# Wolseley Limited (formerly Wolseley plc)

# Annual report and financial statements

# for the year ended 31 July 2011

Registered number 00029846

## Contents

# Directors' report for the year ended 31 July 2011

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

**Principal activities and business review**

The Company is a wholly owned subsidiary of Wolseley plc and operates within the Wolseley Group's general corporate division

The principal activity of the Company is that of a finance and investment company At the beginning of the year under review, the Company was the ultimate parent company of the Group On 23 November 2010, a new holding company, also called Wolseley plc, a company which is registered in Jersey, became the ultimate parent company and controlling party On 25 November 2010, the Company re-registered as Wolseley Limited from Wolseley plc The directors do not intend, at the date of this report, that there will be any major changes in the Company's activities in the next year

Following the cancellation of securities of the Company from the London Stock Exchange on 23 November 2011 and the re-registration of the Company as Wolseley Limited on 25 November 2011, the directors considered it more appropriate to account under SSAP 20 "Foreign currency translation" than FRS 23 "The Effects of Changes in Foreign Exchange Rates" and FRS 26 "Financial Instruments Recognition and Measurement" All other UK subsidiaries of the Group account under SSAP 20 and this change therefore gives consistency across all unlisted UK Group subsidiaries The Company therefore no longer applies fair value accounting There has been no impact on the Company's reserves at 1 August 2010, no change in the results for the years ending 31 July 2010 and 31 July 2011 and no change in the balance sheet positions of the Company as at 31 July 2010 and 31 July 2011 in applying this new policy

The Company continues to invest in measures to limit the financial risks to the Group structure including cost-effective borrowing structures This has enabled the Group to adjust its funding profile to match more precisely its investment profile The directors regard this type of investment as necessary for the continuing success in the medium to long term future

On 2 August 2010, the Company invested a further £175 million in Wolseley Finance sp z o o, satisfying consideration by transferring a discounted loan note with another Group company

On 23 November 2010, a new holding company, also called Wolseley plc, a company which is registered in Jersey, became the ultimate parent company and controlling party

On 23 November 2010, in accordance with a Court-approved scheme of arrangement, the following events occurred affecting the share capital of the Company

- one ordinary share of 10 pence in the capital of the Company and held by Wolseley plc was reclassified as an A ordinary share,
- all of the then existing ordinary shares (save for the 1 A ordinary share) being 284,434,569 ordinary shares of 10 pence each were cancelled by way of a reduction of capital,
- the reserve arising on this reduction of capital was used to pay up 284,434,569 new ordinary shares of 10 pence each which were issued to Wolseley plc, and
- the shares in the Company were de-listed from the Official List of the UK Listing Authority

On 24 November 2010, all of the deferred shares in the capital of the Company (being 886,988,540 deferred shares of 24 pence each) were transferred to Wolseley plc, then purchased by Wolseley Limited for a nominal sum of 10p and immediately cancelled

On 25 November 2010, the Company re-registered as Wolseley Limited from Wolseley plc

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

**Principal activities and business review (continued)**

On 1 December 2010, the Company issued 18,389,660,130 bonus shares of 10p to Wolseley plc to capitalise its unrealised reserves It then undertook a capital reduction by reducing the nominal value of every share in issue (18,674,179,648) to £0 00001 and cancelling share premium (£1,156 million) and capital redemption reserve created on cancelling the deferred shares (£213 million) to create distributable reserves of £3,236 million

On 1 December 2010, all of the ordinary shares in Wolseley Finance sp z o o were transferred from the Company to Wolseley plc as a dividend in specie at a value of £178 million, giving rise to a profit on disposal of £3 million

On 15 December 2010, the Company purchased all the share capital of Wolseley Investments, Inc a company based in the USA from Wolseley Overseas Limited for a cash consideration of USD 2,827 million (£1,818 million)

On 15 December 2010, the Company paid a dividend to Wolseley plc comprising loans and loan notes to other Group companies valued at £2,359 million

On 1 February 2011, the Company received a dividend from Wolseley Group Holdings Limited of £648 million

On 25 March 2011, the Company purchased all the share capital of Wolseley Finance (Isle of Man) Limited from Wolseley Overseas Limited for a cash consideration of CAD 280 million (£177 million)

On 25 March 2011, the Company received an investment in Wolseley Insurance Limited as a dividend from its subsidiary Wolseley Group Holdings Limited It immediately passed on this investment as a dividend to Wolseley plc Wolseley Insurance Limited was valued at £8 million

On 13 July 2011, the Company paid a cash dividend of £50 million to Wolseley plc

On 22 July 2011 the Company sold the class C preference shares and 36 ordinary shares of Wolseley Investments, Inc to another Group undertaking for a consideration of USD 316 million (£197 million), realising a profit on disposal of USD 36 million (£22 million)

As a result of the resolution of historic issues with tax authorities, a tax charge of £46 million has been recognised in the current year

During the year the Company took actions to strike off a number of subsidiary companies that had been dormant for several years These actions gave rise to a profit on disposal of £11 million

The balance sheet on page 9 of the financial statements shows the Company's financial position at the year end

Given the nature of the business, the Company's directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business The key performance indicators of the general corporate division of Wolseley plc, which includes the Company, are discussed in the Group's Annual Report which does not form part of this report

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

### Principal risks and uncertainties

The Company does not operate external to the Group and therefore its financial risks are governed by the Group policies and procedures The Group is exposed to market risks arising from its international operations The Group has well defined and consistently applied policies for the management of foreign exchange and interest rate exposures There has been no change since the year end in the major financial risks faced by the Group The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk The treasury committee of the Wolseley plc Board reviews and agrees policies for managing each of these risks at Group level and these policies are regularly reviewed

Group risks are discussed in depth in the Group's Annual Report which does not form part of this report

### Health, safety and environment

The Group recognises the importance of its environmental responsibilities A key driver of the Group's success has been the high degree of autonomy which has been afforded to local management, allowing them to serve local markets in the most appropriate manner Within this decentralised structure, the Board has set down a number of health, safety and environment principles with which all businesses are required to comply The principles relating to environment cover the integration of environmental management into business operations, a commitment to the adoption and achievement of best practice wherever this is practicable, a commitment to prevent pollution, compliance with local environmental legislation, the adoption where practicable of local formal environmental management systems, a commitment to strive for continual improvement, and a commitment to ensure proper communication with employees on environmental matters

The Company operates in accordance with Group policies which are described in the Group's Annual Report which does not form part of this report

### Results and dividends

The results of the Company for the year ended 31 July 2011 are set out in the profit and loss account on page 8 During the year the Company paid dividends to Wolseley plc of £2,595 million (13 90 pence per share) The profit of £642 million (2010 loss of £86 million) has been transferred to/from reserves

### Directors

The directors of the Company during the year and up to the date of signing the financial statements were

| | |
|---|---|
| J W Whybrow | Resigned 23 November 2010 |
| I K Meakins | Resigned 24 November 2010 |
| F W Roach | Resigned 23 November 2010 |
| G Davis | Resigned 23 November 2010 |
| A J Duff | Resigned 23 November 2010 |
| A Le Goff | Resigned 23 November 2010 |
| J I Murray | Resigned 30 September 2010 |
| N M Stein | Resigned 23 November 2010 |
| M Wareing | Resigned 23 November 2010 |
| J W Martin | |
| R I Shoylekov | Appointed 24 November 2010 |
| M J R Verrier | Appointed 24 November 2010 |
| M J Webb | Appointed 24 November 2010 |

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

### 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 prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period In preparing these financial statements, the directors are required to

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

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

### Statement of disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware The directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

### Directors' indemnities

As permitted by the Articles of Association, the directors and certain persons who are directors of subsidiary companies have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006 These indemnities were in force throughout the last financial year and are currently in force The Group also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors

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

**Policy in relation to payment of suppliers**

The Company has a variety of payment terms with its suppliers These will be either negotiated along with other contract terms or will conform to standard terms applied by the Company or by the supplier It is the Company's policy to pay suppliers in accordance with either negotiated or standard terms provided that the relevant invoice is properly presented and is not subject to dispute

At 31 July 2011, the Company had no trade creditors (2009 nil)

By order of the Board,

R I Shoylekov
Director
25 January 2012

**Registered office.**
Parkview 1220
Arlington Business Park
Theale
Reading
RG7 4GA

## Independent auditors' report to the members of Wolseley Limited

We have audited the financial statements of Wolseley Limited for the year ended 31 July 2011 which comprise the Profit and Loss account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

**Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 4 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

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

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read the financial and non-financial information in the annual report to identify any material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

**Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 July 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

## Independent auditors' report to the members of Wolseley 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

Richard Lawson (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
25 January 2012

## Profit and loss account for the year ended 31 July 2011

| | Note | 2011 £m | 2010 £m |
|---|---|---|---|
| Administrative expenses | 3 | **(1)** | (11) |
| **Operating loss** | | **(1)** | (11) |
| Profit on disposal of investments | | **36** | - |
| Income from fixed asset investments | 4 | **656** | - |
| Interest receivable and similar income | 5 | **105** | 74 |
| Interest payable and similar charges | 6 | **(117)** | (162) |
| **Profit/(loss) on ordinary activities before taxation** | | **679** | (99) |
| Tax on profit/(loss) on ordinary activities | 7 | **(37)** | 13 |
| **Profit/(loss) for the financial year** | 15 | **642** | (86) |

All results derive from continuing operations

There is no material difference between the profit/(loss) on ordinary activities before taxation and the profit/(loss) for the financial years stated above and their historical cost equivalents

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

| | 2011 £m | 2010 £m |
|---|---|---|
| Profit/(loss) for the financial year | **642** | (86) |
| Exchange loss on retranslation of fixed asset investments | **(91)** | - |
| Exchange gain on hedging of fixed asset investments through foreign currency loans and forward contracts | **89** | - |
| **Total recognised gains/(losses) for the financial year** | **640** | (86) |

## Balance sheet as at 31 July 2011

| | Note | 2011 £m | 2010 £m |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments | 9 | **7,422** | 5,702 |
| **Current assets** | | | |
| Debtors amounts due within one year | 10 | **244** | 227 |
| Debtors amounts due after one year | 10 | **1,285** | 2,411 |
| Cash at bank and in hand | | **128** | 415 |
| | | **1,657** | 3,053 |
| **Creditors** amounts falling due within one year | 11 | **(287)** | (213) |
| **Net current assets** | | **1,370** | 2,840 |
| **Total assets less current liabilities** | | **8,792** | 8,542 |
| **Creditors.** amounts falling due after one year | 12 | **(6,448)** | (4,244) |
| **Net assets** | | **2,344** | 4,298 |
| **Capital and reserves** | | | |
| Called up share capital | 14 | **-** | 241 |
| Share premium account | 15 | **1** | 1,156 |
| Profit and loss account | 15 | **2,343** | 2,901 |
| **Total shareholders' funds** | 16 | **2,344** | 4,298 |

The notes on pages 10 to 18 form part of these financial statements

The financial statements on pages 8 to 18 were approved by the Board of directors on 25 January 2012 and signed on its behalf by

J W Martin

**Director**

Date 25 January 2012

**Wolseley Limited**

**Registered number: 00029846**

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

## 1. Accounting policies

### Accounting convention

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom

Following the cancellation of securities of the Company from the London Stock Exchange on 23 November 2011 and the re-registration of the Company as Wolseley Limited on 25 November 2011, the directors considered it more appropriate to account under SSAP 20 "Foreign currency translation" than FRS 23 "The Effects of Changes in Foreign Exchange Rates" and FRS 26 "Financial Instruments Recognition and Measurement" All other UK subsidiaries of the Group account under SSAP 20 and this change therefore gives consistency across all unlisted UK Group subsidiaries The Company therefore no longer applies fair value accounting There has been no impact on the Company's reserves at 1 August 2010, no change in the results for the years ending 31 July 2010 and 31 July 2011 and no change in the balance sheet positions of the Company as at 31 July 2010 and 31 July 2011 in applying this new policy

The principal accounting policies that have been consistently applied are set out below

### Fixed asset investments

Fixed asset investments are stated 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

### Consolidated financial statements

As a wholly owned subsidiary of Wolseley plc and in accordance with Section 401 of the Companies Act 2006, the Company has not prepared consolidated financial statements The results of the Company and its subsidiaries are consolidated in the financial statements of Wolseley plc, a company registered in Jersey

### Cash flow statement

Wolseley plc, the ultimate parent company, has included a cash flow statement in its Group financial statements for the year ended 31 July 2011 which are publicly available Under paragraph 5(a) of FRS 1 (revised 1996), "Cash flow statements" no cash flow statement is therefore required in the financial statements of this Company

### Foreign currencies

Fixed asset investments denominated in a foreign currency that are hedged by foreign currency borrowings are translated at the exchange rate ruling at the balance sheet date and exchange differences recorded in reserves On termination of the hedging relationship, the value of the investment may be fixed and no longer retranslated to reflect subsequent movements in exchange rate Foreign currency borrowings are translated at the exchange rate ruling at the balance sheet date Exchange differences arising from the re-translation of foreign currency borrowings are dealt with through reserves to the extent of exchange differences arising on the fixed asset investments All other exchange differences are recorded in the profit and loss account

### Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term

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

### 1. Accounting policies (continued)

**Derivative financial instruments**

The Company enters into a small number of derivative financial instruments on behalf of the Group as part of the Group's treasury risk management and hedging strategy There is no speculative trading activity in derivative financial instruments

An interest rate swap is treated as a hedging instrument when it is directly related to actual assets or liabilities or a probable financial commitment of the Company and it changes the nature of the interest rate of the hedged items by converting a fixed rate to a variable rate or vice versa Interest differentials under these swaps are recognised by adjusting net interest payable of the hedged items over the periods of the contracts

An interest rate swap that is not treated as a hedging instrument, for example because the underlying hedged position in the Company is eliminated or is in another Group company, is marked to market The value of the interest rate swap is only recognised on the balance sheet if it is a liability Any change in the value of the liability is taken through the profit and loss account

Forward foreign exchange contracts are recognised as assets and liabilities measured at their retranslated values at the balance sheet date Changes in their retranslated values are dealt with through reserves to the extent that they are covered within a hedging relationship All other changes in retranslated values are recognised in the profit and loss account

**Dividends receivable**

Dividends receivable on fixed asset investments are recognised when received

**Dividends payable**

Dividends on ordinary shares are recognised in the Company's financial statements in the year in which the dividends are paid

**Provisions**

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation

**Deferred tax**

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

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

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

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

### 2. Employees, directors' remuneration and audit fees

The Company had an average number of employees durng the year under review of 5 (2010 17)

From 1 August 2010 to 23 November 2010, the directors who were in office until that date, as noted on page 3, received emoluments for their services to the Group Their emoluments were paid by another Group company and recharged to this Company The directors of the new ultimate parent company were remunerated by the new Wolseley plc from 24 November 2010 to the end of the financial year The directors' emoluments for the full year for their services to the Group can be found on page 76 of the Group financial statements

None of the directors who were in office from 24 November 2010 to the end of the financial year, as noted on page 3, received any emoluments in respect of their services to the Company during that period

The audit fee for the year of £30,000 (2010 £30,000) was borne by Wolseley (Group Services) Limited and was not recharged to the Company

### 3. Administrative expenses

| | **2011** | 2010 |
|---|---|---|
| | **£m** | £m |
| Labour costs | **1** | 7 |
| Administration expenses | **-** | 3 |
| Operating leases rental land and buildings | **-** | 1 |
| | **1** | 11 |

### 4. Income from fixed asset investments

| | **2011** | 2010 |
|---|---|---|
| | **£m** | £m |
| Dividend income received from fixed asset investments | **656** | - |

### 5. Interest receivable and similar income

| | **2011** | 2010 |
|---|---|---|
| | **£m** | £m |
| Interest receivable from Group undertakings | **82** | 55 |
| Bank interest receivable | **15** | 1 |
| Reduction in provision for loss on interest rate swaps | **3** | 9 |
| Exchange gains | **5** | 9 |
| | **105** | 74 |

### 6. Interest payable and similar charges

| | **2011** | 2010 |
|---|---|---|
| | **£m** | £m |
| Interest payable to Group undertakings | **100** | 140 |
| Bank loans and overdrafts | **17** | 22 |
| | **117** | 162 |

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

### 7. Tax on profit/(loss) on ordinary activities

| Current tax | 2011 £m | 2010 £m |
|---|---|---|
| Tax at UK corporation tax rate of 27 33% (2010 28%) | **5** | 27 |
| Adjustment in respect of prior years | **(42)** | (13) |
| Total current tax | **(37)** | 14 |
| **Deferred Tax** | **-** | (1) |
| **Tax (charge)/credit on profit/(loss) on ordinary activities** | **(37)** | 13 |

The standard rate of corporation tax in the UK changed from 28% to 26% with effect from 1 April 2011 and will change to 25% with effect from 1 April 2012 Accordingly, the Company's profits for this accounting period are taxed at an effective rate of 27 33%

The tax assessed for the year is lower than (2010 lower than) the standard rate of corporation tax in the UK of 27 33% (2010 28%) The differences are explained below

| Tax reconciliation | 2011 % | 2010 % |
|---|---|---|
| Profit on ordinary activities at standard rate of corporation tax in the UK of 27 33% (2010 28%) | **27** | 28 |
| Profit on disposal of fixed asset investment not taxable | **(1)** | |
| Income from fixed asset investments not taxable | **(27)** | - |
| Adjustment in respect of prior years | **6** | (15) |
| **Current tax charge for the year** | **5** | 13 |

### 8. Dividends

| Equity ordinary | 2011 £m | 2010 £m |
|---|---|---|
| Interim paid 0 95p (2010 nil) per 0 00001p share | **178** | - |
| Interim paid 12 64p (2010 nil) per 0 00001p share | **2,359** | - |
| Interim paid 0 04p (2010 nil) per 0 00001p share | **8** | - |
| Interim paid 0 27p (2010 nil) per 0 00001p share | **50** | - |
| | **2,595** | - |

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

### 9. Fixed asset investments

| Cost | Shares in Group undertakings £m |
|---|---|
| At 1 August 2010 | 5,728 |
| Additions | 2,178 |
| Disposals | (387) |
| Exchange movement | (91) |
| **As at 31 July 2011** | **7,428** |
| **Provision for impairment** | |
| At 1 August 2010 | (26) |
| Disposals | 20 |
| **As at 31 July 2011** | **(6)** |
| **Net book value as at 31 July 2011** | **7,422** |
| Net book value as at 31 July 2010 | 5,702 |

The Company holds the following material direct investments as at the year end

| Name of company | Country of incorporation | Investment held | Type of shares held | Principal activities |
|---|---|---|---|---|
| Wolseley Treasury (USD) | England | 100% | Ordinary | Financing |
| Wolseley Group Holdings Limited | England | 100% | Ordinary | Financing |
| Wolseley Investments, Inc | USA | 100% | Ordinary | Financing |
| Wolseley Finance (Isle of Man) Limited | Isle of Man | 100% | Ordinary | Financing |
| Wolseley Finance (Isle of Man) Limited | Isle of Man | 100% | Preference | Financing |

In addition to the investments listed above, the Company has indirect interests in a number of subsidiary undertakings which are immaterial to the financial statements of the Company and inclusion of which would lead to a statement of excessive length Details of these indirect interests can be found in the financial statements of the subsidiaries named above

During the year the Company took actions to strike off a number of subsidiary companies that had been dormant for several years These actions gave rise to a profit on disposal of £11 million with disposals at cost of £29 million and disposal of provision for impairment of £20 million

On 2 August 2010, the Company invested a further £175 million in Wolseley Finance sp z o o, satisfying consideration by transferring a discounted loan note with another Group company On 1 December 2010, all of the ordinary shares in Wolseley Finance sp z o o were transferred from the Company to Wolseley plc as a dividend in specie at a value of £178 million, giving rise to a profit on disposal of £3 million

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

### 9. Fixed asset investments (continued)

On 15 December 2010, the Company purchased all the share capital of Wolseley Investments, Inc a company based in the USA from Wolseley Overseas Limited for a cash consideration of USD 2,827 million (£1,818 million) On 22 July 2011 the Company sold the class C preference shares and 36 ordinary shares of Wolseley Investments, Inc to another Group undertaking for a consideration of USD 316 million (£197 million), realising a profit on disposal of USD 36 million (£22 million)

On 25 March 2011, the Company received an investment in Wolseley Insurance Limited as a dividend from its subsidiary Wolseley Group Holdings Limited It immediately passed on this investment as a dividend to Wolseley plc Wolseley Insurance Limited was valued at £8 million

On 25 March 2011, the Company purchased all the share capital of Wolseley Finance (Isle of Man) Limited from Wolseley Overseas Limited for a cash consideration of CAD 280 million (£177 million)

In the opinion of the directors, the value of the investments in subsidiary undertakings is not less than the aggregate amounts at which they are stated in the financial statements

### 10. Debtors

| Amounts due within one year | 2011 £m | 2010 £m |
|---|---|---|
| Amounts owed by Group undertakings | **198** | 212 |
| Derivative financial assets (note 13) | **-** | 2 |
| Derivatives with Group undertakings | **35** | 9 |
| Corporation tax | **6** | - |
| Deferred tax | **4** | 4 |
| Prepayments and accrued income | **1** | - |
| | **244** | 227 |

At 31 July 2011 and at 31 July 2011 all amounts owed by Group undertakings were unsecured, were due within one year and were non-interest bearing

At the balance sheet date the Company had entered into short-term foreign exchange forward contracts with Group undertakings The fair value of these contracts is not materially different to the retranslated value stated above The forward contracts are as follows

| | 2011 Currency million | 2011 £m | 2010 Currency million | 2010 £m |
|---|---|---|---|---|
| Bought forward | CAD 9 | 5 | CAD 215 | 133 |
| | CHF 38 | 30 | GBP 1,632 | 1,632 |
| | GBP 309 | 309 | | |
| | USD 916 | 558 | | |
| Sold forward | EUR (1,027) | (900) | CHF (57) | (35) |
| | DKK (141) | (17) | DKK (141) | (15) |
| | | | EUR (753) | (627) |
| | | | USD (1,694) | (1,080) |
| | | (15) | | 8 |

| | 2011 £m | 2010 £m |
|---|---|---|
| Included in debtors (note 10) | 35 | 9 |
| Included in creditors (note 11) | (50) | (1) |
| | (15) | 8 |

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

### 10. Debtors (continued)

| Amounts due after one year | 2011 £m | 2010 £m |
|---|---|---|
| Amounts owed by Group undertakings | **1,285** | 2,411 |

At 31 July 2011 and 31 July 2010 all amounts owed by Group undertakings were unsecured, were loaned under a three year revolving loan facility expiring 1 August 2013 and were interest bearing at rates that vary between LIBOR plus 0 5% and LIBOR plus 3 5%

### 11. Creditors: amounts falling due within one year

| | 2011 £m | 2010 £m |
|---|---|---|
| Bank loans and overdrafts | - | 25 |
| Amounts owed to Group undertakings | **234** | 142 |
| Corporation tax | - | 39 |
| Derivative financial liabilities (note 13) | **2** | 5 |
| Derivatives with Group undertakings | **50** | 1 |
| Other creditors | **1** | 1 |
| | **287** | 213 |

At 31 July 2011 and 31 July 2010 amounts owed to Group undertakings were unsecured, were due within one year and were non-interest bearing

### 12. Creditors : amounts falling due after one year

| | 2011 £m | 2010 £m |
|---|---|---|
| Bank loans and overdrafts | - | 104 |
| Amounts owed to Group undertakings | **6,447** | 4,135 |
| Derivative financial liabilities (note 13) | - | 3 |
| Other creditors | **1** | 2 |
| | **6,448** | 4,244 |

At 31 July 2011 and 31 July 2010 all amounts owed to Group undertakings were unsecured, were loaned under a three year revolving loan facility expiring 1 August 2013 and were interest bearing at rates that vary between LIBOR plus 0 5% and LIBOR plus 3 5%

### 13 Derivative financial instruments

| Current assets | 2011 £m | 2010 £m |
|---|---|---|
| Currency swaps | - | 2 |

| Creditors· amounts falling due within one year | 2011 £m | 2010 £m |
|---|---|---|
| Interest rate swaps | **(2)** | (5) |

| Creditors amounts falling due after one year | 2011 £m | 2010 £m |
|---|---|---|
| Interest rate swaps | - | (3) |

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

### 14. Called up Share capital

| | 2011 Number (m) | 2011 £m | 2010 Number (m) | 2010 £m |
|---|---|---|---|---|
| **Authorised** | | | | |
| Ordinary shares of £0 00001 | **18,674** | - | - | - |
| Ordinary shares of £0 10 | - | - | 284 | 28 |
| Ordinary A shares of £0 10 | - | - | - | - |
| Deferred shares of £0 24 | - | - | 887 | 213 |
| | **18,674** | - | 1,171 | 241 |
| **Allotted and fully paid** | | | | |
| Ordinary shares of £0 00001 | **18,674** | - | - | - |
| Ordinary shares of £0 10 | - | - | 284 | 28 |
| Ordinary A shares of £0 10 | - | - | - | - |
| Deferred shares of £0 24 | - | - | 887 | 213 |
| | **18,674** | - | 1,171 | 241 |

Between 1 August 2010 and 23 November 2010, 34,745 ordinary shares of £0 10 were issued under the savings related and executive share option plans

On 23 November 2010, in accordance with a Court-approved scheme of arrangement, the following events occurred affecting the share capital of the Company

- one ordinary share of 10 pence in the capital of the Company and held by Wolseley plc was reclassified as an A ordinary share,
- all of the then existing ordinary shares (save for the 1 A ordinary share) being 284,434,569 ordinary shares of 10 pence each were cancelled by way of a reduction of capital,
- the reserve arising on this reduction of capital was used to pay up 284,434,569 new ordinary shares of 10 pence each which were issued to Wolseley plc, and
- the shares in the Company were de-listed from the Official List of the UK Listing Authority

On 24 November 2010, all of the deferred shares in the capital of the Company (being 886,988,540 deferred shares of 24 pence each) were transferred to Wolseley plc, then purchased by Wolseley Limited for a nominal sum of 10p and immediately cancelled

On 30 November 2010, 84,949 ordinary shares of £0 10 were issued under the savings related share option plan, giving rise to share premium of £1 million

On 1 December 2010, the Company issued 18,389,660,130 bonus shares of 10p to Wolseley plc to capitalise its unrealised reserves It then undertook a capital reduction by reducing the nominal value of every share in issue (18,674,179,648) to £0 00001 and cancelling share premium (£1,156 million) and capital redemption reserve created on cancelling the deferred shares (£213 million) to create distributable reserves of £3,236 million

Between 1 December 2010 and 31 July 2011, 24,690 ordinary shares were issued under the savings related share option plan

The ordinary shares of £0 00001 and ordinary shares of £0 10 rank parri passu in all respects The ordinary A shares of £0 10 rank parri passu with the ordinary shares except for not having the right to attend or vote at any general meeting of the Company and shall not be transferrable unless certain conditions are met The Company has irrevocable authority from the holder of the ordinary A shares to cancel, transfer or purchase the A Ordinary shares as the Company sees fit

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

## 15 Reserves

| | Capital redemption reserve £m | Share premium account £m | Profit and loss account £m |
|---|---|---|---|
| As at 1 August 2010 | - | 1,156 | 2,901 |
| Additions on new share capital subscribed | - | 1 | - |
| Bonus issue | - | - | (1,839) |
| Cancellation of deferred shares | 213 | - | - |
| Capital reorganisation | (213) | (1,156) | 3,236 |
| Dividends paid | - | - | (2,595) |
| Profit for the financial year | - | - | 642 |
| Other recognised losses for the year (net) | - | - | (2) |
| **As at 31 July 2011** | **-** | **1** | **2,343** |

## 16. Reconciliation of movements in shareholders' funds

| | 2011 £m | 2010 £m |
|---|---|---|
| Opening shareholders' funds | **4,298** | 4,372 |
| Net proceeds of issue of ordinary share capital | **1** | 4 |
| Equity settled employee share options | **-** | 8 |
| Dividends paid | **(2,595)** | - |
| Profit/(loss) for the financial year | **642** | (86) |
| Other recognised losses for the year (net) | **(2)** | - |
| Closing shareholders' funds | **2,344** | 4,298 |

## 17 Related party transactions

The Company has taken advantage of the exemption available under FRS 8 "Related party disclosures" to dispense with the requirement to disclose transactions with fellow subsidiaries, all of whose voting rights are held within the Group, and which are included in the consolidated financial statements of Wolseley plc

## 18. Contingent liabilities

Provision is made for the directors' best estimate of known legal claims and legal actions in progress The Company takes legal advice as to the likelihood of success of claims and actions and no provision is made where the directors consider, based on that advice, that the action is unlikely to succeed or a sufficiently reliable estimate of the potential obligation cannot be made

In addition the Company has given certain banks authority to transfer at any time any sum outstanding to its credit against or toward satisfaction of its liability to those banks of certain subsidiary undertakings

The Company has given indemnities and warranties to the purchasers of businesses from the Company and certain Group companies in respect of which no material liabilities are expected to arise

## 19. Ultimate parent company and controlling party

The immediate parent company and controlling party is now Wolseley plc, which was registered in Jersey on 23 November 2010 It is the smallest and largest parent undertaking to consolidate these financial statements Copies of the Group financial statements may be obtained from the Company Secretary, Wolseley Group Services, Parkview 1220, Arlington Business Park, Theale, Reading, RG7 4GA

At 31 July 2010 the Company was the ultimate parent company and controlling party of the Wolseley Group