Registered number: 13134776

Wolseley Group Holdings Limited (previously CD&R Wolf UK Co 2 Limited)

Annual report and financial statements

for the period from 14 January 2021 to 31 July 2021

Wolseley Group Holdings Limited
Annual report and financial statements
For the period ended 31 July 2021

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Wolseley Group Holdings Limited
Strategic report

The Directors present their strategic report on Wolseley Group Holdings Limited ("the Company") and its subsidiaries (together "the Group" or "Wolseley"), together with the Group financial statements, for the period from incorporation on 14 January 2021 to 31 July 2021.

Incorporation and acquisition

The Company was incorporated on the 14 January 2021 in order to acquire Wolseley UK Limited and its subsidiaries. The Company was incorporated as CD&R Wolf UK Co 2 Limited and changed its name to Wolseley Group Holdings Limited on 28 October 2021. On 29 January 2021 the Company, through its subsidiary Wolseley Group Limited (also incorporated on 14 January 2021), acquired Wolseley UK Limited and its subsidiaries from Ferguson plc. Further details of this acquisition are contained in note 22 of the financial statements.

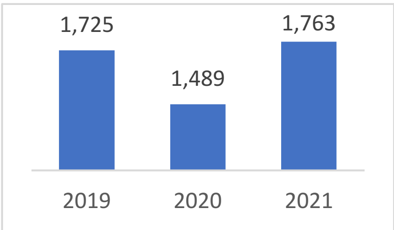
Clayton, Dubilier & Rice ("CD&R") acquired Wolseley UK Limited and its subsidiaries through the Company whose principal investor is Clayton Dubilier and Rice Fund X. CD&R is a US based private equity firm which manages investments on behalf of institutional, public and private investors worldwide. CD&R has an experienced team of investment professionals and operating partners and has an investment strategy based on principles developed by the investment team over many decades to build stronger, more profitable businesses.

Wolseley Group Holdings Limited has changed its year end to 31 July to align with Wolseley UK Limited. The consolidated financial statements of the Group for the period to 31 July 2021 include the results for the Company from incorporation on 14 January 2021 and the results for Wolseley UK Limited and its subsidiaries from acquisition on 29 January 2021. The consolidated financial statements are presented on pages 30 to 60.

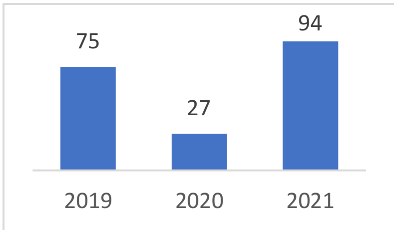
Highlights

In order to present the Group's performance in the most meaningful way within the strategic report, certain unaudited data is presented for the 12 months to 31 July for the last three financial years including the data below, see page 8 for further detail.

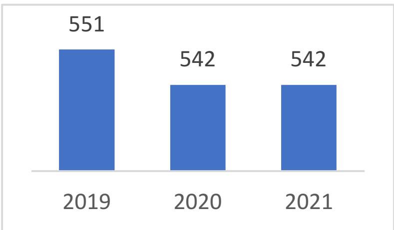
Revenue (£ million)



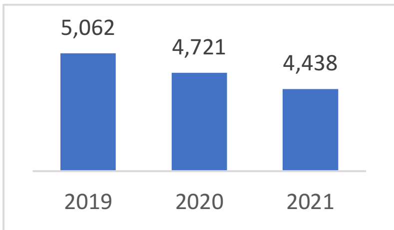
Adjusted EBITDA[1,2] (£ million)



Number of branches at 31 July



Number of FTEs[3] at 31 July



[1] Earnings Before Interest Tax Depreciation and Amortisation ("EBITDA").
[2] The Group uses Alternative Performance Measures ("APMs"), which are not defined or specified under International Financial Reporting Standards ("IFRS"), to provide additional helpful information. These measures are not considered to be a substitute for IFRS measures and are consistent with how business performance is planned, reported and assessed internally by management and the Board. For further information on APMs, including a description of our policy, purpose, definitions and reconciliations to equivalent IFRS statutory measures, see note 2 on page 44.
[3] Full Time Equivalent employees ("FTE")

Wolseley Group Holdings Limited
Strategic report (continued)

Wolseley at a glance

Wolseley is a leading specialist distributor of plumbing, heating, cooling & infrastructure products to trade customers, predominantly supplying professional contractors.

The Group operates a number of businesses across three different market sectors within the UK construction market covering both repairs, maintenance and improvement ("RMI") and new construction in all three markets. The businesses holds leading market positions in all markets and are supported by a single national distribution network.

The three market sectors covered are the residential, commercial building and infrastructure markets within the UK. Within each of these markets we provide our services and products to four distinct trade customer types, each receiving a bespoke service offering matching their needs:

- Installers
- Contractors
- Utility companies
- Medium and large corporate entities

The Group creates value through the expertise of its people, the service offering from product range, scale, a bespoke logistics network and the use of technology. The Group bridges the gap between a large, fragmented customer base and supplier base giving trade customers market leading access to a wide range of products where and when required, together with specialist advice and services, which in turn provide suppliers with a cost-effective route to market.

The Group serves a diverse trade customer base, with approximately 77 thousand active trade customers in the period ended 31 July 2021. The Group has a similarly diverse supplier base and sourced over 400 thousand products from approximately three thousand predominantly UK based suppliers.

At 31 July 2021 the Group's national network comprised 542 branches covering the whole of the UK supported by three distribution centres and approximately 4,500 FTE employees.

There continues to be excellent opportunities to grow the business in all the markets in which it operates. The markets are fragmented, and the businesses compete with both large national competitors and small local distributors. There are also opportunities in adjacent markets. These opportunities are supported by a strong focus on customer service combined with scale advantages in logistics, supply chain and technology.

The knowledge and service of the Group's people provide what customers value the most. The employees dedication to provide unrivalled service is key and it will continue to be the focus by providing the best trained workforce in the industry. Employee engagement is also key to delivering outstanding service and highly-structured career development programmes, together with specialist training for employees, is a primary driver to deliver this and achieve industry leading customer service.

The Group's efficient national logistics and distribution network enables volume discounts from suppliers and the highest levels of availability for customers on a broad range of products. The Group continues to invest in the latest technology solutions to make a more efficient business and to save time and resources for customers.

An omni-channel approach allows customers the choice of how they want to do business; through traditional bricks and mortar, for consultations and to interact with products, or through the latest e-business platforms for advice and access to the product range 24/7. The Group is continually developing and improving technology to make it quicker and easier for customers to do business with us.

Strategy

The Group's vision is to be the service-led partner of choice to trade professionals. Wolseley will provide customers with the expertise of its people, an unrivalled range and availability of products, local relationships, and national scale.

The Group strategy builds upon the work completed over the last two years to improve the improve the customer proposition, operations of the business, increase efficiency and reduce costs. This strategy makes full use of the Group's strengths:

- Strong market position in every business
- Diversified supplier base – leading relationships with all major suppliers
- Trusted Wolseley own brand products
- Highly experienced and knowledgeable employees
- Efficient cost base and strong balance sheet

The strategy focuses on a clear immediate objective to return the Group to sustainable profitable growth through three clear actions:

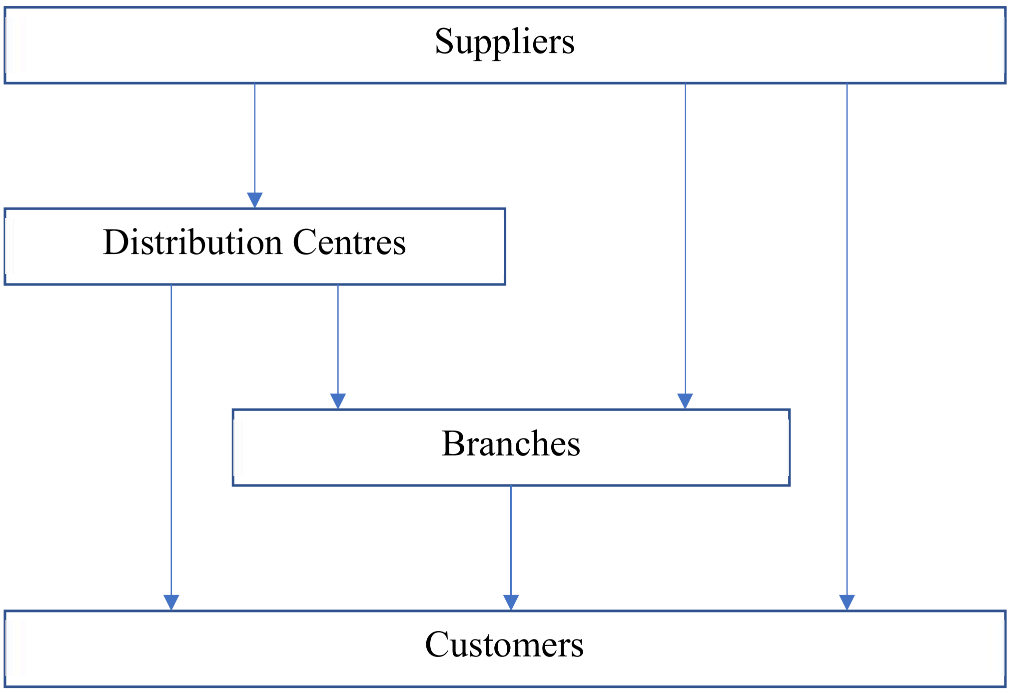
- *Targeted customer focus* –specialist proposition, aligned to clear identities, that drive meaningful customer relationships
- *Fair pricing* – consistent pricing which also rewards customers for increased spend with Wolseley
- *Ease of doing business:*
    - Sector leading e-commerce, quoting and invoicing tools
    - National distribution and local fulfilment delivery
    - Industry leading breadth and depth of range with availability
    - Best in class customer service utilising the knowledge of our employees
    - Access to credit for professional customers

Wolseley Group Holdings Limited
Strategic report (continued)

Business model

We create value through the expertise of our people, service offering from our product range, our scale, bespoke logistics network and use of technology.

The resources we use						
Our people Highly experienced and knowledgeable colleagues sought for their valued advice	**Customers** Diverse trade customer base, with 77 thousand trade customers	**Suppliers** Leading relationships with all major suppliers	**Branch network** National branch network offering collection and delivery	**Distribution network** Unique proposition: a leading range of products available next day by 7am nationally	**Technology** Digital solutions to better integrate with customers and drive their efficiency	**Capital** Strong capital base to invest and grow the Group



The value we create for stakeholders						
Our people We prioritise our employees safety and provide a place to work where they feel motivated to be part of our success	**Customers** We provide essential products and services which enable customers to run and grow their operations efficiently	**Suppliers** We provide three thousand suppliers an effective route to a geographically dispersed customer base	**Communities** We employ locally across the UK and work to invest in local communities to better their environment	**Environment** As well as working towards being a net carbon neutral business, we facilitate the adoption of new technologies through customer training	**Government** Support net zero emission policies and apprenticeship schemes	**Shareholders** Strong returns from profitable growth and effective management of the operations

Wolseley Group Holdings Limited
Strategic report (continued)

People

People are key to the Group's success and they are the customer-facing side of our business. Their relationships with customers and suppliers are critical to our success, and their expert knowledge means they are a key part of our customers' work day. The way we organise and multi-skill our teams ensures local flexibility, reliable execution and superior productivity. We are proud that our people have the passion to provide the highest levels of service for our customers.

Development of employees is a core value of the Group and the Group has invested in the Wolseley Talent Guild, an initiative launched in late 2020 (following feedback from employees) to provide clearer pathways and methods for career development. The Wolseley Talent Guild provides a complete framework and set of programmes to assess employee performance and potential and provide opportunities and plans for learning and development. Development programmes are delivered internally from the Group's eight training centres in conjunction with external partners. These programmes are centred around developing and motivating employees, inspiring customer loyalty and in turn creating shareholder value. At 31 July 2021 the Group had approximately 150 colleagues enrolled on apprenticeship programmes which are offered through the Wolseley Talent Guild.

The Group launched its first round of the Kickstart scheme in June 2021. The scheme is designed to offer employment opportunities to recipients of Universal Credit aged between 16 to 24 to help them 'kickstart' their career. The Group has been proud to offer employment opportunities to ten young people who were recipients of Universal Credit. It is expected that the number of opportunities that the Group will offer under the scheme will grow and expand.

Key to delivering outstanding levels of customer service is employee engagement. The Group launched a revised employee engagement survey in September 2020 which offered employees the chance to share their views on work and life at work, their relationship with their manager, the area that they work in and the wider business. This was followed up by an employee pulse survey in March 2021 and overall engagement scores had progressed since September 2020. Responses relating to pride, motivation, employee retention and employer advocacy were all improved, indicating that the launch of initiatives had already begun to have a impact on overall colleague engagement.

Diversity and inclusion is a fundamental part of the Group's culture. The Group values and respects the diversity of our employees and promotes an inclusive working environment. The Group aims to have a workforce that reflects the communities it serves and a supportive environment where everyone receives fair and equal treatment.

A colleague forum was launched in January 2021 with over 150 employee representatives from across the Group. The forum meets monthly to discuss issues that affect employees and share updates and feedback on business initiatives from local teams. The Group keeps employees up to date with regular updates from senior management through meetings, in-house publications and the use of internal intranet sites. In December 2020, the Group launched an internal social media platform designed to help employees build relationships throughout the business.

The Group regularly benchmarks roles across its business to ensure it offers attractive and competitive rates of pay and that they are fair throughout the business. Following a pay and benefits review, the Group raised pay for several roles in the business. The Group operates the Wolseley Wage which pays all employees above the National Living Wage.

The Group has initiatives to promote the health and wellbeing of employees. These initiatives include health and wellbeing challenges, a cycle to work salary sacrifice scheme and a mental health first aid programme. Volunteers on the mental first aid programme undertake a course provided by an external partner and receive a qualification in understanding how to spot the signs of poor mental health and how to assist others if approached.

We are committed to making Wolseley an attractive place for people to develop their careers, be rewarded for success, and enjoy contributing to a team that is making a great business even better.

Customers

Our customers require high levels of availability on a broad range of products, ready for collection or delivery on the same or next day. We know our customers also value high quality and efficient service from our knowledgeable people with local relationships. They also want flexibility in choosing the most convenient way to do business with us, whether in branch, by phone or online.

The Group's scale enables us to deliver all of these things with increased levels of service to customers and reduced costs so pricing is competitive.

Suppliers

Customers often require a basket of goods originating from multiple manufacturers. We offer an effective route to market for our three thousand suppliers who give us access to a diverse and broad range of quality products. Our leading market positions enable our central sourcing teams to leverage our scale and negotiate competitive prices in return for access to our 77 thousand customers.

Routes to market

Our customers increasingly expect a 24/7 omni-channel approach through a combination of contact methods including branches, sales people, online and call centres. Our extensive branch network enables collection and delivery to be made nationally and our online capabilities enable customers to access products and advice 24 hours a day whenever it is required.

Distribution network

Distribution centres are used to receive central deliveries from suppliers, enabling our suppliers to access the whole market quickly and effectively. They are also used to ensure next day product availability throughout the branch network for our customers.

Technology

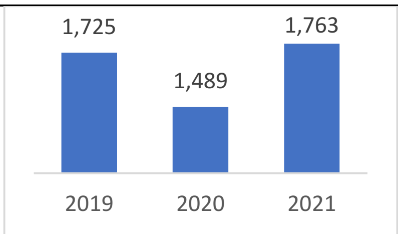
The Group's scale enables increased levels of investment in industry leading technology so that an omni-channel offering can provide flexibility and efficiencies to our customers. The Group has developed and delivered digital platforms that enable electronic ordering and invoicing for customers of all sizes.

Key performance indicators ("KPIs")

The financial and non-financial KPIs for the Group are below. Three financial years of unaudited data is presented as if Wolseley Group had owned Wolseley UK Limited and its subsidiaries for the whole period (or from date of acquisition where relevant) to enable comparability, see page 8 for further detail.

Total revenue (£m)

The increase or decrease in revenue year-on-year.

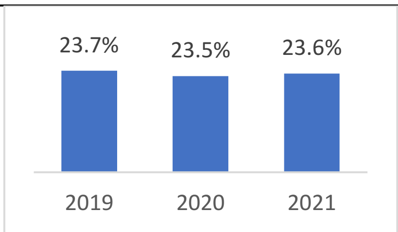


+£274m

Total revenue grew by £274m, more than recovering the decline in 2020 caused by the impact of Covid-19 to finish ahead of 2019.

Gross margin

The ratio of gross profit, excluding exceptional items, to revenue.
Gross margin is an APM, see note 2 of the financial statements for definition.

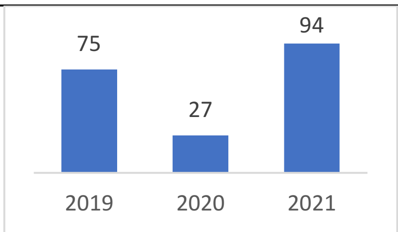


+0.1%

Gross margin increased by 0.1% to 23.6% in 2021, a good result after the decline in 2020.

Adjusted EBITDA (£m)

The increase or decrease in adjusted EBITDA year-on-year. Adjusted EBITDA is an APM, see note 2 of the financial statements for definition.

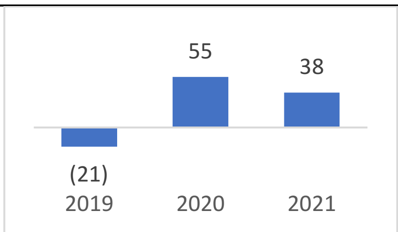


+£67m

EBITDA recovered well in 2021 to above the Covid-19 impacted 2020 result and ahead of 2019.

Cash from operations (£m)

Cash flow from operating activities before the impact of capital expenditure, proceeds from disposal, interest, tax and excluding the impact of IFRS 16.

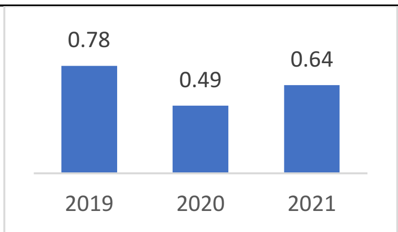


-£17m

Cash from operations continued to be good at £38m, the decline in 2021 vs 2020 was driven by the increase in receivables as the business recovered from the impact of Covid-19 and a deferred payment of VAT to 2021 from 2020 as part of the UK government response to Covid-19.

Lost time accidents

The total number of lost time accidents and RIDDORs ("Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013") on a 12 month rolling average per 100,000 hours worked.

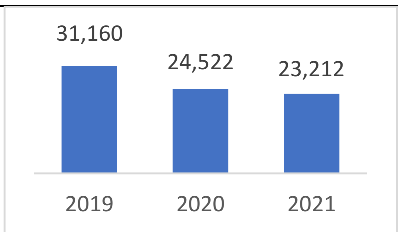


+0.15

The lost time accident rate deteriorated in 2021, however the incident rate in 2020 was much lower than normal as Covid-19 restrictions significantly reduced activity levels in the branches. The lost time accident rate has improved against 2019 showing long-term improvement.

Carbon emissions

Total Tonnes of Carbon Dioxide Equivalent ("tCO2e").



-1,310

Total tCO2e decreased in 2021 from a reduction in travel related emissions. The level was down significantly from 2019 due to the switch to renewable electricity in 2020.

Wolseley Group Holdings Limited
Strategic report (continued)

Operating and Financial Review

In order to present the Group's performance in the most meaningful way within the strategic report, certain information is presented for the 12 months to 31 July for the last three financial years. The results for the 6 months ended 31 July 2021 are the first set of consolidated results since the Company was incorporate and no comparatives are shown for this period. To provide context to the Group's performance data for the 12 months to 31 July for the last three financial years has been presented.

Data presented for the 12 months to 31 July 2019, 12 months to 31 July 2020 and the period 1 August 2020 to 14 January 2021 is for Wolseley UK Limited and its subsidiaries. Data presented from 14 January 2021 to 31 July 2021 is for the Company and its subsidiaries.

Data presented for the 12 months to 31 July 2019, 2020 and 2021 is unaudited, data for the period 14 January 2021 to 31 July 2021 ("H2 2021") is audited.

Annual performance of the Group

£m	2019[1]	2020[1]	2021[1]	H2 2021[1,2]
Revenue	1,725	1,489	1,763	903
Gross profit	408	350	416	220
Overheads	(356)	(343)	(339)	(177)
Operating profit	52	7	77	43
Adjusted EBITDA	75	27	94	52

[1] All figures shown are pre exceptionals

[2] See note 2 on page 44 for reconciliation to statutory numbers

Revenue for the 12 months to 31 July 2021 was £1,763 million, £274 million ahead of 2020 which was impacted by Covid-19, and £38 million ahead of 2019. During 2021 the RMI and new construction markets were supportive of growth as the UK came out of the Covid-19 'lockdowns' and activity levels returned towards pre-2020 levels. Price inflation increased in the final quarter of 2021 as global supply chain limitations impacted markets.

Gross margin remained a key focus and was 10 basis points higher in 2021 against prior year and 10 basis points lower than 2019. The decline against 2019 was a result of a negative impact from the increase in mix of low margin product category sales offset by improvements in pricing.

Adjusted EBITDA for the 12 months to 31 July was £94 million, this was the highest level achieved since 2017 and significantly better than 2019, and the Covid-19 impacted 2020. Adjusted EBITDA as a percentage of revenue was 5.4 per cent, 1.0 per cent higher than 2019.

Statutory results for the period 14 January 2021 to 31 July 2021

£m	H2 2021
Revenue	903
Operating profit	37
Finance costs	(10)
Tax	(5)
Profit for the period	22

Revenue

Revenue for the period to 31 July 2021 was £903 million with all markets showing good recovery after the initial Covid-19 lockdown and associated impact.

Operating profit

Operating profit for the period to 31 July 2021 was £37 million, this was generated from £220 million of gross profit less £183 million of operating costs.

Exceptional and other items

Exceptional items are those which are material in size and non-recurring in nature. Other items are not necessarily non-recurring in nature, but the Directors believe it is helpful to show these amounts separately as they are not directly linked to the recurring trading operations of the business.

The Group incurred a £6.6 million exceptional cost in the period predominantly incurred from the acquisition of Wolseley UK Limited.

Depreciation and amortisation

Recorded in the period was depreciation of £15 million relating to IFRS16 'right-of-use' assets and £7 million from other assets. Amortisation charges were £2 million.

Finance expense

The total expense of £10 million included £8 million arising from debt funding requirements (see note 8).

Taxation

The tax charge of £5m is a current period tax charge of £4 million plus a deferred tax charge of £1 million.

Profit after tax

The Group recorded profit after tax for the period of £22 million.

Liquidity and financing

The Group maintains sufficient borrowing facilities to finance all investment and capital expenditure included in its strategic plan with an additional amount for contingencies.

At 31 July 2021 the following banking facilities were available:

- £219 million senior secured loan facility – interest of 5% over SONIA (previously LIBOR), subject to certain conditions, repayable in January 2027
- £150 million asset backed loan facility – interest of 2% over SONIA (previously LIBOR), subject to certain conditions, facility available until July 2026 and amounts are repayable at the end of each interest period unless rolled over

Of the Group's total facilities, £219 million was drawn at 31 July 2021 and £150 million (all of the asset backed facility) was undrawn.

See detail of financial risk management on page 14 of the Strategic Report.

Cash flow

The Group has continued to generate strong cash flows during the period with cash flow from operating activities of £39 million.

£m	**H2 2021**
Cash flow from operating activities	39
Interest and tax	(13)
Capital expenditure	(5)
Proceeds from disposals	-
	21
Acquisitions (net of cash in business)	(288)
Financing activities	351
	63
Movement in cash	84
Movement in debt	(219)
Net debt[1] at 31 July 2021	(135)

[1] Net debt is an APM, see note 2 of the financial statements for definition and reconciliation.

The strategy of investing in the development of the Group's business is supported by capital expenditure of £5 million. This investment was primarily for strategic projects to support future growth such as technology developments as well as branch maintenance and enhancements.

Acquisition costs of £288 million comprised the purchase of the Group companies from Ferguson plc as detailed on page 1 of the Strategic Report. This was funded through financing activities resulting in a cash balance at 31 July 2021 of £84 million and net debt position of £135 million.

Principal risks and uncertainties

The responsibility for risk management and the internal control environment resides with the Board of Directors, while the senior management team implements and maintains the control systems as required by the Board. The Group has recently strengthened its risk management framework, including developing a new Risk Management Policy and associated toolkit for use across the Group.

Members of the senior management team have been appointed as responsible for managing risk in each business unit and support function. A risk update process is performed each quarter where each business and function review and update their respective risk registers. There is independent oversight of this process provided by the Assurance function. Each risk is evaluated using defined criteria based on its potential consequence, likelihood and the existing level of mitigating control.

This process is also used to regularly update the Group's risk register. This is reviewed by the Chief Executive Officer and Chief Financial Officer and the Board, with all material changes highlighted.

On an annual basis, the Board also considers its appetite for risk against key risk themes, which represent groupings of risks from the Group's risk register. The Group's policy on risk management is to apply more controls in areas where the risk appetite is low but to embrace more risk where the appetite is higher – typically strategic risks which present opportunities to grow profitably.

The risk themes detailed below are considered to be the principal risks affecting the Group and do not include all of the potential risks.

Health and safety

The Group places primary importance on the health, safety and wellbeing of its people and other stakeholders who may be affected by its business activities.

Safety risk awareness in respect of the movement, storage and transportation of heating and plumbing, air conditioning and refrigeration, pipes, valves and fittings and specialist above and below ground drainage products has a high profile within the Group. A Health and Safety Committee comprising key operational members of the senior management team (Leadership Team) and chaired by the Chief Executive Officer meet on a quarterly basis to review these risks and agree any required control measures.

The Group operates a robust health and safety management system including risk assessments and safe systems of work being developed for key business activities. A comprehensive training programme is in place where all employees receive training specific to their roles, with completion rates being monitored.

Consequently the Directors are of the opinion that this focus on health and safety matters is an important factor in the mitigation of health and safety risk and that the risk of a health and safety matter having a material impact on the financial results and position of the Group is low.

More information on the Group's health and safety performance can be found page 19.

Strategy and market dynamics

The Group's products are mainly distributed to trade professionals and therefore the Group's results are dependent on the levels of activity in residential, commercial and industrial construction markets.

The Group's markets are undergoing change with competitors changing their business models, developing their relationships with key suppliers and increasing their market share through acquisition. This may mean a competitor will become more attractive to customers which may reduce their spend with Wolseley.

Whilst the Group cannot control market conditions or the actions of its competitors, it does have effective controls in place to respond to them. These include: a deep understanding of customer needs and a focus on service; the development of differentiated business models; pricing and gross margin controls; cost controls and productivity improvements; and the ability to make strategic acquisitions to augment geographical coverage or introduce new capabilities. All are closely monitored as part of the systematic performance review process that is in place.

The Board considers the two biggest macroeconomic risks to be the impact of the Covid-19 pandemic and Brexit.

Covid-19 pandemic

During 2021, the Group continued to manage the impact of Covid-19. The priority remained the safety of our people, following all government guidance, whilst keeping as much of the branch estate open as possible to continue to serve customers and provide essential services and products.

It is clear that a likely defence against any future pandemic will be "stay at home" orders and these may have short or longer-term implications for the financial performance of the Group. Employee illness or absence caused by such an event may also impact upon the Group's ability to effectively manage its operations.

Mitigating factors against this risk are that the Group is an integral part of the UK infrastructure in terms of providing essential products and services to its customers. The Group now also has experience of, and the necessary protocols, to be able to successfully run the business when pandemic restrictions are in place. The Group's markets, after some initial disruption, also proved resilient to the wider economic impact of Covid-19 and the Group has also reduced the size of its fixed cost base, which would protect it from a sudden drop in sales volumes.

Brexit

The medium and long-term effects of the UK's departure from the EU are unknown. The immediate impact has been an increased administrative burden and cost when moving products from the Group's mainland UK distribution centres to its branches in Northern Ireland. The cost and complexity of importing certain products into the UK from the EU has increased significantly, in some cases disrupting supply. The requirements of the Brexit trade agreement and the associated Northern Ireland protocol has increased compliance risk.

The Group convened a multi-discipline Brexit Steering Committee to manage these impacts, which to date has proved to be successful with minimal disruption to the business. The Committee is currently examining the longer-term operating model implications.

Strategy execution and acquisition integration

Each of the businesses in the Group has developed a clear strategy to develop its business model to best meet customer needs and consequently generate a strong financial performance. This includes, where appropriate, acquiring businesses to increase the Group's presence in existing or adjacent markets.

Without the appropriate resources to implement the businesses' strategic plans successfully and integrate acquisitions effectively, there is a risk that financial performance and future prospects will be adversely impacted. It may also mean that senior management becomes distracted from managing the core business with a similar effect.

The Group continually monitors the resources, capabilities and external support it requires to execute its plans and progress on key strategic initiatives is reviewed as part of the systematic performance review process.

ESG and the green economy

Whilst climate change has been a clearly acknowledged trend for many years, the Board recognises it is an increasingly significant factor for the Group.

The main climate change related impact on the Group is transition risk – the move to reduce greenhouse gas emissions through changing policy and regulation. This will affect demand and consumer preferences, in particular for heating and cooling products, and impact the way residential and commercial buildings are designed and constructed.

The Group's businesses are closely assessing this transitional risk and are working with key suppliers on new product innovation and introduction. The Group's operations also result in environmental impacts and a comprehensive system is in place to manage and report on these. The Group set itself a number of targets aimed at reducing these impacts over time and it has outperformed versus these targets to date, see page 20.

Whilst a risk, the Board recognises that the transition to low carbon also provides opportunity, both in the efficiency of the network itself, but also in developing the resilience and diversification of the business model by moving into and embracing the green economy for heating, cooling and other building products.

More information on the Group's approach to ESG can be found on pages 19 to 22.

Talent and people management

The Group's business models are dependent on the knowledge and experience of its people and on the service they provide to customers. In some cases, specialist knowledge can reside in a limited number of individuals. In order for the businesses to develop, the Group needs to attract and retain high quality talent from diverse backgrounds and with experience from different sectors. Therefore the retention of key knowledge and talent is a critical success factor for the Group.

Over the last year, the Group has put much greater emphasis on its talent identification, assessment, and development activities. This includes succession planning for key roles. The Group is also implementing a new HR management system to enable improved workforce management and it has implemented new incentive arrangements aimed at better rewarding strong performance.

More information on the Group's approach to its people can be found on page 5.

Financial health and cash management

Interest rate risk

The Group is partly financed through externally syndicated bank debt and is therefore exposed to rising interest rates. The UK has recently experienced historically low interest rates and changes in these interest rates may adversely impact the Group.

The Group has taken the view there is unlikely to be significant change to interest rates in the near term and whilst actively managing this position the Group has taken the decision not to hedge its interest rate exposure. The Board is keeping this policy under review.

Liquidity risk

The Group's operations are generally cash generative and the Group uses a mixture of cash balances, long-term debt and short-term facilities to maintain liquidity, ensuring there are sufficient funds available for on-going operations and future developments. The Group regularly monitors cash flow forecasts and maintains funds on demand to meet all working capital requirements and the servicing of financial obligations.

Credit risk

The Group provides credit terms to many of its customers. There is an associated risk that customers may not be able to pay outstanding balances due. The Group has a professional credit team and there are well established policies and procedures in place to assess customer credit risk and review overdue balances. Significant outstanding and overdue balances are reviewed regularly, and corrective action is taken where necessary.

Compliance and governance

The Group does not operate in a highly regulated sector, but it is nevertheless affected by various statutes, regulations and laws in the UK. This includes laws affecting competition, fraud, bribery and corruption, the environment, health and safety, transportation, labour and employment practices, data protection and other matters.

A failure to comply with these regulations and laws, or being complicit in an activity with another party, where these regulations and laws are breached could lead to a serious incident causing operational disruption, reputational damage and have an adverse impact on the Group's financial position.

The Group regularly reviews these risks and operates a comprehensive compliance programme to mitigate these, including employee training and other control measures. This programme and the associated control measures are regularly reviewed and adherence to them is monitored.

Information technology and cyber security

The Group is reliant on the normal and reliable operation of its Information Technology ("IT") systems to conduct its business. The Group operates an IT governance framework that includes policies to manage risks such as information security and access management. Critical IT systems and data centres have documented disaster recovery plans which are tested annually.

Increasingly cyber security is dominating the risk agenda with the frequency and sophistication of attacks constantly increasing. The Group is threatened if it fails to sufficiently detect, monitor and protect against cyber-attacks which could result in disruption of service, compromise of sensitive data, financial loss and reputational damage.

The Group has significantly improved its cyber security capabilities over the past 18 months. It has a dedicated team, with supporting technology tools, that continually monitor and scan the systems for threats and attacks. Regular mandatory training is provided to employees along with comprehensive communication reminding employees of the risks and their responsibilities in mitigating them.

Wolseley Group Holdings Limited
Governance report
Corporate Governance
The Board believes that effective corporate governance is the foundation of a well-run company and is committed to maintaining the highest standards of governance throughout the Group. The Board recognises that a strong governance framework is fundamental to the execution of the Group's strategic objectives, underpinned by a clear purpose and well understood culture and values. Our corporate governance framework has been designed to support this. The Board is committed to ensuring that the procedures, policies and practices of the business continue to be effective.

The Directors consider the annual report and financial statements to comply with all aspects of the Guidelines for Disclosure and Transparency in Private Equity 'The Walker Guidelines'. The Group also adheres to the Wates corporate governance principles issued as guidance for large private companies.

Wates Principles
Following the acquisition of the Group, the Board concluded the appropriate approach to corporate governance should be to adopt the Wates Corporate Governance Principles for Large Private Companies. The approach is based upon six broad principles which the Directors have adopted.

1. *Purpose and leadership*
An effective board develops and promotes the purpose of a company and ensures that its values, strategy, and culture align with that purpose.

The Group's strategy is to focus on a clear immediate objective to return the Group to sustainable profitable growth. Wolseley will provide customers with the expertise of its people, an unrivalled range and availability of products, local relationships, and national scale.

The business is based on strong brands and this strategy is aligned with our purpose. The Board continues to review and challenge the strategy, performance, responsibility and accountability so that every decision made is of the highest quality, and in line with the Group's culture which is embedded throughout the business. The business model and the growth drivers of the Group are outlined in pages 2 to 6.

Whilst the Board holds overall responsibility for developing and promoting the purpose of the Group, the Leadership Team ensure that the values, strategy and culture continue to be distilled into every aspect of the Group on their behalf. The Board's Audit Committee reviews the effectiveness of our whistleblowing and fraud policies and procedures.

2. *Board composition*
Effective board composition requires an effective chair and a balance of skills backgrounds, experience, and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.

The Group's Board comprises the Group Chief Executive Officer and Chief Financial Officer and also contains experienced investors from CD&R who bring a wealth of experience and significant resources from this well-established private equity firm.

The Directors possess a wide range of skills, backgrounds, experience, and knowledge across a broad range of businesses. The composition of the Board is considered appropriate for the size and complexity of the Company. The Board has established an Audit Committee and a Remuneration Committee, prior to their creation matters were considered directly by the Board. Details of the Board members can be found on page 17.

Wolseley Group Holdings Limited
Governance report (continued)

3. Director responsibilities

The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision-making and independent challenge.

The Directors recognise the importance of good governance and have a clear understanding of their roles and responsibilities. The Directors receive comprehensive and timely reporting of KPIs on all aspects of the business, which is used to support the decision-making process. The Directors recognise the benefit of independent challenge and have experienced Non-Executive Directors appointed to provide this scrutiny.

4. Opportunity and risk

A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value, establishing oversight for the identification and mitigation of risks.

The business strategy clearly identifies the direction for the Group and opportunities to deliver this strategy are a key focus of the Board meetings.

Oversight of risk management is performed on an ongoing basis through the Board's interaction with management and by risk being an item on Board agendas. The Board retains overall responsibility for risk management and the senior management team are responsible for identifying and mitigating risk. The principal risks to the business are outlined on pages 11 to 14.

5. Remuneration

A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.

Remuneration matters during the year were considered directly by the Board, pending the creation of the Remuneration Committee. All future matters relating to remuneration will be considered by that body and recommended to the Board for approval, in line with the Committee's terms of reference.

The Group operates short-term and long-term incentive arrangements that have been designed to deliver long-term sustainable profitable growth.

6. Stakeholder relationships and engagement

Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders including the workforce and having regard to their views when taking decisions.

The Board are aware of the importance of fostering effective stakeholder relationships to enable the long term success of the Group. Good communication is key to this and there is regular engagement with employees, customers, suppliers, local communities and other stakeholders. The Directors are committed to operating in a socially responsible manner, engaging with the community and developing the business working towards environmental sustainability. The Group has detailed its key stakeholders and their engagement with them in its Section 172 statement on page 18.

Ownership

The Group was formed when CD&R acquired 100% of the issued share capital of Wolseley UK Limited on 29 January 2021. Founded in 1978, CD&R is a private equity firm with a history of working with management teams to build stronger, more profitable businesses. CD&R's investors include leading financial institutions, university endowments and corporate and public pension funds.

CD&R is one of the oldest private equity firms, based in North America. CD&R works to make companies grow and prosper by partnering with families, founders, or corporate owners. Value is created by collaborating with management to spur operational performance improvements, by accelerating growth strategies, injecting new talent, and boosting productivity. CD&R executes a consistent investment strategy across North America and Europe, focusing on market-leading businesses in the consumer/retail, healthcare, industrial, and services sectors.

Directors of Wolseley Group Holdings Limited

The Directors, whom held office throughout the period and to the date of this report were as follows:

Christian Rochat – appointed 14 January 2021

Christian joined CD&R in 2004 and is a partner based in London.

Diego Straziota – appointed 14 January 2021

Diego joined CD&R's London office in 2017 and is a senior principal.

Simon Oakland – appointed 29 January 2021

Simon was appointed Chief Executive Officer of Wolseley UK in December 2019, bringing extensive experience in strategy, finance and operations to the role.

Previously CEO of Ferguson plc's Canadian business since 2016, Simon joined Ferguson, Wolseley's former parent company, as Managing Director of the French business in 2012 before moving on to the role of Group Head of Corporate Development where he was responsible for merger and acquisition activity and corporate strategy.

Prior to joining Ferguson, Simon gained valuable strategic and Board experience across a variety of sectors spanning Europe, North America and the Far East as part of a successful career in private equity, most recently as a Partner at Alchemy Partners.

Simon Gray – appointed 29 January 2021

Simon joined Wolseley as Chief Financial Officer in March 2018, having previously been Group Financial Controller for Ferguson plc, and spending nine months on secondment as Chief Financial Officer of Ferguson's Nordic building materials business, Stark Group. Simon is a proven and talented finance leader with a wealth of experience having held senior finance roles at United Utilities, The Stationery Office, Hays Recruitment and Travelport. He is a chartered accountant, having qualified with PwC.

The senior executives or advisers of CD&R who have oversight of the Company are Christian Rochat, Diego Straziota and Bruno Deschamps. Bruno Deschamps is the chairman of CD&R Wolf Jersey Limited, a parent of the Company and wholly owned subsidiary of the ultimate controlling party CD&R Wolf Sarl.

Key Management Personnel

The following individuals were the key management personnel of the Group:

- Simon Oakland — Chief Executive Officer
- Simon Gray — Chief Financial Officer
- Jane Connor — HR Director
- Keith Dorling — Managing Director Plumbing & Heating
- John Hancock — Managing Director Wolseley Building Services & Infrastructure
- Duncan Kendal — Chief Supply Chain Officer
- David Haydon — Chief Digital Officer
- Nicky Randle — General Counsel and Company Secretary

Wolseley Group Holdings Limited
Governance report (continued)

Section 172(1) statement

The Board of Directors, in line with their duties under section 172(1) of the UK's Companies Act 2006 act in a way they consider, in good faith, would most likely promote the success of the Company for the benefit of its stakeholders. In doing this, the Directors have regard, amongst other matters, to:

a) the likely consequences of any decision in the long term,
b) the interest of the Company's employees,
c) the need to foster the Company's business relationships with suppliers, customers and others,
d) the impact of the Company's operations on the community and the environment,
e) the desirability of the Company maintaining a reputation for high standards of business conduct, and
f) the need to act fairly as between members of the Company.

Illustrations of how section 172 factors have been applied by the Board can be found throughout the Strategic Report.

Decision making

The Directors have regard to the likely consequences on all stakeholders of decisions and actions they take and ensure the Company is making decisions with a long-term view in mind with the sustainable success of the business at its core. Examples of this can be found in the Strategic report pages 3 to 6 and 11 to 14.

Shareholder

The Company relies on the support of its shareholder, CD&R, and its opinions are important to the Company. The Board contains two representatives from CD&R and there is an open dialogue through monthly meetings which cover a wide range of topics including health and safety, financial performance, strategy, outlook, governance and ethical practices.

Employees

Employees are key to the Company's success and we want them to be successful individually and as a team. See page 5 for details of how the Group engages with and develops its people.

Customers

The Group works with a large number of diverse customers from large national corporations to individual self-employed tradespeople. Its strategy remains consistent with great customer service and product availability supported by specialist knowledge. The Group engages regularly with its customers through a dedicated support network in order to obtain feedback and understand how it can improve the service offering. See pages 3 to 6 for detail of how customers are a focus of the Group's strategy.

Suppliers

The Group builds strong supplier relationships with our suppliers to develop mutually beneficial and lasting partnerships. Engagement with suppliers is primarily through contract negotiation, formal reviews and product availability. Key areas of focus include pricing, availability, sustainability, product development, health and safety and inventory management. See pages 19 to 22 for further detail.

Communities and the environment

Key areas of focus include how we can support local causes and issues, create opportunities to recruit and develop local people and help look after the environment. See pages 19 to 22 for further details.

Government and regulators

We engage with the government and regulators through a range of industry forums, meetings and conferences to communicate our views to policy makers relevant to our business. Key areas of focus are compliance with laws and regulations, health and safety requirements and product safety. The Directors are updated on legal and regulatory developments and take these into account when considering future actions.

Environmental, Social, Community and Human Rights Matters

1. Governance

The Board believes the environmental, social and governance agenda will be important for the future success of company. The UK Government's commitment to achieve net zero carbon emissions by 2050 will require retrofitting new heating systems to approximately 28 million homes and a new generation of trained installers. Wolseley is committed to supporting its customers during the transition to zero carbon technology and ensuring its operations have a positive impact for employees, the communities Wolseley serve and the environment. The Leadership Team are responsible for approving ESG strategy, setting targets and reviewing performance in their monthly meetings.

2. People

Diversity and inclusion are a fundamental part of the Group's culture. The Group values and respects the diversity of its employees and promotes an inclusive working environment. The Group aims to have a workforce that reflects the communities it serves and a supportive environment where everyone receives fair and equal treatment. Policies are in place to encourage inclusion and diversity and it is expected the balance of gender of employees will change over time as the industry changes.

Gender Reporting

Designation	Male	Female
(i) Directors of the Company	4	0
(ii) Key Management Personnel excluding (i)[1]	5	1
(iii) Employees	3,688	935

[1]*Senior Manager as defined by section 414C(9) of the Companies Act 2006*

3. Safety

The Group places primary importance on the health, safety and wellbeing of its people and other stakeholders who may be affected by its business activities. The Board recognises that the movement, storage and transportation of heavy, bulky and sometimes hazardous products in its branches and distribution centres is inherently dangerous. It has therefore developed a detailed suite of policies and procedures that are continually reviewed and updated to reflect best practice. These procedures are prepared in line with local regulatory bodies and the appropriate authorities are engaged to ensure the practices undertaken at site are commensurate with the level of risk involved.

A Health and Safety Committee comprising key operational members of the Leadership Team, and chaired by the Chief Executive Officer, meet on a quarterly basis to review safety performance and progress on key safety improvement initiatives. All lost time and reportable incidents are investigated by the Health and Safety team with a formal report produced, which identifies any improvement actions. Health and safety training is also a key feature for all employees and mandatory training is required every year, with completion rates being monitored.

Health and Safety is a principal concern of the Board and it is a standing agenda item for each Leadership Team meeting. A monthly report including key metrics and an associated commentary is provided. Key metrics considered are lost time incidents, RIDDORs and minor incident rates.

Safety reporting

Year ended	2021	2020	2019
Lost time accident rate[2]	0.64	0.49	0.78
Minor incident rate[3]	2.69	2.64	3.55

[2] Lost time incidents and RIDDORs on a 12 month rolling average per 100,000 hours worked

[3] Minor incidents on a 12 month rolling average per 100,000 hours worked

Both the lost time accident and minor injury rates deteriorated in the financial year. However the incident rate in the second half of year ended 31 July 2020 was much lower than normal as the Covid-19 restrictions significantly reduced activity levels in the branches. The lost time accident rate for 2019 was 0.78 and the long-term trend is positive.

4. Climate Change

There are three key elements to our climate change strategy:

1. Support the transition to the zero carbon economy by providing zero carbon heating systems and resilient infrastructure. The UK Government's commitment for net zero carbon emissions by 2050 means it will be necessary to retrofit clean technology to approximately 28 million homes. The exact mix of zero carbon heating technology is still unclear but Wolseley is well placed to support this transition and are a leading distributor of heat pumps, district heating and equipment for distributing hydrogen.

2. Help our customers reduce their environmental impacts by proving product information and tools. Wolseley produces guides that helps customers identify and install the best performing products and also provide an online tool to produce energy efficiency labels for heating systems.

3. Reduce the energy use and carbon emissions from our own operations. Over the last five years Wolseley has reduced the carbon emissions arising from both transport and site operations (Table 1). The reductions have been achieved through a combination of measures: optimising distribution, driver training and use of telemetry, reduction in operational sites, improved site energy management practices, investment in efficiency measures and switching to renewable electricity.

Table 1 Progress against carbon reduction targets

	2016 Baseline (tCO2e)	Target Reduction[1]	2021 Data (tCO2e)	Actual Reduction
Site operations	20,448	12%	6,084	70%
Transport of goods	20,305	5%	15,601	23%

[1] carbon targets were for 5 years and did not include business travel, refrigerants, waste and water

Mandatory carbon reporting

Tables 2 and 3 summarise Wolseley's carbon emissions and table 4 energy consumption. The data covers all Wolseley's operations. The Green House Gases ("GHG") Reporting Protocol has been followed and the UK Government GHG Conversion Factors for Company Reporting have been used for the calculations.

Explanation of carbon reporting

Scope 1 are direct emissions from the fuel used by the fleet of road vehicles (owned and leased), forklift trucks, and heating fuels (oil, LPG and gas) in buildings.
Scope 2 are indirect emissions from electricity used in buildings. Both location-based emissions that use grid average figures, and market-based emissions that reflect the actual carbon intensity of the electricity purchased are reported.
Scope 3 are indirect emissions from: third party logistics provider, business travel using both company, privately owned and hire cars, train journeys and air travel, water supply and treatment plus waste recycling and disposal.

Since 2020 Wolseley has only purchased renewably generated electricity and consequently the market-based method, which reflects the emissions from the electricity used, is zero. 2021 total market-based emissions are 5 per cent lower than 2020 due to a reduction in travel related emissions and carbon intensity (tCO2e per million pound of revenue) has reduced by 21 per cent over the same period (table 3).

Table 2 2021 carbon emissions by scope

	Location-based		Market-based	
	tCO2e	%	tCO2e	%
Scope 1	16,669	61%	16,669	72%
Scope 2	3,963	15%	-	0%
Scope 3	6,543	24%	6,543	28%

Wolseley Group Holdings Limited
Governance report (continued)

Table 3 Market-based carbon emissions

tCO2e	2021	2020	2019
Scope 1	16,669	17,487	16,856
Scope 2	0	0	6,676
Total Scope 1 & 2	16,669	17,487	23,532
Scope 3	6,543	7,035	7,628
All scopes	23,212	24,522	31,160
% change from previous year	-5%	-21%	
Carbon Intensity Metrics			
Revenue (£m)	1,763	1,489	1,725
Carbon intensity (tCO2e per £1m revenue)	13.2	16.8	18.1
% change from previous year	-21%	-7%	

Table 4 Energy use

'000s	2021	2020	2019
Non-renewable			
Diesel (kWh) Scope 1	88,125	156,923	164,713
Diesel (kWh) Scope 3	42,041	42,014	31,370
Gas (kWh)	29,258	27,034	26,839
Electricity (kWh)	0	0	26,118
Oil (kWh)	877	622	437
Rebated Diesel (kWh)	1,115	1,276	871
LPG (kWh)	1,080	1,335	788
Renewable			
Electricity (kWh)	18,665	21,046	0
Total non-renewable energy (kWh)	**162,496**	**229,204**	**251,136**
Total renewable energy (kWh)	**18,665**	**21,046**	**0**

Plan 2022

The Group intends to achieve net zero carbon emissions by 2030 and next year will publish its plan, including methodology for calculating the savings arising from zero carbon products. The Group will also comply with the requirements of the Task Force for Climate-Related Financial Disclosures.

5. Environmental Management

Wolseley has certification to the ISO14001 environmental management system standard. In the last year it did not have any reportable incidents, enforcement notices or prosecutions. Wolseley continues to reduce its environmental impact and support its customers to improve their performance.

Waste

The Group has been working with its suppliers to reduce packing waste and have eliminated single-use plastic in new own brand products. The Group has reduced the total waste generated by 39% from 2019 levels, see table 5. Currently 13% of the waste generated is sent to landfill, this is better than the target of 20% set in 2016. The new waste targets are to eliminate waste to landfill by 2025. Wolseley will also, in partnership with a supplier, launch their first circular economy trial project.

Table 5 Waste disposal data

	Waste (t)			Waste (%)		
	2021	**2020**	**2019**	**2021**	**2020**	**2019**
Energy Recovery	1,868	1,158	1,414	29%	14%	14%
Landfilled	852	854	1,147	13%	11%	11%
Recycled	3,679	6,037	7,864	58%	75%	75%
Total	**6,399**	**8,049**	**10,425**			

Table 6 Carbon emissions from waste

	2021	2020	2019
Waste (t)	6,399	8,049	10,425
Carbon (tCO2e)	500	545	723
Revenue (£m)	1,763	1,489	1,725
Waste carbon intensity (tCO2e per £1m)	3.6	5.4	6.0

6. Human Rights and Supply Chain

Wolseley is committed to having high ethical standards across all our operations. The Group's Code of Conduct, which extends to its suppliers, includes the principles of the UN Global Compact which incorporates the Universal Declaration of Human Rights. The Group has a comprehensive Supplier Integrity Programme which all supply chain partners must adhere to. The Group's latest modern slavery statement contains more detailed information and is available at https://corporate.wolseley.co.uk. In the last year there have not been any identified incidents of modern slavery, human trafficking or human rights abuses.

The Group's approach to managing supply chain responsibly also includes:

- Reviewing the ESG performance of suppliers of products we sell.
- Use sustainable sources of timber and the Group has certification to the Forest Stewardship Council and Programme for Endorsement of Forest Certification.

7. Community

Wolseley aims to support the communities its serves and enhance the social value from its operations. Wolseley increases its social impact and support to the local economy by:

- Providing jobs and improving skills. The Group has an extensive network of 542 branches that employ local people. The Group has an apprenticeship programme and kickstart scheme to support young people to develop new skills and obtain meaningful employment.
- Supporting growth in local economy. Branch Managers provide expert advice and support to customers, many of which are small businesses. The Group also provides a range of e-commerce tools to help its customers work more efficiently.
- Supporting community groups and charities. The Group supports many local groups and communities by providing sponsorship, advice or facilities.
- Reducing impact on the environment and being a good neighbour. Sections 4 and 5 explain the steps taken to reduce the Group's impact. Wolseley aims to be a good neighbour and respond quickly to concerns.
- Encouraging innovation that support the transition to the zero-carbon economy.

The Strategic report has been approved by the Board and signed on its behalf by:

S Gray
Director
25 November 2021

Wolseley Group Holdings Limited
Directors' report

The Directors present their annual report and the audited financial statements of the Group for the period from 14 January 2021 to 31 July 2021.

Principal activities

The principal activities of the business are detailed in the Strategic report pages 2 to 6.

Going concern

The Group's principal objective when managing cash and debt is to safeguard the Group's ability to continue as a going concern for the foreseeable future. The Board reviews detailed forecasts looking out a minimum of twelve months and models a range of scenarios to ensure it has sufficient cash to meet operational needs while always maintaining sufficient headroom in its committed borrowing facilities so that the Group does not breach borrowing limits on any of its borrowing facilities.

A number of scenarios were considered including downside scenarios flexing the trading and working capital performance and the use of reverse stress tests, which seek to identify factors that might cause the Group to require further liquidity, and views were formed of the probability of those occurring. After making appropriate enquiries and having considered the business activities and the Group's principal risks and uncertainties (pages 11-14), the Directors are satisfied that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Financial instruments and financial risk management

The Group's financial instruments consist of cash, and items such as trade receivables and trade payables which arise directly from operations. The Group does not undertake speculative transactions. See page 14 for further details.

Future developments and events after the balance sheet date

There have been no significant events affecting the Group since the year end.

Results and dividends

The Group's profit for the financial period was £22 million. There were no dividends paid in the period and the Directors do not propose a dividend.

Directors

The Directors of the Company during the period ended 31 July 2021 and to the date of signing are detailed in the Strategic report, page 17.

Directors' qualifying third party indemnity insurance

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 period 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. The indemnity and insurance is also for the benefit of all subsidiary companies of the Group.

Health and safety

The Group recognises the importance of its safety, health and environmental responsibilities and operates in accordance with the Group's programme which is described on page 19 of the Strategic Report.

Employees

See Strategic report page 5 and note 4 to the financial statements for details on employees and how the Group supports and develops them.

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.

The Modern Slavery Act 2015 requires the Group to report steps taken to ensure operations and supply chains are free of human trafficking and slavery. The Group maintains processes and activities to ensure compliance in this area. The Group's full statement can be found on its website (https://corporate.wolseley.co.uk/how-we-work/modern-slavery-act.aspx).

Environment

The Group is committed to the integration of environmental management into its business operations, a commitment to comply with local environmental legislation and ensuring proper communication with employees on environmental matters. See pages 19 to 22 for more details.

Other matters

The registered office of Wolseley Group Holdings Limited is 2 Kingmaker Court, Warwick Technology Park, Gallows Hill, Warwick, CV34 6DY.

Directors' responsibilities statement

The Directors are responsible for preparing the Annual 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 Group's financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". 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 the parent company 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

In preparing the group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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

The Directors have adopted the Wates corporate governance principles, see page 15 to 16 for further details. The Directors responsibilities to disclose energy and carbon emissions data has been included in the strategic report pages 19 to 22.

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

Auditors

Deloitte LLP have been appointed as auditor of the Company.

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 section 418 of the Companies Act 2006.

Directors duty to promote the success of the Company

The Directors of the Company have a duty under section 172 of the Companies Act to promote the success of the Company. It is set out in the Strategic report on pages 3 to 14 and in the Governance section on pages 15 to 22 how the Directors have addressed elements of the Section 172 requirements in the fulfilment of their duties.

Approved by the Board and signed on its behalf by:

Simon Gray

S Gray
Director
25 November 2021

Wolseley Group Holdings Limited
Independent auditor's report to the members of Wolseley Group Holdings Limited (previously CD&R Wolf UK Co 2 Limited)

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Wolseley Group Holdings Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 July 2021 and of the group's profit for the 6-month period then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated statement of cash flow; and
- the related notes 1 to 28.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law, United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent auditor's report to the members of Wolseley Group Holdings Limited (previously CD&R Wolf UK Co 2 Limited) (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

Independent auditor's report to the members of Wolseley Group Holdings Limited (previously CD&R Wolf UK Co 2 Limited) (continued)

We obtained an understanding of the legal and regulatory framework that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including significant component audit teams and relevant internal specialists such as tax, valuations and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it are described below:

- the acquisition accounting regarding the acquisition of Wolseley UK Limited and subsidiaries is inherently complex. We have challenged the completeness of the balance sheet along with engaging with valuation specialists to assess management's fair value assessment of the assets and liabilities acquired.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Wolseley Group Holdings Limited
Independent auditor’s report to the members of Wolseley Group Holdings Limited (previously CD&R Wolf UK Co 2 Limited) (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

We have nothing to report in respect of these matters.

Use of our report

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.

Matthew Hughes

Matthew Hughes (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Leeds, United Kingdom
25 November 2021

Wolseley Group Holdings Limited
Consolidated Income statement

For the 6 months ended 31 July 2021

	Note	6 months ended 31 July 2021 Before exceptional items £m	6 months ended 31 July 2021 Exceptional items (note 7) £m	6 months ended 31 July 2021 Total £m
Revenue	3	**902.6**	-	**902.6**
Raw materials and consumables		**(682.3)**	-	**(682.3)**
Gross profit		**220.3**	-	**220.3**
Staff costs	4	**(98.6)**	-	**(98.6)**
Tangible fixed assets depreciation and impairment	12	**(21.3)**	-	**(21.3)**
Loss on sale of tangible fixed assets		**(0.4)**	-	**(0.4)**
Other operating charges		**(56.6)**	**(6.6)**	**(63.2)**
Operating profit/(loss)		**43.4**	**(6.6)**	**36.8**
Finance costs	8	**(9.6)**	-	**(9.6)**
Profit/(loss) before tax		**33.8**	**(6.6)**	**27.2**
Tax	9	**(4.9)**	**(0.3)**	**(5.2)**
Profit/(loss) for the period		**28.9**	**(6.9)**	**22.0**

In accordance with the exception under section 408 of the Companies Act 2006, no Company Income Statement is shown.

The notes on pages 35 to 60 form part of these financial statements. All results presented relate to continuing operations.

Wolseley Group Holdings Limited
Consolidated statement of comprehensive income

For the 6 months ended 31 July 2021

	Note	**2021 £m**
Profit for the period		**22.0**
Total comprehensive income attributable to equity shareholders of the Group		**22.0**

In accordance with section 408 of the Companies Act 2006, no Company Statement of Comprehensive Income is shown. In the period ended 31 July 2021, there was no comprehensive income or expense in the Company.

Wolseley Group Holdings Limited
Balance sheet

Registered Number: 13134776

As at 31 July 2021

Assets	Note	Group 2021 £m	Company 2021 £m
Non-current assets			
Goodwill	10	13.0	-
Intangible assets	11	28.3	-
Property, plant and equipment	12	98.7	-
Right-of-use assets	12	96.4	-
Investments	13	-	145.8
Deferred tax	18	14.2	-
Trade and other receivables	15	11.1	-
		261.7	**145.8**
Current assets			
Inventories	14	258.9	-
Trade and other receivables	15	365.5	-
Current tax	9	0.6	-
Cash and cash equivalents	16	83.9	-
		708.9	**-**
Assets held for sale	12	1.1	-
		710.0	**-**
Total assets		**971.7**	**145.8**
Liabilities			
Current liabilities			
Trade and other payables	17	(457.5)	-
Lease liabilities	25	(23.9)	-
Provisions	20	(15.4)	-
		(496.8)	-
Non-current liabilities			
Lease liabilities	25	(68.7)	-
Provisions	20	(20.5)	-
Borrowings	21	(218.8)	-
		(308.0)	**-**
Total liabilities		**(804.8)**	**-**
Net current assets		**213.2**	**145.8**
NET ASSETS		**166.9**	**145.8**
Equity attributable to equity holders of the Company			
Share capital	23	1.4	1.4
Share premium account	23	144.4	144.4
Retained earnings	23	21.1	-
TOTAL EQUITY		**166.9**	**145.8**

In accordance with section 408 of the Companies Act 2006, no Company Statement of Comprehensive Income is shown.

The financial statements of Wolseley Group Holdings Limited on pages 30 to 60 were approved by the Board of Directors on 25 November 2021 and were signed on its behalf by:

S Gray
Director

Wolseley Group Holdings Limited
Consolidated statement of changes in equity

For the 6 months ended 31 July 2021

		Group			
	Note	**Share capital** **£m**	**Share premium account** **£m**	**Retained earnings** **£m**	**Total** **£m**
At 14 January 2021		**-**	**-**	**-**	**-**
Issue of share capital		**1.4**	**144.4**	**-**	**145.8**
Profit for the period		**-**	**-**	**22.0**	**22.0**
Total comprehensive income		**-**	**-**	**22.0**	**22.0**
Deferred tax charge on share based payments	9			**(0.9)**	**(0.9)**
At 31 July 2021	23	**1.4**	**144.4**	**21.1**	**166.9**

No interim dividend was paid in the period and no final dividend was paid or declared.

Company statement of changes in equity

For the 6 months ended 31 July 2021

		Company			
	Note	**Share capital** **£m**	**Share premium account** **£m**	**Retained earnings** **£m**	**Total** **£m**
At 14 January 2021		**-**	**-**	**-**	**-**
Issue of share capital		**1.4**	**144.4**	**-**	**145.8**
At 31 July 2021	23	**1.4**	**144.4**	**-**	**145.8**

No interim dividend was paid in the period and no final dividend was paid or declared.

Wolseley Group Holdings Limited
Consolidated statement of cash flows
For the 6 months ended 31 July 2021

	Note	6 months ended 31 July 2021 Group £m
Net cash flows from operating activities		
Profit before income tax		27.2
Non-cash adjustments		
Depreciation and amortisation	11,12	23.2
Loss on disposal of property, plant and equipment		0.4
Net finance costs		9.6
Working capital adjustments		
Decrease in inventories		2.3
Increase in trade and other receivables		(15.8)
Decrease in trade and other payables		(4.2)
Decrease in provisions		(4.0)
Cash flow from operating activities		38.7
Interest paid		(9.5)
Tax paid	9	(3.4)
Net cash from operating activities		**25.7**
Cash flows used in investing activities		
Purchase of property, plant and equipment		(2.4)
Purchase of intangibles	11	(2.5)
Disposal of property, plant and equipment		0.3
Acquisition of subsidiaries	22	(288.1)
Net cash used in investing activities		**(292.7)**
Cash flows from financing activities		
Proceeds from the issue of shares		145.8
Proceeds from borrowings	21	218.8
Principal elements of lease payments	25	(13.7)
Net cash from financing activities		**350.9**
Net increase in cash and cash equivalents		**83.9**
Cash and cash equivalents carried forward		**83.9**

The Company has taken advantage of the exemption in IAS1 ‘Presentation of financial statements’, section 10(d) and IAS 7 ‘Statement of cash flows” not to show the Company’s statement of cash flows.

1 Accounting policies

The principal accounting policies are summarised below. They have been applied consistently throughout the current period.

General information and basis of accounting

Wolseley Group Holdings Limited ("the Company") is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The address of the registered office is 2 Kingmaker Court, Warwick Technology Park, Gallows Hill, Warwick, CV34 6DY. The principal activity of the Company is to act as an intermediate holding company to a group of companies (the 'Group'). The principal activity of the Group is operating as a leading specialist distributor of plumbing, heating, cooling & infrastructure products to trade customers.

Group

The consolidated financial statements of the Group have been prepared in accordance with applicable International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs) and International Financial Reporting Standards Interpretations Committee (IFRS IC) interpretations (collectively IFRS) as adopted for and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities measured at fair value, and are presented in the functional currency of pounds sterling (£). Amounts are generally expressed in millions (£m), with rounding accordingly.

Company

The separate Company financial statements are presented as required by the Companies Act 2006 and have been prepared on the historical cost basis, and in accordance with the Financial Reporting Standard 101 "Reduced Disclosure Framework".

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to the following:

- Financial instruments;
- Capital management;
- Presentation of a cash flow statement; and
- Related party transactions.

The financial statements have been prepared on the historical cost basis.

Going concern

As part of their going concern review the Directors have followed the latest guidelines published by the Financial Reporting Council. At the reporting date, the Group had cash resources (being cash, cash equivalents and money market investments) as set out in Note 16 and cash facilities as set out in Note 21.

The Directors monitor future cash requirements against current resources and the availability of future funding and have prepared detailed financial forecasts and cash flows looking to the end of July 2023.

1 Accounting policies (continued)

Going concern (continued)

In developing these forecasts they make enquiries and form assumptions as to future revenues and expenditures based upon their view of the current and future economic conditions that will prevail over the forecast period.

The main part of the Group's bank debt is due for repayment in January 2027 as set out in note 21. In addition, a credit facility was secured in the period providing the Group with temporary liquidity for working capital and was undrawn at the period end.

Having considered uncertainties under the current economic environment, and after making enquiries, the Directors have a reasonable expectation that resources are adequate to continue in operation for the foreseeable future. Furthermore, the forecast cash flows support the settlement of liabilities as they fall due. Accordingly, the Directors have adopted the going concern basis in preparing these financial statements.

Basis of consolidation

The consolidated financial information includes the results of the parent company and entities controlled by the Company (its subsidiary undertakings and controlling interests) and its share of profit/(loss) after tax of its associates.

The financial performance of business operations is included in profit from the date of acquisition.

Intra-group transactions and balances and any unrealised gains and losses arising from intra-group transactions are eliminated on consolidation.

Revenue

Revenue is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group considers whether there are other promises in the revenue transaction that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. warranties).

The Group offers a right of return to its customers for most of its goods sold. Revenue is reduced by the amount of expected returns estimated based on historical data. The Group also provides customers with assurance-type warranties for some own brand goods. Obligations under these warranties are recorded as provisions.

The Group has no contracts, other than framework agreements which set out commercial terms of supply but do not contain volume commitments, with an expected duration of more than one year and has taken advantage of the practical expedient afforded by IFRS 15. Therefore it is not required to disclose information about its remaining performance obligations.

1 Accounting policies (continued)

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary undertaking at the date of acquisition. Goodwill on acquisitions of subsidiary undertakings is included within intangible assets.

Goodwill is tested for impairment on an annual basis. An impairment test is a comparison of the carrying value of assets to their recoverable amount. Where an asset's carrying value is higher than the recoverable amount, an impairment results. Any impairment charges are included in operating expenses in the Statement of Comprehensive Income.

Intangible assets

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. Computer software (except assets in the course of construction) is amortised using the straight-line method so as to charge the cost of the assets to the income statement over their estimated useful lives (up to five years). Provision is made for any impairment.

Software-as-a-Service ("SaaS") arrangements are service contracts providing the Group with access to the provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the provider's application software, are recognised as operating expenses when the services are received.

Costs incurred relating to the development of software code that enhances or modifies existing on-premise systems and meet the definition of, and recognition criteria for, an intangible asset are capitalised.

Trademarks are included at cost and depreciated in equal annual instalments over their estimated useful economic life (five to twenty five years). Provision is made for any impairment.

Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment. 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. Assets (except freehold land and assets in the course of construction) are depreciated on a straight-line basis so as to write off the cost of the 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	14 - 25%

Investments

Investments in subsidiaries 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.

1 Accounting policies (continued)

Leases

Under IFRS 16, the Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. Right-of-use assets are also subject to impairment should the estimated useful life be assessed as less than the remaining lease term.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of twelve months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

1 Accounting policies (continued)

Assets held for sale

Assets held for sale relate to properties awaiting disposal which are transferred to current assets at the lower of net written down value and estimated net realisable value when they are no longer intended to be held for continuing use in the Group's operations. Depreciation is not applied to properties awaiting disposal, but the carrying value is reviewed annually and written down through the income statement to current estimated net realisable value if lower than the carrying amount.

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 Group'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.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Group 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 the 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 generated the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to offset the amounts and the Group 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 Group has a legally enforceable right to offset 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 the deferred tax liabilities or assets are expected to be settled or recovered.

1 Accounting policies (continued)

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.

Pensions

The Group operates a defined contribution pension scheme. The assets of the defined contribution scheme are held separately from those of the Group in an independently administered fund. The pension costs disclosed in note 4 represents contributions payable by the Group to the defined contribution scheme.

Financial assets and liabilities

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

All financial assets and liabilities are initially measured at transaction price and where applicable are subsequently measured at amortised cost.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to offset the recognised amounts and the Group 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, or (b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or (c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk, including foreign exchange forward contracts. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expired.

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 non-current asset or a non-current liability 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 financial asset's carrying amount and the present value of its estimated future cash flows, discounted at the financial asset's original effective interest rate.

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 if an impairment loss reversal is appropriate. 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.

1 Accounting policies (continued)

Inventories

Inventory comprises finished goods, and is valued on a first in, first out basis. Provisions are made against slow moving, obsolete and damaged inventory for which the net realisable value is estimated to be less than the carrying value. Inventory which is damaged or obsolete is written down as identified. The risk of obsolescence of slow-moving inventory is assessed by comparing the level of inventory held to future sales projected on the basis of historical experience. The actual realisable value of inventory may differ materially from the estimated value on which the provision is based.

Trade receivables

Trade receivables are recognised initially at fair value and measured subsequently at amortised cost using the effective interest method, less the loss allowance. The loss allowance for trade receivables is measured at an amount equal to lifetime expected credit losses, estimated based on historical write-offs adjusted for forward-looking information where appropriate. The loss is recognised in the income statement. Trade receivables are written off when recoverability is assessed as being remote. Subsequent recoveries of amounts previously written off are credited to the income statement.

Supplier rebates

In line with industry practice, the Group 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. Supplier rebates relating to the purchase of goods for resale are accrued as earned and are recorded initially as a deduction in inventory with a subsequent reduction in cost of sales when the goods are sold.

Volume-based rebates

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 combined income statement.

A small proportion of volume-based rebates are subject to tiered targets where the rebate percentage increases as volumes purchased reach agreed targets within a set period of time, usually a twelve month period. The majority of rebate agreements apply to purchases in a calendar year and therefore, for tiered rebates, judgement is required to estimate the rebate amount recorded in the combined income statement at the end of the period. The Group assesses the probability that targeted volumes will be achieved in the period based on forecasts which are informed by historical trading patterns, current performance and trends. This judgement is exercised consistently, with historically insignificant true ups at the end of the period.

An amount due in respect of supplier purchase rebates is recognised as a reduction in the cost of inventory, and not recognised within the combined income statement until all the relevant performance criteria, where applicable, have been met and the goods have been sold to a third party.

1 Accounting policies (continued)

Supplier rebates receivable
Supplier rebates are offset with amounts owing to each supplier at the balance sheet date and are included within trade payables, where the Group has the legal right to offset and net settles balances. Where the supplier rebates are not offset against amounts owing to a supplier, the outstanding amount is included within other trade receivables.

Provisions
Provisions are recognised when the Group 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 leased by the business. Within the dilapidations provision, a decommissioning provision for distribution centres is recognised, being the present value of management's best estimate of the expenditure required to settle the present obligation at that balance sheet date. The discount rate used to determine the present value reflects market assessments of the time value of money.

Provision is made for restructuring costs based on management's estimation of the outflow of resources required to settle the obligation. Environmental liabilities include known and potential legal claims and environmental liabilities.

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

Accounting developments and changes
The Group reviews and monitors changes in accounting standards and has not identified any that will have a significant impact on the financial statements.

1 Accounting policies (continued)

Critical accounting judgements

Several of the Group's accounting policies require management to make estimates and assumptions that affect the reported amounts. The following accounting policies include an element of judgement:

Exceptional items

Exceptional items are those which are considered significant by virtue of their nature, size or incidence. These items are presented as exceptional within their relevant income statement category to assist in the understanding of the trading and financial results of the Group as these types of costs do not form part of the underlying business. Examples of items that are considered by the Directors for designation as exceptional items include, but are not limited to:

- restructuring costs within a segment which are both material and incurred as part of a significant change in strategy or due to the closure of a large part of a business and are not expected to be repeated on a regular basis;
- significant costs incurred as part of the integration of an acquired business and which are considered to be material;
- gains or losses on disposals of businesses are considered to be exceptional in nature as they do not reflect the performance of the trading business;
- material costs or credits arising as a result of regulatory and litigation matters; and
- other items which are material and considered to be non-recurring in nature and/or are not as a result of the underlying trading activities of the business.

The classification of exceptional items requires significant management judgement to determine the nature and intention of a transaction.

Determining the lease term of contracts with renewal and termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g. construction of significant leasehold improvements or significant customisation to the leased asset).

Further information on the Group's lease termination options is set out in note 25.

Sources of estimation uncertainty

In applying the Group's accounting policies various transactions and balances are valued using estimates or assumptions. Should these estimates or assumptions prove incorrect there may be an impact on the following year's financial statements. The Group believes that the estimates and assumptions that have been applied would not give rise to a material impact within the next financial year.

2 Alternative performance measures (Group)

The Group uses alternative performance measures ("APMs"), which are not defined or specified under IFRS. These APMs, which are not considered to be a substitute for IFRS measures, provide additional helpful information. APMs are consistent with how business performance is planned, reported and assessed internally by management and the Board and provide comparable information across the Group.

Gross margin

The ratio of gross profit, excluding exceptional items, to revenue. Gross margin is used by management for assessing performance and is a key performance indicator for the Group, the calculation for the 6 months ended 31 July 2021 is shown below.

	Note	**2021 Group**
Revenue (£m)	3	**902.6**
Gross profit (£m)		**220.3**
Gross margin (per cent)		**24.4**

Adjusted EBITDA

Adjusted EBITDA is operating profit before charges/credits relating to depreciation, amortisation, impairment, exceptional items and the impact of IFRS 16. Adjusted EBITDA is used to assess the performance of the Group and is a key performance indicator. Adjusted EBITDA is also used to assess the appropriateness of the Group's financial gearing and excludes IFRS 16 in line with the requirements of the Group's financing agreements. For this reason, adjusted EBITDA refers to Group adjusted EBITDA unless otherwise stated. A reconciliation of statutory operating profit to adjusted EBITDA for the 6 months ended 31 July 2021 is provided below.

	Note	**2021 Group £m**
Operating profit		**36.8**
Exceptional items	7	**6.6**
Depreciation and impairment of property, plant and equipment	12	**21.3**
Amortisation of acquired intangible assets	11	**0.4**
Amortisation of non-acquired intangible assets	11	**1.6**
Lease rental charges for right-of-use assets		**(14.5)**
Adjusted EBITDA		**52.2**

Net debt

Net debt excluding lease liabilities comprises cash and cash equivalents, bank overdrafts and bank and other loans. The Group uses net debt excluding lease liabilities, which excludes lease liabilities under IFRS 16, to be consistent with adjusted EBITDA. For this reason the Group uses the term net debt to refer to net debt excluding lease liabilities unless otherwise stated. Net debt is a good indicator of the strength of the Group's balance sheet position and is used by the Group's finance providers.

	Note	**2021 Group £m**
Cash and cash equivalents	16	**83.9**
Bank loans	21	**(218.8)**
Net debt		**(134.9)**

Notes to the financial statements (continued)

For the 6 months ended 31 July 2021

3 Revenue

Revenue, which arises primarily from the sale of goods in the UK, relates entirely to the principal activities of the Group. Revenue and operating profit derived from overseas is not material to the results of the Group.

Consideration is given to the disaggregation of revenue but due to the operating model of the Group being a specialist distributor of plumbing, heating, cooling & infrastructure products, and the similar markets in which it operates no further disclosure is considered necessary.

4 Employee and key management information

	6 months ended 31 July 2021 **Group** **£m**
Staff costs (including key management)	
Wages and salaries	**85.6**
Social security costs	**8.1**
Pension costs – defined contribution schemes	**4.9**
	98.6

	2021 **Group**
Average monthly number of employees and key management:	
Distribution	**4,169**
Administration	**457**
	4,626

4 Employees and key management information (continued)

The Company has no employees. The Company does not remunerate its directors, S Oakland and S Gray are remunerated by a subsidiary company and C Rochat and D Straziota do not receive any remuneration from the Group at all.

The aggregate compensation for all key management of the Group is set out in the following table:

	6 months ended 31 July 2021
	Group £m
Key management compensation:	
Salaries, bonuses and other short-term employee benefits	**3.0**
Social security costs	**0.3**
Company contributions to defined contribution pension scheme	**-**
Total compensation	**3.3**
Highest paid director	**0.7**

	2021
The number of key management personnel who:	
Are members of the defined contribution pension scheme	**1**

In the period ended 31 July 2021, management subscribed for a number of shares in the Group's ultimate UK parent company, CD&R Wolf Jersey Limited. The shares legally vest upon change of control of the Group. Also in the period, Management subscribed for 1% of the preference shares in the Group's ultimate UK parent company. There is no material charge arising in the period as a consequence of these transactions.

5 Auditor's remuneration (Group)

Fees payable to Deloitte LLP and their associates for the audit of the Group's annual accounts were £522,800 which included non-recurring fees of £45,000. There were no fees for non-audit services paid to Deloitte LLP during the period.

No audit fees were borne by the Company.

6 Operating profit

	Note	6 months ended 31 July 2021 Group £m
Operating profit is stated after charging/(crediting):		
Amounts included in cost of sales with respect to inventory		**682.3**
Depreciation of property, plant and equipment	12	**21.3**
Amortisation of intangible fixed assets	11	**2.0**
Staff costs	4	**98.6**
Operating lease rentals for short-term leases:		
- Plant and machinery	25	**1.1**
- Property	25	**1.6**
Loss allowance on trade receivables	15	**1.2**

7 Exceptional items

Exceptional items are analysed by purpose as follows:	6 months ended 31 July 2021 Group £m
Acquisition fees (note 22)	**9.3**
Other exceptional items	**(2.7)**
	6.6

Acquisition fees relate to the acquisition by the Group of Wolseley UK Limited, more details can be found in note 22.

Other exceptional items for the period ended 31 July 2021 included releases of provisions previously booked through exceptional costs under existing subsidiary accounting policies, and followed confirmation that no further liability existed.

8 Finance costs

	6 months ended 31 July 2021 Group £m
Interest on bank loans and overdrafts	**8.2**
Interest expense on lease liabilities	**1.1**
Other interest payable	**0.3**
Finance costs	**9.6**

9 Tax

The tax charge for the 6 month period ended 31 July 2021 comprises:	**2021 Group £m**
Current tax	
Current year tax charge	**3.8**
Total current tax charge	**3.8**
Deferred tax	
Current year tax charge	**2.9**
Tax rate changes	**(1.5)**
Total deferred tax credit (note 18)	**1.4**
Total tax charge recognised through the income statement	**5.2**
Deferred tax charge on share based payments recognised in equity	**0.9**

The tax charge for the period is lower than the standard rate of corporation tax in the UK. The differences are explained below:

Tax reconciliation	**2021 Group £m**
Profit on ordinary activities before taxation	**27.2**
Profit on ordinary activities before taxation multiplied by the effective standard rate of UK tax of 19%	**5.2**
Effects of:	
Expenses not deductible	**1.8**
Tax relief on share based payments	**(0.3)**
Tax rate changes	**(1.5)**
Total tax charge recognised through the income statement	**5.2**

The UK tax rate for the period ended 31 July 2021 is 19%. An increase to 25% to be effective 1 April 2023 was enacted as part of the Finance Act 2021 on 10 June 2021.

Deferred tax assets and liabilities are measured at the tax rates that 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. Where deferred tax is expected to unwind after 1 April 2023, deferred tax has been calculated at the enacted rate of 25%.

The exceptional tax charge of £0.3m on exceptional loss before tax of £6.6m for the period is higher than the expected credit of £1.3m at the standard rate of corporation tax in the UK. The difference relates to the effect of expenses not deductible for tax of £1.6m.

Notes to the financial statements (continued)

For the 6 months ended 31 July 2021

10 Intangible assets: goodwill

	2021 Group £m
Cost	
At 14 January 2021	-
On acquisition (note 22)	13.0
At 31 July 2021	13.0
Net book value	
31 July 2021	**13.0**

Goodwill and intangible assets acquired during the year have been allocated to the individual cash generating units or aggregated cash generating units (together "CGUs") which are deemed to be the smallest identifiable group of assets generating independent cash inflows, which was the Wolseley UK Limited acquisition (note 22).

The key assumptions used in the impairment review were a 2% long term growth rate and a 19% post tax discount rate, these are consistent with the external reviews of the future cashflows of the group performed during the year. Cashflow forecasts are derived from the Group's budget in year one with year two to five from strategic views in place at the acquisition of the Group's trade. Management performed sensitivity testing, including an assessment of the break-even point and this was considered for reasonableness in light of the global pandemic.

11 Intangible assets: other

	Software costs £m	Trade names costs £m	Total £m
Cost			
At 14 January 2021	-	-	**-**
On acquisition (note 22)	8.0	19.8	**27.8**
Additions	2.5	-	**2.5**
At 31 July 2021	**10.5**	**19.8**	**30.3**
Accumulated amortisation			
At 14 January 2021	-	-	**-**
Amortisation charge for the period	1.6	0.4	**2.0**
At 31 July 2021	**1.6**	**0.4**	**2.0**
Net book value			
At 31 July 2021	**8.9**	**19.4**	**28.3**

The amortisation charge for the period of £2.0m is included within 'Other operating charges' on the face of the income statement.

12 Property, plant and equipment

	Land and buildings £m	Right-of-use assets £m	Plant and machinery £m	Fixtures, fittings, tools and equipment £m	Motor vehicles £m	Total £m
Cost						
At 14 January 2021	-	-	-	-	-	-
On acquisition (note 22)	74.1	101.3	9.3	17.9	1.8	**204.4**
Additions	1.6	10.0	0.3	2.0	-	**13.9**
Disposals	(0.3)	(0.5)	(0.2)	(0.2)	-	**(1.2)**
Transfer (to) Assets held for sale	(1.1)	-	-	-	-	**(1.1)**
At 31 July 2021	**74.3**	**110.8**	**9.4**	**19.7**	**1.8**	**216.0**
Accumulated depreciation and impairment						
At 14 January 2021	-	-	-	-	-	-
Depreciation charge for the period	2.2	14.7	1.0	3.0	0.4	21.3
Disposals	-	(0.3)	-	(0.1)	-	(0.4)
Transfer (to) Assets held for sale	-	-	-	-	-	-
At 31 July 2021	**2.2**	**14.4**	**1.0**	**2.9**	**0.4**	**20.9**
Net book value						
At 31 July 2021	**72.1**	**96.4**	**8.4**	**16.8**	**1.4**	**195.1**

The property, plant and equipment of has been pledged as security for the Group's loan facility, see note 21.

At 31 July 2021, there was no future capital expenditure authorised by the Directors that has been contracted but not provided in the financial statements.

During the period the Group classified a freehold site in Swindon as held for sale, the net book value of £1.1m was transferred and sale completion was in October 2021 with proceeds of £1.5m received.

Cost of land and buildings comprises:

	2021 £m
Freehold	**51.8**
Short leasehold	**22.5**
	74.3

13 Investments (Company)

The Company's investments at 31 July 2021 comprise shares in its immediate subsidiary Wolseley Group Limited (see note 28).

14 Inventories

	2021 Group £m
Finished goods	**258.9**

The Group held provisions in respect of inventory balances at 31 July 2021 amounting to £34.4m. The gross value of inventory is reduced to reflect supplier rebates where the inventory has not been sold. As at 31 July 2021, this deduction from gross inventory amounted to £41.4m. In the opinion of the Directors there is no material difference between the value of inventory as disclosed in the balance sheet and its replacement cost at the balance sheet date.

The cost of inventories recognised as an expense during the period was £682m.

15 Trade and other receivables

	2021 Group £m
Current:	
Trade receivables	**312.0**
Other receivables	**41.8**
Prepayments	**11.7**
	365.5
Non-current:	
Other receivables	**1.8**
Prepayments	**9.3**
	11.1

Trade receivables have been aged with respect to the payment terms specified in the terms and conditions established with customers as follows:

At 31 July 2021:	Amounts not yet due £m	Less than six months past due £m	More than six months past due £m	Total £m
Expected credit loss rate	1%	2%	50%	
Gross trade receivables	248.5	65.7	4.8	**319.0**
Lifetime expected credit losses	(3.3)	(1.3)	(2.4)	**(7.0)**
Net trade receivables	**245.2**	**64.4**	**2.4**	**312.0**

No contracts contain a significant financing component. Payment from customers is typically due within 30 to 60 days.

Notes to the financial statements (continued)
For the 6 months ended 31 July 2021

15 Trade and other receivables (continued)

The contractual amount outstanding on trade receivables that were written off during the periods reported and that are subject to enforcement activity was as follows:

	2021 Group £m
Amounts written off that are subject to enforcement activity	**0.1**

Included in other receivables are amounts due in relation to supplier rebates where there is no right of offset against trade payable balances as follows:

	2021 Group £m
Supplier rebates with no right of offset against trade payables	**38.7**

16 Cash and cash equivalents

	2021 Group £m	2021 Company £m
Cash and cash equivalents	**83.9**	-

The Directors consider that the carrying value of cash and cash equivalents approximates to their fair value.

17 Trade and other payables

	2021 Group £m
Current:	
Trade payables	**387.2**
Other payables	**7.9**
Other taxation and social security	**20.7**
Accruals and deferred income	**41.7**
	457.5

18 Deferred tax assets

The elements and movements on deferred tax are shown in the table below:

	Fixed assets	Intangible assets	Temporary trading differences	Share Schemes	Tax losses	IFRS 16	Total
	£m	£m	£m	£m	£m	£m	£m
At 14 January 2021	-	-	-	-	-	-	-
On acquisition	6.7	(3.8)	0.4	1.2	11.7	0.3	**16.5**
(Charged) to other comprehensive income	-	-	-	(0.9)	-	-	**(0.9)**
Credited / (charged) to Income statement	0.8	(0.9)	0.1	(0.3)	(1.2)	0.1	**(1.4)**
At 31 July 2021	**7.5**	**(4.7)**	**0.5**	**-**	**10.5**	**0.4**	**14.2**

19 Financial instruments and financial risk management

Financial instruments by measurement basis

The carrying value of financial instruments by category as defined by IFRS 9 *"Financial Instruments: Recognition and Measurement*" is as follows:

	2021 Group £m
Financial assets	
Financial assets at amortised cost	**439.5**
Financial liabilities	
Financial liabilities at amortised cost	**(804.8)**

Capital structure and risk management

The capital structure of the Group consists of net debt (note 2) and equity of the Group (comprising share capital, share premium and reserves). The externally imposed capital requirements is the servicing of interest on outstanding loans (note 21). The Group's sources of funding currently comprise cash flows generated from operations and borrowings from banks and other financial institutions.

Credit risk

The Group provides sales on credit terms to most of its customers. There is an associated risk that customers may not be able to pay outstanding balances. At July 31, 2021, the maximum exposure to credit risk was £312m.

The Group has established procedures in place to review and collect outstanding receivables. Significant outstanding and overdue balances are regularly reviewed and resulting actions are put in place on a timely basis. All of the major businesses use professional and dedicated credit teams, in some cases field-based. Appropriate provisions are made for debts that may be impaired on a timely basis and consideration is given to the customer base, which is large and unrelated, limiting risk. Accordingly, the Group considers that there is no further credit risk provision required above the current provision for expected credit losses. The aging of trade receivables is detailed in note 15.

20 Provisions

Provisions and movements during the period are analysed as follows:

	Restructuring £m	Property dilapidations £m	Environmental £m	Guarantees & legal £m	Total £m
At 14 January 2021	-	-	-	-	**-**
On acquisition (note 22)	7.3	25.6	4.8	1.7	**39.4**
Utilised in the period	(0.8)	(0.2)	-	(0.3)	**(1.3)**
Additions	-	0.4	-	-	**0.4**
Charge/releases for the period	(1.1)	(0.4)	(1.9)	0.5	**(2.9)**
Unwinding of discount	-	0.3	-	-	**0.3**
At 31 July 2021	**5.4**	**25.7**	**2.9**	**1.9**	**35.9**

Provisions are analysed between current and non-current as follows:

At 31 July 2021	Restructuring £m	Property dilapidations £m	Environmental £m	Guarantees & legal £m	Total £m
Current	2.8	9.8	0.9	1.9	**15.4**
Non-current	2.6	15.9	2.0	-	**20.5**
Total provisions	**5.4**	**25.7**	**2.9**	**1.9**	**35.9**

Restructuring
The majority of the restructuring provision relates to onerous leases on closed branches and is expected to be utilised over the next 2 years. The amounts credited to the income statement primarily relate to settlement of lease obligations for less than previously provided.

20 Provisions (continued)

Property dilapidations
The dilapidations provision is the estimated costs to be incurred under leasehold property dilapidation claims and decommissioning costs associated with the leased distribution centres. The average period to utilisation is 4 years.

Environmental
This includes an amount of £1.9m for asbestos litigation. This amount was actuarially determined as at 31 July 2021. Insurance is in place for asbestos litigation and accordingly an insurance receivable of £1.7m has been recorded in other debtors. The provision is expected to unwind over the next twenty five years.

Guarantees & legal
The provision includes amounts provided for warranties provided (£1.2m) and for anticipated settlement of legal claims made (£0.7m). The provision is expected to unwind over the next two years.

21 Borrowings

	2021 Group £m
Non-current:	
Senior secured loan (due in greater than 5 years)	**218.8**

The banking facilities as at 31 July 2021 comprise:

- £219m senior secured loan facility – interest of 5% over SONIA (formerly LIBOR), subject to certain conditions, repayable in January 2027

- £150m asset backed loan facility – interest of 2% over SONIA (formerly LIBOR), subject to certain conditions, facility available until July 2026 and amounts are repayable at the end of each interest period unless rolled over

One of the conditions for the availability of the banking facilities is that the Group companies provide all asset security in favour of security agents.

22 Acquisitions

The Group acquired the following business during the period. The business is engaged in the distribution of plumbing and heating materials in the UK. All transactions have been accounted for by the acquisition method of accounting.

Name	Date of acquisition	Country of incorporation	Shares/asset deal	% acquired
Wolseley UK Limited ("WUK")	29 January 2021	England	Shares	100

The assets and liabilities acquired and the consideration for the acquisition of WUK and its subsidiaries are as follows:

	Fair values acquired £m
Trade names and brands	19.8
Software intangibles	8.0
Property plant and equipment	103.1
Right of use assets	101.3
Inventories	261.2
Trade and other receivables	360.7
Cash, cash equivalents and bank overdrafts	19.8
Trade and other payables	(460.1)
Provisions	(39.4)
Lease liabilities	(97.0)
Corporation Tax	1.0
Deferred tax	16.5
Total	**294.9**
Goodwill arising	13.0
Consideration	**307.9**

Satisfied by:	
Cash consideration	**307.9**

The goodwill arising on the acquisition of WUK is primarily attributable to the anticipated profitability of the new markets and product ranges to which the Group has gained access and additional profitability and operating efficiencies available in respect of existing markets. In addition the value of workforce acquired has been subsumed into goodwill in accordance with the requirements of IFRS 3.

The net outflow of cash in respect of the purchase of WUK is as follows:

	2021 £m
Purchase consideration - cash	307.9
Cash, cash equivalents and bank overdrafts acquired	(19.8)
Net cash outflow in respect of the purchase of business	**288.1**

23 Share capital and reserves

	2021 Group £m	2021 Company £m
Allotted, authorised, called-up and fully-paid		
2 ordinary shares of £1 each	-	-
145,837,776 ordinary shares of £0.01 each	**1.4**	**1.4**

The Group and Company reserves are as follows:

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

Retained earnings represents cumulative profits or losses, net of dividends paid and other adjustments.

24 Contingent liabilities

Group companies are, from time to time, subject to certain claims and litigation arising in the normal course of business in relation to, among other things, the products that they supply, contractual and commercial disputes and disputes with employees. Provision is made if, on the basis of current information and professional advice, liabilities are considered likely to arise. In the case of unfavourable outcomes, the Group may benefit from applicable insurance protection.

Environmental liabilities
The operations of certain Group companies are subject to specific environmental regulations. From time to time, the Group conducts preliminary investigations through third parties to assess potential risks. Where an obligation to remediate contamination arises, this is provided for, though future liabilities could arise from sites for which no provision is made.

Outcome of claims and litigation
The outcome of claims and litigation to which Group companies are party cannot readily be foreseen as, in some cases, the facts are unclear, further time is needed to assess properly the merits of the case, or they are part of continuing legal proceedings. However, based on information currently available, the Directors consider that the cost to the Group of an unfavourable outcome arising from such litigation is not expected to have a material adverse effect on the financial position of the Group.

25 Leases

The Group has lease contracts for properties, plant, and vehicles used in its operations. Leases of property generally have lease terms between five and ten years, while vehicles, plant and equipment generally have lease terms between four and five years. The Group's obligations under its leases are secured by the lessor's title to the leased assets.

The Group also has certain leases with lease terms of twelve months or less and leases of equipment with low value. The Group applies the 'short-term lease' and 'lease of low value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of the right-of-use assets recognised and the movements during the period (see also note 11):

	Property £m	**Vehicles £m**	**Plant & equipment £m**	**Total £m**
At 14 January 2021	-	-	-	-
On acquisition (note 22)	88.3	11.6	1.4	101.3
Additions	8.0	0.7	1.3	10.0
Depreciation expense	(11.3)	(3.0)	(0.4)	(14.7)
Disposals	-	(0.2)	-	(0.2)
At 31 July 2021	**85.0**	**9.1**	**2.3**	**96.4**

Set out below are the carrying amounts of the lease liabilities and the movements for the period ended 31 July 2021:

	2021 Group £m
At 14 January 2021	-
On acquisition (note 22)	97.0
Additions	9.3
Accretion of interest	1.1
Disposals	(0.2)
Payments	(14.6)
At 31 July 2021	**92.6**
Current	23.9
Non-current	68.7

25 Leases (continued)

The following are the amounts recognised in profit or loss for the period ended 31 July 2021:

	2021 Group £m
Depreciation expense of right-of-use assets	14.7
Interest expense on lease liabilities	1.1
Expense relating to short-term leases (included in Other operating charges)	2.7
Total amount recognised in profit or loss	**17.5**

Set out below is a maturity analysis of contractual future payments (excluding future interest expense) relating to lease liabilities held at 31 July 2021:

	2021 Group £m
Due in less than one year	23.9
Due in one to two years	18.5
Due in two to three years	13.3
Due in three to four years	10.4
Due in four to five years	8.1
Due in over five years	18.4
Total	**92.6**

The Group had total cash outflows for leases of £17.3m during the period ended 31 July 2021. The Group also had non-cash additions to right-of-use assets and lease liabilities of £9.3m during the period.

The Group has lease contracts that include termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises judgement in determining whether these termination options are reasonably certain to be exercised. There are no lease payments unprovided where management does not reasonably expect to use the leased asset to the lease expiry date.

26 Ultimate parent company and parent undertakings

The Company's immediate parent company is Wolseley TopCo 1 Limited, a company registered in England and Wales which has the same address as the Company.

The ultimate parent and controlling company is CD&R WOLF Sarl, registered in 15, Boulevard F.W. Raiffeisen, L -2411, Luxembourg and this entity prepares consolidated financial statements including this Group.

27 Post-balance sheet events

Effective from the 1 September 2021, the Asset backed loan facility (note 21), was increased to £160m and the reference interest terms changed from LIBOR to SONIA (sterling overnight index average).

28 Subsidiary undertakings

A full list of subsidiaries in which the Company has a controlling interest of 100% as at 31 July 2021 is set out below. The country of incorporation is also detailed below and the nature of the business is the same as the Group, with the exception of those noted as dormant. Unless otherwise noted, the share capital comprises ordinary shares which are indirectly held by the Company.

Fully owned subsidiaries:

A. C. Electrical Holdings Limited (England)	A C Ferguson Limited (Scotland)[(ii)(iii)a]
A. C. Electrical Wholesale Limited (England)	G. L. Headley Limited (England)[(ii)]
Broughton's Limited (England)[(ii)]	Sellers of Leeds Limited (England) [(ii)]
Fusion Provida Holdco Limited (England)[(ii)]	Caselco Limited (England)[(ii)]
Fusion Provida UK Limited (England)[(ii)]	Reay Electrical Distributors Limited (England)[(ii)]
Utility Power Systems Limited (England)[(ii)]	Sellers of Leeds (Group Services) Limited (England)[(ii)]
Hall & Co Limited (England)[(ii)]	Sellers of Leeds International Limited (England)[(ii)]
King & Company (1744) Limited (England)[(ii)]	William Wilson (Rugby) Limited (England)[(ii)]
MPS Builders Merchants Limited (England)[(ii)]	William Wilson & Co. (Aberdeen) Limited (Scotland)[(ii)(iii)a]
WM. C. Yuille & Company Limited (Scotland)[(ii)(iii)a]	William Wilson Limited (Scotland) [(iii)b]
Thomson Brothers Limited (Scotland)[(iii)a]	T & R Electrical Wholesalers Limited (England)
Glegg & Thomson Limited (Scotland)[(ii)(iii)a]	Wolseley UK Directors Limited (England)[(ii)]
Rosco Industrial Limited (Scotland)[(ii)(iii)b]	Wolseley Utilities Limited (England)[(ii)]
Wholesale Supplies (CI) Limited (Jersey) [(iii)b]	Continental Product Engineering Limited (England)
William Wilson Holdings Limited (Scotland)[(iii)a]	Wolseley DC Plan Trustees Limited (England) [(ii)]
Wolseley UK Limited (England)	Wolseley Group Limited (England) [(i)]

(i) Directly owned by the Company
(ii) Dormant company
(iii) All of the above companies have the same registered office as the Company except as follows:-
   a. Hareness Road, Altens Industrial Estate, Aberdeen, AB12 3QA, United Kingdom
   b. 47 Esplanade, St Helier, Jersey, JE1 0BD, Jersey