Registered number: 13134776

Wolseley Group Holdings Limited
Annual report and financial statements
for the year ended 31 July 2022

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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 year ended 31 July 2022.

Ownership and Company background

The Company was incorporated on the 14 January 2021 in order to acquire Wolseley UK Limited and its subsidiaries. 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.

Clayton, Dubilier & Rice ("CD&R") Fund X is the principal investor in the Company. 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.

The consolidated financial statements of the Group for the period ended 31 July 2021 included 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. As such the comparatives presented in the consolidated financial statements represent six months of trading activity and are therefore not directly comparable to results for the year ended 31 July 2022. The consolidated financial statements are presented on pages 41 to 80.

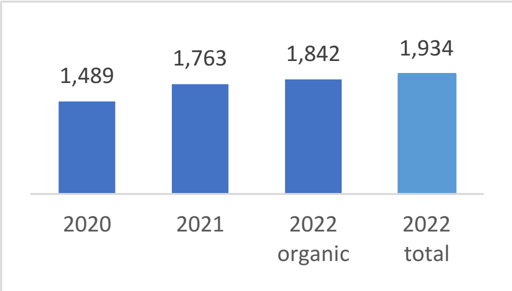
Wolseley Group Holdings Limited

Strategic report (continued)

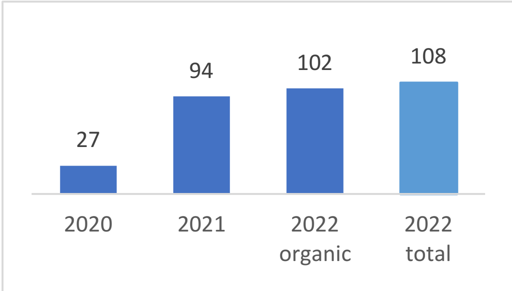
Highlights

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 two preceding financial years including the data below. See page 11 for further detail. Certain data is presented on an organic basis in 2022, this excludes the impacts of acquisitions made in 2022 and is therefore on a comparable basis to 2021. See note 22 on page 72 for more detail on acquisitions.

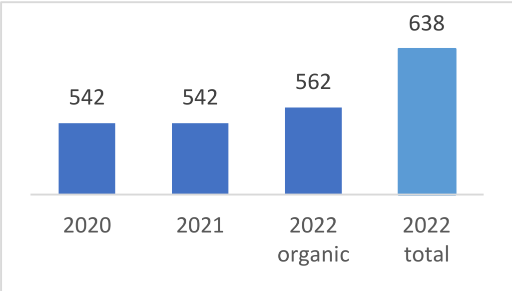
Revenue [1] (£ million)



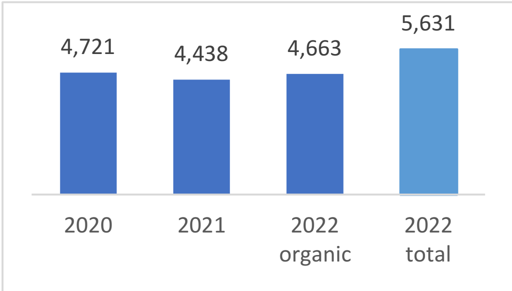
Adjusted EBITDA [1,2,3] (£ million)



Number of branches at 31 July [1]



Number of FTEs [1,4] at 31 July



[1] Organic results exclude the impact of acquisitions completed in the 12 months to 31 July 2022

[2] Earnings Before Interest Tax Depreciation and Amortisation ("EBITDA")

[3] 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 the policy, purpose, definitions and reconciliations to equivalent IFRS statutory measures, see note 2 on page 55

[4] Full Time Equivalent employee ("FTE")

Strategic report (continued)

Wolseley at a glance

Wolseley is a leading specialist merchant distributing plumbing, heating, cooling and infrastructure products to trade customers, predominantly supplying professional contractors.

The Group operates a number of businesses trading as multiple distinct brands, across three main market sectors within the UK and Irish construction markets. Within these three market sectors Wolseley operate in both the repairs, maintenance and improvement ("RMI") and new construction sectors. The three market sectors are:

- Residential
- Infrastructure
- Commercial building

Each of these market sectors consist of four distinct trade customer types, and the Group's different brands deliver tailored specialist service offerings to meet these customers' different needs. All of the businesses within the Group hold leading market positions. The customer types are:

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

The Group creates value through the expertise of its people, the service offering deriving from its product range and availability, local relationships, a bespoke logistics network, national scale, and the use of technology. The Group bridges the gap between a large, fragmented customer base and broad range of suppliers. This gives trade customers market leading access to a wide range of products, together with specialist knowledge and services, and it provides a cost-effective route to market for suppliers.

The Group serves a diverse customer base, with approximately 73 thousand active trade customers in the UK. The Group also has a diverse supplier base and sourced over 400 thousand products from approximately three thousand suppliers predominantly based in the UK.

At 31 July 2022 the Group's national network comprised 638 branches covering the whole of the UK and Ireland supported by three major distribution centres and approximately 5,600 FTEs.

There continues to be opportunities to grow all the businesses in the markets in which they operate. The markets are fragmented, and the businesses compete with both large national competitors and small local distributors. There are also opportunities in adjacent markets.

The Group acquired seven businesses during the year with a total annual turnover of £321 million. The acquired businesses provide a combination of complementary products to the Group's Infrastructure businesses, new market access in Ireland and additional access to large customers within the UK plumbing and heating market.

Strategic report (continued)

Strategy

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

The Group's strategy is to continuously improve the customer proposition, enhance efficiency of the operations and invest in digital technologies. This strategy makes full use of the Group's strengths:

- Every business has a strong market position
- Diversified supplier base and leading relationships with all major suppliers
- Trusted own brand products
- Highly experienced and knowledgeable employees
- Efficient cost base and strong balance sheet

The strategy focuses on a clear objective to deliver sustainable profitable growth through three clear actions:

- *Targeted customer focus* – specialist propositions, aligned to clear identities, that drive meaningful customer relationships
- *Fair pricing* – consistent pricing which also rewards customers for increased spend
- *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 employees
    - Access to appropriate payment terms for professional customers

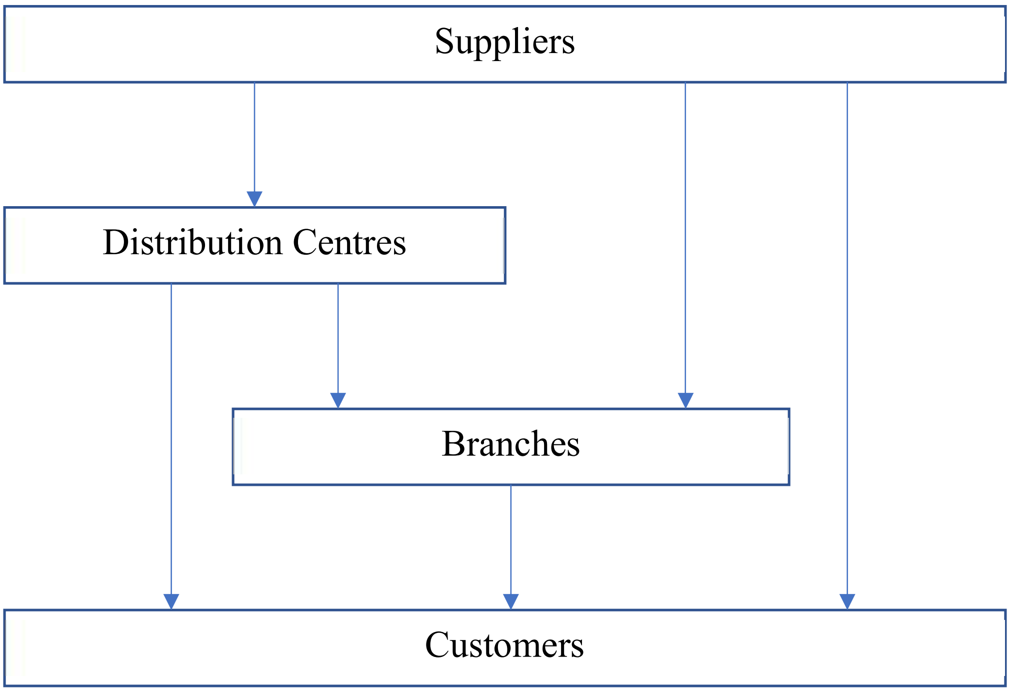
Wolseley Group Holdings Limited

Strategic report (continued)

Business model

The Group creates value through the expertise of its people, service offering deriving from product range and availability, scale, bespoke logistics network and use of technology.

The resources used						
People	**Customers**	**Suppliers**	**Branch network**	**Distribution network**	**Technology**	**Capital**
Highly experienced and knowledgeable employees sought for their valued advice	Diverse trade customer base, with 73 thousand trade customers	Leading relationships with all major suppliers	National branch network offering collection and delivery	The broadest and deepest range of products available next day by 7am nationally	Digital solutions to better integrate with customers and drive their efficiency	Strong capital base to invest and grow the Group



The value created for stakeholders						
People	**Customers**	**Suppliers**	**Communities**	**Environment**	**Government**	**Shareholders**
Provide a safe and healthy environment for employees, where they feel motivated to be part of the Group's success	Provide essential products and services which enable customers to run and grow their operations efficiently	Provide three thousand suppliers with a cost-effective route to a geographically dispersed customer base	Employ locally across the UK and invest in local communities to make a positive impact	As well as working towards being a net carbon neutral business, the Group facilitates the adoption of new technologies through customer and employee training	Support net zero emission policies and apprenticeship schemes	Strong returns from profitable growth and effective management of the operations

People

People are fundamental to the Group's continual success and it is the Group's employees who provide the expertise and service to its customers. Their relationships with suppliers are just as critical. Employees' expert knowledge means they are an essential element of the customers' day to day activities. The Directors believe this ensures teams deliver flexibility and pragmatism, reliable execution and superior productivity to customers and continue to be proud that employees have the passion to provide, and continue to deliver, high levels of service for customers.

Earlier this year, the Group announced new values to support employees align and link their behaviours with the Group's strategy and purpose, this in turn should facilitate the delivery of their individual and the Group's goals. These values are:

- Safety, Health and Wellbeing
- Exceptional Service
- Nurturing Potential
- Fairness and Respect
- Positive Impact

The Directors believe it is important for the Group to be built upon values which matter to employees. The values have been carefully developed by employees and represent what they collectively feel is important to them. The Directors believe they provide a positive foundation for the Group's culture as well as for customers and suppliers.

The development of people and their teams remains core to the Group and is reflected in the Nurturing Potential value. The Group remains fully committed to 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 performance and potential as well as providing 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 2022:

- There were approximately 135 employees enrolled on apprenticeship programmes
- Approximately 380 employees on "Talent Boosters" offered through the Wolseley Talent Guild
- Over 50,000 hours of training was completed through the Wolseley Talent Guild across the organisation during the year

The Group reported that it had no median gender pay gap as part of its 2021 gender pay gap reporting. This was another improvement from the previous year and continues to remain among the best performing companies in terms of gender pay equality, and is better than the national UK gender pay gap. To build on this the Group is committed to reviewing pay by ethnicity and will be developing this through a broader diversity and inclusion strategy.

Strategic report (continued)

People (continued)

The Group believes that the following continues to contribute to this improvement:

- The Group's minimum pay rate (the "Wolseley Wage") remains at 30 pence per hour higher than the National Living Wage
- Employees under 23 years' old are paid the full adult pay rate, rather than the lower tier permitted under the National Living Wage
- An effective grading structure and disciplined pay management ensures consistency across the Group's distributed business operations

Reward structures and offerings are a fundamental part of the Group's culture. Following extensive discussions with senior management and employees, the Group introduced a new incentive scheme for all employees from August 2021. This provided employees with an opportunity to increase their annual incentive reward in line with their branch performance.

Further reward initiatives were also implemented during the year including the introduction of a new electric vehicle company car scheme coupled with a review of the existing company car offering. This provides a competitive car offering to employees, while at the same time helping to reduce the carbon footprint and creating significant efficiencies to the business. In addition, wellbeing, cycle to work salary sacrifice and mental health training continue to be promoted and used by employees.

The Group benchmarks roles across its businesses to ensure it offers attractive and competitive rates of pay that are fair throughout the Group. During the year, the Group raised pay for its lower paid employees and remains fully committed to the Wolseley Wage which pays all employees above the National Living Wage.

Key to delivering outstanding levels of customer service is employee engagement. As part of the 2021 engagement survey the Group 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. Overall employee engagement scores have progressed considerably since September 2020. Responses relating to pride, motivation, employee retention and employer advocacy all improved, indicating that the launch of initiatives started in 2020 and 2021 are now directly driving more positive employee engagement. In addition, the Group continues to run a colleague forum, providing employees with the opportunity to feedback their views on business initiatives and issues that affect them.

Diversity and inclusion remains a fundamental part of the Group's culture, embedded within the Fairness and Respect value. The Group values and respects the diversity of employees and promotes an inclusive working environment. The Group aims to have a workforce that reflects the communities it serves and provide a supportive environment where everyone receives fair and equal treatment.

The Directors remain 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

The Group's customers require high levels of availability on a broad range of products, ready for collection or delivery on the same or next day. The deep range of inventory held readily available across the network of branches and distribution centres enables customers access to a leading proposition.

Customers also value high quality and efficient service from knowledgeable people with local relationships. Highly trained employees are able to offer customers advice to assist them by providing solutions to problems faced. During 2022, certain products were impacted by global supply chain issues and the Group's knowledgeable employees were able to suggest alternatives to ensure customers could keep working.

Customers also want flexibility in choosing the most convenient way to do business, whether in branch, by phone or online. The Group's scale enables all of these things with increased levels of service to customers and reduced costs so pricing is competitive. The Group also offers value engineering services to customers so their work can be as competitively priced as possible.

Suppliers

Customers often require a basket of goods originating from multiple manufacturers. The Group's businesses offer an effective route to market for approximately three thousand suppliers who give access to a diverse and broad range of quality products. The businesses leading market positions enable central sourcing teams to leverage scale and negotiate competitive prices in return for access to approximately 73 thousand customers.

As global supply chain challenges impact the market, the Group is able to leverage sourcing expertise and supplier relationships to ensure customers have access to the products they need.

The Group's scale and expertise across the residential, infrastructure and commercial building market sectors places its businesses in a unique position to be able to cover all of the potential solutions for achieving net zero carbon. The Group partners with suppliers and is working with government initiatives on hydrogen, district heating and heat pumps as well as with suppliers on product recycling schemes, such as the industry first partnership with Grundfos enabling used pumps to be returned for remanufacture.

Routes to market

The Group's customers increasingly expect a 24/7 omni-channel approach through a combination of contact methods including traditional bricks and mortar branches for consultations and to interact with products, sales people, online through the latest e-business platforms and call centres. An extensive branch network enables collection and delivery to be made nationally and online capabilities enable customers to access products, advice and account services 24 hours a day.

Distribution network

The Group's efficient national logistics and distribution network provides the highest levels of availability for customers on a broad range of products and enables volume discounts from suppliers. The Group's ability to provide a complete range of products nationally across all markets enables it to be a leading partner to the construction industry, and support the transition to low carbon technologies.

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

Strategic report (continued)

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 customers. The Group has developed and delivered digital platforms that enable electronic ordering and invoicing for customers of all sizes.

The Group wants to be at the forefront of digital solutions to help its customers and make them more efficient. The Group has continued to upgrade digital tools and solutions and has made investments in the online offering in the year along with online tools to assist customers with their work.

Wolseley Group Holdings Limited

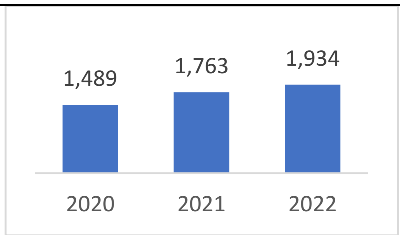
Strategic report (continued)

Key performance indicators ("KPIs")

The financial and non-financial KPIs for the Group are below. Two financial years of unaudited data is presented as if Wolseley Group had owned Wolseley UK Limited and its subsidiaries for the whole period to enable comparability, see page 11 for further detail.

Total revenue (£m)

The amount of revenue generated during the year.

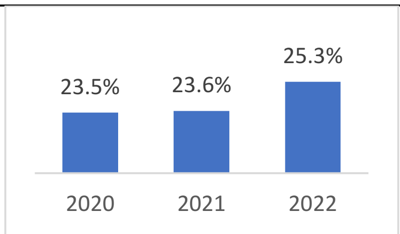


+£171m

Total revenue grew in 2022 by £171 million, approximately half of the growth was organic and half of the growth was from acquisitions.

Gross margin

The ratio of gross profit, excluding exceptional items, to revenue.
Gross margin is an APM, see note 2 of the financial statements on page 55 for definition.

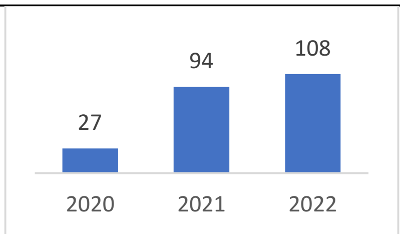


+1.7%

Gross margin increased by 1.7% to 25.3% in 2022, with benefits from product price inflation, mix of sales and higher margin acquisitions.

Adjusted EBITDA (£m)

Adjusted EBITDA is an APM, see note 2 of the financial statements on page 56 for definition.

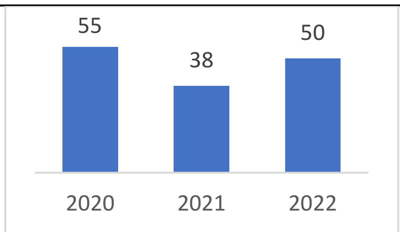


+£14m

EBITDA grew in 2022 to £108 million despite the cost challenges in the year, £6 million of the growth was from acquisitions with the remainder due to organic growth.

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.



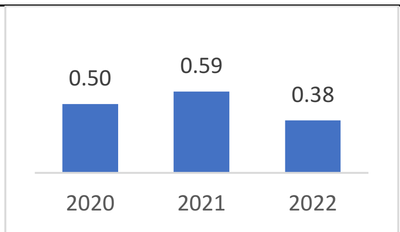
+£12m

Cash from operations increased by £12 million in 2022 to £50 million primarily driven by the increase in EBITDA.

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.

Subsidiaries acquired in the year to 31 July 2022 have been excluded, see page 25.



-0.21

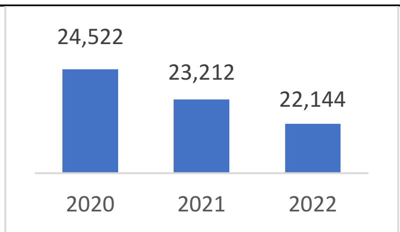
The lost time accident improved in 2022 as the Group continued to focus on improving health and safety.

Note: prior years restated to include Continental Product Engineering Limited.

Carbon emissions

Total Tonnes of Carbon Dioxide Equivalent ("tCO_2e").

Subsidiaries acquired in the year to 31 July 2022 have been excluded, see page 25.



-1,068

Total tCO_2e decreased in 2022 due to improved fleet efficiency and a reduction in natural gas usage.

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 year ended 31 July 2022 are the first full year of consolidated results since the Company was incorporated, the prior period comparatives are for the six months ended 31 July 2021. To provide context to the Group's performance, unaudited data for the 12 months ended 31 July 2020 and 31 July 2021 has been presented.

Data presented for the 12 months ended 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.

Annual performance of the Group

£m	2020[1]	2021[1]	2022 organic[1,2]	2022 total[1]
Revenue	1,489	1,763	1,842	1,934
Gross profit	350	416	465	489
Overheads	(343)	(339)	(382)	(401)
Operating profit	7	77	83	88
Adjusted EBITDA[3]	27	94	102	108

[1] All figures are shown before exceptional items
[2] Organic results exclude the impact of acquisitions completed in the 12 months to 31 July 2022
[3] Adjusted EBITDA is an APM, see note 2 on page 56 of the financial statements for definition

Revenue for the year ended 31 July 2022 was £1,934 million, £171 million ahead of 2021 with £92 million of the growth coming from businesses acquired in the year. During 2022 the RMI and new construction markets were impacted by both product shortages and price inflation at levels not experienced in the UK for many years. Product shortages were particularly acute in one of Wolseley's core product ranges, boilers, which reduced the size of the market in the 2022.

Gross margin remained a key focus and was 170 basis points higher in 2022 against prior year. The increase was driven by a combination of the benefit from product price inflation, the mix of products sold in the year and increased gross margins of the businesses acquired in the year.

Adjusted EBITDA for the year ended 31 July 2022 was £108 million, £14 million higher than prior year with £8 million from organic growth and £6 million from acquisitions. This was the highest level achieved since 2015. Adjusted EBITDA as a percentage of revenue was 5.6 per cent, 30 basis points higher than 2021.

Statutory results for the year ended 31 July 2022

£m	2021 (6 months)	2022
Revenue	903	1,934
Operating profit	37	83
Finance costs	(10)	(20)
Tax	(5)	(11)
Profit for the period	22	52

Revenue

Revenue for the year ended 31 July 2022 was £1,934 million (2021: £903 million), the first full year of trading for the consolidated Group after a six month period in the prior year.

Operating and Financial Review (continued)

Operating profit

Operating profit for the year ended 31 July 2022 was £83 million (2021: £37 million), the first full year of trading for the consolidated Group after a six month period in the prior year. This was generated from £489 million of gross profit less £406 million of operating costs.

Exceptional items

Exceptional items are those which are material in size and non-recurring in nature.

The Group incurred a £5 million exceptional charge (2021: £7 million charge) in the period predominantly related to the costs associated with the acquisitions made during the year.

Depreciation and amortisation

Recorded in the year was depreciation of £30 million (2021: £15 million) relating to IFRS 16 'right-of-use' assets and £12 million (2021: £7 million) from other assets. Amortisation charges were £4 million (2021: £2 million) for internally generated intangibles assets and £2 million (2021: £nil) for acquired intangible assets.

Finance expense

The total expense of £20 million (2021: £10 million) included £17 million arising from debt funding (see note 8).

Taxation

The tax charge in the year was £11 million (2021: £5 million) comprising of a current year tax charge of £3 million (2021: £4 million) and a deferred tax charge of £8 million (2021: £1 million).

Profit after tax

The Group recorded profit after tax for the period of £52 million (2021: £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 2022 the following banking facilities were available:

- £219 million senior secured loan facility – interest of 5% over SONIA, subject to certain conditions, repayable in January 2027
- £205 million asset backed loan facility – interest of 2% over SONIA, subject to certain conditions, facility available until July 2026 and amounts are repayable at the end of each interest period unless rolled over, which is at the discretion of the Group for the duration of the facility. During the year to 31 July 2022 the facility was increased from £150 million to £205 million to finance acquisitions completed in the year

Of the Group's total facilities, £369 million was drawn at 31 July 2022 and £55 million was undrawn.

See detail of financial risk management on pages 17 and 18 of the strategic report.

Strategic report (continued)

Operating and Financial Review (continued)

Cash flow

The Group has continued to generate strong cash flows during the period with cash flow from operating activities of £81 million.

£m	**2021 (6 months)**	**2022**
Cash flow from operating activities	39	81
Interest and tax	(13)	(24)
Capital expenditure	(5)	(15)
Proceeds from disposals	-	2
	21	44
Acquisitions (net of cash in business)	(288)	(121)
Financing activities	351	121
	63	-
Movement in cash	84	44
Movement in debt	(219)	(150)
Net debt[1] at 31 July	(135)	(241)

[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 was supported by capital expenditure of £15 million. This investment was primarily for strategic projects to support future growth such as technology developments, as well as branch maintenance and enhancements and new delivery vehicles.

Acquisition costs of £121 million comprised the net purchase price payable for seven acquisitions made during the year. These were funded through financing activities resulting in a cash balance at 31 July 2022 of £128 million and net debt position of £241 million.

Principal risks and uncertainties

The Directors have overall responsibility for ensuring that the Group has an appropriate risk management framework, including the determination of the nature and extent of risk it is willing to take to achieve its strategic objectives. The Directors also have oversight of the Group's operations to ensure that internal controls are in place and operate effectively as well as looking to continually improve controls where appropriate. Senior management implement and maintains the risk and control systems as required by the Directors.

The Group has continued to strengthen its risk management framework, working with the risk leads in the businesses and support functions to embed the Risk Management Policy and associated processes into business-as-usual activities. A risk update process is undertaken typically three times per year where each business and support function review and update their respective risk registers. The Assurance function provides independent oversight and challenge of this process. Each risk is evaluated using defined criteria based on its potential consequence, likelihood and the existing level of mitigating control. A risk mitigation approach is also recorded for each risk.

This process is also used to update the Group's risk register. This is reviewed by the Directors, with all new and emerging risks, and material changes, highlighted. The Directors also gain assurance that controls are operating effectively through several mechanisms including gaining independent assurance via Internal Audit. The risk register is used as a key input into the annual internal audit plan.

On an annual basis, the Directors also consider their 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 and sustainably.

The risk themes detailed below are considered to be the principal risks affecting the Group and do not include all of the potential risks. For these principal risks, the Directors' risk appetite position is expressed as low, neutral and accepting in increasing order of risk tolerance.

Over the course of the year, a number of external factors and the level of corporate activity has meant that the risk level on some of the principal risks has deteriorated, whilst in other areas mitigating actions have been taken which have improved the risk levels facing the company. Overall, the Directors believe that there are robust policies, processes and assurance mechanisms to manage the overall risk profile in line with the risk appetite. Accordingly the Directors believe that it is unlikely that any of principle risks and uncertainties will have a material adverse impact on the financial results of the Group.

Health and safety	**Risk appetite**
	Low

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 the Group's products is taken seriously within the Group. These risks are reviewed frequently by senior management and the Directors. This strong tone from the top is reflected in the Group's values and in the focus placed on health and safety in the Group's operations.

Principal risks and uncertainties (continued)

To support this, the Group operates a robust health and safety management system with a health and safety policy supported by documented risk assessments and safe systems of work for all key business activities. There are regular health and safety checklist inspections and location audits, and all incidents are investigated by a member of the health and safety team. A comprehensive training programme is in place where all employees receive training specific to their roles, with completion rates being monitored. The Group has invested significantly in the year in enhancing a number of aspects of its health and safety management system, meaning the control level over this risk has improved in the year.

More information on the Group's health and safety performance can be found on pages 25 and 26.

Strategy and market dynamics	**Risk appetite**
	Accepting

The Group's products are mainly distributed to trade professionals and therefore the Group's results are dependent on the levels of activity in the residential, commercial building and infrastructure market sectors.

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. Suppliers may also choose to move further down the supply chain and attempt to access the Group's customers directly.

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; and cost controls and productivity improvements. The Group has also made certain strategic acquisitions in the year in order to augment geographical coverage and introduce new capabilities in order to strengthen its market position (see page 72 for more details). These dynamics are closely monitored on a business-by-business basis as part of the systematic performance review process that is in place.

The Board considers the two biggest macroeconomic risks to be the impact on the economy and supply chain from the current geo-political crisis and the on-going impact of the Covid-19 pandemic. Whilst the impact of the pandemic has reduced, macroeconomic uncertainty has increased and overall the Directors consider that this risk has worsened in the year.

Macroeconomic uncertainty and supply chain disruption resulting from the current geo-political crisis
2022 has seen several significant and inter-connected events that have impacted the Group's markets, specifically the war in Ukraine, disruption to the availability of products and the on-going impact of Brexit. These events have had a number of impacts including:

- Increased economic uncertainty meaning major projects may be deferred in some cases
- Shortages of certain products
- Difficulties in recruiting and retaining employees for certain roles
- Increased utility and fuel costs
- Increased level of customer default
- Uncertainty about Government support for clean heating technology in light of the energy crisis

Principal risks and uncertainties (continued)

The Group has also experienced significant product cost inflation which it has endeavoured to pass on to customers, benefitting its financial performance. However, this also represents a risk if the Group's markets become deflationary.

The Directors and senior management team are focussed on all these areas with the main response to continue to build a resilient and flexible business with deep relationships with its customers and suppliers. The Group continues to manage the size of its fixed cost base and its working capital, which would protect it from a sudden drop in sales volumes.

Covid-19 pandemic

During 2022 the Group continued to manage the impact of Covid-19. The priority remained the safety of its 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 likely that the Covid-19 virus could continue to impact the economy, whether directly or indirectly, for some time.

It is also clear that a likely defence against a dangerous variant, or any future pandemic, will be further "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 national 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 have also proved resilient to the wider economic impact of Covid-19.

Strategy execution and acquisition integration	**Risk appetite**
	Low

Each of the businesses in the Group has a clear strategy to develop its business model to best meet its customers' needs and become their specialist distributor of choice which should subsequently generate a strong financial performance. This includes, where appropriate, acquiring businesses to increase the Group's presence in existing or adjacent markets. See page 72 for more details regarding the acquisitions completed in the year.

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 detrimental impact. The number of acquisitions completed in 2022 means that this risk has increased.

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. The number of acquisitions that have been completed in the year, and the need to integrate these successfully have led the Group to establish a project management office which will improve the rigour and disciplines in place with regard to the execution of key strategic initiatives. It is also building a flexible acquisition integration approach, but one which will ensure that minimum standards for risk management, controls and compliance are implemented each time.

Principal risks and uncertainties (continued)

ESG and the net zero carbon economy	**Risk appetite**
	Accepting

Whilst climate change has been an acknowledged trend for many years, the Directors recognise it is an increasingly significant factor for the Group and represents both a significant risk and opportunity.

The main impact on the Group is the transition to the net zero carbon economy – the move to reduce greenhouse gas emissions through changing policy and regulation. This will affect demand and consumer preferences for heating and cooling products and impact the way residential and commercial buildings are designed and constructed. It may also significantly alter the way heating is provided to these buildings.

There is great deal of uncertainty as to which heating technologies will be used by different sectors to meet the net zero carbon objectives. The Group's businesses are closely assessing this transitional risk and are working with key suppliers and other stakeholders on new product innovation and introduction. The businesses are also actively focussed on developing the resilience and diversification of the business model by moving into and embracing the net zero carbon economy for heating, cooling and other building products. It intends to have compelling market propositions for all of the main technologies and there has been good progress on this in 2022 meaning the risk has improved.

The Group's operations also result in environmental impacts and a comprehensive system is in place to manage and report on these. More information on the Group's approach to ESG can be found on pages 25 to 31.

Talent and people management	**Risk appetite**
	Accepting

The Group's business models are dependent on the knowledge, expertise 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 continued to develop its processes for talent identification, assessment, and development. This includes succession planning for key roles. The Group has implemented a new HR management system which has enabled improved workforce management and it has implemented new incentive arrangements aimed at better rewarding strong performance. Therefore the Directors consider that the controls being applied against this risk have improved.

More information on the Group's approach to its people can be found on pages 6 and 7.

Financial health and cash management	**Risk appetite**
	Accepting

Interest rate risk
The Group is partly financed through externally syndicated bank debt and is therefore exposed to rising interest rates which may adversely impact the Group.

Strategic report (continued)

Principal risks and uncertainties (continued)

The Group recognises that recent geo-political events have led to an inflationary environment, which has resulted in increases to interest rates. The Group continues to actively manage its debt position and it has continued with its policy of not hedging its interest rate exposure. The Board is keeping this policy under review, particularly given the current environment.

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.

Payment risk

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

Despite these processes, customer failures can be difficult to predict and bad debt has deteriorated in the year. However, this has tended to be in small to medium sized customers where the individual exposure is limited.

Fraud risk

Due to the nature of its operations, the Group is subject to several fraud risks from both internal and external parties. The Group maintains a fraud risk universe in order to monitor these risks and ensure that sufficient control is being applied against each. The Group also has an internal team dedicated to the prevention, detection and investigation of fraudulent activities in its branch operations. A report summarising this activity is provided to senior management on a monthly basis.

Whilst external factors have increased the risk level regarding financial health and cash management, the Directors consider the controls in this area to be robust.

Compliance and governance	**Risk appetite**
	Low

The Group does not operate in a highly regulated sector, but it is nevertheless affected by various statutes, regulations and laws in the UK and Ireland. This includes laws affecting competition, fraud, bribery and corruption, the environment, health and safety, transportation, labour and employment practices, data protection and other matters. There have been no material changes in these requirements in the year.

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 improved. Adherence to them, such as mandatory training completion rates, is also monitored.

Strategic report (continued)

Principal risks and uncertainties (continued)

The Group intends to carry out specific compliance risk assessments with each of its businesses, including the new acquisitions, in the next financial year. This will allow it to identify and address any specific control gaps and ensure the acquisitions operate in line with minimum standards with regard to risk management, controls and compliance.

Information technology and cyber security	**Risk appetite**
	Low

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. Support arrangements for critical IT systems are regularly reviewed, These systems together with the data centres have documented disaster recovery plans which are tested annually.

Cyber security remains a dominant item on the risk agenda with the frequency and sophistication of attacks continuing to increase. 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 standalone cyber security capabilities since its exit from the Ferguson Group. 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. A number of third party assessment tools are also used to independently assess the Group's state of preparedness with any remediations actioned as a priority. While an ever present and increasingly sophisticated threat, the Directors consider that the controls mitigating the cyber security risk have been strengthened in the year.

Wolseley Group Holdings Limited

Governance report

Corporate Governance

The Directors believe 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 Directors recognise 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. The Group's 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 Directors 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 deliver sustainable profitable growth. Wolseley will provide customers with the expertise of its people, a leading range and availability of products, local relationships, and national scale.

The business is based on strong brands and this strategy is aligned with the Group's 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 3 to 9.

Whilst the Board holds overall responsibility for developing and promoting the purpose of the Group, senior management ensure that the values, strategy and culture continue to be distilled into every aspect of the Group and its businesses on their behalf. The Board's Audit Committee reviews the effectiveness of the whistleblowing, risk management 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 Board comprises the Chief Executive Officer and Chief Financial Officer and also contains experienced investor directors 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 22.

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 regular training to ensure they are keep up to date with the requirements of company directors.

Comprehensive and timely reporting of KPIs on all aspects of the business are provided to the Directors, 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 Directors interaction with management and by risk being an item on Audit Committee 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 14 to 19.

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.

The overall structure of remuneration and incentive schemes were considered directly by the Directors. Senior management and the Group Reward function are responsible for delivering the remuneration and incentive schemes and providing recommendations to the Board for approval.

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 is 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 its engagement with them in its Section 172 statement on pages 23 and 24.

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

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

Diego Straziota

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

Simon Oakland

Simon was appointed Chief Executive Officer ("CEO") of Wolseley 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

Simon joined Wolseley as Chief Financial Officer ("CFO") in March 2018, having previously been Group Financial Controller for Ferguson plc, and spending nine months on secondment as CFO of Ferguson's Nordic building materials business, Stark Group. Simon is a proven and talented finance leader with a wealth of experience. 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 Wolseley Jersey Limited, the 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
Keith Dorling	Managing Director Plumbing & Heating
John Hancock	Managing Director Wolseley Building Services & Infrastructure
Duncan Kendal	Chief Supply Chain Officer
Roger Connett	Chief Technology Officer (from May 2022)
Nicky Randle	General Counsel and Company Secretary

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
f) The need to act fairly 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. Where appropriate the Directors review the financial impacts of decisions via detailed long-term and short-term cash flow forecasts, a primary example of this is the process by which acquisitions are considered. Examples of this can be found in the strategic report pages 3 to 9, 14 to 19 and 25.

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 the Directors want them to be successful individually and as a team. See pages 6 and 7 for details of how the Group engages with and develops its people.

Governance report (continued)

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 page 8 for detail of how customers are a focus of the Group's strategy.

Suppliers

The Group builds strong relationships with its 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 8 and 30 for further detail.

Communities and the environment

Key areas of focus include how the Group makes a positive impact by supporting local causes and issues, creating opportunities to recruit and develop local people and help look after the environment. See pages 25 to 31 for further details.

Government and regulators

The Group engages with the government and regulators through a range of industry forums, meetings and conferences to communicate its views to policy makers relevant to its 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.

Governance report (continued)

Environmental, Social, Community and Human Rights Matters

Governance

The Board believes the environmental, social and governance (“ESG”) agenda is 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. The Group is committed to supporting their customers during the transition to zero carbon technology and ensuring its operations have a positive impact for employees, the communities the Group serves and the environment. The Directors are responsible for approving ESG strategy, setting targets and reviewing performance in the monthly performance review meetings with senior management.

Organisational Boundary

This report covers the Group and includes all of its subsidiaries at 31 July 2022. The option has been taken to exclude safety, energy and carbon reporting for any subsidiary acquired during the year. Data has been presented on a like-for-like basis and it has not been possible to recalculate the baseline data due to a lack of data in the acquired companies. The data available and approach to reporting will be reviewed ahead of the 2023 annual report.

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 provide 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

At 31 July 2022	Male	Female
(i) Directors of the Company	4	0
(ii) Key Management Personnel excluding (i)[1]	5	0
(iii) Employees	4,559	1,264

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

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.

Key operational members of senior management, including the CEO and CFO, meet on a regular basis to review safety performance and progress on key safety improvement initiatives. Additionally, each of the businesses meet and discuss local performance regularly. 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 a key feature for all employees and mandatory training is required every year, with completion rates monitored. A new health and safety IT system was implemented in the year which improved the quality of the health and safety risk management processes and provides significantly enhanced reporting capabilities.

Environmental, Social, Community and Human Rights Matters (continued)

Health and Safety is a principal concern of the Board. It is a standing agenda item for each Board and senior management meeting and a monthly report including key metrics and an associated commentary is provided. The operational businesses also review the key metrics frequently. Key metrics considered are lost time incidents, RIDDORs and minor incident rates. The Group has also refined its values in the year which include Safety, Health and Wellbeing.

Safety reporting[1]

Year ended	2020	2021	2022
Lost time accident rate[2]	0.50	0.59	0.38
Minor incident rate[3]	2.61	2.57	2.50

[1] Prior years have been restated as the reported data now includes Continental Product Engineering Limited

[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 improved significantly in the year reflecting the continued focus on delivering a sector leading health and safety performance.

Climate Change

Compliance with the Task Force for Climate Related Financial Disclosures ("TCFD") is not required in 2022, this becomes a requirement for reporting in 2023. The Group has voluntarily utilised the recommendations of TCFD within this report and will ensure compliance in 2023.

Governance

The Board recognises that that the transition to the net zero carbon economy represents both a significant opportunity and a risk, this is identified as one of the Group's principal risks and uncertainties on page 17. The Board has reviewed the implications of this transition in the development of its strategy and continues to monitor this.

The CEO has delegated responsibility for assessing climate related opportunities and risks to the General Counsel and Company Secretary. These are reviewed by senior management who develop and implement plans on behalf of the Group.

Strategy

The UK Government's commitment for net zero carbon emissions by 2050 means it will be necessary to retrofit clean technology to 28 million buildings. The exact mix of zero carbon heating technologies is still unclear but the Group expects this to be clearer in the medium term (three to ten years). Over this same timescale the Group anticipates demand for products with lower embodied carbon and growth in products and services that make infrastructure more resilient to increasing extreme weather events.

The Group has undertaken a scenario planning exercise, in accordance with the TCFD guidance document, to understand how climate change may affect the Group's businesses by 2050. The Group has adopted an 'exploratory' approach and chose to develop in-house scenarios as publicly available scenarios did not provide sufficient insight or granularity for assessing opportunities and risks for the Group.

The Group has developed four scenarios based on the two forces with the potential greatest uncertainty and impact:

- Government net zero policy on buildings and energy. The two extremes would be ambitious centrally driven net zero carbon policy quickly implemented or a slow, disorderly policy framework with local variation
- The future source of energy for heating, this would be electrification or the use of hydrogen

Environmental, Social, Community and Human Rights Matters (continued)

The scenarios created are:

1. Heat pumps dominate heating provision
2. Network heating dominates heating provision
3. Hydrogen dominates heating provision
4. UK misses target for net zero

The Group is currently well placed to support this transition as a leading distributor of heat pumps, district heating and equipment connecting homes to hydrogen. The scenario exercise informs Group strategy and will continue to ensure that it develops compelling propositions across these three main heating technologies. In all scenarios the Group will expect increasing requirements for developers and infrastructure operators to mitigate and/or adapt to more extreme weather events. The Group's infrastructure businesses are already providing these services and will continue to grow in these markets.

Risk

ESG and the transition to the net zero carbon economy are identified as one of the Group's principal risks and uncertainties on page 17. The largest uncertainty and potential impact for the Group relate to transition risks, namely UK Government policy and technology. The Group used these to create scenarios and inform its understanding of how the markets in which the businesses operate may change. This qualitive assessment provided some qualitative metrics which will be used to track which scenario is prevailing.

Physical risks can also affect operations. Six out of 638 branches have a higher flood risk and therefore a higher insurance premium. The Group has undertaken a business continuity assessment, that was tested and updated during Covid-19 lock down, and the risk is considered acceptable. Extreme weather may also impact the availability of products from suppliers. The Group has demonstrated through the pandemic, Brexit, closure of the Suez Canal and the Ukraine crises an ability to respond to challenging supply issues. The Group's scale, strong supplier relationships and ability to provide substitute products ensure resilience.

Metrics and Targets

The Group's total market-based greenhouse gas emissions have reduced by 5% in 2022, with an underlying efficiency improvement of 9% (table 1). This reduction has been achieved through more efficient fleet operations and a 22% reduction in natural gas use across the property estate. Table 2 summarise carbon emissions by scope and table 3 energy consumption. Since 2020 Wolseley has purchased renewably generated electricity.

The Group has the GHG Reporting Protocol and used the UK Government GHG Conversion Factors for Company Reporting for calculations. Scope 3 reporting has been extended to include the use of taxis and ferries for business travel. There are no exclusions beyond those defined in organisational boundary on page 25.

Wolseley Group Holdings Limited

Governance report (continued)

Environmental, Social, Community and Human Rights Matters (continued)

Explanation of carbon reporting

Scope 1- 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 – Indirect emissions from electricity use 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 – Indirect emissions from third party logistics provider, business travel (privately owned cars, hire cars, train journeys, ferries, taxis and air travel), water supply and treatment and waste recycling and disposal. All other categories are not reportable or not material.

Table 1 Market-based carbon emissions

tCO_2e	2020	2021	2022
Scope 1	17,487	16,669	15,470
Scope 2	0	0	0
Total Scope 1 & 2	17,487	16,669	15,470
Scope 3	7,035	6,543	6,674
All scopes	24,522	23,212	22,144
% change from previous year	-21%	-5%	-5%
Carbon Intensity Metrics			
Organic revenue (£ million)	1,489	1,763	1,842
Carbon intensity (tCO_2e per £1m revenue)	16.5	13.2	12.0
% change from previous year	-7%	-20%	-9%

Table 2 Carbon emissions by scope (2022)

	Location-based		Market-based	
	tCO_2e	%	tCO_2e	%
Scope 1	15,470	60%	15,470	70%
Scope 2	3,744	14%	0	0%
Scope 3	6,674	26%	6,674	30%

Governance report (continued)

Environmental, Social, Community and Human Rights Matters (continued)

Table 3 Energy use

'000s	2020	2021	2022
Non-renewable			
Diesel (kWh) Scope 1	44,670	45,620	45,524
Diesel (kWh) Scope 3	26,320	26,000	23,830
Gas (kWh)	27,034	29,258	23,019
Electricity (kWh)	0	0	0
Oil (kWh)	622	877	749
Rebated Diesel (kWh)	1,276	1,115	583
LPG (kWh)	1,335	1,080	207
Propane (kWh)*	0	0	214
Renewable			
Electricity (kWh)	21,046	18,665	19,361
Total non-renewable energy (kWh)	**101,257**	**103,951**	**94,127**
Total renewable energy (kWh)	**21,046**	**18,665**	**19,361**

*Propane split out for 2022, previously included in LPG

The Group is committed to being net zero by 2030, taking into account the benefits of the products and services it provides. The most significant impact arises from the products and services the Group sells. These benefits are not captured in scope 3 reporting. The Group will make available calculations for estimating this on its website. Uncertainty over the uptake of heat pumps or role of hydrogen makes developing an accurate carbon trajectory difficult. Heat pumps are significantly heavier than boilers and often also require larger radiators and pipework.

Embodied carbon is an increasingly important element of new construction and deep retrofits. This information is contained in lifecycle impact assessments or Environmental Product Declarations. There are currently few of these for the products supplied and the Group will work with key suppliers to obtain these.

Plans for 2022/23

1. Develop new targets for reducing site energy consumption
2. Develop new targets for fleet carbon
3. Review the scenario analysis and risk assessment

Environmental Management

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

Waste and resource efficiency

The Group has two targets regarding waste:

- Zero waste to landfill by 2025 – Currently 9% of waste goes to landfill (table 4)
- Eliminate single use plastic from the own brand product range by 2025. None of the new own brand products have single use plastic in their packaging. The Group is working with both suppliers and key customers to reduce packaging and move to more sustainable solutions

Environmental, Social, Community and Human Rights Matters (continued)

Adopting circular principles, where rather than disposing of products at the end of its life the materials are recovered and reused, helps reduce carbon and other environmental impacts. The Group is working with key suppliers to develop innovative circular solutions, for example:

- Working exclusively with Grundfos on an Industry first take-back scheme where domestic and light commercial pumps are returned to branch and then sent for remanufacture
- Undertaking a trial with Polypipe to collect damaged pipe for shredding and remanufacture
- Collecting resin tubs and returning these to Prysmian for reuse

Table 4 Waste disposal data

	Waste (t)			Waste (%)		
	2020	**2021**	**2022**	**2020**	**2021**	**2022**
Energy Recovery	1,158	1,868	2,088	14%	29%	31%
Landfilled	854	852	571	11%	13%	9%
Recycled	6,037	3,679	3,957	75%	58%	60%
Total	**8,049**	**6,399**	**6,616**			

Table 5 Carbon emissions from waste

	2020	2021	2022
Waste (t)	8,049	6,399	6,616
Carbon (tCO_2e)	**545**	**500**	**372**
Organic revenue (per £1m)	1,489	1,763	1,842
Waste carbon intensity (tCO_2e per £1m)	**0.37**	**0.28**	**0.20**

Human Rights and Supply Chain

The Group is committed to having high ethical standards across all its 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, and involves reviewing ESG performance.

This year the Group joined Stronger Together, a not-for-profit organisation, that supports businesses to ensure workers are recruited responsibly and have fair work free from exploitation. Stronger Together are supporting both internal and supplier training. A copy of 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 abuse.

Wolseley Group Holdings Limited

Governance report (continued)

Environmental, Social, Community and Human Rights Matters (continued)

Community

Wolseley aims to deliver a positive impact by supporting the communities it serves and enhance the social value from its operations. The Group website provides information on case studies where it has worked collaboratively with customers to increase social value arising from its operations. This includes:

- Providing jobs and improving skills – the Group has an extensive network of 638 branches that employ local people. The Group has 135 apprentices working on range of roles
- Supporting growth in local economy – employees 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 – the steps taken to reduce the Group's environmental impact are explained on pages 26 to 30. Wolseley aims to be a good neighbour and respond quickly to concerns
- Encouraging innovation – the Group is supporting customers in the transition to the net zero carbon economy

The strategic report has been approved and authorised for issue by the Board and signed on its behalf by:

S Gray
Director
10 November 2022

Wolseley Group Holdings Limited

Directors' report

The Directors present their annual report and the audited financial statements of the Group for the year ended 31 July 2022.

Principal activities

The principal activities of the business are detailed in the strategic report pages 3 to 9.

Going concern

The Group's principal objective when managing cash and debt is to safeguard its ability to continue as a going concern for the foreseeable future. The Directors review detailed forecasts looking out a minimum of twelve months from the date of this report and model 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 alongside their impact on the level of asset backed loan facilities that would be available. These scenarios included a reasonable worst case and an extreme worst case that tested to the point of breaking, assessing the factors that might cause the Group to require further liquidity, and views were formed of the probability of those occurring. As the facilities available under the asset backed loan are linked to receivables the assessments included reviewing the level of receivables under each scenario and the impact this would have on the size of asset backed facility available.

After making appropriate enquiries and having considered the business activities and the Group's principal risks and uncertainties (pages 14 to 19), 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 pages 17 and 18 for further details.

Future developments and events after the balance sheet date

On 30 September 2022 the Group acquired 51% of the issued share capital of Charco 2010 Limited and its subsidiaries for £16.1m, the remaining 49% will be acquired by 2024. Charco 2010 Limited are an established luxury bathroom supplier operating from 16 sites across the UK.

Results and dividends

The Group's profit for the financial period was £52 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 year ended 31 July 2022 and to the date of signing are detailed in the strategic report, page 22.

Directors' report (continued)

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 pages 25 and 26 of the strategic report.

Employees

See strategic report pages 6 and 7 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/modern-slavery-statement).

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 25 to 31 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 and in conformity with the requirements of the Companies Act 2006. Under that law the Directors have elected to prepare the Group's financial statements in accordance with United Kingdom adopted international accounting standards 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.

Directors’ report (continued)

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 of the financial reporting framework 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 pages 20 to 21 for further details. The Directors responsibility to disclose energy and carbon emissions data has been included in the strategic report pages 26 to 30.

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 reappointed auditors 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.

Directors’ report (continued)

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 on pages 23 to 24 how the Directors have addressed elements of the Section 172 requirements in the fulfilment of their duties.

Approved and authorised for issue by the Board and signed on its behalf by:

S Gray
Director
10 November 2022

Wolseley Group Holdings Limited

Independent auditor's report to the members of Wolseley Group Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Wolseley Group Holdings Ltd (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 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 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 Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; 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 balance sheet;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the statement of accounting policies; 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, and international accounting standards in conformity with the requirements of the Companies Act 2006 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 Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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.

Independent auditor's report to the members of Wolseley Group Holdings Limited (continued)

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.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- assessed the accuracy of the underlying figures in the cash-flow forecast;
- assessed the key assumptions used in the forecast and whether these encompassed the business model and identified principal risks of the business
- reviewed the availability of financing facilities and the amount of headroom on a monthly basis;
- analysed management's 'reasonable worst case' scenario, whether this was sufficient given the changing economic environment and if there continues to be sufficient headroom in the financing facilities;
- reviewed the sophistication of the model used to prepare the forecasts, testing the clerical accuracy of those forecasts and our assessment of the historical accuracy of forecasts prepared by management.

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.

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.

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 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.

Independent auditor's report to the members of Wolseley Group Holdings Limited (continued)

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.

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, 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.

Independent auditor's report to the members of Wolseley Group Holdings Limited (continued)

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 in relation to trade receivables and inventory is inherently complex and judgemental. We have challenged the accuracy of these balances by assessing management's judgements and reviewing underlying supporting evidence. We have also gained an understanding of the controls relating to the acquisition accounting of trade receivables and inventory.
- appropriateness of management's inventory provisioning policy given the balance is highly material and judgemental in nature. We have challenged the appropriateness of this policy in light of the current macro economic environment by using data analytics procedures to assess management's judgement through looking at historical accuracy and forward looking impacts. We have also gained an understanding of the controls relating to the stock provision.

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 year 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.

Independent auditor's report to the members of Wolseley Group Holdings 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 Bsc (Hons) ACA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Leeds, United Kingdom
10 November 2022

Wolseley Group Holdings Limited

Consolidated Income statement

For the year ended 31 July 2022

	Note	**2022 Before exceptional items £m**	**2022 Exceptional items (note 7) £m**	**2022 Total £m**	2021 (6 months) Before exceptional items £m	2021 (6 months) Exceptional items (note 7) £m	2021 (6 months) Total £m
Revenue	3	**1,933.5**	**-**	**1,933.5**	902.6	-	902.6
Cost of sales		**(1,444.7)**	**-**	**(1,444.7)**	(682.3)	-	(682.3)
Gross profit		**488.8**	**-**	**488.8**	220.3	-	220.3
Staff costs	4	**(214.2)**	**-**	**(214.2)**	(98.6)	-	(98.6)
Tangible fixed assets depreciation and impairment	12	**(42.3)**	**-**	**(42.3)**	(21.3)	-	(21.3)
(Loss) / Profit on sale of tangible fixed assets		**(0.3)**	**0.4**	**0.1**	(0.4)	-	(0.4)
Other operating charges		**(144.1)**	**(5.7)**	**(149.8)**	(56.6)	(6.6)	(63.2)
Operating profit/(loss)		**87.9**	**(5.3)**	**82.6**	43.4	(6.6)	36.8
Finance costs	8	**(19.6)**	**-**	**(19.6)**	(9.6)	-	(9.6)
Profit/(loss) before tax		**68.3**	**(5.3)**	**63.0**	33.8	(6.6)	27.2
Tax	9	**(12.2)**	**0.8**	**(11.4)**	(4.9)	(0.3)	(5.2)
Profit/(loss) for the period		**56.1**	**(4.5)**	**51.6**	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. In the year ended 31 July 2022 and the period ended 31 July 2021, there was no income or expense in the Company.

The comparative figures for 2021 are for the period of 6 months from 29 January 2021, being the date of commencement of the Group's operations upon the acquisition of the controlling interest in Wolseley UK Limited.

The notes on pages 46 to 80 form part of these financial statements. All results presented relate to continuing operations.

Wolseley Group Holdings Limited

Consolidated statement of comprehensive income

For the year ended 31 July 2022

	Note	**2022** **£m**	2021 (6 months) £m
Profit for the year		**51.6**	22.0
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange loss on translation of overseas operations		(1.5)	-
Other comprehensive expense for the year		**(1.5)**	-
Total comprehensive income attributable to equity shareholders of the Group		**50.1**	22.0

In accordance with section 408 of the Companies Act 2006, no Company Statement of Comprehensive Income is shown. In the year ended 31 July 2022 and 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 2022

Assets	Note	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Non-current assets					
Goodwill	10	51.7	13.0	-	-
Intangible assets	11	66.8	28.3	-	-
Property, plant and equipment	12	109.5	98.7	-	-
Right-of-use assets	12	101.6	96.4	-	-
Investments	13	1.6	-	145.8	145.8
Deferred tax	18	2.0	14.2	-	-
Trade and other receivables	15	9.3	11.1	-	-
		342.5	261.7	**145.8**	145.8
Current assets					
Inventories	14	357.5	258.9	-	-
Trade and other receivables	15	467.1	365.5	-	-
Current tax	9	1.3	0.6	-	-
Deferred tax	18	0.7	-	-	-
Cash and cash equivalents	16	127.5	83.9	-	-
		954.1	708.9	-	-
Assets held for sale	12	-	1.1	-	-
		954.1	710.0	-	-
Total assets		**1,296.6**	971.7	**145.8**	145.8
Liabilities					
Current liabilities					
Trade and other payables	17	(566.6)	(457.5)	-	-
Lease liabilities	25	(24.5)	(23.9)	-	-
Provisions	20	(16.5)	(15.4)	-	-
		(607.6)	(496.8)	-	-
Non-current liabilities					
Lease liabilities	25	(73.4)	(68.7)	-	-
Provisions	20	(25.9)	(20.5)	-	-
Deferred tax	18	(2.5)	-	-	-
Borrowings	21	(368.8)	(218.8)	-	-
		(470.6)	(308.0)	-	-
Total liabilities		**(1,078.2)**	(804.8)	-	-
Net current assets		**346.5**	213.2	**145.8**	145.8
NET ASSETS		**218.4**	166.9	**145.8**	145.8
Equity attributable to equity holders of the Company					
Share capital	23	1.4	1.4	1.4	1.4
Share premium account	23	144.4	144.4	144.4	144.4
Translation reserve		(1.5)	-	-	-
Retained earnings		74.1	21.1	-	-
TOTAL EQUITY		**218.4**	166.9	**145.8**	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 41 to 80 were authorised for issue and approved by the Board of Directors on 10 November 2022 and were signed on its behalf by:

S Gray

Director

Consolidated statement of changes in equity

For the year ended 31 July 2022

	Note	Group				
		Share capital	**Share premium account**	**Translation reserve**	**Retained earnings**	**Total**
		£m	**£m**	**£m**	**£m**	**£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		**1.4**	**144.4**	**-**	**21.1**	**166.9**
Profit for the year		-	-	-	51.6	**51.6**
Other comprehensive income		-	-	(1.5)	-	**(1.5)**
Total comprehensive income		**-**	**-**	**(1.5)**	**51.6**	**50.1**
Credit to equity for share option schemes		-	-	-	1.4	**1.4**
At 31 July 2022		**1.4**	**144.4**	**(1.5)**	**74.1**	**218.4**

No interim dividend was paid in the year and no final dividend was paid or declared (2021: £nil).

Company statement of changes in equity

For the year ended 31 July 2022

	Note	Company			
		Share capital	**Share premium account**	**Retained earnings**	**Total**
		£m	**£m**	**£m**	**£m**
At 14 January 2021		**-**	**-**	**-**	**-**
Issue of share capital		**1.4**	**144.4**	**-**	**145.8**
At 31 July 2021 and 31 July 2022		**1.4**	**144.4**	**-**	**145.8**

No interim dividend was paid in the year and no final dividend was paid or declared (2021: £nil).

Wolseley Group Holdings Limited

Consolidated statement of cash flows

For the year ended 31 July 2022

	Note	**2022 Group £m**	2021 Group (6 months) £m
Net cash flows from operating activities			
Profit before income tax		63.0	27.2
Non-cash adjustments			
Depreciation and amortisation	11,12	48.4	23.2
(Profit) / Loss on disposal of property, plant and equipment		(0.1)	0.4
Net finance costs		19.6	9.6
Share option charges		1.4	-
Working capital adjustments			
(Increase) / Decrease in inventories		(39.9)	2.3
(Increase) / Decrease in trade and other receivables		(42.5)	(15.8)
Increase / (Decrease) in trade and other payables		32.8	(4.2)
Decrease in provisions		(2.1)	(4.0)
Cash flow from operating activities		80.6	38.7
Interest paid		(19.0)	(9.5)
Tax paid	9	(4.5)	(3.4)
Net cash from operating activities		**57.1**	**25.7**
Cash flows used in investing activities			
Purchase of property, plant and equipment		(9.9)	(2.4)
Purchase of intangibles	11	(4.0)	(2.5)
Purchase of investments		(1.6)	-
Disposal of property, plant and equipment		2.4	0.3
Acquisition of subsidiaries (net of cash acquired)	22	(121.5)	(288.1)
Net cash used in investing activities		**(134.6)**	**(292.7)**
Cash flows from financing activities			
Proceeds from the issue of shares		-	145.8
Proceeds from borrowings	21	150.0	218.8
Principal elements of lease payments	25	(28.8)	(13.7)
Net cash from financing activities		**121.2**	**350.9**
Exchange rate impact		(0.1)	-
Net increase in cash and cash equivalents		43.6	83.9
Cash and cash equivalents brought forward		83.9	-
Cash and cash equivalents carried forward		**127.5**	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.

Wolseley Group Holdings Limited

Notes to the financial statements

For the year ended 31 July 2022

1 Accounting policies

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

- IFRS 7, financial instruments - disclosures;
- IAS 1, capital management - disclosures;
- IAS 7, statement of cash flows;
- IAS 8, accounting policies, changes in accounting estimates and errors, paragraph 30 and 31; and
- IAS 24, related party transactions.

Going concern

The Group's principal objective when managing cash and debt is to safeguard its ability to continue as a going concern for the foreseeable future. The Directors review detailed forecasts looking out a minimum of twelve months from the date of this report and model 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.

1 Accounting policies (continued)

Going concern (continued)

A number of scenarios were considered including downside scenarios flexing the trading and working capital performance alongside their impact on the level of asset backed loan facilities that would be available. These scenarios included a reasonable worst case and an extreme worst case that tested to the point of breaking, assessing the factors that might cause the Group to require further liquidity, and views were formed of the probability of those occurring. As the facilities available under the asset backed loan are linked receivables the assessments included reviewing the level of receivables under each scenario and the impact this would have on the size of asset backed facility available.

After making appropriate enquiries and having considered the business activities and the Group's principal risks and uncertainties (pages 14 to 19), 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.

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, arising from the effective date of acquisition.

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

Foreign currencies

Items included in the financial statements of the Company and of each of the Group's subsidiary undertakings are measured using the currency of the primary economic environment in which the subsidiary undertaking operates (the "functional currency"). The consolidated financial statements are presented in pounds sterling, which is the presentational currency of the Group.

The trading results of overseas subsidiary undertakings are translated into pounds sterling using the average rate of exchange during the relevant financial period. The balance sheets of overseas subsidiary undertakings are translated into pounds sterling at the rate of exchange at the year-end. Exchange differences arising on the translation into pounds sterling of the net assets of these subsidiary undertakings are recognised in other comprehensive income and accumulated in the translation reserve. At 31 July 2022, the translation reserve was a £1.5m debit balance in relation to entities whose functional currency is the euro.

Foreign currency transactions entered into during the year are translated into the functional currency of the entity at the rates of exchange on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange at the balance sheet date. All currency translation differences are credited or charged to the income statement.

Accounting developments and changes

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

1 Accounting policies (continued)

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 is not required to disclose information about its remaining performance obligations.

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 and customer relationships 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.

1 Accounting policies (continued)

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.

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.

1 Accounting policies (continued)

Leases (continued)

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 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.

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.

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.

1 Accounting policies (continued)

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.

Cash at bank and in hand
Cash includes cash in hand, transit and deposits held 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.

1 Accounting policies (continued)

Pensions

The Group operates a number of defined contribution pension schemes. The assets of the defined contribution schemes are held separately from those of the Group in independently administered funds. The pension costs disclosed in note 4 represent contributions paid and payable by the Group to the defined contribution schemes.

Share-based payments

Management has subscribed for a number of shares in the Group's ultimate UK parent company, Wolseley Jersey Limited. These shares legally vest upon change of control of the Group. The Company recognised a compensation cost in respect of these shares that is based on the fair value of the awards, measured using the Black Scholes valuation methodologies. The compensation cost is recognised on a straight-line basis over the expected vesting period. Adjustments are made to reflect actual forfeitures during the vesting period.

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 twelve months and it is not expected to be realised or settled within twelve 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.

1 Accounting policies (continued)

Financial assets and liabilities (continued)

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.

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. Contract claims are sometimes received from suppliers, they are not recorded as a deduction in inventory as they are not connected to the purchase of inventory. Contract claims are recognised at the point of sale based upon their terms, at the point of sale they are recognised as a reduction in cost of sales.

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 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 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.

1 Accounting policies (continued)

Volume-based rebates (continued)

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

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 settle 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. The discount rate used to determine the present value reflects the Group's incremental borrowing rate at the inception of the lease.

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.

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 purchase and 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.

1 Accounting policies (continued)

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.

Critical accounting judgements

Several of the Group's accounting policies require management to make estimates and assumptions that affect the reported amounts. There are no Company accounting policies which require estimates and assumptions. There are no Group accounting policies which include a material element of judgement.

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 year ended 31 July 2022 and the prior period is shown below.

	Note	**2022** **£m**	2021 (6 months) £m
Revenue	3	**1,933.5**	902.6
Gross profit		**488.8**	220.3
Gross margin (per cent)		**25.3**	24.4

2 Alternative performance measures (Group) (continued)

Adjusted EBITDA
Adjusted EBITDA is operating profit before charges/credits relating to depreciation, amortisation, impairment, exceptional items, share option charges 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 the impact of 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 year ended 31 July 2022 and the prior period is provided below.

	Note	**2022** **£m**	2021 (6 months) £m
Profit before tax		**63.0**	27.2
Finance costs	8	**19.6**	9.6
Operating profit		**82.6**	36.8
Exceptional items	7	**5.3**	6.6
Depreciation and impairment of property, plant and equipment	12	**42.3**	21.3
Amortisation of acquired intangible assets	11	**2.0**	0.4
Amortisation of non-acquired intangible assets	11	**4.1**	1.6
Lease rental charges for right-of-use assets		**(30.0)**	(14.5)
Share options charge		**1.4**	-
Adjusted EBITDA		**107.7**	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	**2022** **£m**	2021 £m
Cash and cash equivalents	16	**127.5**	83.9
Bank loans	21	**(368.8)**	(218.8)
Net debt		**(241.3)**	(134.9)

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 and infrastructure products, and the similar markets in which it operates no further disclosure is considered necessary.

4 Employee and key management information

	2022 Group £m	2021 Group (6 months) £m
Staff costs (including key management)		
Wages and salaries	**183.9**	85.6
Social security costs	**17.5**	8.1
Pension costs – defined contribution schemes	**10.1**	4.9
Share-based payments	**1.4**	-
Termination costs	**1.3**	-
Total	**214.2**	98.6

	2022 Group	2021 Group
Average monthly number of employees and key management:		
Distribution	**4,472**	4,169
Administration	**574**	457
Total	**5,046**	4,626

The Company has no employees and does not remunerate its directors. The Company 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, including two employees who left during the year, is set out in the following table:

	2022 Group £m	2021 Group (6 months) £m
Key management compensation:		
Salaries, bonuses and other short-term employee benefits	**6.0**	3.0
Social security costs	**0.8**	0.3
Company contributions to defined contribution pension scheme	**0.1**	-
Total compensation	**6.9**	3.3
Highest paid director	**1.4**	0.7
The number of key management personnel who:		
Are members of the defined contribution pension scheme	**4**	1

4 Employee and key management information (continued)

In the prior period ended 31 July 2021, management subscribed for a number of shares in the Group's ultimate UK parent company, Wolseley Jersey Limited. The shares legally vest upon change of control of the Group. Also in the prior period, management subscribed for 1% of the preference shares in Wolseley Jersey Limited. A charge of £1.4m, calculated under the provisions of IFRS 2, has been included in the current year (2021: £nil).

5 Auditor's remuneration

Fees payable to Deloitte LLP and their associates for the audit of the Group's annual accounts were £1.0m (2021: £0.5m). There were no fees for non-audit services paid to Deloitte LLP during the current year or prior period.

No audit fees were borne by the Company.

6 Operating profit

	Note	**2022 Group £m**	2021 Group (6 months) £m
Operating profit is stated after charging/(crediting):			
Amounts included in cost of sales with respect to inventory		**1,444.7**	682.3
Depreciation of property, plant and equipment	12	**42.3**	21.3
Amortisation of intangible fixed assets	11	**4.1**	2.0
Staff costs	4	**214.2**	98.6
Operating lease rentals for short-term leases:			
- Plant and machinery	25	**5.0**	1.1
- Property	25	**5.7**	1.6
Loss allowance on trade receivables	15	**5.9**	1.2

7 Exceptional items

Exceptional items are analysed by purpose as follows:	Note	**2022 Group £m**	2021 Group (6 months) £m
Acquisition fees	22	**8.3**	9.3
Other exceptional items		**(3.0)**	(2.7)
Total		**5.3**	6.6

Acquisition fees relate to businesses acquired in the year, more detail can be found in note 22.

Other exceptional items for the year ended 31 July 2022 and period ended 31 July 2021 relate to provisions previously charged as an exceptional cost which have been credited following confirmation that no further liability exists.

8 Finance costs

	Note	**2022 Group £m**	2021 Group (6 months) £m
Interest on bank loans and overdrafts		**16.5**	8.2
Interest expense on lease liabilities	25	**2.5**	1.1
Other interest payable	20	**0.6**	0.3
Finance costs		**19.6**	9.6

9 Tax

The tax charge for the year ended 31 July 2022 comprises:	Note	**2022 Group £m**	2021 Group (6 months) £m
Current tax			
Current year tax charge		**4.7**	3.8
Adjustment in respect of prior period		**(1.6)**	-
Total current tax charge		**3.1**	3.8
Deferred tax			
Current year tax charge		**7.2**	2.9
Adjustment in respect of prior period		**(0.7)**	-
Tax rate changes		**1.8**	(1.5)
Total deferred tax charge	18	**8.3**	1.4
Total tax charge recognised through the income statement		**11.4**	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	**2022 Group £m**	2021 Group (6 months) £m
Profit on ordinary activities before taxation	**63.0**	27.2
Profit on ordinary activities before taxation multiplied by the effective standard rate of UK corporation tax of 19%	12.0	5.2
Effects of:		
Adjustments in respect of prior period	**(2.3)**	-
Expenses not deductible	**0.8**	1.8
Income not taxable	**(0.7)**	-
Effects of overseas tax rates	**(0.2)**	-
Tax relief on share-based payments	**-**	(0.3)
Tax rate changes	**1.8**	(1.5)
Total tax charge recognised through the income statement	**11.4**	5.2

The UK corporation tax rate for the year ended 31 July 2022 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.

9 Tax (continued)

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 credit of £0.8m (2021: charge of £0.3m) on exceptional loss before tax of £5.3m (2021: £6.6m) for the year is lower than the expected credit of £1.0m (2021: £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 £0.2m (2021: £1.6m).

10 Intangible assets: goodwill

	Note	**2022 Group £m**
Cost		
At 14 January 2021		-
On acquisition		13.0
At 31 July 2021		**13.0**
Acquisitions	22	39.2
Exchange		(0.5)
At 31 July 2022		51.7
Net book value		
31 July 2022		**51.7**
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. Impairment reviews were performed for each individual CGU during the year ended 31 July 2022 and are disclosed by geographical operation below:

	2022 Goodwill £m	2021 Goodwill £m
United Kingdom	**32.9**	13.0
Europe	**18.8**	-
Total	**51.7**	13.0

The key assumptions used in the impairment review were a 2% long term growth rate and a 9.9% post tax discount rate (with the exception of Ireland where a 9.6% post tax discount rate was used), 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 derived from strategic views of the Group's trade at the date of acquisition. Management performed sensitivity testing, including an assessment of an increased discount rate and concluded that there was no impairment necessary.

11 Intangible assets: other

	Note	Software costs £m	Trade names costs £m	Customer relationships £m	Total £m
Cost					
At 14 January 2021		-	-	-	-
On acquisition		8.0	19.8	-	**27.8**
Additions		2.5	-	-	**2.5**
At 31 July 2021		**10.5**	**19.8**	-	**30.3**
Acquisitions	22	-	12.5	28.6	**41.1**
Additions		4.0	-	-	**4.0**
Exchange		-	(0.4)	(0.1)	**(0.5)**
Disposals		(0.8)	-	-	**(0.8)**
At 31 July 2022		**13.7**	**31.9**	**28.5**	**74.1**
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**
Amortisation charge for the period		4.1	1.2	0.8	**6.1**
Disposals		(0.8)	-	-	**(0.8)**
At 31 July 2022		**4.9**	**1.6**	**0.8**	**7.3**
Net book value					
At 31 July 2022		**8.8**	**30.3**	**27.7**	**66.8**
At 31 July 2021		8.9	19.4	-	28.3

The amortisation charge for the period of £6.1m is included within 'Other operating charges' on the face of the income statement.

12 Property, plant and equipment

	Note	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 1 August 2021		74.3	110.8	9.4	19.7	1.8	**216.0**
Acquisitions	22	2.7	12.9	0.8	3.4	0.3	**20.1**
Additions		5.4	23.2	3.3	2.1	6.0	**40.0**
Disposals		(1.4)	(4.9)	(0.9)	(3.2)	(0.4)	**(10.8)**
Exchange		-	(0.2)	-	-	-	**(0.2)**
At 31 July 2022		**81.0**	**141.8**	**12.6**	**22.0**	**7.7**	**265.1**
Accumulated depreciation and impairment							
At 1 August 2021		2.2	14.4	1.0	2.9	0.4	**20.9**
Depreciation charge for the period		4.0	30.3	2.0	5.3	0.7	42.3
Disposals		(0.6)	(4.5)	(0.5)	(3.2)	(0.4)	(9.2)
At 31 July 2022		**5.6**	**40.2**	**2.5**	**5.0**	**0.7**	**54.0**
Net book value							
At 31 July 2022		**75.4**	**101.6**	**10.1**	**17.0**	**7.0**	**211.1**
At 31 July 2021		72.1	96.4	8.4	16.8	1.4	195.1

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

At 31 July 2022, there was no future capital expenditure authorised by the Directors that has been contracted but not provided in the financial statements.

12 Property, plant and equipment (continued)

	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	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)
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**

Cost of land and buildings comprises:

	2022 £m	2021 £m
Freehold	**51.8**	51.8
Short leasehold	**29.2**	22.5
Total	**81.0**	74.3

13 Investments

	2022 Group £m	**2022 Company £m**
Cost		
At 1 August 2021	-	145.8
Additions	1.6	-
At 31 July 2022	1.6	145.8
Net book value		
31 July 2022	**1.6**	**145.8**
31 July 2021	**-**	**145.8**

During the year, the Group acquired a 15% stake of ordinary share capital in Palace Media Limited "bookabuilderuk.com", an online aggregator that allows end customers to post jobs which are sent to local tradespeople to quote on. The Company's investments at 31 July 2022 comprises shares in its immediate subsidiary Wolseley Group Limited (see note 28).

14 Inventories

	2022 Group £m	2021 Group £m
Finished goods	**357.5**	258.9

The Group held provisions in respect of inventory balances at 31 July 2022 amounting to £41.6m (2021: £34.4m). The gross value of inventory is reduced to reflect supplier rebates where the inventory has not been sold. As at 31 July 2022, this deduction from gross inventory amounted to £54.7m (2021: £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 £1,445m (2021: £682m).

Notes to the financial statements (continued)

For the year ended 31 July 2022

15 Trade and other receivables

	2022 Group £m	2021 Group £m
Current:		
Trade receivables	**401.2**	312.0
Other receivables	**52.9**	41.8
Prepayments	**13.0**	11.7
	467.1	365.5
Non-current:		
Other receivables	**2.2**	1.8
Prepayments	**7.1**	9.3
	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 2022:	**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	1.5%	3.1%	37.2%	
Gross trade receivables	310.9	92.6	8.6	**412.1**
Lifetime expected credit losses	(4.8)	(2.9)	(3.2)	**(10.9)**
Net trade receivables	**306.1**	**89.7**	**5.4**	**401.2**

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	1.3%	2.0%	50.0%	
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 amounts due contain a significant financing component. Payment from customers is typically due within 30 to 60 days after the month in which the invoice was raised.

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:

	2022 Group £m	2021 Group £m
Amounts written off that are subject to enforcement activity	**5.2**	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:

	2022 Group £m	2021 Group £m
Supplier rebates with no right of offset against trade payables	**50.0**	38.7

The expected credit losses associated with supplier rebates is considered to be immaterial.

16 Cash and cash equivalents

	2022 Group £m	2021 Group £m
Cash and cash equivalents	**127.5**	83.9

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

17 Trade and other payables

	2022 Group £m	2021 Group £m
Current:		
Trade payables	**457.8**	387.2
Other payables	**23.2**	7.9
Other taxation and social security	**27.4**	20.7
Accruals and deferred income	**58.2**	41.7
Total	**566.6**	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 1 August 2021	**7.5**	**(4.7)**	**0.5**	**-**	**10.5**	**0.4**	**14.2**
Acquisitions (note 22)	(1.2)	(7.0)	2.5	-	-	-	**(5.7)**
(Charged) / credited to Income statement	(0.8)	2.9	(1.2)	-	(8.8)	(0.4)	**(8.3)**
At 31 July 2022	**5.5**	**(8.8)**	**1.8**	**-**	**1.7**	**-**	**0.2**

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:

	2022 Group £m	2021 Group £m
Financial assets		
Financial assets at amortised cost	**583.8**	439.5
Financial liabilities		
Financial liabilities at amortised cost	**(1,075.5)**	(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.

19 Financial instruments and financial risk management (continued)

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 31 July 2022, the maximum exposure to credit risk was £401m (2021: £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.

Interest rate risk
The Group is partly financed through externally syndicated bank debt and is therefore exposed to rising interest rates which may adversely impact the Group.

The Group recognises that recent geo-political events have led to an inflationary environment, which has resulted in increases to interest rates. The Group continues to actively manage its debt position and it has continued with its policy of not hedging its interest rate exposure. The Board is keeping this policy under review, particularly given the current environment.

20 Provisions

Provisions and movements during the period are analysed as follows:

	Restructuring £m	Property dilapidations £m	Environmental £m	Guarantees and legal £m	Total £m
At 1 August 2021	**5.4**	**25.7**	**2.9**	**1.9**	**35.9**
Acquisitions (note 22)	1.7	5.0	-	-	**6.7**
Utilised in the year	(0.1)	(0.2)	-	-	**(0.3)**
Additions	-	1.4	-	-	**1.4**
(Releases) / charges for the year	(2.2)	0.5	-	(0.2)	**(1.9)**
Unwinding of discount	-	0.6	-	-	**0.6**
At 31 July 2022	**4.8**	**33.0**	**2.9**	**1.7**	**42.4**

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

At 31 July 2022	**Restructuring £m**	**Property dilapidations £m**	**Environmental £m**	**Guarantees and legal £m**	**Total £m**
Current	3.2	10.7	0.9	1.7	**16.5**
Non-current	1.6	22.3	2.0	-	**25.9**
Total provisions	**4.8**	**33.0**	**2.9**	**1.7**	**42.4**

At 31 July 2021	Restructuring £m	Property dilapidations £m	Environmental £m	Guarantees and 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 business reorganisation activities, and is expected to be utilised over the next two 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. The average period to utilisation is four years (2021: four years).

Environmental

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

Guarantees and legal

The provision includes £0.9m provided for warranties (2021: £1.2m) and £0.8m for anticipated settlement of legal claims made (2021: £0.7m). The provision is expected to unwind over the next two years.

21 Borrowings

	2022 Group £m	2021 Group £m
Non-current:		
Asset backed loan facility	**150.0**	-
Senior secured loan (due in greater than five years)	**218.8**	218.8
Total	**368.8**	218.8

The banking facilities as at 31 July 2022 comprise:

- £205.0m asset backed loan facility (2021: £150.0m) – interest of 2% over SONIA, subject to certain conditions, facility available until July 2026 and amounts are repayable at the end of each interest period unless rolled over, which is at the discretion of the Group for the duration of the facility. The facility was increased in the year to £205.0m which was completed on 31 May 2022

- £219.0m senior secured loan facility – interest of 5% over SONIA, subject to certain conditions, repayable in January 2027

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 businesses during the year. All businesses are engaged in the distribution of plumbing, heating, cooling and infrastructure products in the countries of their incorporation. All transactions have been accounted for by the acquisition method of accounting. The acquired businesses provide a combination of complementary products to the Group's infrastructure businesses, new market access in Ireland and additional access to large customers within the UK plumbing and heating market.

For the year ended 31 July 2022 the acquired businesses contributed £91.6m of revenue and £4.6m of operating profit to the Groups consolidated statement of comprehensive income. If each acquisition had been completed on the first day of the financial year, revenue would have been £2,163.2m and operating profit would have been £102.3m.

Name	Date of acquisition	Country of incorporation	Shares/asset deal	% acquired
Jointing Tech Limited	1 December 2021	England	Shares	100
Langley Engineering Limited	1 December 2021	England	Shares	100
Jointing Technologies Limited	1 December 2021	Ireland	Shares	100
Domestic Heating Services (Wholesale) Limited	28 February 2022	Guernsey	Shares	100
Bassetts	28 February 2022	-	Asset	-
Neville Lumb	28 February 2022	-	Asset	-
Ideal Bathrooms	30 April 2022	-	Asset	-
Cascade Clamps U.K. Limited	6 June 2022	England	Shares	100
Cooperstorm Limited	30 June 2022	Ireland	Shares	100
Hevac Limited	30 June 2022	Ireland	Shares	100
Washglade Limited	30 June 2022	Ireland	Shares	100
Aluminox Limited	30 June 2022	Ireland	Shares	100
Tube Company of Ireland Limited	30 June 2022	Ireland	Shares	100
Origen Energy Limited	30 June 2022	Ireland	Shares	100
Polytherm Heating Systems Limited	30 June 2022	Ireland	Shares	100

22 Acquisitions (continued)

The assets and liabilities acquired and the consideration for the acquisition of all businesses are as follows:

£m	Book value	Fair value adjustment	Total fair values acquired
Trade names and brands	-	12.5	12.5
Customer relationships	-	28.6	28.6
Property, plant and equipment	7.2	-	7.2
Right-of-use assets	12.9	-	12.9
Inventories	59.4	-	59.4
Trade and other receivables	58.2	-	58.2
Cash, cash equivalents and bank overdrafts	9.8	-	9.8
Trade and other payables	(64.6)	-	(64.6)
Provisions	(6.7)	-	(6.7)
Lease liabilities	(12.9)	-	(12.9)
Corporation Tax	(0.8)	-	(0.8)
Deferred tax	1.3	(7.0)	(5.7)
Total	**62.5**	**34.1**	**97.9**
Goodwill arising			39.2
Consideration			**137.1**

Satisfied by:	
Cash consideration	131.3
Deferred consideration	5.8
Total	**137.1**

The goodwill arising on the acquisition of the businesses is primarily attributable to the anticipated profitability of the new markets and product ranges to which the Group has gained access. The value of workforces 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 the businesses is as follows:

	2022 £m
Purchase consideration – cash	131.3
Cash, cash equivalents and bank overdrafts acquired	(9.8)
Net cash outflow in respect of the purchase of business	**121.5**

Notes to the financial statements (continued)

For the year ended 31 July 2022

22 Acquisitions (continued)

The assets and liabilities acquired and the consideration for the acquisition of Cooperstorm Limited and its subsidiaries on 30 June 2022 are as follows:

£'m	Book value	Fair value adjustment	Total fair values acquired
Trade names and brands	-	5.7	5.7
Customer relationships	-	14.8	14.8
Property, plant and equipment	2.0	-	2.0
Right-of-use assets	9.5	-	9.5
Inventories	25.4	-	25.4
Trade and other receivables	24.6	-	24.6
Cash, cash equivalents and bank overdrafts	6.6	-	6.6
Trade and other payables	(37.6)	-	(37.6)
Lease liabilities	(9.5)	-	(9.5)
Deferred tax	(0.2)	(2.5)	(2.7)
Total	**20.9**	**17.9**	**38.8**
Goodwill arising			19.3
Consideration			**58.1**

22 Acquisitions (continued)

The assets and liabilities acquired and the consideration for the acquisition of Jointing Tech Limited and its subsidiaries on 1 December 2021 are as follows:

£'m	Book value	Fair value adjustment	Total fair values acquired
Trade names and brands	-	4.7	4.7
Customer relationships	-	5.9	5.9
Property, plant and equipment	0.2	-	0.2
Right-of-use assets	1.8	-	1.8
Inventories	4.1	-	4.1
Trade and other receivables	4.6	-	4.6
Cash, cash equivalents and bank overdrafts	1.5	-	1.5
Trade and other payables	(4.2)	-	(4.2)
Provisions	(0.6)	-	(0.6)
Lease liabilities	(1.8)	-	(1.8)
Corporation Tax	(0.4)	-	(0.4)
Deferred tax	0.3	(2.6)	(2.3)
Total	**5.5**	**8.0**	**13.5**
Goodwill arising			7.8
Consideration			**21.3**

Notes to the financial statements (continued)

For the year ended 31 July 2022

22 Acquisitions (continued)

The assets and liabilities acquired for the remaining acquisitions are aggregated and disclosed as follows:

£'m	Book value	Fair value adjustment	Total fair values acquired
Trade names and brands	-	2.1	2.1
Customer relationships	-	7.9	7.9
Property, plant and equipment	5.0	-	5.0
Right-of-use assets	1.6	-	1.6
Inventories	29.9	-	29.9
Trade and other receivables	29.0	-	29.0
Cash, cash equivalents and bank overdrafts	1.7	-	1.7
Trade and other payables	(22.8)	-	(22.8)
Provisions	(6.1)	-	(6.1)
Lease liabilities	(1.6)	-	(1.6)
Corporation Tax	(0.4)	-	(0.4)
Deferred tax	1.2	(1.9)	(0.7)
Total	**36.3**	**9.2**	**45.6**
Goodwill arising			12.1
Consideration			**57.7**

23 Share capital and reserves

	2022 Group £m	**2022 Company £m**	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**	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 12):

	Note	**Property** £m	**Vehicles** £m	**Plant & equipment** £m	**Total** £m
At 1 August 2021		**85.0**	**9.1**	**2.3**	**96.4**
Acquisitions	22	10.9	1.8	0.2	12.9
Additions		21.8	1.3	0.1	23.2
Depreciation expense		(24.6)	(4.9)	(0.8)	(30.3)
Disposals		-	(0.4)	-	(0.4)
Exchange		(0.2)	-	-	(0.2)
At 31 July 2022		**92.9**	**6.9**	**1.8**	**101.6**

Set out below are the carrying amounts of the lease liabilities and the movements for the year ended 31 July 2022:

	Note	**Group** £m
At 1 August 2021		92.6
Acquisitions	22	12.9
Additions		21.8
Accretion of interest		2.5
Exchange		(0.2)
Disposals		(0.4)
Payments		(31.3)
At 31 July 2022		**97.9**
Current		24.5
Non-current		73.4

25 Leases (continued)

The following are the amounts recognised in the income statement for the year ended 31 July 2022:

	2022 Group £m
Depreciation expense of right-of-use assets	30.3
Interest expense on lease liabilities	2.5
Expense relating to short-term leases (included in Other operating charges)	10.7
Total	43.5

Set out below is a maturity analysis of contractual future payments (excluding future interest expense) relating to lease liabilities held at 31 July 2022:

	Gross lease payment £m	**Interest £m**	**Total £m**
Due in less than one year	29.7	(5.2)	24.5
Due in one to two years	23.1	(3.6)	19.4
Due in two to three years	18.5	(2.4)	16.1
Due in three to four years	14.6	(1.5)	13.1
Due in four to five years	9.5	(1.2)	8.3
Due in over five years	18.7	(2.3)	16.4
Total	**114.1**	**(16.2)**	**97.9**

The Group had total cash outflows for leases of £31.3m during the year ended 31 July 2022. The Group also had non-cash additions to right-of-use assets and lease liabilities of £23.2m during the year.

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 is the largest and smallest that prepares consolidated financial statements including this Group.

27 Post-balance sheet events

On 30 September 2022 the Group acquired 51% of the issued share capital of Charco 2010 Limited and its subsidiaries for £16.1m, the remaining 49% will be acquired by 2024. Charco 2010 Limited are an established luxury bathroom supplier operating from 16 sites across the UK.

28 Subsidiary undertakings

A full list of subsidiaries in which the Company has a controlling interest of 100% as at 31 July 2022 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)	Sellers of Leeds Limited (England) [(ii)]
A. C. Electrical Wholesale Limited (England)	Caselco Limited (England)[(ii)]
Cascade Clamps U.K Limited (England)	Reay Electrical Distributors Limited (England)[(ii)]
Continental Product Engineering Limited (England)	Sellers of Leeds (Group Services) Limited (England)[(ii)]
Domestic Heating Services (Wholesale) Limited (Guernsey)[(iii)a]	Sellers of Leeds International Limited (England)[(ii)]
Ideal Bathrooms (Wolseley) Limited (England)	William Wilson (Rugby) Limited (England)[(ii)]
Jointing Tech Limited (England)	William Wilson & Co. (Aberdeen) Limited (Scotland)[(ii)(iii)c]
Langley Engineering Limited (England)	William Wilson Limited (Scotland) [(iii)c]
Jointing Technologies Limited (Ireland)[(iii)b]	Bassetts (Wolseley) Limited (Northern Ireland)[(iii)e]
Neville Lumb (Wolseley) Limited (England)	Wolseley Developments Limited (England)
Thomson Brothers Limited (Scotland) [(ii)(iii)c]	WM. C. Yuille & Company Limited (Scotland)[(ii)(iii)c]
Wholesale Supplies (CI) Limited (Jersey)[(iii)d]	Wolseley Centers Limited (England)[(ii)]
William Wilson Holdings Limited (Scotland)[(iii)c]	Wolseley Centres Limited (England)[(ii)]
A C Ferguson Limited (Scotland)[(ii)(iii)c]	Wolseley DC Plan Trustees Limited [(ii)]
G. L. Headley Limited (England)[(ii)]	Wolseley Directors Limited (England)[(ii)]
Cooperstorm Limited (Ireland)[(iii)f]	Wolseley Properties Limited (England)[(ii)]
Polytherm Heating Systems Limited (Ireland) [(iii)f]	Wolseley UK Finance Limited (England)[(ii)]
Origen Energy Limited (Ireland) [(iii)f]	Hevac Limited (Ireland) [(iii)f]
Washglade Limited(Ireland) [(iii)f]	Aluminox Limited (Ireland) [(iii)f]
Wolseley Group Limited (England)[(i)]	Tube Company of Ireland Limited (Ireland) [(iii)f]
	Wolseley UK Limited (England)

(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. Longcamps, St Sampsons, Guernsey, GY1 3FD
  b. Suite 3, One Earlsfort Centre, Lower Hatch Street, Dublin, D02 X668, Ireland
  c. Hareness Road, Altens Industrial Estate, Aberdeen, AB12 3QA, United Kingdom
  d. 47 Esplanade, St Helier, Jersey, JE1 0BD, Jersey
  e. Mahon Industrial Estate, Mahon Road, Portadown, Armagh, Northern Ireland, BT62 3EH
  f. Muirfield Drive, Naas Road, Dublin 12, Ireland, D12 X0A3