to invest an incremental £40 million over three years in refurbishment, technology and accelerating our investment in digital tools. The closure of around 80 branches and potentially one distribution centre is expected to lead up to 800 job losses, the impact of which we will minimise through redeployment and attrition as far as possible. The programme is subject to consultation. Overall, the transformation will take two to three years and is expected to generate £25 million to £30 million of annualised cost savings when complete.

Business unit portfolio and profile

The Company's business divisions are Plumbing and Heating, Pipe and Climate and Infrastructure. The Company is focused on its core, strong businesses with market leading positions in plumbing and heating and adjacent businesses.

The largest business is Plumbing and Heating, which includes the Plumb Center, Parts Center and Drain Center brands as well as Integrated Services and BCG. Plumb, Parts and Drain Centers are leading distributors of plumbing, heating, above-ground drainage and related products and operate through a national branch network. Integrated Services is a specialist business unit offering bespoke integrated supply chain solutions, including stores management and procurement models to clients responsible for large residential social housing estates, major construction projects and off-site construction. BCG is a distributor of heating, bathroom and kitchen products. The business offers national distribution and provides excellence through its service and product availability

Pipe and Climate Centers distribute pipes, valves, fittings, air conditioning and refrigeration products to B2B customers in the commercial sector, mainly for non-residential new construction.

Subject to employee consultation, in September 2016 we announced our intention to combine the Plumbing & Heating and Pipe & Climate businesses into a single business unit as part of our transformation programme.

The Infrastructure division incorporates the Burdens, Fusion Provida and MPS brands which operate in the civils infrastructure and utilities markets. They are leading specialists in below ground drainage. The trade and assets of MPS was transferred into the Company on 31 January 2016.

Wolseley UK Limited

Strategic report (continued)

Key performance indicators

As shown in the Company's profit and loss account on page 12, total turnover increased by 0.7% (2015: 5.4%) in the year, principally due to the hive up of the trade and assets of MPS Builders Merchants Limited which contributed a 1.1% increase in the turnover. We have faced challenges from a weak market for repairs, maintenance and improvements and price deflation.

Operating profit before exceptional items of £55.7 million (2015: £65.5 million) was lower than last year as a result of the challenging operating markets described in the operating performance section above.

Exceptional items of £59.6 million include impairment of goodwill of £47.7 million which is explained further in note 11.

At 31 July 2016 the total number of branches operated by the Company was 714 (2015: 728).

The balance sheet on page 14 and statement of changes in equity on page 16 show that the Company's financial position at the year end has, in net assets terms, decreased by £101.6 million (2015: increased by £14.0 million) mainly due to the movement from pension asset to pension liability in the year ended 31 July 2016.

The Company has a substantial investment in a group of French companies, which are also part of the Group. Further to the previous announcement that the Group had decided to explore exit options for its remaining building materials business in France this has now been sold and only property assets remain. The carrying value of the Company's investment in France (£110.1m) has been assessed against its recoverable amount and no impairment is believed to be necessary.

The Company participates in the Wolseley Group Retirement Benefits Plan ("the Plan") which provides benefits based on final pensionable salaries. This plan was closed to new entrants in 2009. On 1 January 2010, the assets and liabilities of the William Wilson pension scheme were transferred into the Plan. Following the transfer, the Plan was, until 30 April 2015 made up of two sections, the Wolseley UK section and the William Wilson section. On 1 May 2015, the Wolseley UK section and the William Wilson section merged, so that there was a single non-sectionalised Plan. From that date all of the accounting for the whole of the Plan has been reflected in the accounts of the Company.

The Plan was closed to future accrual on 31 December 2013 and active members were offered participation in the existing defined contribution plan. Obligations under the UK defined contribution plan are recognised as an operating cost in the profit and loss account as incurred.

In October 2016, it was announced to all employees that the Wolseley Group Retirement Benefits Plan would not retain a salary link where there is a salary increase outside that of the annual pay review. This change will be processed in the 2017 actuarial report of the plan.

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 across the Group are shown on pages 8 to 9 of the Group's Annual Report. The performance of the UK division of the Group, which includes the Company, is discussed on pages 20 to 21 of the Group's annual report.

Wolseley UK Limited

Strategic report (continued)

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.

Critical IT systems and data centres have documented disaster recovery plans which are tested annually. The Company operates an IT governance framework that includes IT policies to manage security risks including but not limited to data protection, cyber security and access management.

The Company has formally documented business continuity plans for the distribution centres, head office buildings and operational branches.

The UK business conducts a six-monthly risk review to identify risks and ensure appropriate action plans are in place. This supports 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 34 to 39.

There are a number of risks and uncertainties which the Directors believe could have an impact on the Company's long-term financial performance, including but not limited to: pressure on market conditions; margins; ability to execute strategic initiatives; leakage; major contract compliance; health and safety; customer or supplier default; and product liability. The principal risks to financial performance faced by the Company and its management response are summarised below:

Market conditions

The Company's products are mainly distributed to professional contractors and therefore the Company's results are dependent on the levels of activity in commercial, industrial and residential construction markets. There continues to be uncertainty in macroeconomic conditions and construction activity and the Company's business performance remain suppressed, and there remains a risk that this may continue.

Factors influencing this risk include: the Company's ability to identify and respond to market trends and to manage costs, pricing and margins; the opportunity to develop new business models; and consumer confidence. Many of these factors are out of the Company's control and are difficult to forecast.

The Company cannot control market conditions but it has effective measures in place to respond to them. Existing measures include: a focus on customer service; the development of alternative / revised business models; pricing and gross margin controls; and, cost controls and productivity improvements. All form part of the planning, budgeting and forecasting and resource allocation processes.

The UK decision to leave the EU following the referendum in June may have an impact on the UK economy although it is too early to determine what impact there will be

Pressure on margins

Market conditions remained highly competitive during the year. If not mitigated, this could lead to increased downward pressure on sales prices and profit margins. There is a risk that such competitive pressures will increase and could be exacerbated by factors such as the arrival of new competitors, customer or supplier consolidation, manufacturers shipping directly to customers and changes in technology. There is a risk that the Company may not identify changes in market conditions and margins quickly enough. The recent decline in sterling has put pressure on manufacturer input prices and there is a risk that these may be passed through the supply chain, putting further pressure on margins.

Wolseley UK Limited

Strategic report (continued)

Principal risks and uncertainties (continued)

Pressure on margins (continued)

The Company is accelerating the implementation of new business models and continues to focus on improving its gross margin, pricing and cost management practices. Sourcing and credit control measures have been strengthened. Management information is more detailed, timely and relevant as new information systems are being developed across the Company.

Liquidity and funding risks and financial risk management

The Company's risks relating to liquidity and funding and financial management are managed by the Group and are discussed on pages 32 and 33 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 corrective action is taken where necessary. Some protection is provided for significant customers through credit insurance arrangements and the Company has a professional, dedicated credit team. Provisions are made promptly for debts that may be impaired.

By order of the board



E L Hancox

Director

12 December 2016

Wolseley UK Limited

Directors' report

The Directors present their annual report and the audited financial statements of the Company for the year ended 31 July 2016.

Going concern

The Company's principal objective when managing cash and debt is to safeguard the Company's ability to continue as a going concern for the foreseeable future. The Company retains sufficient resources to maintain its operations for the foreseeable future. The Directors have considered the future prospects and associated risks and uncertainties of the Company and they believe that the going concern basis is appropriate.

Financial risk management

The Company's risks relating to financial management are referred to in the Strategic Report on page 5.

Future developments and events after the balance sheet date

We have just completed a review of operating strategy to return the business to profitable growth. More details are included within Strategic report, and are set out in page 21 of the Group's annual report and are also contained in note 25 subsequent events of these financial statements.

Results and dividends

The Company's loss for the financial year was £14.3 million (2015: £45.4 million profit). The Directors do not recommend the payment of a dividend (2015: £nil).

Financial instruments

The number of day's creditors outstanding at 31 July 2016 was 94 (2015: 101). 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.

Directors

The Directors of the Company during the year ended 31 July 2016 and up to the date of signing the financial statements were:

P Headon

P Turner

E L Hancox (appointed 08 July 2016)

M Ronchetti (resigned 29 July 2016)

V French acted as Company Secretary.

Directors' qualifying third party and pension scheme indemnity provisions

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.

Employees

Details of the number of employees and related costs can be found in note 3 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

Wolseley UK Limited

Directors' report (continued)

Employees (continued)

informal meetings, in-house publications and the Company's intranet sites, 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.

The Modern Slavery Act 2015 requires the Company to report steps taken to ensure operations and supply chains are free of human trafficking and slavery. The Company maintains a number of processes and activities to ensure compliance, in supply chain activity, recruitment and HR, and continual improvement. The Company's full statement can be found on its website.

Charity

The Company and its employees have supported Cancer Research UK and Macmillan cancer charities, as well as several smaller charities.

Two teams from Wolseley UK successfully completed the Yukon River Quest, raising £150,000 for Cancer Research. It is the world's longest annual canoe and kayak race at 444 miles and is held in North West Canada.

Health and safety

The Company recognises the importance of its health, safety and environmental responsibilities and operates in accordance with the Group's Sustainability programme which is described on pages 26 – 29 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.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approval of reduced disclosures

The Company, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS 102 paragraph 1.12. The Company's shareholders have been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received.

The Company also intends to take advantage of these exemptions in the financial statements to be issued in the following year. Objections may be served on the Company by Wolseley Group Holdings Limited, as the immediate parent of the entity, or by a shareholders holding in aggregate 5 per cent or more of the total allocated shares in the

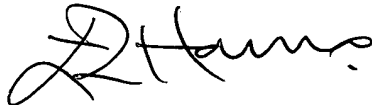
Wolseley UK Limited

Directors' report (continued)

Approval of reduced disclosures (continued)

Company or more than half of the allotted shares in the entity not held by Wolseley Group Holdings Limited as the immediate parent.

By order of the board

A handwritten signature in black ink, appearing to read 'E L Hancox', written over a horizontal line.

E L Hancox

Director

12 December 2016

Wolseley UK Limited

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)), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Wolseley UK Limited

Independent auditor's report to the members of Wolseley UK Limited

We have audited the financial statements of Wolseley UK Limited for the year ended 31 July 2016 which comprise the Profit and loss account, the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes 1 to 27. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement, 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.

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 annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2016 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 matters 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.

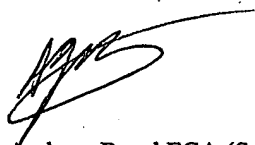
Wolseley UK Limited

Independent auditor's 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.



Andrew Bond FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Reading
United Kingdom
12 December 2016

Wolseley UK Limited

Profit and loss account

For the year ended 31 July 2016

	Note	2016 Before exceptional items £'000	2016 Exceptional items (note 7) £'000	2016 Total after exceptional items £'000	2015 Before exceptional items £'000	2015 Exceptional items (note 7) £'000	2015 Total after exceptional items £'000
Turnover	2	1,865,856	-	1,865,856	1,852,197	-	1,852,197
Change in stocks of finished goods and in work in progress		(13,970)	-	(13,970)	24,356	-	24,356
Other operating income		7,286	-	7,286	7,793	-	7,793
Raw materials and consumables		(1,422,182)	(544)	(1,422,726)	(1,443,913)	-	(1,443,913)
Staff costs	3	(202,526)	(4,339)	(206,865)	(198,082)	(3,233)	(201,315)
Goodwill amortisation and impairment	11	(5,315)	(47,665)	(52,980)	(4,053)	-	(4,053)
Intangible impairment	12	-	(912)	(912)	-	-	-
Tangible fixed assets depreciation and impairment	13	(15,340)	-	(15,340)	(14,023)	-	(14,023)
Other operating charges		(158,138)	(6,411)	(164,549)	(158,747)	-	(158,747)
Operating (loss)/profit		55,671	(59,871)	(4,200)	65,528	(3,233)	62,295
Amounts written off investments	14	-	(430)	(430)	-	(2,181)	(2,181)
Profit/ (loss) on sale of tangible fixed assets	13	588	(527)	61	2,352	51	2,403
Profit on disposal of discontinued operations	8	-	22	22	-	343	343
Profit on disposal of investments	14	-	1,193	1,193	-	1,480	1,480
(Loss)/profit on ordinary activities before finance costs		56,259	(59,613)	(3,354)	67,880	(3,540)	64,340
Finance costs (net)	9	(3,323)	-	(3,323)	(6,494)	-	(6,494)
Other net finance income	22	2,118	-	2,118	4,523	-	4,523
(Loss)/profit on ordinary activities before taxation	6	55,054	(59,613)	(4,559)	65,909	(3,540)	62,369
Tax on (loss)/profit on ordinary activities	10	(12,640)	2,941	(9,699)	(17,355)	340	(17,015)
(Loss)/profit for the financial year		42,414	(56,672)	(14,258)	48,554	(3,200)	45,354

The notes on pages 17 to 53 form part of these financial statements.

Wolseley UK Limited

Statement of comprehensive income For the year ended 31 July 2016

	Note	2016 £'000	2015 £'000
(Loss)/profit for the financial year		(14,258)	45,354
Actuarial loss recognised on pension scheme*	22	(89,409)	(57,844)
Reversal capitalisation of lease		-	(108)
Movement on current tax relating to pension assets	10	351	3,409
Movement on deferred tax relating to pension assets	10	17,221	11,075
Currency translation differences		(15,504)	12,088
Total comprehensive (loss)/income attributable to equity shareholders of the Company		(101,599)	13,974

*Included in the 2015 actuarial loss recognised on the pension scheme is £1,043,000 being the estimated net asset value of the William Wilson section transferred on 30 April 2015, see note 22.

Wolseley UK Limited

Balance sheet As at 31 July 2016

Registered Number:00636445

	Note	2016 £'000	2015 £'000
Fixed assets			
Intangible assets: goodwill	11	-	39,299
Intangible assets: other	12	15,147	16,763
Tangible assets	13	128,918	132,413
Investments	14	286,317	275,228
Pension assets	22	-	56,659
		430,382	520,362
Current assets			
Stocks	15	236,010	249,980
Debtors: amounts falling due within one year	16	746,106	646,167
Debtors: amounts falling due after more than one year	16	12,035	5,305
Cash at bank and in hand		58,945	120,463
		1,053,096	1,021,915
Creditors: amounts falling due within one year	17	(541,123)	(574,943)
Net current assets		511,973	446,972
Total assets less current liabilities		942,355	967,334
Creditors: amounts falling due after more than one year	17	(231,366)	(186,138)
Provisions for liabilities	18	(65,427)	(34,035)
Net assets		645,562	747,161
Capital and reserves			
Called-up share capital	19	24,531	24,531
Share premium account	19	245,108	245,108
Revaluation reserve	19	381	381
Foreign currency retranslation reserve	19	34,998	50,502
Profit and loss account	19	340,544	426,639
Shareholders' funds		645,562	747,161

Wolseley UK Limited

Balance sheet (continued)

As at 31 July 2016

The financial statements of Wolseley UK Limited on pages 12 to 53 were approved by the Board of Directors on 12 December 2016 and were signed on its behalf by:

A handwritten signature in black ink, appearing to read 'E L Hancox', written in a cursive style.

E L Hancox
Director

Wolseley UK Limited

Statement of changes in equity

As at 31 July 2016

	Called-up share capital	Share premium account	Revaluation reserve	Foreign currency translation reserve	Profit and loss account	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 August 2014 as previously stated	24,531	245,108	381	38,414	369,403	677,837
Changes on transition to FRS 102 (see note 27)	-	-	-	-	55,350	55,350
At 1 August 2014 as restated	24,531	245,108	381	38,414	424,753	733,187
Result for the financial year	-	-	-	-	45,354	45,354
Other comprehensive (loss)/income	-	-	-	12,088	(43,468)	(31,380)
Total comprehensive income	-	-	-	12,088	1,886	13,974
At 31 July 2015	24,531	245,108	381	50,502	426,639	747,161
Result for the financial year	-	-	-	-	(14,258)	(14,258)
Other comprehensive loss	-	-	-	(15,504)	(71,837)	(87,341)
Total comprehensive loss	-	-	-	(15,504)	(86,095)	(101,599)
At 31 July 2016	24,531	245,108	381	34,998	340,544	645,562

Wolseley UK Limited

Notes to the financial statements **For the year ended 31 July 2016**

1 Accounting policies

The principal accounting policies are summarised below. They have been applied consistently throughout the year and to the preceding year.

General information and basis of accounting

Wolseley UK Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on page 2.

The financial statements are prepared on the going concern basis, under the historic cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The prior year financial statements were restated for material adjustments on adoption of FRS 102 in the current year. For more information see note 27.

The functional and presentational currency of Wolseley UK Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

Wolseley UK Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Wolseley UK Limited is consolidated in the financial statements of its parent, Wolseley plc, which may be obtained from The Group Company Secretary, Wolseley plc, c/o Wolseley Limited, Parkview 1220, Arlington Business Park, Theale, Reading, RG7 4GA. Exemptions have been taken in these separate company financial statements in relation to share-based payments, financial instruments, intra group related party transactions, presentation of a cash flow statement and remuneration of key management personnel.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. Business combinations that took place prior to the date of transition have therefore not been restated.

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 fixed assets and including goodwill.

Turnover

Turnover is the amount derived from the provision of goods 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.

Wolseley UK Limited

Notes to the financial statements (continued)

For the year ended 31 July 2016

1 Accounting policies (continued)

Other operating income

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

Impairment of fixed assets

In accordance with FRS 102, s27 "Impairment of Assets", 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: 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, consultancy 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).

Trademarks and domain name costs are included at cost and depreciated in equal annual instalments over their estimated useful economic life (five to ten years). 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 102 s17, "Property, Plant and Equipment" 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 in subsidiaries and joint ventures 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.

Wolseley UK Limited

Notes to the financial statements (continued)

For the year ended 31 July 2016

1 Accounting policies (continued)

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, including any lease incentives, 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.

Cash at bank and in hand

Cash includes cash in hand and deposits held at call with banks. 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.

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

1 GBP = 1.1839 EUR (2015: 1 GBP = 1.4218 EUR)

1 GBP = 1.3228 USD (2015: 1 GBP = 1.5623 USD)

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Wolseley UK Limited

Notes to the financial statements (continued)

For the year ended 31 July 2016

1 Accounting policies (continued)

Taxation (continued)

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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.

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.

Plan 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.

Wolseley UK Limited

Notes to the financial statements (continued)

For the year ended 31 July 2016

1 Accounting policies (continued)

Pensions (continued)

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 comprehensive income in the year, together with differences arising from changes in assumptions.

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 3 represents contributions payable by the Company to the fund.

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 24) and its results are included in the consolidated financial statements of that company.

Financial assets and liabilities

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

All financial assets and liabilities are initially measured at transaction price.

Financial assets and liabilities are only offset in the Balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Investments in subsidiaries and associates are measured at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration. Any premium is ignored.

The Company enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

Wolseley UK Limited

Notes to the financial statements (continued)

For the year ended 31 July 2016

1 Accounting policies (continued)

Financial assets and liabilities (continued)

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a current asset due after one year or a creditor due after more than one year if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Critical accounting judgements and key sources of estimation uncertainty

Several of the Company's accounting policies require management to make estimates and assumptions that affect the reported amounts. The following accounting policies include an element of judgment or estimation.

Stock valuation

Stock comprises finished goods. Provisions are made against slow moving, obsolete and damaged stock for which the net realisable value is estimated to be less than the cost. Stock which are damaged or obsolete are written down as identified. The risk of obsolescence of slow-moving stock is assessed by comparing the level of stock held to future sales projected on the basis of historical experience. The actual realisable value of stock may differ materially from the estimated value on which the provision is based. The Company held provisions in respect of stock balances at 31 July 2016 amounting to £12,843,000 (2015: £12,685,000).

The gross value of stock is reduced to reflect Supplier Rebates where the stock has not been sold. As at 31 July 2016, this deduction to gross stock amounted to £43,505,000 (2015: £45,349,000).

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 102, "Goodwill and Intangible Assets", a revised policy for goodwill was adopted with effect from 1 August 1998.

Goodwill arising from acquisitions completed is capitalised and amortised on a straight-line basis over a period of not more than 10 years.

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

Wolseley UK Limited

Notes to the financial statements (continued)

For the year ended 31 July 2016

1 Accounting policies (continued)

Intangible assets: goodwill (continued)

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 2.0% for each market (2015: 2.0%), 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 if necessary. For the year ended 31 July 2016 the post tax discount rate used was 8.2% (2015: 8.8%).

Management has performed a sensitivity analysis across all IGUs which have goodwill using the following key impairment review assumptions: compound average revenue growth rate, post-tax discount rate and long term growth rate, keeping all other assumptions constant.

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.

Supplier rebates

In line with industry practice, the Company has agreements ("Supplier Rebates") with a number of its suppliers whereby volume-based rebates, marketing support and other discounts are received in connection with the purchase of goods for resale from those suppliers.

Volume-based rebates

Volume-based rebates are recognised based on purchase volumes in accordance with the supplier contract and are calculated by applying a contractually agreed percentage to the gross purchase price of the goods as specified in the supplier's invoice. An amount due in respect of Supplier rebates is not recognised within the income statement until all the relevant performance criteria, where applicable, have been met and the goods have been sold to a third party.

The majority of volume-based rebates are determined by reference to guaranteed rates of rebate. These are calculated through a mechanical process with minimal judgement required to determine the amount recorded in the income statement. A small proportion of volume-based rebates are subject to stepped targets where the rebate percentage increases as volumes purchased reach agreed targets within a set period of time. The majority of rebate agreements apply to purchases in a calendar year and therefore, for stepped rebates, judgement is required to estimate the rebate amount recorded in the income statement at the end of the period. The Company assesses the probability that targeted volumes will be achieved in the year based on forecasts which are informed by historical trading patterns, current performance and trends. This judgement is exercised consistently and prudently with historically insignificant true-ups at the end of the period.

Wolseley UK Limited

Notes to the financial statements (continued)

For the year ended 31 July 2016

1 Accounting policies (continued)

Marketing support

Marketing support, which represents a smaller element of the Company's overall Supplier Rebates, is recognised in the income statement when all performance conditions have been fulfilled.

Cost of sales

Rebates relating to the purchase of goods for resale are accrued as earned and are recorded initially as a deduction in stock with a subsequent reduction in cost of sales when the related product is sold.

Supplier rebates receivable

Judgement is also required over the recoverability of receivables relating to stepped target rebates. This risk of misstatement of the estimate is mitigated by regular invoicing and timely collection of amounts receivable.

Where supplier rebates are netted off the amounts owing to that supplier, any outstanding amount at the balance sheet date is included within trade payables. Where the Supplier Rebates are not offset against amounts owing to a supplier, the outstanding amount is included within prepayments and accrued income. The carrying value of stock is reduced by the relevant amount where the stock has not been sold by the balance sheet date.

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. At 31 July 2016 the provision for property dilapidations was £14,538,000 (2015:£13,372,000).

Provision is made for restructuring costs based on management's estimation of the outflow of resources required to settle the obligation. At 31 July 2016 the provision for restructuring costs was £16,383,000 (2015:£14,689,000).

Environmental liabilities include known and potential legal claims and environmental liabilities. At 31 July 2016 the provision for environmental liabilities was £3,237,000 (2015:£2,330,000).

Pensions

The Company operates a defined benefit pension plan that is accounted for using methods that rely on actuarial assumptions to estimate costs and liabilities for inclusion in the financial statements. These actuarial assumptions include discount rates, expected salary and pension increases, inflation and life expectancy and are disclosed in note 22. The Company takes advice from independent actuaries relating to the appropriateness of the assumptions which include life expectancy of members, expected salary and pension increases and inflation. The defined benefit obligation is calculated annually for each plan by using the Projected Unit Credit Method with actuarial valuations. The Company's liability recognised on the balance sheet is the present value of the defined benefit obligation at the balance sheet date, less the fair value of the plan assets. The discount rate used is the yield at the valuation date on high quality corporate bonds that have a maturity approximating to the terms of the pension obligations. Remeasurement comprising actuarial gains and losses are recognised immediately in the balance sheet with a charge or credit to the statement of comprehensive income. The net interest amount is calculated by applying the discount rate used to

Wolseley UK Limited

Notes to the financial statements (continued)

For the year ended 31 July 2016

1 Accounting policies (continued)

Pensions (continued)

measure the defined benefit net asset or liability at the beginning of the period. The pension plan net interest is presented as finance income or expense.

Whilst the Company believes that the actuarial assumptions are appropriate, any significant changes to those used would affect the balance sheet and income statement. The Company considers that the most sensitive assumptions are the discount rate, inflation and life expectancy.

The table below shows the impact of the sensitivities on the defined benefit plan net liability.

Assumptions at 31 July 2016	Change %	£m
Discount rate	+0.25	68
	(0.25)	(71)
Inflation	+0.25	(61)
	(0.25)	52

Assumptions at 31 July 2015	Change %	£m
Discount rate	+0.25	61
	(0.25)	(65)
Inflation	+0.25	(49)
	(0.25)	50

An increase in life expectancy of one year would increase the defined benefit obligation by £57 million (2015: £48 million).

Wolseley UK Limited

Notes to the financial statements (continued)

For the year ended 31 July 2016

2 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.

3 Staff number and costs

	2016 £'000	2015 £'000
Staff costs (including directors)		
Wages and salaries	174,628	166,485
Social security costs	15,005	14,143
Pension costs – defined benefit schemes*	(284)	1,006
Pension costs – defined contribution schemes	11,825	12,076
Share-based payments granted to directors and employees	2,263	2,841
Redundancy costs	3,428	4,764
	206,865	201,315

Exceptional staff costs of £4,339,000 (2015: £3,233,000) relating to internal restructuring are included above and are broken down as follows; wages and salaries £967,000 (2015: £nil), social security £14,000 (2015: £nil), defined benefit schemes £1,412,000 credit (2015: £nil), defined contribution schemes £277,000 (2015: £nil) and redundancy costs £4,493,000 (2015: £3,223,000).

*Pension costs of defined benefit schemes shown above are the costs to the Company. In addition pension costs of £200,000 (2015: £429,000) were met by other group companies. The total pension cost for the Plan was £84,000 credit (2015: £1,435,000 charge) (note 22). In December 2013, the Plan closed to future accrual.

	2016 Number	2015 Number
Average monthly number of employees and directors:		
Distribution	5,653	5,492
Administration	473	573
	6,126	6,065

Wolseley UK Limited

Notes to the financial statements (continued) For the year ended 31 July 2016

4 Director's remuneration and transactions

	2016 £'000	2015 £'000
Directors' remuneration (excluding pension contributions) comprises:		
Emoluments	1,499	1,063
Company contributions to money purchase pension schemes	78	91
	1,577	1,154

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

Emoluments	952	372
Company contributions to money purchase pension schemes	23	27
Accrued pension at end of year	-	19

	2016 Number	2015 Number
The number of directors who:		
Are members of a money purchase pension scheme	2	4
Exercised options over shares in a group undertaking	2	2

In the current year costs of £293,000 included in emoluments above were met by the fellow group company Wolseley (Group Services) Limited and are included within that company's profit and loss account. The highest paid director exercised share options and shares were receivable by that director in respect of qualifying services under a long term incentive scheme.

In the prior year, costs for compensation for loss of office paid to a former director of £397,000 were met by the fellow group company Wolseley (Group Services) Limited and are included within wages and salaries in that company's profit and loss account. In addition, the former director retained his right to share options under the Group's share option plans numbering 30,343 with an estimated monetary value of £1,242,000 which lapse on dates up to 6 May 2018.

One of the Directors of the Company was a member of the defined benefit scheme referred to in note 22 until its closure on 31 December 2013 when he was transferred to the existing defined contribution plan.

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 (continued)

For the year ended 31 July 2016

5 Auditor's remuneration

Fees payable to Deloitte LLP and their associates for the audit of the Company's annual accounts were £352,000 (2015: £332,000 payable to Pricewaterhouse Coopers LLP).

Fees payable to Deloitte LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements of the parent company are required to disclose such fees on a consolidated basis.

6 (Loss)/ profit on ordinary activities before taxation

	2016 £'000	2015 £'000
(Loss)/profit on ordinary activities before taxation is stated after charging / (crediting):		
Cost of stock recognised as an expense	1,436,696	1,419,557
Impairment losses on stock	158	(541)
Depreciation of tangible fixed assets:		
- Owned	14,911	13,574
- Held under finance leases and hire purchase contracts	429	449
Operating lease rentals:		
- Plant and machinery	5,484	5,664
- Other	31,251	30,312
Rent receivable	(469)	(485)

Wolseley UK Limited

Notes to the financial statements (continued) For the year ended 31 July 2016

7 Exceptional items

Exceptional items are analysed as follows:	2016 £'000	2015 £'000
Staff costs (note 3)	4,339	3,233
Goodwill impairment (note 11)	47,665	-
Intangible impairment (note 12)	912	-
Cost of sales	544	-
Impairment of investments (note 14)	430	2,181
Profit on disposal of discontinued operations (note 8)	(22)	(343)
Profit on disposal of investments (note 14)	(1,193)	(1,480)
Other operating charges:		
- Property costs including provisions for future lease rentals on closed branches	2,867	116
- Professional fees/(credits) incurred relating to consultancy and legal costs	2,928	(116)
- Other	616	-
(Loss)/ profit on disposal of fixed assets - asset write downs (note 13)	527	(51)
	59,613	3,540

Included in the items above is £4,386,000 (2015: £116,000) relating to the charge to the restructuring provision (note 18).

The tax charge for the year includes a tax credit of £2,941,000 (2015: £340,000 credit) relating to exceptional items.

All of the following exceptional items relate to credits incurred as part of the Build Center and Bathstore.com Limited disposals which took place in the year ended 31 July 2012:

	2016 £'000	2015 £'000
Profit on disposal of discontinued operations (note 8)	(22)	(343)
Profit on disposal of investments (note 14)	(1,193)	(1,480)
	(1,215)	(1,823)

8 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. In the year ended 31 July 2016 £22,000 profit (2015: £343,000 profit) was recognised relating to release of property and legal provisions.

Wolseley UK Limited

Notes to the financial statements (continued)

For the year ended 31 July 2016

9 Finance costs (net)

	2016 £'000	2015 £'000
Interest payable and similar charges	9,008	9,040
Less: Investment income	(5,685)	(2,546)
	3,323	6,494

Investment income

	2016 £'000	2015 £'000
Interest on cash deposits	3,255	1,826
Exchange gain on internal derivatives (note 23)	2,128	-
Interest receivable from group undertakings	323	711
Valuation gains/(loss) on financial instruments	(21)	9
	5,685	2,546

Interest payable and similar charges

	2016 £'000	2015 £'000
Interest on bank loans and overdrafts	49	171
Interest payable to group undertakings	8,610	8,268
Finance leases and hire purchase contracts	142	147
Exchange loss on internal derivatives (note 23)	-	322
Other interest payable	207	132
	9,008	9,040

In 2016, other interest payable included the unwinding of discounts (note 18) on long term provisions of £113,000 (2015: £131,000).

Wolseley UK Limited

Notes to the financial statements (continued) For the year ended 31 July 2016

10 Tax on (loss)/profit on ordinary activities

The tax charge/(credit) for the financial year comprises:

	2016 £'000	2015 £'000
Current tax		
UK corporation tax on profit for the financial year	351	3,409
Movement taken to reserves relating to pension assets	(351)	(3,409)
Adjustment in respect of the prior years	-	(2,432)
Total current tax charge / (credit)	-	(2,432)
Deferred tax		
Current year	9,068	16,038
Adjustment in respect of the prior years	280	-
Movement on deferred tax relating to pension asset	(17,221)	(11,075)
Total deferred tax (note 16)	(7,873)	4,963
Tax on (loss) / profit on ordinary activities	(7,873)	2,531
Tax charge recognised through profit and loss account	9,699	17,015
Tax credit recognised through other comprehensive income	(17,572)	(14,484)
Tax on (loss) / profit on ordinary activities	(7,873)	2,531

Wolseley UK Limited

Notes to the financial statements (continued)

For the year ended 31 July 2016

10 Tax on (loss)/profit on ordinary activities (continued)

The tax charge for the financial year is higher (2015: higher) than the standard rate of corporation tax in the UK of 20% (2015: 20.67%). The differences are explained below:

	2016 £'000	2015 £'000
(Loss)/ profit on ordinary activities before taxation	(4,559)	62,369
(Loss)/ profit on ordinary activities multiplied by standard rate of UK tax of 20% (2015: 20.67%)	(912)	12,892
Effect of:		
Non-deductible and non-taxable items	10,333	6,362
Deferred tax origination and reversal of timing differences	(2)	193
Adjustment in respect of the prior years	280	(2,432)
Total tax charge for the year	9,699	17,015

Deferred tax assets and liabilities are measured at the tax rates are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

The Finance (No. 2) Act 2015 enacted a reduction of the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and 18% effective from 1 April 2020. In this budget of 16 March 2016, the Chancellor of the Exchequer announced that the main rate of corporation tax will be further reduced to 17% effective 1 April 2020, instead of the 18% previously enacted. For the year ended 31 July 2016, the reduction in the rate below 18% has not been substantively enacted and therefore deferred tax has been calculated at 18%.

Wolseley UK Limited

Notes to the financial statements (continued)

For the year ended 31 July 2016

11 Intangible fixed assets: goodwill

	£'000
Cost	
At 1 August 2015	106,447
Acquisition	13,681
At 31 July 2016	120,128
Accumulated amortisation and impairment	
At 1 August 2015	67,148
Charge for the year	5,315
Impairment	47,665
At 31 July 2016	120,128
Net book value	
At 31 July 2016	-
At 31 July 2015	39,299

The Company acquired the trade and assets of MPS Builders Merchants Limited, a subsidiary of the Company, under a hive up agreement on 31 January 2016.

The Company also acquired the trade and assets of Homeoutlet Online Limited, a subsidiary of the Company, under a hive up agreement on 31 July 2016.

The book values approximate to the fair value of the assets acquired. The consideration paid was £18,530,000, for MPS Builders Merchants Limited and £167,000 for Homeoutlet Online Limited. The goodwill arising on acquisition was £13,681,000 for MPS Builders Merchants and £ nil for Homeoutlet Online Limited as the transfer was at net asset value.

On acquisitions to date a life of 10 years has been determined to reflect the estimated useful economic life and goodwill is being amortised on a straight-line basis over this period. This has resulted in a restated prior year balance as a useful life of 20 years was applied under previous UK GAAP.

Impairment tests were performed for all IGUs during the year ended 31 July 2016. These impairment reviews have resulted in an impairment charge this year of £47,665,000 (2015: £nil) of which £21,899,000 relates to the goodwill on the trade and assets transfer of Burdens, £12,772,000 on the trade and assets transfer of Fusion and Utility Power Systems Limited and £12,994,000 relating to the transfer of trade and assets from MPS Builders Merchants Limited.

Wolseley UK Limited

Notes to the financial statements (continued)

For the year ended 31 July 2016

11 Intangible fixed assets: goodwill (continued)

The assets acquired were as shown below:

	MPS Builders Merchants Limited	Homeoutlet Online Limited	Total
	Fair value / Book value £'000	Fair value / Book value £'000	Fair value / Book value £'000
Tangible fixed assets (note 13)	577	-	577
Stock	1,458	-	1,458
Bank & cash	1,769	94	1,863
Debtors	6,045	183	6,228
Creditors	(4,298)	(110)	(4,408)
Provisions (note 18)	(702)	-	(702)
	4,849	167	5,016

12 Intangible fixed assets: other

	Software costs £'000	Trademarks & domain name costs £'000	Total £'000
Cost			
At 1 August 2015	24,930	2,053	26,983
Additions	4,733	-	4,733
Disposals	(805)	-	(805)
At 31 July 2016	28,858	2,053	30,911
Accumulated amortisation			
At 1 August 2015	9,467	753	10,220
Charge for the year	4,717	230	4,947
Impairment	-	912	912
Disposals	(315)	-	(315)
At 31 July 2016	13,869	1,895	15,764
Net book value			
At 31 July 2016	14,989	158	15,147
At 31 July 2015	15,463	1,300	16,763

Wolseley UK Limited

Notes to the financial statements (continued)

For the year ended 31 July 2016

12 Intangible fixed assets: other (continued)

The amortisation charge for the year of £4,947,000 (2015: £4,034,000) is included within 'Other operating charges' on the face of the profit and loss account.

Impairment tests were performed for all IGUs during the year ended 31 July 2016. These impairment reviews have resulted in an impairment charge this year of £912,000 (2015: £nil) on trademarks in respect of Burdens.

13 Tangible fixed assets

	Land and buildings £'000	Plant and machinery £'000	Fixtures, fittings, tools and equipment £'000	Motor vehicles £'000	Total £'000
Cost or valuation					
At 1 August 2015	137,260	46,186	94,844	13,779	292,069
Additions	4,823	5,280	2,586	801	13,490
Acquisitions	133	193	-	318	644
Disposals	(1,842)	(3,922)	(5,112)	(653)	(11,529)
Reclassifications	(126)	(1,007)	1,133	-	-
Transfer to property awaiting disposal	(667)	-	-	-	(667)
At 31 July 2016	139,581	46,730	93,451	14,245	294,007
Accumulated depreciation and impairment					
At 1 August 2015	49,216	29,902	73,891	6,647	159,656
Acquisition	10	20	-	37	67
Depreciation and impairment charge	3,201	6,301	3,792	2,046	15,340
Disposals	(1,269)	(3,073)	(4,773)	(643)	(9,758)
Transfer to property awaiting disposal	(216)	-	-	-	(216)
At 31 July 2016	50,942	33,150	72,910	8,087	165,089
Net book value					
At 31 July 2016	88,639	13,580	20,541	6,158	128,918
At 31 July 2015	88,044	16,284	20,953	7,132	132,413

Wolseley UK Limited

Notes to the financial statements (continued)

For the year ended 31 July 2016

13 Tangible fixed assets (continued)

Leased assets included above:

	Land and buildings £'000	Plant and machinery £'000	Fixtures, fittings, tools and equipment £'000	Motor vehicles £'000	Total £'000
At 31 July 2016	-	-	-	1,131	1,131
At 31 July 2015	-	-	-	1,560	1,560

Land and buildings cost or valuation

	2016 £'000	2015 £'000
Property valuation completed in 1974	532	532
Cost	139,049	136,728
	139,581	137,260

The profit on sale of tangible fixed assets of £61,000 (2015: £2,403,000) on the face of the profit and loss account comprises of a loss on disposal of fixed assets £1,189,000 (2015: £281,000) and profit on disposal of properties £1,250,000 (2015: £2,684,000).

Included within the profit on disposal are exceptional items of £527,000 charge (2015: £51,000 credit) relating to the disposal of closed branches.

Reclassifications primarily relate to items held in land and buildings and plant and machinery WIP codes at 31 July 2015. Individual items have been reviewed and reclassified following completion of works.

Cost or valuation of land and buildings comprises:

	2016 £'000	2015 £'000
Freehold	93,594	94,455
Long leasehold	5,079	5,363
Short leasehold	40,908	37,442
	139,581	137,260

Freehold land, which is included above and amounts to £21,100,000 (2015: £21,240,000), is not depreciated.

Wolseley UK Limited

Notes to the financial statements (continued)

For the year ended 31 July 2016

13 Tangible fixed assets (continued)

Historical cost

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

	2016 £'000	2015 £'000
Historical cost	139,173	136,218
Accumulated depreciation based on cost	(50,729)	(48,523)
Net book value	88,444	87,695

Future capital expenditure authorised by the Directors

At 31 July 2016, there was £nil of future capital expenditure authorised by the Directors that has been contracted but not provided in the financial statements (2015: £nil).

Wolseley UK Limited

Notes to the financial statements (continued)

For the year ended 31 July 2016

14 Fixed asset investments: interest in subsidiary undertakings

	£'000
Cost	
At 1 August 2015	686,085
Additions	10,239
Disposals	(12,620)
Exchange gain on translation	48,051
At 31 July 2016	731,755
Provision	
At 1 August 2015	410,857
Disposals	(2,927)
Exchange loss on translation	37,078
Exceptional impairment charge	430
At 31 July 2016	445,438
Net book value	
At 31 July 2016	286,317
At 31 July 2015	275,228

The additions in the year relate to the acquisition of 100% of the ordinary share capital of Wholesale Supplies Limited for £10,239,000 from a fellow group undertaking.

The net exchange gain on translation of £10,973,000 (2015: £11,981,000 loss) arose from the retranslation at the balance sheet date of investments in subsidiary undertakings denominated in foreign currencies.

Following the year ended 31 July 2016, reviews of the carrying value of the investments took place and an impairment of £430,000 (2015: £182,000) has been recognised in respect of Homeoutlet Online Limited and £ nil (2015: £1,999,000) in respect of Fusion Provida Holdco Limited.

Wolseley UK Limited

Notes to the financial statements (continued)

For the year ended 31 July 2016

14 Fixed asset investments: interest in subsidiary undertakings (continued)

The disposals in the year relate to the strike off of the following non trading subsidiary entities, Lygon Holdings Limited £3,601,000, Galley Matrix Limited £2,659,000, Greenhow & Welch Limited £1,978,000, First Base Timber Limited £778,000, Gunn Bros £671,000 and JF Lord Limited £6,000. The intercompany balances with these entities were also written off in the year. The net profit and loss account impact is £187,000 charge and is within other operating charges on the face of profit and loss account.

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 year ended 31 July 2012. A profit on disposal of £1,193,000 (2015: £1,480,000 profit) is recognised in the profit and loss account this year.

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
Fusion Provida Holdco Limited	England	100%	Holding company
MPS Builders Merchants Limited	England	100%	Civils infrastructure merchant

A full list of subsidiaries is included in note 26.

15 Stocks

	2016 £'000	2015 £'000
Goods purchased for resale	236,010	249,980

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 (continued)

For the year ended 31 July 2016

16 Debtors

	2016 £'000	2015 £'000
Amounts falling due within one year		
Trade debtors	315,156	320,841
Amounts owed by group undertakings	356,009	255,307
Other debtors	4,522	5,182
Prepayments and accrued income	70,419	64,837
	746,106	646,167

	2016 £'000	2015 £'000
Amounts falling due after more than one year		
Amounts owed by group undertakings	-	555
Other debtors	2,295	2,883
Deferred tax asset	9,740	1,867
	12,035	5,305

At 31 July 2016, amounts owed by the group undertakings consists of £5,997,000 of trading balances with no interest charged, repayment due within the normal terms of business and unsecured and a balance of £350,012,000 that attracts interest of LIBOR plus 0.75% per annum and is repayable on demand.

At 31 July 2015, amounts owed by group undertakings included a debtor balance of £200,000,000 that attracts interest at a rate of one month LIBOR + 0.5% and was repayable in full on 28 August 2015; a debtor balance of £50,000,000 that attracts interest at a rate of one month LIBOR +0.5% and was repayable in full on 3 August 2015; a creditor balance of £322,000 and the remaining debtor balance of £100,000 that attracts no interest. And £5,529,000 trading balances with no interest charged, repayment due within the normal terms of business. All of these balances are unsecured.

At 31 July 2015, amounts owed by group undertakings falling due after more than one year consists of £1,000,000 (with a carrying value of £555,000) that attracts interest at a rate of 12 month LIBOR +3.5%, is unsecured and repayable on 1 May 2017.

Wolseley UK Limited

Notes to the financial statements (continued)

For the year ended 31 July 2016

16 Debtors (continued)

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 18. The contract involved a series of annual payments to the third party. The advanced payments made but not yet utilised are included in other debtors due within one year £320,000 (2015: £600,000) and after more than one year £604,000 (2015: £1,188,977). There are no other remaining instalments due to be paid.

The elements of deferred tax are as follows:

	2016 £'000	2015 £'000
Accelerated capital allowances	7,389	8,532
Deferred tax arising in relation to retirement benefit obligations	5,471	(11,332)
Other timing differences	(3,120)	4,667
Deferred tax asset	9,740	1,867

The movements in the deferred tax balance were as follows:

Asset at beginning of year	1,867	6,830
Amount charged to the profit and loss account	7,873	(4,963)
Asset at end of year	9,740	1,867

Deferred tax reconciliation	2016 £'000	2015 £'000
Asset at beginning of year	1,867	6,830
Total asset	1,867	6,830
Amount charged to the profit and loss account (note 10)	(9,348)	(16,038)
Amount taken directly to reserves	17,221	11,075
Total asset at end of year	9,740	1,867
Consisting of:		
Liability at end of year	(5,296)	(14,202)
Asset at end of year	15,036	16,069
Total asset at end of year	9,740	1,867

Wolseley UK Limited

Notes to the financial statements (continued)

For the year ended 31 July 2016

17 Creditors

	2016 £'000	2015 £'000
Amounts falling due within one year		
Obligations under finance leases and hire purchase contracts	770	787
Bank loans and overdrafts	-	2,348
Trade creditors	365,543	398,162
Amounts owed to parent undertakings	-	5
Amounts owed to group undertakings	113,209	118,777
Other creditors	19,854	16,226
Other taxation and social security	23,451	22,088
Corporation tax	299	256
Accruals and deferred income	17,997	16,294
	541,123	574,943

At 31 July 2016, amounts owed to group undertakings included amounts totalling £113,209,000 which were repayable on demand and interest free.

At 31 July 2015, amounts owed to group undertakings included amounts totalling £102,155,000 which were repayable on demand and interest free; and £16,622,000 subject to interest at a rate of 6 months GBP LIBOR +3.5% repayable in full on 31 January 2016.

	2016 £'000	2015 £'000
Amounts falling due after more than one year		
Obligations under finance leases and hire purchase contracts	688	1,112
Loan from parent undertakings	-	117,389
Loans from group undertakings	230,445	67,321
Other creditors	233	316
	231,366	186,138

At 31 July 2016, loans from group undertakings includes an amount totalling €118,500,000 equivalent to £100,093,000, subject to interest at a rate of LIBOR +3.5% repayable under a revolving facility arrangement; €58,087,580 equivalent to £49,064,000 subject to interest at a rate of 6 months GBP LIBOR + 3.5% repayable under revolving facility arrangement; £49,323,000 subject to interest at a rate of 6 months GBP LIBOR +3.5% repayable in full on 13 March 2018; £2,318,000 subject to interest at a rate of 6 months GBP LIBOR +3.5% repayable in full in March 2018; and £29,647,000 subject to interest at a rate of 12 months GBP LIBOR +3.5% repayable in full on 01 August 2017.

Wolseley UK Limited

Notes to the financial statements (continued)

For the year ended 31 July 2016

17 Creditors (continued)

At 31 July 2015, loan from parent undertakings included an amount totalling €166,903,000, equivalent to £117,389,000, subject to interest at a rate of 6 months EUR LIBOR +3.5% repayable under a revolving facility arrangement.

At 31 July 2015, loans from group undertakings included an amount totalling €8,635,000, equivalent to £6,073,000, subject to interest at a rate of EUR EONIA +0.0% repayable under a revolving facility arrangement; £28,350,000 subject to interest at a rate of 6 months GBP LIBOR +3.5% repayable in full on 1 August 2017; £30,676,000 subject to interest at a rate of 6 months GBP LIBOR +3.5% repayable in full on 13 March 2018; £2,222,000 subject to interest at a rate of 6 months GBP LIBOR +3.5% repayable in full on 13 March 2018.

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

Finance leases

	2016 £'000	2015 £'000
Due between one and two years	688	424
Due between two and five years	-	688
Due in more than five years	-	-
	688	1,112

Loans from group/ parent undertakings

	2016 £'000	2015 £'000
Due between one and two years	130,352	-
Due between two and five years	100,093	184,710
Due in more than five years	-	-
	230,445	184,710

Other creditors

	2016 £'000	2015 £'000
Due between one and two years	157	205
Due between two and five years	76	93
Due in more than five years	-	18
	233	316

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 (continued)

For the year ended 31 July 2016

18 Provisions for liabilities

	1 August 2015 £'000	Charged/ (released) £'000	Acquisition £'000	Utilised £'000	Unwinding of discount £'000	Exchange £'000	31 July 2016 £'000
Restructuring	14,689	4,386	6	(2,867)	85	84	16,383
Property dilapidations	13,372	1,349	702	(913)	28	-	14,538
Environmental	2,330	907	-	-	-	-	3,237
Property guarantees	3,644	(1,141)	-	(27)	-	-	2,476
Total	34,035	5,501	708	(3,807)	113	84	36,634
Provision for defined benefit scheme liability (note 22)							28,793
Grand total							65,427

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 16. In determining the provision for onerous leases the cash flows have been discounted using a risk free rate.

The net charge to the profit and loss account of £4,386,000 (2015: £3,597,000) comprises of net property cost charges of £3,865,000 (2015: £693,000); staff cost charge of £977,000 (2015: £21,000 credit); a further charge of £552,000 (2015: £542,000 credit) relating to other costs associated with the closure of branches (2015: £nil); a release of £988,000 reflecting the settlement and surrender of lease obligations on closed branches and a further release of £20,000 relating to the disposal of the French business (2015: £3,467,000 charge).

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 one to eleven years. During the year the Company acquired £702,000 of property dilapidations provision from MPS Builders Merchants Limited on the transfer of that company's assets and liabilities.

Environmental

Included within this provision is an amount of £2,330,000 (2015: £2,330,000) relating to asbestos litigation. This amount was actuarially determined as at 31 July 2015. Some insurance is in place for asbestos related litigation and accordingly an insurance receivable of £1,621,000 (2015: £1,621,000) has been recorded in other debtors due after more than one year in note 16. The provision is expected to unwind over the next thirty years. The provision also includes £900,000 relating to asbestos risks across the property portfolio (2015: £nil).

Property guarantees

The closing provision includes £2,307,000 (2015: £3,518,000) relating to provisions set up following disposal of the investment in Bathstore.com Limited. The credit is included within profit on disposal of investments (see note 14). A warranty provision for goods sold by the Company under its own brand label is made based upon historic data of returns from customers. At 31 July 2016 the warranty provision amounted to £169,000 (2015: £126,000).

Wolseley UK Limited

Notes to the financial statements (continued)

For the year ended 31 July 2016

18 Provisions for liabilities (continued)

Defined benefit scheme liability

The provision for the defined benefit scheme liability is discussed in greater detail in note 22.

19 Called-up share capital and reserves

	2016 £'000	2015 £'000
Allotted, called-up and fully-paid		
24,530,792 (2015: 24,530,792) ordinary shares of £1 each	24,531	24,531

The Company's other reserves are as follows:

The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses.

The revaluation reserve represents the cumulative effect of previous revaluations of freehold land and buildings.

The foreign currency retranslation reserve represents currency translation differences on translation of the operating results and assets and liabilities of overseas branch operations and previously currency translation differences on foreign currency borrowings to the extent that they were covered by exchange differences on equity investments.

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

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 Financial Commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	Land and buildings		Other	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Within one year	18,210	21,110	9,844	8,936
Between one and five years	37,306	42,365	14,346	15,609
After five years	20,529	21,325	79	88
	76,045	84,800	24,269	24,633

Wolseley UK Limited

Notes to the financial statements (continued)

For the year ended 31 July 2016

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. This plan was closed to new entrants in 2009. The Plan was then closed to future accrual at 31 December 2013 and was replaced by a defined contribution plan.

Until closure, the scheme's retirement benefits were funded by a salary sacrifice arrangement from employees with the balance being paid by Group companies. Employees' salary sacrifice was either 5% or 8% of earnings depending on the level of benefits accruing. The Company contribution rate was calculated on the Projected Unit Method and agreed with an independent consulting actuary.

The Company section of the Plan combined with the William Wilson section of the Plan on 30 April 2015. As the Company is the employer responsible for the largest portion of liabilities under the Plan, the combined section has been accounted for in the Company results. The effects of the combination have been included in the disclosures below as actuarial experience gains / losses. The estimated net asset value of the William Wilson section transferred on 30 April 2015 was £1,043,000. As the scheme surplus had a £nil value in the accounts of William Wilson the transfer was effected at £nil, with the £1,043,000 uplift recognised as an actuarial gain in the Company accounts in the current year.

The most recent actuarial valuation of scheme assets and the present value of the defined benefit obligation was carried out at 30 April 2013 by Mr R Whitlam, Fellow of the Institute and Faculty of Actuaries.

The total pension cost for the combined Plan was £84,000 credit (2015: £1,435,000 charge).

The Company paid 100% (2015: 97%) of the contributions to the Plan. The total figures for the Plan are shown below and the pension liability is for the whole of the Plan.

At 31 July 2016, £ nil (2015: £nil) of contributions were prepaid into the scheme and the Company expects to contribute £26.5 million (2015: £1.5 million) to the UK defined benefit scheme in the year ending 31 July 2017.

Financial Assumptions

The financial assumptions used to calculate scheme liabilities under FRS 102, "Retirement Benefits" are:

	2016	2015
Valuation method	Projected Unit	Projected Unit
Discount rate	2.4%	3.6%
Inflation rate	2.8%	3.2%
Increase to deferred benefits during deferment	1.7%	2.2%
Increases to pensions in payment	2.5%	2.9%
Salary increases	1.7%	3.2%

Wolseley UK Limited

Notes to the financial statements (continued)

For the year ended 31 July 2016

22 Pension costs (continued)

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

	2016	2015
Current pensioners (at age 65) – male	21.9	22.1
Current pensioners (at age 65) – female	24.2	24.4
Future pensioners (at age 65) – male	24	24.2
Future pensioners (at age 65) – female	26.5	26.7

The assets in the scheme were:

	Value at 31 July 2016	Value at 31 July 2015
	£'000	£'000
Equities	662,113	708,531
Bonds	633,875	492,344
Other	11,585	61,504
Total market value of assets	1,307,573	1,262,379
Present value of scheme liabilities	(1,336,366)	(1,205,720)
(Deficit) / surplus in the scheme	(28,793)	56,659

Wolseley UK Limited

Notes to the financial statements (continued)

For the year ended 31 July 2016

22 Pension costs (continued)

Reconciliation of fair value of scheme assets

	2016 £'000	2015 £'000
At the beginning of the year	1,262,379	1,122,306
Interest income	44,667	47,496
Actuarial gain	44,119	108,951
Employers' contributions	1,755	16,492
Administrative expenses	(1,929)	(2,007)
Benefits paid	(43,418)	(30,859)
At the end of the year	1,307,573	1,262,379

	2016 £'000	2015 £'000
Actual return on plan assets	88,786	156,447

Reconciliation of present value of scheme liabilities

	2016 £'000	2015 £'000
At the beginning of the year	(1,205,720)	(1,027,383)
Current service cost	(2,020)	(2,049)
Curtailment gain	2,104	614
Interest cost	(42,549)	(42,973)
Administrative expenses	1,929	2,007
Benefits paid	43,418	30,859
Actuarial loss	(133,528)	(166,795)
At the end of the year	(1,336,366)	(1,205,720)

Wolseley UK Limited

Notes to the financial statements (continued) For the year ended 31 July 2016

22 Pension costs (continued)

Analysis of total expense recognised in the profit and loss account

	2016 £'000	2015 £'000
Current service cost	2,020	2,049
Curtailment gain	(2,104)	(614)
(Credited)/ charged to operating profit*	(84)	1,435
Interest on pension liabilities	42,549	42,973
Expected return on scheme assets	(44,667)	(47,496)
Credit to other finance expense	(2,118)	(4,523)
Total credit	(2,202)	(3,088)

* Pension costs of £200,000 (2015: £429,000) were met by other group companies. The total pension cost for the Plan was £84,000 credit (2015: £1,435,000 charge), the pension cost for the Company was £284,000 credit (note 3) (2015: £1,006,000 charge).

Analysis of amount recognised in statement of comprehensive income:

	2016 £'000	2015 £'000
Actual return less expected return on pension scheme assets	44,119	108,951
Changes in assumptions underlying the present value of the scheme liabilities	(133,528)	(166,795)
Actuarial loss recognised in the statement of comprehensive income	(89,409)	(57,844)

Wolseley UK Limited

Notes to the financial statements (continued)

For the year ended 31 July 2016

23 Derivative financial instruments

During the year, the Company entered into short-term currency contracts. At 31 July 2016, there were no outstanding short term currency contracts. A credit of £2,128,000 was made to the profit and loss account in relation to these contracts. (2015: charge of £322,000)

24 Ultimate parent company and parent undertakings

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

The ultimate parent company and controlling party at 31 July 2016 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 2016. 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.

25 Subsequent events

In September 2016, a six month review of our operational strategy was completed. A UK turnaround and repositioning strategy including strong, clear customer propositions, reconfiguration of the branch network and logistics facilities was announced.

The restructuring programme is subject to employee consultation and is expected to result in branch closures and associated redundancies.

The plan includes additional capital investment in our ongoing branch refurbishment and technology. Restructuring costs in relation to these actions will continue into the next financial year.

In October 2016, it was announced to all employees that the Wolseley Group Retirement Benefits Plan would not retain a salary link where there is a salary increase outside that of the annual pay review. This change will be processed in the 2017 actuarial report of the plan.

Wolseley UK Limited

Notes to the financial statements (continued)

For the year ended 31 July 2016

26 Full list of subsidiary undertakings

A full list of subsidiaries, joint ventures and companies in which the Company has a controlling interest as at 31 July 2016. The country of incorporation and the effective percentage of equity owned (if less than 100%) is also detailed below. Unless otherwise noted, the share capital comprises ordinary shares which are indirectly held by Wolseley UK Limited.

Fully owned subsidiaries:

A. C. Electrical Holdings Limited (England) ⁽ⁱ⁾	Reay Electrical Distributors Limited (England) ⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
A. C. Electrical Wholesale Limited (England)	Sellers of Leeds (Group Services) Limited (England) ⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
Broughton's Limited (England) ⁽ⁱ⁾⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾	Sellers of Leeds International Limited (England) ⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
Fusion Provida Holdco Limited (England) ⁽ⁱ⁾	William Wilson (Rugby) Limited (England) ⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
Fusion Provida UK Limited (England)	William Wilson & Co. (Aberdeen) Limited (Scotland) ⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
Utility Power Systems Limited (England)	William Wilson Limited (Scotland) ⁽ⁱⁱⁱ⁾
Hall & Co Limited (England) ⁽ⁱ⁾	T & R Electrical Wholesalers Limited (England)
Homeoutlet Online Limited (England) ⁽ⁱ⁾	William Wilson & Company (Glasgow) Limited (Scotland) ⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
King & Company (1744) Limited (England) ⁽ⁱ⁾⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾	WM. C. Yuille & Company Limited (Scotland) ⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
MPS Builders Merchants Limited (England) ⁽ⁱ⁾	Wolseley ECD Limited (N.Ireland) ⁽ⁱ⁾⁽ⁱⁱⁱ⁾
Nevill Long Limited (England) ⁽ⁱ⁾	Wolseley Green Deal Services Limited (England) ⁽ⁱ⁾
Pat Murphy (Sales & Service) Limited (Ireland) ⁽ⁱ⁾⁽ⁱⁱⁱ⁾	Wolseley Haworth Limited (England) ⁽ⁱ⁾
Thomson Brothers Limited (Scotland) ⁽ⁱ⁾⁽ⁱⁱⁱ⁾	Wolseley UK Directors Limited (England) ⁽ⁱ⁾
Glegg & Thomson Limited (Scotland) ⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾	Wolseley Utilities Limited (England) ⁽ⁱ⁾
Rosco Industrial Limited (Scotland) ⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾	Wright (Bedford) Limited (England) ⁽ⁱ⁾⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
Wholesale Supplies (CI) Limited (Jersey) ⁽ⁱⁱⁱ⁾	B Participations SAS (France) ⁽ⁱ⁾⁽ⁱⁱⁱ⁾
William Wilson Holdings Limited (Scotland) ⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾	Wolseley France SAS (France) ⁽ⁱⁱⁱ⁾
A C Ferguson Limited (Scotland) ⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾	Pinault Bois et Matériaux SAS (France) ⁽ⁱⁱⁱ⁾
G. L. Headley Limited (England) ⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾	Wolseley France Bois et Matériaux SNC (France) ⁽ⁱⁱⁱ⁾
Northern Heating Limited (Scotland) ⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾	
Northern Heating Supplies Limited (Scotland) ⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾	
Sellers of Leeds Limited (England)	
Caselco Limited (England) ⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾	

Joint ventures:

SCI de Lhoumaille (France, 53%)	
---------------------------------	--

(i) Directly owned by Wolseley UK Limited; (ii) Dormant company

All of the above companies have the same registered office as the Company except for those marked with (iii).

Wolseley UK Limited

Notes to the financial statements (continued)

For the year ended 31 July 2016

27 Explanation of transition to FRS 102

This is the first year that the Company has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 31 July 2015 and the date of transition to FRS 102 was therefore 1 August 2014. As a consequence of adopting FRS 102, a number of accounting policies have changed to comply with that standard.

Reconciliation of equity

Note	At 1 August 2014 £'000	At 31 July 2015 £'000
Equity reported under previous UK GAAP	677,837	720,149
Adjustments to equity on transition to FRS 102		
1 Property lease capitalisation	(225)	(322)
2 Lease incentives	(999)	(1,225)
3 Net investment hedging	-	5,024
4 Retirement benefits	94,923	56,659
5 Goodwill	(16,419)	(16,157)
6 Deferred tax	(21,930)	(16,967)
Equity reported under FRS 102	733,187	747,161

Reconciliation of profit or loss for the year ended 31 July 2015

Note	£'000
Profit for the financial year under previous UK GAAP	48,653
3 Net investment hedging	(322)
1 Property lease capitalisation	11
2 Lease incentives	(226)
4 Retirement benefits	3,088
5 Goodwill	262
6 Deferred tax	(6,112)
Profit for the financial year under FRS 102	45,354

Note

- Under FRS 102 some property leases previously treated as operating leases under previous UK GAAP are capitalised resulting in recognition of a fixed asset and finance lease creditor, depreciation and interest expense rather than rental payments.
- Prior to applying FRS 102, lease incentives were recognised over the shorter of the lease term and a period ending on the first rent review. Under FRS 102 lease incentives are recognised over the lease term resulting in the deferred income being spread over a longer period.

Wolseley UK Limited

Notes to the financial statements (continued)

For the year ended 31 July 2016

27 Explanation of transition to FRS 102 (continued)

Note (continued)

- 3 Previous UK GAAP (SSAP 20) provided a specific override to the general principle that non-monetary items should not be translated at the balance sheet date, specifically for investments held in foreign currency and to offset the exchange on currency loans.

There is no similar provision in FRS 102, the implication being that non-monetary items should not be retranslated at the balance sheet date. Therefore, exchange gains or losses on retranslation at the balance sheet date of the company's investment in subsidiary undertakings denominated in foreign currencies have been reversed and the EUR portion fixed in value at the point of conversion to FRS 102 i.e. 1 August 2014 with the difference to reported previous UK GAAP taken to reserves as an opening balance adjustment.

- 4 Under previous UK GAAP in order to be able to recognise a defined benefit plan asset it was necessary to have trustee agreements regarding refunds in place at the balance sheet date. FRS 102 does not require this treatment therefore the surplus in the plan at transition to FRS 102 has been recognised.
- 5 All intangible assets are assumed to have finite lives so they have to be amortised. If an entity is unable to make a reliable estimate of the assets useful life, FRS 10 specified that this should not exceed 20 years. Accordingly goodwill was previously amortised on a straight line basis over 20 years. Under FRS 102 if an entity is unable to make a reliable estimate the life shall not exceed 10 years. The company considers that a reliable estimate of useful economic life of goodwill is 10 years; hence the carrying value has been restated on transition.
- 6 Deferred tax movement represents the impact on deferred tax of adjustments 1 to 5 above.