Wolseley plc (Company)

Financial Statements

Six Months Ended 31 January 2006

Registered number 29846

Wolseley plc (Company)

These interim financial statements are prepared for the purposes of section 270 and 272 of the Companies Act 1985. They are abridged and unaudited.

Profit and Loss Account

	Six Months Ended 31 January 2006 £m
Dividends received	80
Administrative expenses	(6)
Operating Profit	74
Interest receivable	7
Interest payable and similar charges	(21)
Profit on ordinary activities before taxation	60
Tax credit on profit on ordinary activities	6
Profit for the period	66
Dividends paid	(104)
Balance transferred from reserves	(38)

Statement of Total Recognised Gains and Losses

	Six Months Ended 31 January 2006 £m
Profit for the period	66
Cash flow hedges	7
Deferred tax on cash flow hedges	(2)
Total recognised gains and losses for the period	**71**

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Balance Sheet

	31 January 2006 £m
Fixed assets	
Investments (note 2)	2,008
	2,008
Current assets	
Debtors	
Amounts due from group companies (due after one year)	677
Amounts due from group companies (due within one year)	2,702
Deferred tax	11
Other debtors	3
Bank and cash	21
	3,414
Creditors (amounts falling due within one year)	
Bank loans and overdrafts	(623)
Trade creditors	(1)
Amounts due to group companies	(2,712)
Corporation tax	(14)
Other creditors	(14)
	(3,364)
Net current assets	50
Creditors (amounts falling due after more than one year)	
Bank loans	(339)
Amounts due to group companies	(256)
	(595)
Net assets	**1,463**
Capital and reserves	
Called up share capital (note 3)	149
Share premium (note 4)	270
Profit and loss account (note 4)	1,044
Total shareholders funds – all equity (note 5)	**1,463**

Director

20 March 2006

Wolseley plc (Company)

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Notes to the Financial Statements for the Six Months Ended 31 January 2006

1. Accounting Policies

Basis of accounting
These financial statements are prepared under the historical cost convention and in accordance with applicable UK accounting standards. The principal accounting policies, as set out below, have been applied consistently throughout the period. Financial Reporting Standards 20 "Share Based Payment" (FRS 20), 21 "Events After The Balance Sheet Date" (FRS 21), 23 "The Effects of Changes in Foreign Exchange Rates" (FRS 23), 25 "Financial Instruments: Disclosure and Presentation" (FRS 25) and 26 "Financial Instruments: Measurement" (FRS 26) have been adopted by the Company for the first time in these financial statements. The cumulative impact on the Company's reserves at 1 August 2005 of applying these new accounting standards is an increase in reserves of £103 million, primarily as a result of the reversal of the 2005 final dividend, which has been accounted for as a prior period adjustment.

Foreign currencies
The cost of the Company's investments in overseas subsidiary undertakings is translated into sterling at the rate ruling at the date of investment.

Foreign currency transactions entered into during the year are translated into sterling at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All currency translation differences are taken to the income statement with the exception of differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against foreign currency investments.

Investments
Fixed asset investments are recorded at cost less provision for impairment.

Taxation
Current tax represents the expected tax payable (or recoverable) on the taxable income for the year using tax rates enacted or substantively enacted at the balance sheet date and taking into account any adjustments arising from prior years.

Provision is made for deferred taxation in so far as a liability or asset has arisen as a result of transactions that had occurred by the balance sheet date and have given rise to an obligation to pay more tax in the future, or the right to pay less tax in the future. An asset has not been recognised to the extent that the transfer of economic benefits in the future is uncertain. Deferred tax assets and liabilities recognised have not been discounted. Provision is made for UK or foreign taxation arising on the distribution to the UK of retained profits of overseas subsidiary undertakings where dividends have been recognised as receivable.

Derivatives and financial instruments
Derivative financial instruments, in particular, interest rate swaps and currency swaps, are used to manage the financial risks arising from the business activities of the Company and the financing of those activities. There is no trading activity in derivative financial instruments.

At the inception of a hedging transaction entailing the use of derivative financial instruments, the Company documents the relationship between the hedged item and the hedging instrument together with its risk management objective and the strategy underlying the proposed transaction. The Company also documents its assessment, both at the inception of the hedging relationship and subsequently on an ongoing basis, of the effectiveness of the hedge in offsetting movements in the fair values or cash flows of the hedged items.

Derivatives and financial instruments (continued)
Derivative financial instruments are recognised as assets and liabilities measured at their fair values at the balance sheet date. Where derivative financial instruments do not fulfil the criteria for hedge accounting contained in FRS 26, changes in their fair values are recognised in the income statement.

When hedge accounting is used, the relevant hedging relationships are classified as fair value hedges, cash flow hedges or net investment hedges. Where the hedging relationship is classified as a fair value hedge, the carrying amount of the hedged asset or liability is adjusted by the increase or decrease in its fair value attributable to the hedged risk and the resulting gain or loss is recognised in the income statement where, to the extent that the hedge is effective, it will be offset by the change in the fair value of the hedging instrument. Where the hedging relationship is classified as a cash flow hedge or as a net investment hedge, to the extent the hedge is effective, changes in the fair value of the hedging instrument arising from the hedged risk are recognised directly in equity rather than in the income statement. When the hedged item is recognised in the financial statements, the accumulated gains and losses recognised in equity are either recycled to the income statement or, if the hedged item results in a non-financial asset, are recognised as adjustments to its initial carrying amount.

Pensions and post retirement benefits
Contributions to defined contribution pension plans and other post retirement benefits are charged to the income statement as incurred.

For defined benefit pension plans and other retirement benefits, the cost is calculated annually using the projected unit credit method and is recognised over the average expected remaining service lives of participating employees, in accordance with the recommendations of independent qualified actuaries. The current service cost of defined benefit plans is recorded within operating profit, the expected return from pension scheme assets is recorded within finance revenue and the interest on pension scheme liabilities is recorded within finance costs. Past service costs resulting from enhanced benefits are recorded within operating profit and recognised on a straight-line basis over the vesting period, or immediately if the benefits have vested. Actuarial gains and losses, which represent differences between the expected and actual returns on the plan assets and the effect of changes in actuarial assumptions, are recognised in full in the statement of recognised gains and losses in the period in which they occur. The defined benefit liability or asset recognised in the balance sheet comprises the net total for each plan of the present value of the benefit obligation at the balance sheet date, less any past service costs not yet recognised, less the fair value of the plan assets, if any, at the balance sheet date. Where a plan is in surplus, the asset recognised is limited to the amount of any unrecognised past service costs and the present value of any amount which the Company expects to recover by way of refunds or a reduction in future contributions.

Bank and cash
Bank and cash includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet to the extent that there is no right of offset and practice of net settlement with cash balances.

Share capital
The Company only has one class of shares, ordinary shares, which are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

Where the Company or the Company's trust purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of tax), is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the Company's equity holders.

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Borrowings

Borrowings are recognised initially at cost being the fair value of the consideration received net of transaction costs incurred.

Borrowings are subsequently stated at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value being recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Share based payments

Share-based incentives are provided to employees under the Company's executive share option, long term incentive and share purchase schemes. The Company recognises a compensation cost in respect of these schemes that is based on the fair value of the awards, measured using Black-Scholes, Binomial and Monte Carlo valuation methodologies. For equity-settled schemes, the fair value is determined at the date of grant and is not subsequently re-measured unless the conditions on which the award was granted are modified. For cash-settled schemes, the fair value is determined at the date of grant and is re-measured at each balance sheet date until the liability is settled. Generally, the compensation cost is recognised on a straight-line basis over the vesting period. Adjustments are made to reflect expected and actual forfeitures during the vesting period due to the failure to satisfy service conditions or achieve non-market performance conditions.

The Company has applied FRS20 "Share-based Payment" retrospectively only to equity-settled awards that had not vested as at 1 August 2004 and were granted on or after 7 November 2002 and cash-settled awards that had not vested as at 1 August 2004.

Dividends payable

Dividends on ordinary shares are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the shareholders of the Company or paid.

2. Fixed asset investments

	£m
Cost as at 31 July 2005	1,566
Additions	472
Cost as at 31 January 2006	2,038
Provisions as 31 July 2005 and 31 January 2006	(30)
Net book value as at 31 January 2006	**2,008**

3. Share capital

	Authorised		**Allotted and issued**	
	2006	2005	**2006**	2005
Number of ordinary 25 pence shares (million)	800	800	595	592
Nominal value of ordinary 25 pence shares (million)	£200	£200	£149	£148

All the allotted and issued shares are fully paid or credited as fully paid.

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4. Reserves

	Share Premium Account	Profit and Loss Reserve
	£m	£m
At 1 August 2005 (as previously reported)	241	976
Prior period adjustments	-	103
At 1 August 2005 (restated)	241	1,079
Shares issued	29	-
Purchase of own shares for employee benefit trust	-	(11)
Profit for the period	-	66
Dividends	-	(104)
Equity settled employee share options	-	9
Cash flow hedges	-	7
Deferred tax on cash flow hedges	-	(2)
At 31 January 2006	**270**	**1,044**

Included in the profit and loss reserve is an amount of £961 million which may not be distributable. The balance of £83 million is distributable.

5. Reconciliation of movements in equity shareholders' funds

	£m
Opening shareholders' funds (as previously reported)	1,365
Prior period adjustments	103
Opening shareholders' funds (restated)	1,468
Issue of share capital of £0.25 each	1
Share premium on issue of shares	29
Purchase of own shares for employee benefit trust	(11)
Profit for the period	66
Dividends	(104)
Equity settled employee share options	9
Cash flow hedges	7
Deferred tax on cash flow hedges	(2)
Closing shareholders' funds	**1,463**

6. Post balance sheet events

On 2 February 2006 the Company transferred its investment in the majority of its subsidiaries in consideration for the entire share capital of Wolseley Group Holdings Limited.

On 17 March 2006 the Company received a dividend of £203 million from its wholly owned subsidiary Wolseley Group Holdings Limited.

There were no other material post balance sheet events.