Notes to the consolidated financial statements

Year ended 31 July 2007

1. Critical accounting estimates and judgements

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions in certain circumstances that affect reported amounts. The most sensitive estimates affecting the financial statements are in the areas of assessing the recoverability of receivables, the net realisable value of inventory, the impairment of goodwill and long-lived intangible assets, the reserves in respect of self-insured insurance, the consideration received from vendors, taxation and the cost and liability for pensions and other post-retirement benefits.

Allowance for doubtful accounts
Provision is made against accounts that in the estimation of management may be impaired. Within each of the businesses, assessment is made locally of the recoverability of accounts receivable based on a range of factors including the age of the receivable and the creditworthiness of the customer. The provision is assessed monthly with a detailed formal review of balances and security being conducted at the full year and half year. Determining the recoverability of an account involves estimation as to the likely financial condition of the customer and their ability to subsequently make payment. If the Group is cautious as to the financial condition of the customer the Group may provide for accounts that are subsequently recovered. Similarly, if the Group is optimistic as to the financial condition of the customer, the Group may not provide for an account that is subsequently determined to be irrecoverable. Furthermore, while the Group has a large geographically dispersed customer base, a slowdown in the markets in which the Group operates may result in higher than expected uncollectible amounts and therefore higher (or lower) than anticipated charges for irrecoverable receivables. In recent years Wolseley has not experienced significant variation in the amount charged to the income statement in respect of doubtful accounts, when compared to sales.

Wolseley held a provision for impairment of receivables at 31 July 2007 amounting to £55 million (2006: £41 million).

Inventories
For financial reporting purposes the Group evaluates its inventory to ensure it is carried at the lower of cost or net realisable value. Provision is made against slow moving, obsolete and damaged inventories. Damaged inventories are identified and written down through the inventory counting procedures conducted within each business. Provision for slow moving and obsolete inventories is assessed by each business as part of their ongoing financial reporting. Obsolescence is assessed based on comparison of the level of inventory holding to the projected likely future sales. Future sales are assessed based on historical experience, and adjusted where the manufacturer has indicated that it will no longer continue to manufacture the particular item. To the extent that future events impact the saleability of inventory these provisions could vary significantly. For example, changes in specifications or regulations may render inventory, previously considered to have a realisable value in excess of cost, obsolete and requiring such inventory to be fully written off. The Group held allowances in respect of inventory balances at 31 July 2007 amounting to £168 million (2006: £134 million).

Impairment of long-lived assets
Wolseley periodically evaluates the net realisable value of long-lived assets, including goodwill, other intangible assets and tangible fixed assets, relying on a number of factors, including operating results, business plans and projected future cash flows.

Assets that have an indefinite useful life, such as goodwill, are not subject to amortisation and are tested annually for impairment and whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value is in most cases based on the discounted present value of the future cash flows expected to arise from the cash generating unit to which the goodwill relates, or from the individual asset or asset group. Estimates are used in deriving these cash flows and the discount rate.

The complexity of the estimation process and issues related to the assumptions, risks and uncertainties inherent with the application of the intangible and tangible fixed asset accounting policies affect the amounts reported in the financial statements. In particular, if different estimates of the projected future cash flows or a different selection of an appropriate discount rate were made, these changes could materially alter the projected value of the cash flows of the asset, and as a consequence materially different amounts would be reported in the financial statements.

As disclosed in note 3 and note 11, the Group has charged £5 million in respect of the impairment of long-lived assets during the year ended 31 July 2007 (2006: nil).

Self-insured insurance
The Group operates a captive insurance company, Wolseley Insurance Limited, which is registered and operational in the Isle of Man. This company provides reinsurance exclusively to certain companies within the Group, principally to cover US casualty and property damage risks. Provision is made based on actuarial assessment of the liabilities arising from the insurance coverage provided. The actuarial assessment of the reserve for future claims necessarily includes estimates as to the likely trend of future claims costs and as to the emergence of further claims subsequent to the year end. An actuarial review of claims is performed annually. To the extent that actual claims differ from those projected the provisions could vary significantly. At 31 July 2007, the provision for claims arising from this insurance was £48 million (2006: £47 million).

Consideration received from vendors

The Group enters into agreements with many of its vendors providing for inventory purchase rebates primarily upon achievement of specified volume purchasing levels with many of these agreements applying to sales in a calendar year. For certain agreements the rebate rises as a proportion of purchases as higher quantities or values of purchases are made. The Group accrues the receipt of vendor rebates as part of its cost of sales for products sold, taking into consideration cumulative purchases of inventory to date and projected purchases through to the end of the qualifying period. Rebates are accrued for each reporting period with an extensive reassessment of the rebates earned being performed at the end of the financial year and halfway through the financial year. The Group has agreements with numerous and geographically dispersed suppliers, but a slowdown in the markets in which the Group operates, or a significant change in the profile of products purchased may result in purchases for the remainder of the year differing significantly from those projected. Consequently, the rebate actually received may vary from that accrued in the financial statements.

Taxation

Accruals for tax contingencies require management to make judgements and estimates in relation to tax audit issues and exposures. Amounts accrued are based on management's interpretation of country-specific tax law and the likelihood of settlement. Tax benefits are not recognised unless the tax positions are probable of being sustained. Once considered to be probable, management reviews each material tax benefit to assess whether a provision should be taken against full recognition of the benefit on the basis of the potential settlement through negotiation and/or litigation. All such provisions are included in creditors due within one year. Any recorded exposure to interest on tax liabilities is provided for in the tax charge.

Pensions and other post-retirement benefits

The Group operates defined benefit pension schemes in the United Kingdom and in a number of overseas locations that are accounted for using methods that rely on actuarial assumptions to estimate costs and liabilities for inclusion in the financial statements. These actuarial assumptions include discount rates, assumed rates of return, salary increases and mortality rates, and are disclosed in note 27.

While management believes that the actuarial assumptions are appropriate, any significant changes to those used would affect the balance sheet and income statement. The Group considers that the most sensitive assumptions are the discount rate and the expected return on plan assets. The Group has estimated the sensitivity of the financial statements to changes in these assumptions as follows:

	Impact on balance sheet		Impact on income statement	
Effect of a change in discount rate	**2007 £m**	2006 £m	**2007 £m**	2006 £m
Increase of 0.5%	**71**	55	**4**	3
Decrease of 0.5%	**(77)**	(64)	**(4)**	(4)
Effect of a change in expected return on assets				
Increase of 0.5%			**2**	2
Decrease of 0.5%			**(2)**	(2)

Notes to the consolidated financial statements

Year ended 31 July 2007

2. Segmental analysis

The Group has a single business segment, the distribution and supply of construction materials and services.

The Group's geographical segments are Europe, consisting of UK and Ireland, France, Nordic and Central and Eastern Europe, and North America. The Group has determined that its geographical segments are its primary segments for IFRS reporting purposes. The revenue, trading profit and operating profit of the Group's geographical segments are detailed in the following three tables.

Revenue	**2007 £m**	2006 £m
UK and Ireland	**3,171**	2,690
France	**1,872**	1,725
Nordic	**1,617**	–
Central and Eastern Europe	**899**	735
Europe	**7,559**	5,150
North America	**8,662**	9,008
Group	**16,221**	14,158

Trading profit (note 9)	**2007 £m**	2006 £m
UK and Ireland	**211**	201
France	**101**	91
Nordic	**99**	–
Central and Eastern Europe	**35**	31
European central costs	**(13)**	(7)
Europe	**433**	316
North America	**487**	603
Group central costs	**(43)**	(37)
Group	**877**	882

Operating profit	**2007 £m**	2006 £m
UK and Ireland	**193**	188
France	**100**	90
Nordic	**58**	–
Central and Eastern Europe	**33**	30
European central costs	**(13)**	(7)
Europe	**371**	301
North America	**425**	570
Group central costs	**(43)**	(37)
Group	**753**	834

Other segmental information:

For the year ended 31 July 2007	UK and Ireland £m	France £m	Nordic £m	Central and Eastern Europe £m	North America £m	Group centre £m	Total £m
Depreciation of property, plant and equipment	47	23	15	8	88	1	182
Amortisation of non-acquired intangibles	1	–	1	1	2	4	9
Amortisation of acquired intangibles	18	1	41	2	57	–	119
Impairment of acquired intangibles	–	–	–	–	5	–	5
	66	24	57	11	152	5	315
Additions to property, plant and equipment	108	37	10	15	189	1	360
Additions to non-acquired intangible assets	2	–	4	5	2	41	54
	110	37	14	20	191	42	414
Additions to goodwill	8	11	650	9	85	–	763
Additions to acquired intangible assets	20	3	409	13	104	–	549
Segment assets	1,973	1,141	1,957	494	4,011	107	9,683
Reconciliation to total assets as reported in the Group Balance Sheet:							
Deferred tax assets							9
Financial assets – current and non-current							16
Current tax receivable							8
Derivative financial assets							10
Cash and cash equivalents							244
Total assets as reported in the Group Balance Sheet							9,970
Segment liabilities	674	558	480	172	1,334	168	3,386
Reconciliation to total liabilities as reported in the Group Balance Sheet:							
Current tax payable							133
Bank loans and overdrafts							2,627
Obligations under finance leases							80
Derivative financial liabilities							18
Deferred tax liabilities							275
Total liabilities as reported in the Group Balance Sheet							6,519

Notes to the consolidated financial statements

Year ended 31 July 2007

2. Segmental analysis continued

For the year ended 31 July 2006	UK and Ireland £m	France £m	Nordic £m	Central and Eastern Europe £m	North America £m	Group centre £m	Total £m
Depreciation of property, plant and equipment	33	22	–	7	72	–	134
Amortisation of non-acquired intangibles	–	–	–	–	1	5	6
Amortisation of acquired intangibles	13	1	–	1	33	–	48
Impairment of acquired intangibles	–	–	–	–	–	–	–
	46	23	–	8	106	5	188
Additions to property, plant and equipment	93	33	–	18	217	4	365
Additions to non-acquired intangible assets	–	–	–	1	3	21	25
	93	33	–	19	220	25	390
Additions to goodwill	192	19	–	11	165	–	387
Additions to acquired intangible assets	83	3	–	3	162	–	251
Segment assets	1,812	1,063	–	414	4,247	74	7,610
Reconciliation to total assets as reported in the Group Balance Sheet:							
Deferred tax assets							16
Financial assets – current and non-current							25
Current tax receivable							1
Derivative financial assets							10
Cash and cash equivalents							416
Total assets as reported in the Group Balance Sheet							8,078
Segment liabilities	668	532	–	136	1,489	102	2,927
Reconciliation to total liabilities as reported in the Group Balance Sheet							
Current tax payable							91
Bank loans and overdrafts							2,276
Obligations under finance leases							75
Derivative financial liabilities							29
Deferred tax liabilities							88
Total liabilities as reported in the Group Balance Sheet							5,486

The Group will prepare segmental disclosures in accordance with US GAAP and disclose them in its Form 20-F for the year ended 31 July 2007. The disclosure requirements under US GAAP differ from those under IFRS, such that revenue, trading profit and operating profit for North America will be further analysed by operating segment in the Form 20-F. In order to ensure consistency of information disclosed to all investors, the following table is included in these financial statements.

Revenue	**2007 £m**	2006 £m
US plumbing and heating	**5,685**	5,396
US building materials	**2,358**	2,966
Canada	**619**	646
North America	**8,662**	9,008

Trading profit (note 9)	**£m**	£m
US plumbing and heating	**411**	378
US building materials	**44**	192
Canada	**42**	44
North American central costs	**(10)**	(11)
North America	**487**	603

Operating profit	**£m**	£m
US plumbing and heating	**386**	369
US building materials	**8**	168
Canada	**41**	44
North American central costs	**(10)**	(11)
North America	**425**	570

The change in revenue and trading profit between the years ended 31 July 2006 and 2007 can be analysed into the effects of changes of exchange rates, the effects of acquisitions made during the financial year, and the effect of taking in a full year's revenue and trading profit of businesses acquired part way through the previous year, with the remainder being organic change.

Analysis of change in revenue	2006 £m	Exchange £m	New acquisitions 2007 £m	Increment on 2006 acquisitions £m	Organic change £m	Organic change %	**2007 £m**
UK and Ireland	2,690	(5)	22	199	265	9.9	**3,171**
France	1,725	(28)	28	47	100	5.9	**1,872**
Nordic	–	–	1,617	–	–	–	**1,617**
Central and Eastern Europe	735	(17)	68	29	84	11.7	**899**
Europe	5,150	(50)	1,735	275	449	8.8	**7,559**
US plumbing and heating	5,396	(443)	302	156	274	5.5	**5,685**
US building materials	2,966	(244)	27	269	(660)	(24.2)	**2,358**
Canada	646	(39)	3	2	7	1.2	**619**
North America	9,008	(726)	332	427	(379)	(4.6)	**8,662**
Group	14,158	(776)	2,067	702	70	0.5	**16,221**

Notes to the consolidated financial statements

Year ended 31 July 2007

2. Segmental analysis continued

Analysis of change in trading profit (note 9)	2006 £m	Exchange £m	New acquisitions 2007 £m	Increment on 2006 acquisitions £m	Organic change £m	Organic change %	**2007 £m**
UK and Ireland	201	–	2	15	(7)	(3.7)	**211**
France	91	(1)	1	–	10	11.9	**101**
Nordic	–	–	99	–	–	–	**99**
Central and Eastern Europe	31	(1)	4	4	(3)	(10.6)	**35**
European central costs	(7)	–	–	–	(6)	85.3	**(13)**
Europe	316	(2)	106	19	(6)	(1.9)	**433**
US plumbing and heating	378	(31)	25	11	28	8.0	**411**
US building materials	192	(16)	–	13	(145)	(82.6)	**44**
Canada	44	(3)	1	–	–	–	**42**
North American central costs	(11)	1	–	–	–	–	**(10)**
North America	603	(49)	26	24	(117)	(21.2)	**487**
Group central costs	(37)	–	–	–	(6)	(16.5)	**(43)**
Group	882	(51)	132	43	(129)	(15.6)	**877**

3. Amounts charged in arriving at operating profit

	2007 £m	2006 £m
Depreciation of property, plant and equipment	**182**	134
Amortisation of non-acquired intangible assets	**9**	6
(Profit) on disposal of property, plant and equipment and assets available for sale	**(27)**	(16)
Staff costs (note 10)	**2,226**	1,943
Amortisation of acquired intangible assets	**119**	48
Impairment of acquired intangibles	**5**	–
Operating lease rentals: land and buildings	**202**	168
Operating lease rentals: plant and machinery	**42**	20
Amounts included in costs of goods sold with respect to inventory	**11,312**	10,007
Amounts charged to write inventory down to net realisable value	**–**	32
Amounts credited to reverse write-downs of inventory	**(1)**	–
Trade receivables impairment	**54**	38
During the year the Group (including its overseas subsidiaries) obtained the following services from the Company's auditor and its associates:		
Fees for the audit of parent company and consolidated financial statements	**0.8**	0.8
Other services:		
– Fees for the audit of the Company's subsidiaries pursuant to legislation (see note below)	**5.5**	4.6
– Fees for other services pursuant to legislation	**0.1**	0.1
– Taxation	**3.9**	4.0
– Other services	**0.2**	0.1
Total fees payable to the auditors	**10.5**	9.6

Note: amounts include audit fees in relation to section 404 of the US Sarbanes-Oxley Act 2002.

4. Finance revenue

	2007 £m	2006 £m
Interest receivable	**58**	49

Net interest receivable on construction loans included in finance revenue and finance costs amounted to £11 million (2006: £12 million).

5. Finance costs

	2007 £m	2006 £m
Interest payable		
– Bank loans and overdrafts	**171**	110
– Finance lease charges	**5**	3
Net pension finance cost (note 27)	**2**	1
Valuation (gains)/losses on financial instruments		
– Derivatives held at fair value through profit and loss	**(2)**	27
– Loans in a fair value hedging relationship	**2**	(26)
– Recycled from equity	**(1)**	(1)
Total finance costs	**177**	114

6. Taxation

The tax charge for the year comprises:	2007 £m	2006 £m
Current year tax charge	**189**	230
Adjustments to tax charge in respect of prior years	**(15)**	(7)
Total current tax charge	**174**	223
Deferred tax (credit)/charge: origination and reversal of temporary differences	**(14)**	9
Total tax charge	**160**	232

Tax on items charged to equity:	2007 £m	2006 £m
Current tax charge on exchange movements offset in reserves	**–**	(7)
Deferred tax credit/(charge) on changes in the fair value of cash flow hedges	**1**	(4)
Deferred tax charge on actuarial gain on retirement benefits	**(20)**	(2)
Deferred tax credit on available-for-sale investments	**–**	2
Deferred tax credit/(charge) on share-based payments	**1**	(6)
Current tax credit on share-based payments	**1**	4
Total tax on items charged to equity	**(17)**	(13)

Tax reconciliation:	2007 %	2006 %
Statutory UK corporation tax rate	**30**	30
Prior year amounts	**(3)**	(1)
Non-deductible and non-taxable items	**(3)**	(6)
Change in tax rates	**(2)**	–
Higher average tax rates in overseas companies	**3**	5
Effective tax rate on profit excluding the effect of the amortisation and impairment of intangibles	**25**	28

The tax expense can be analysed as follows:	2007 £m	2006 £m
UK	**20**	18
Overseas	**154**	205
Current tax	**174**	223
UK	**2**	4
Overseas	**(16)**	5
Deferred tax	**(14)**	9

Notes to the consolidated financial statements

Year ended 31 July 2007

7. Dividends

	2007 £m	2006 £m
Final paid for the year ended 31 July 2006 of 19.55 pence per share (year ended 31 July 2005: 17.6 pence)	**128**	104
Interim paid for the year ended 31 July 2007 of 10.85 pence per share (year ended 31 July 2006: 9.85 pence)	**70**	58
Total 30.4 pence per share (2006: 27.45 pence)	**198**	162
Proposed final for the year ended 31 July 2007 of 21.55 pence per share (year ended 31 July 2006: 19.55 pence)	**141**	128

The final dividend will be authorised by the shareholders at the Annual General Meeting and is not included as a liability in these financial statements.

8. Earnings per share

Basic earnings per share of 73.52 pence (2006: 90.77 pence) is calculated on the profit for the year attributable to equity shareholders of £474 million (2006: £537 million) on a weighted average number of ordinary shares in issue during the year, excluding those held by Employee Benefit Trusts, of 644 million (2006: 592 million). As detailed in note 9 below, the Group believes that profit measures before the amortisation and impairment of acquired intangibles provide valuable additional information for users of the financial statements. Basic earnings per share, before the amortisation and impairment of acquired intangibles, has, therefore, been presented in the following table.

	2007	2006
Before amortisation and impairment of acquired intangibles	**87.80p**	98.90p
Add back: amortisation and impairment of acquired intangibles (net of deferred tax)	**(14.28)p**	(8.13)p
Basic earnings per share	**73.52p**	90.77p

The impact of all potentially dilutive share options on earnings per share would be to increase the weighted average number of shares in issue to 647 million (2006: 597 million) and therefore reduce basic earnings per share to 73.17 pence (2006: 90.02 pence). Diluted earnings per share before amortisation and impairment of acquired intangibles is 87.39 pence (2006: 98.08 pence).

9. Non-GAAP measures of performance

Trading profit is defined as operating profit before the amortisation and impairment of acquired intangibles and is a non-GAAP measure. The current businesses within the Group have arisen through internal organic growth and through acquisition. Operating profit includes only the amortisation and impairment of acquired intangibles arising on those businesses that have been acquired subsequent to 31 July 2004 and as such does not reflect equally the performance of businesses acquired prior to 31 July 2004 (where no amortisation of acquired intangibles was recognised), businesses that have developed organically (where no intangibles are attributed) and those businesses more recently acquired (where amortisation of acquired intangibles is charged). The Group believes that trading profit provides valuable additional information for users of the financial statements in assessing the Group's performance since it provides information on the performance of the business that local managers are more directly able to influence and on a basis consistent across the Group. The Group uses trading profit, and certain key performance indicators calculated by reference to trading profit, for planning, budgeting and reporting purposes and for its internal assessment of the operating performance of individual businesses within the Group.

	2007 £m	2006 £m
Operating profit	**753**	834
Add back: amortisation and impairment of acquired intangibles	**124**	48
Trading profit	**877**	882
Profit before tax	**634**	769
Add back: amortisation and impairment of acquired intangibles	**124**	48
Profit before tax and the amortisation and impairment of acquired intangibles	**758**	817

10. Employee information and Directors' remuneration

Employee benefit costs	**2007 £m**	2006 £m
Wages and salaries	**1,854**	1,630
Social security costs	**293**	249
Pension costs – Defined contribution schemes	**39**	28
Pension costs – Defined benefit schemes (note 27)	**20**	14
Share options granted to Directors and employees	**20**	22
Total employee benefit costs	**2,226**	1,943

Details of Directors' remuneration and share options are set out in the Remuneration report on pages 61 to 68, which form part of these financial statements. The aggregate emoluments for all key management are set out in note 36.

Average weekly number of employees	**2007**	2006
UK and Ireland	**15,895**	13,869
France	**10,016**	9,631
Nordic	**7,729**	–
Central and Eastern Europe	**3,703**	2,983
Europe	**37,343**	26,483
North America	**41,605**	38,740
Group	**78,948**	65,223

The average weekly number of Group and Europe head office employees is included in UK and Ireland in the above table.

11. Intangible assets: goodwill

	£m
Cost	
At 1 August 2006	1,173
Exchange rate adjustment	(44)
Additions	763
At 31 July 2007	1,892
Accumulated impairment losses	
At 1 August 2006	–
Exchange rate adjustment	–
Impairment charge for the year	2
At 31 July 2007	2
Net book amount at 31 July 2007	1,890

11. Intangible assets: goodwill continued

	£m
Cost	
At 1 August 2005	815
Exchange rate adjustment	(29)
Additions	387
At 31 July 2006	1,173
Accumulated impairment losses	
At 1 August 2005	–
Impairment charge for the year	–
At 31 July 2006	–
Net book amount at 31 July 2006	1,173

The carrying value of goodwill by segment is as follows:

	2007 £m	2006 £m
UK and Ireland	**417**	410
France	**162**	153
Nordic	**655**	–
Central and Eastern Europe	**69**	61
Europe	**1,303**	624
North America	**587**	549
Group	**1,890**	1,173

All goodwill has arisen from business combinations. On transition to IFRS, the balance of goodwill as measured under UK GAAP was allocated to cash generating units (CGUs). These are independent sources of income streams, and represent the lowest level within the Group at which the associated goodwill is monitored for management purposes, which may be at country, divisional, brand or regional level. Goodwill arising on business combinations after 1 August 2004 has been allocated to the CGUs that are expected to benefit from that business combination.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from value in use calculations. These calculations use cash flow projections based on five year financial forecasts approved by management. The key assumptions for these forecasts are those regarding revenue growth, net margin and the level of working capital required to support trading, which management estimates based on past experience and expectations of future changes in the market. To prepare value in use calculations, the cash flow forecasts are extrapolated after the five year period at an estimated average long-term nominal growth rate for each market (ranging from 1 to 4 per cent), and discounted back to present value. The key assumption is the discount rate, which uses an estimate of the Group's weighted average cost of capital, based on the three month historic volatility of Wolseley shares and on benchmark interest rates, adjusted for the risk attributable to individual CGUs. The pre-tax discount rate ranges from 11 to 14 per cent.

Impairment tests were performed for all CGUs during the year ended 31 July 2007.

At Stock Building Supply, the US building materials business, revenue and trading profit have been adversely affected by the depressed US housing market and lower lumber and structural panel prices. The Group has announced branch closures in the midwest region and recognised an impairment loss in the year ended 31 July 2007 in respect of this CGU of £2 million relating to goodwill and £3 million relating to other intangible assets.

12. Intangible assets: other

	Software £m	Trade names and brands £m	Customer relationships £m	Other £m	Total £m
Cost					
At 1 August 2006	53	39	295	12	399
Exchange rate adjustment	–	1	(22)	–	(21)
Additions	54	241	297	11	603
At 31 July 2007	107	281	570	23	981
Accumulated amortisation and impairment losses					
At 1 August 2006	14	5	42	5	66
Exchange rate adjustment	–	–	(5)	(1)	(6)
Amortisation charge for the year	9	19	96	4	128
Impairment charge for the year	–	–	3	–	3
At 31 July 2007	23	24	136	8	191
Net book amount at 31 July 2007	84	257	434	15	790

	Software £m	Trade names and brands £m	Customer relationships £m	Other £m	Total £m
Cost					
At 1 August 2005	40	14	87	7	148
Exchange rate adjustment	–	(1)	(12)	–	(13)
Additions	25	26	220	5	276
Disposals	(12)	–	–	–	(12)
At 31 July 2006	53	39	295	12	399
Accumulated amortisation					
At 1 August 2005	9	–	4	2	15
Exchange rate adjustment	(1)	–	(2)	–	(3)
Amortisation charge for the year	6	5	40	3	54
At 31 July 2006	14	5	42	5	66
Net book amount at 31 July 2006	39	34	253	7	333

Software assets are generally either purchases from third parties or internally generated. In 2007 a small amount of software (£4 million) was acquired with the DT Group. Other intangible assets arise on business combinations. Included in the amounts above are £60 million (2006: £28 million) relating to assets under construction.

Notes to the consolidated financial statements

Year ended 31 July 2007

13. Property, plant and equipment

	Land and buildings				
	Freehold £m	Finance lease £m	Operating leasehold improvements £m	Plant machinery equipment £m	Total £m
Cost					
At 1 August 2006	720	64	188	886	1,858
Exchange rate adjustment	(26)	–	(11)	(40)	(77)
New businesses	452	1	6	32	491
Additions	79	3	76	202	360
Disposals and transfers	(60)	(2)	14	(47)	(95)
Property reclassified as held for sale	(10)	–	–	–	(10)
At 31 July 2007	1,155	66	273	1,033	2,527
Accumulated depreciation					
At 1 August 2006	143	11	88	472	714
Exchange rate adjustment	(3)	–	(9)	(22)	(34)
Charge for the year					
– owned assets	27	–	20	119	166
– leased assets	–	3	–	13	16
Disposals and transfers	(14)	–	5	(43)	(52)
Property reclassified as held for sale	(1)	–	–	–	(1)
At 31 July 2007	152	14	104	539	809
Owned assets	1,003	–	169	452	1,624
Assets under finance leases	–	52	–	42	94
Net book amount – 31 July 2007	1,003	52	169	494	1,718
Net book amount – 1 August 2006	577	53	100	414	1,144

	Land and buildings				
	Freehold £m	Finance lease £m	Operating leasehold improvements £m	Plant machinery equipment £m	Total £m
Cost					
At 1 August 2005	619	56	146	717	1,538
Exchange rate adjustment	(17)	(1)	(10)	(29)	(57)
New businesses	46	1	6	46	99
Additions	104	8	48	205	365
Disposals and transfers	(25)	–	(2)	(53)	(80)
Property reclassified as held for sale	(7)	–	–	–	(7)
At 31 July 2006	720	64	188	886	1,858
Accumulated depreciation					
At 1 August 2005	131	11	81	432	655
Exchange rate adjustment	(3)	(1)	(3)	(15)	(22)
Charge for the year					
– owned assets	22	–	12	85	119
– leased assets	–	1	–	14	15
Disposals and transfers	(6)	–	(2)	(44)	(52)
Property reclassified as held for sale	(1)	–	–	–	(1)
At 31 July 2006	143	11	88	472	714
Owned assets	577	–	100	375	1,052
Assets under finance leases	–	53	–	39	92
Net book amount – 31 July 2006	577	53	100	414	1,144
Net book amount – 1 August 2005	488	45	65	285	883

Included in the amounts above are £90 million (2006: £89 million) relating to assets under construction. At 31 July 2007 £93 million of property, plant and equipment had been pledged as security for liabilities (2006: £92 million).

14. Financial assets: available-for-sale investments

	2007 £m	2006 £m
Financial assets	**12**	21

These assets comprise investments in listed and unlisted companies, tradeable government securities and fiduciary deposits. They are primarily equity securities that have no fixed maturity or yield.

15. Deferred tax assets and liabilities

The deferred tax assets and liabilities shown in the balance sheet are analysed as follows:

Deferred tax	2007 £m	2006 £m
Deferred tax assets	**9**	16
Deferred tax liabilities	**(275)**	(88)
	(266)	(72)
Current	**(66)**	(67)
Non-current	**(200)**	(5)
	(266)	(72)

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period:

	Goodwill and intangibles £m	Share-based payment £m	Properties £m	Retirement benefit obligations £m	Inventory £m	Other £m	Total £m
At 1 August 2005	(30)	26	(39)	73	(42)	5	(7)
Credit/(charge) to income	9	(7)	(2)	(1)	(15)	7	(9)
(Charge) to equity	–	(6)	–	(3)	–	(2)	(11)
Acquisition of subsidiaries	(45)	–	(5)	3	–	(4)	(51)
Currency translation adjustment	2	–	–	(1)	3	2	6
At 31 July 2006	(64)	13	(46)	71	(54)	8	(72)
Credit/(charge) to income	34	(2)	(4)	(8)	(21)	15	14
Credit/(charge) to equity	–	1	–	(20)	–	1	(18)
Acquisition of subsidiaries	(133)	–	(78)	–	8	12	(191)
Currency translation adjustment	2	(2)	–	(3)	5	(1)	1
At 31 July 2007	(161)	10	(128)	40	(62)	35	(266)

There are other potential deferred tax assets in relation to tax losses totalling £43 million (2006: £43 million) that have not been recognised on the basis that their future economic benefit is uncertain. All of these losses may be carried forward indefinitely.

No deferred tax liability has been recognised in respect of a further £650 million (2006: £459 million) of unremitted earnings of subsidiaries because the Group is in a position to control the timing of reversal of the associated temporary deferred tax differences and it is probable that such differences will not reverse in the foreseeable future.

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16. Inventories

	2007 £m	2006 £m
Goods purchased for resale	**2,069**	1,954

£11,312 million has been charged to operating profit in relation to inventories recognised as an expense in the year (2006: £10,007 million). In addition, an amount of £1 million has been credited to the income statement to reverse write-downs of inventories to net realisable value (2006: charge of £32 million).

17. Trade and other receivables

Current	2007 £m	2006 £m
Trade receivables	**2,457**	2,309
Less: provision for impairment	**(55)**	(41)
Net trade receivables	**2,402**	2,268
Other receivables	**122**	107
Prepayments and accrued income	**305**	275
	2,829	2,650

Non-current		
Other receivables	**91**	36

£54 million has been charged to operating profit in respect of impairment losses recognised in the year on receivables (2006: £38 million). Other receivables include an amount of £35 million (2006: £31 million) which has been discounted at a rate of 5.0% (2006: 5.2%) due to the long-term nature of the receivable. The fair value of the remaining balances in trade and other receivables approximates to book value.

Concentration of credit risk in trade receivables is limited as the Group's customer base is large and unrelated. Accordingly, management consider that there is no further credit risk provision required above the current provision for impairment.

18. Assets held for sale

	2007 £m	2006 £m
Properties awaiting disposal	**10**	7

19. Financial assets: trading investments

	2007 £m	2006 £m
US Life Assurance policies (denominated in US dollars)	**4**	4

These securities have no fixed maturity or yield.

20. Derivative financial instruments

Current assets	2007 £m	2006 £m
Interest rate swaps	**10**	10
Currency swaps: net investment hedge	**–**	–
Derivative financial assets	**10**	10

Current liabilities	2007 £m	2006 £m
Interest rate swaps	**(18)**	(27)
Currency swaps: net investment hedge	**–**	(2)
Derivative financial liabilities	**(18)**	(29)

Interest rate swaps

The Group uses interest rate swaps to manage its exposure to interest rate movements on its borrowings. The fair value of interest rate swaps is estimated on the basis of the market values of equivalent instruments at the balance sheet date.

The Group's bank borrowings generally attract variable interest rates based on six-month LIBOR. Certain interest rate swaps are designated and effective as cash flow hedges, with the valuation gains being deferred in equity until realised.

Hedge of interest rate cash flows	**2007 £m**	2006 £m
At 1 August	**8**	–
Valuation gains on effective hedges credited to equity	**–**	9
Valuation losses charged to income statement	**–**	(1)
Cash settlements in the period	**1**	–
At 31 July	**9**	8

The Group's private placement borrowings are at fixed rates. Certain interest rate swaps are designated as hedges of the fair values of these borrowings. The movement in fair value of these interest rate swaps has been analysed into a proportion that is effective as a hedge, and a proportion that is ineffective: both portions have been charged to the income statement with the effective portion offsetting the change in fair value of the hedged borrowings. The ineffective portion was less than £1 million.

Hedge of fair value of fixed interest borrowings	**2007 £m**	2006 £m
At 1 August	**(25)**	–
Valuation gains/(losses) charged to income statement	**2**	(26)
Cash settlements in the period	**4**	–
Exchange	**2**	1
At 31 July	**(17)**	(25)

Outstanding interest rate swap contracts at 31 July 2007 comprised fixed interest payable on notional principal of US$650 million and EUR 1,280 million (2006: US$650 million, €770 million and £7 million) and fixed interest receivable on notional principal of US$1,079 million (2006: US$1,079 million). The contracts expire between September 2007 and November 2020 (2006: September 2006 and November 2020), and the gains deferred in equity will reverse in the income statement over that period. The fixed interest rates vary between 2.313 and 5.415 per cent (2006: 2.313 and 5.415 per cent).

Currency swaps

The Group uses currency swaps either to obtain the optimum return on its surplus funds or to hedge cash flows in respect of committed transactions. The fair value of currency swaps has been estimated as the cost of closing out the contracts using market prices at the balance sheet date.

There were no currency swaps held at fair value through the income statement at 31 July 2007. At 31 July 2006 the Group had entered into certain short-term currency swaps amounting to assets of US$3 million and liabilities of £2 million which were held at fair value through the income statement.

At fair value through income statement	**2007 £m**	2006 £m
At 1 August	**–**	1
Transferred to 'net investment in overseas operations'	**–**	(1)
At 31 July	**–**	–

At the balance sheet date the Group had entered into certain short-term currency swaps amounting to assets of £98 million, US$150 million, DKK640 million and SEK16 million (2006: US$627 million, €222 million and CHF22 million) and liabilities of €172 million, CAD136 million and CHF127 million (2006: £419 million and CAD169 million) which were designated and effective as hedges of net investments in overseas operations. Valuation gains have been deferred in equity.

Hedge of net investment in overseas operations	**2007 £m**	2006 £m
At 1 August	**(2)**	(12)
Transferred from 'at fair value through income statement'	**–**	1
Cash settlements in the period	**–**	4
Valuation gains on effective hedges credited to equity	**2**	5
At 31 July	**–**	(2)

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Year ended 31 July 2007

21. Construction loans

	2007 £m	2006 £m
Construction loans receivable (secured)	**286**	313
Borrowings to finance construction loans (unsecured)	**(286)**	(313)
	–	–

Construction loans receivable, which are secured principally against homes in the course of construction or completed homes awaiting sale, are made to customers of Stock Building Supply Inc, and are all denominated in US dollars. These loans have an average maturity of nine months (2006: nine months). As at 31 July 2007, the effective rate of interest thereon was 9.89 per cent (2006: 8.85 per cent). The fair value of construction loans receivable and borrowings to finance construction loans approximates to book value.

22. Cash and cash equivalents

	2007 £m	2006 £m
Cash and cash equivalents	**238**	359
Short-term bank deposits	**6**	57
Total cash and cash equivalents	**244**	416

The effective interest rate as at 31 July 2007 on cash and cash equivalents was 3.3 per cent (2006: 2.1 per cent). The average maturity of short-term bank deposits was 12 weeks (2006: one week). The fair values of cash and cash equivalents approximate to book value due to their short maturities.

Cash and cash equivalents includes an amount of £24 million held in escrow to settle deferred consideration on acquisitions (2006: £5 million).

The currency analysis of cash and cash equivalents is as follows:	£m	£m
Sterling	**7**	104
US dollar	**164**	230
Euro	**27**	56
Other	**46**	26
Total	**244**	416

23. Trade and other payables

Current	2007 £m	2006 £m
Amounts falling due within one year:		
Trade payables	**1,974**	1,504
Bills of exchange payable	**196**	188
Other tax and social security	**78**	142
Other payables	**187**	148
Accruals	**350**	305
Deferred income	**11**	7
Total trade and other payables	**2,796**	2,294

Non-current		
Other payables	**63**	25

The fair value of other payables falling due after more than one year is estimated at £63 million (2006: £21 million). The fair value of other amounts included in trade and other payables approximates to book value.

24. Bank loans and overdrafts

Current	2007 £m	2006 £m
Bank overdrafts	**184**	124
Bank loans	**346**	68
Total bank loans and overdrafts	**530**	192

The fair values of current overdrafts and loans approximate to book value due to their short maturities.

The currency analysis of bank loans and overdrafts is as follows:	£m	£m
US dollar	**80**	65
Euro	**447**	116
Other currencies	**3**	11
Total	**530**	192

Non-current	2007 £m	2006 £m
Bank loans	**1,526**	1,465
Other loans	**–**	1
Senior unsecured notes	**571**	617
US Industrial Revenue Bonds	**–**	1
Total bank loans	**2,097**	2,084

The non-current loans are repayable as follows:	£m	£m
Due in one to two years	**157**	35
Due in two to five years	**1,377**	403
Due in over five years	**563**	1,646
Total	**2,097**	2,084

At 31 July 2007, £594 million of loans carried a fixed interest rate (2006: £651 million). The weighted average interest rate paid on fixed interest borrowings is 5.0 per cent (2006: 5.0 per cent). Interest receipts and payments on the floating rate assets and liabilities are determined by reference to short-term benchmark rates applicable to the relevant currency or market, such as LIBOR.

The fair value of fixed interest rate loans payable after one year is £590 million, compared to their book value of £594 million (2006: £621 million compared to their book value of £626 million). The floating rate loans payable after one year generally attract variable interest rates based on six-month LIBOR. Thus the fair value of these instruments approximates to their book value.

The Group's undrawn committed facilities amount to £1,204 million (2006: £780 million). Further details of these centrally managed facilities and the financial risk management activities of the Group are set out in the Performance review on pages 40 to 41.

The currency analysis of non-current loans is as follows:

Non-current	2007 £m	2006 £m
Sterling	**–**	136
US dollar	**727**	1,246
Euro	**1,095**	645
Other currencies	**275**	57
Total	**2,097**	2,084

The Group's financial assets and liabilities are exposed to both fair value interest rate risk (fixed rate borrowings) and cash flow interest rate risk (floating rate borrowings). The interest rate profiles of the financial assets and liabilities that comprised the Group's net debt at 31 July 2007 and 31 July 2006, after including the effect of interest rate swaps, are set out in the following tables.

24. Bank loans and overdrafts continued

Assets at 31 July 2007

Currency	Floating	Fixed	Currency swaps	Total	Weighted average fixed interest rate %	Weighted average time for which rate is fixed Years
Sterling	7	–	–	7	–	–
US dollar	454	–	–	454	–	–
Euro	37	–	–	37	–	–
Other currencies	46	–	–	46	–	–
Total	544	–	–	544		

Liabilities at 31 July 2007

Currency	Floating	Fixed	Currency swaps	Total	Weighted average fixed interest rate %	Weighted average time for which rate is fixed Years
Sterling	–	(6)	98	92	9.5	11.0
US dollar	(728)	(389)	74	(1,043)	5.0	1.8
Euro	(752)	(849)	(116)	(1,717)	3.9	2.1
Other currencies	(277)	(10)	(56)	(343)	5.8	3.3
Total	(1,757)	(1,254)	–	(3,011)		

Assets at 31 July 2006

Currency	Floating	Fixed	Currency swaps	Total	Weighted average fixed interest rate %	Weighted average time for which rate is fixed Years
Sterling	104	–	–	104	–	–
US dollar	550	–	–	550	–	–
Euro	63	–	–	63	–	–
Other currencies	26	–	–	26	–	–
Total	743	–	–	743		

Liabilities at 31 July 2006

Currency	Floating	Fixed	Currency swaps	Total	Weighted average fixed interest rate %	Weighted average time for which rate is fixed Years
Sterling	(135)	(5)	(419)	(559)	9.5	10.0
US dollar	(1,255)	(423)	336	(1,342)	5.0	2.9
Euro	(235)	(563)	152	(646)	3.0	2.0
Other currencies	(43)	(32)	(71)	(146)	5.6	4.4
Total	(1,668)	(1,023)	(2)	(2,693)		

Hedge of net investment in overseas operations

The Group has financial instruments denominated in foreign currencies which have been designated as hedges of the net investment in its subsidiaries in Europe and North America. The value of these financial instruments at the balance sheet date was:

	2007 £m	2006 £m
US dollar	**667**	926
Euro	**1,187**	611
Other currencies	**115**	112
Total	**1,969**	1,649

The gain on translation of the borrowings into sterling of £97 million (2006: gain of £58 million) has been taken to the translation reserve.

25. Obligations under finance leases

	Gross 2007 £m	Gross 2006 £m	**Net 2007 £m**	Net 2006 £m
Due within one year	**23**	24	**17**	18
Due in one to five years	**57**	50	**41**	37
Due in over five years	**27**	28	**22**	20
	107	102	**80**	75
Less: future finance charges	**(27)**	(27)		
Present value of finance lease obligations	**80**	75		
Current			**17**	18
Non-current			**63**	57
Total obligations under finance leases			**80**	75

It is the Group's policy to lease certain of its property, plant and equipment under finance leases. The average lease term is seven years (2006: seven years). For the year ended 31 July 2007, the average effective borrowing rate was 5.3 per cent (2006: 4.7 per cent). Finance lease obligations included above are secured against the assets concerned.

The currency analysis of the present value of finance lease obligations is as follows:

	Net 2007 £m	Net 2006 £m
Sterling	**5**	5
US dollar	**24**	26
Euro	**42**	37
Other	**9**	7
	80	75

26. Provisions

	Environmental and legal £m	Wolseley Insurance £m	Restructuring £m	Other provisions £m	Total £m
At 1 August 2005	33	35	–	17	85
Utilised in the year	–	(9)	(1)	(2)	(12)
Charge for the year	6	23	2	4	35
Transfers	1	–	1	(5)	(3)
New businesses	1	–	–	4	5
Exchange differences	(2)	(2)	–	–	(4)
At 31 July 2006	39	47	2	18	106
Utilised in the year	(4)	(16)	(5)	(3)	(28)
Charge for the year	9	20	18	–	47
New businesses	2	–	–	8	10
Exchange differences	(4)	(3)	–	2	(5)
At 31 July 2007	42	48	15	25	130

26. Provisions continued

Provisions have been analysed between current and non-current as follows:

At 31 July 2007	Environmental and legal £m	Wolseley Insurance £m	Restructuring £m	Other provisions £m	Total £m
Current	4	15	10	2	31
Non-current	38	33	5	23	99
Total provisions	42	48	15	25	130

At 31 July 2006	Environmental and legal £m	Wolseley Insurance £m	Restructuring £m	Other provisions £m	Total £m
Current	8	13	2	6	29
Non-current	31	34	–	12	77
Total provisions	39	47	2	18	106

Wolseley Insurance provisions represent an estimate, based on historical experience, of the ultimate cost of settling outstanding claims and claims incurred but not reported on certain risks retained by the Group (principally US casualty and global property damage).

Environmental and legal liabilities include known and potential legal claims and environmental liabilities arising from past events where it is probable that a payment will be made and the amount of such payment can be reasonably estimated. Included in this provision is an amount of £35 million (2006: £31 million) related to asbestos litigation involving certain Group companies. This liability is fully covered by insurance and accordingly an equivalent insurance receivable has been recorded in 'Other receivables' (note 17). The liability has been actuarially determined as at 31 July 2007 based on advice from independent professional advisors. The provision and the related receivable have been stated on a discounted basis using a long-term discount rate of 5.0 per cent (2006: 5.2 per cent). The level of insurance cover available significantly exceeds the expected level of future claims and no profit or cash flow impact is therefore expected to arise in the foreseeable future.

Restructuring provisions mainly relate to branch closure programmes at Stock Building Supply, the US building materials business, and at Wolseley UK. The majority of these obligations fall due within one year.

Other provisions relate to rental commitments on vacant properties, dilapidations on leased properties and warranties. The weighted average maturity of these obligations is approximately five years.

27. Retirement benefit obligations

(i) Description of schemes

United Kingdom
The principal scheme operated for UK employees is the Wolseley Group Retirement Benefits Plan which provides benefits based on final pensionable salaries. The assets are held in separate trustee administered funds. The scheme's retirement benefits are funded by a contribution from employees with the balance being paid by Group companies. The contribution rates paid by employees at 31 July 2007 are either 5 per cent or 8 per cent of earnings depending on the level of benefits that were accruing at that date. The Group and employee contribution rates are calculated on the Projected Unit Method and agreed with an independent consulting actuary.

Outside the United Kingdom
North America
The principal scheme operated for US employees are defined contribution schemes, which are established in accordance with US 401k rules. Companies contribute to both employee compensation deferral and profit sharing schemes. Contributions are charged to the income statement in the period in which they fall due. In the year to 31 July 2007 the cost of defined contribution schemes charged to the income statement was £24 million (2006: £23 million).

In addition, the Group operates three defined benefit schemes in the United States. In Canada a defined benefit scheme and a defined contribution scheme are operated. Two of the US schemes and the Canadian scheme are funded; two schemes are closed to new entrants. The majority of assets are held in trustee administered funds independent of the assets of the companies. The closed schemes now provide a minimum pension guarantee in conjunction with a defined contribution scheme. The remaining schemes provide benefits based on final pensionable salaries. The contribution rate is calculated on the Projected Unit (credit) Method as agreed with independent consulting actuaries.

Europe
Both defined contribution and defined benefit schemes are operated. Liabilities arising under defined benefit schemes are calculated in accordance with actuarial advice. Contributions to defined contribution schemes are accounted for in the period in which they fall due. The cost of defined contribution schemes charged to the income statement was £15 million (2006: £5 million).

Post-retirement healthcare
There are no material obligations to provide post-retirement healthcare benefits.

The Group expects to contribute £26 million to the UK defined benefit scheme in the year ending 31 July 2008 and £8 million to the non-UK defined benefit schemes.

(ii) Financial impact of plans

As disclosed in the balance sheet	**2007 £m**	2006 £m
Current liability	**(24)**	(29)
Non-current liability	**(87)**	(160)
Total liability	**(111)**	(189)

Analysis of balance sheet liability	**2007 £m**	**2007 £m**	2006 £m	2006 £m
Fair value of plan assets:				
UK	**588**		501	
Non-UK	**123**		112	
		711		613
Present value of defined benefit obligation:				
UK	**(630)**		(619)	
Non-UK	**(188)**		(182)	
		(818)		(801)
Net deficit		**(107)**		(188)
Unrecognised past service cost		**–**		1
Unrecognised surplus		**(4)**		(2)
Net liability recognised in balance sheet		**(111)**		(189)

Analysis of total expense recognised in income statement	**2007 £m**	2006 £m
Current service cost	**23**	19
Past service cost	**2**	1
Curtailment	**(5)**	(1)
Settlement	**–**	(5)
Charged to administrative expenses	**20**	14
Interest on pension liabilities	**41**	36
Expected return on scheme assets	**(39)**	(35)
Charged to finance costs	**2**	1
Total expense recognised in income statement	**22**	15

Analysis of amount recognised in the statement of recognised income and expense	**2007 £m**	2006 £m
Actuarial gain	**72**	8
Unrecognised past service cost	**–**	1
Unrecognised surplus	**(2)**	(2)
	70	7
Deferred tax thereon	**(20)**	(2)
Total amount recognised in the statement of recognised income and expense	**50**	5

The cumulative amount of actuarial gains recognised in the statement of recognised income and expense was a gain of £73 million (2006: gain of £3 million).

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27. Retirement benefit obligations continued

The assets in the UK schemes and the expected rates of return were:

	2007 UK		2006 UK	
	Long-term rate of return expected at 31 July 2007	**Value at 31 July 2007 £m**	Long-term rate of return expected at 31 July 2006	Value at 31 July 2006 £m
Equities	**7.9%**	**410**	7.4%	344
Bonds	**4.7%**	**178**	4.2%	154
Other	**–**	**–**	5.0%	3
Total market value of assets	**7.0%**	**588**	6.5%	501

The assets in the non-UK schemes and the expected rates of return were:

	2007 Non-UK		2006 Non-UK	
	Long-term rate of return expected at 31 July 2007	**Value at 31 July 2007 £m**	Long-term rate of return expected at 31 July 2006	Value at 31 July 2006 £m
Equities	**7.8%**	**61**	8.0%	59
Bonds	**5.5%**	**48**	5.1%	39
Property	**5.3%**	**9**	5.3%	9
Other	**3.0%**	**5**	3.0%	5
Total market value of assets	**6.6%**	**123**	6.6%	112

Fair value of plan assets	**UK 2007 £m**	**Non-UK 2007 £m**	**Total 2007 £m**	UK 2006 £m	Non-UK 2006 £m	Total 2006 £m
At 1 August	**501**	**112**	**613**	404	105	509
Expected return on plan assets	**32**	**7**	**39**	28	7	35
Actuarial gain	**40**	**5**	**45**	36	–	36
Employer's contributions	**27**	**18**	**45**	24	6	30
Participants' contributions	**9**	**1**	**10**	8	1	9
Acquisition	**–**	**3**	**3**	17	–	17
Transfers	**–**	**–**	**–**	–	1	1
Benefits paid	**(21)**	**(18)**	**(39)**	(16)	(6)	(22)
Currency translation	**–**	**(5)**	**(5)**	–	(2)	(2)
At 31 July	**588**	**123**	**711**	501	112	613
Actual return on plan assets	**72**	**12**	**84**	64	7	71

The expected long-term rates of return for equities have been determined by reference to government bond rates (minimum risk rates) in the countries in which the schemes are based. To reflect the additional risks associated with equities, expected long-term rates of return on equities include a risk premium. These risk premiums are long-term assumptions and were set after taking actuarial advice and considering the assumptions used by listed companies. The expected long-term rates of return for other assets are determined in a similar way, i.e. by using an appropriate risk premium relative to government bonds in the relevant country. For the principal UK scheme a premium of 3.0 per cent per year as at 31 July 2007 (2006: 3.0 per cent) was applied to the expected return from government bonds. For the principal overseas schemes in USA, Canada and Switzerland a similar approach was adopted with returns set by reference to long-term bond rates after taking actuarial advice.

The Group's investment strategy for its funded post employment schemes is decided locally by the Group and, if relevant, the trustees of the schemes, and takes account of relevant statutory requirements. The Group's objective for investment strategy is to achieve a target rate of return in excess of the increase in liabilities, while taking an acceptable amount of investment risk relative to liabilities.

This objective is implemented by using specific allocations to a variety of asset classes that are expected over the long-term to deliver the target rate of return. Most investment strategies have significant allocations to equities, with the intention being that this will result in the ongoing cost to the Group of the post employment schemes being lower over the long-term and be within acceptable boundaries of risk.

For the principal UK scheme the policy is to invest approximately 75 per cent of the assets in equities, and 25 per cent in other asset classes, principally bonds. The investment strategy is subject to regular review by the scheme trustees in consultation with the Group. For the overseas schemes the investment strategy involves the investment in defined levels of predominantly equities with the remainder of the assets being invested in cash and bonds.

Present value of defined benefit obligation	**UK 2007 £m**	**Non-UK 2007 £m**	**Total 2007 £m**	UK 2006 £m	Non-UK 2006 £m	Total 2006 £m
At 1 August	**619**	**182**	**801**	527	180	707
Current service cost	**18**	**5**	**23**	14	5	19
Past service cost	**–**	**2**	**2**	–	1	1
Curtailment and settlement	**–**	**(5)**	**(5)**	–	(6)	(6)
Interest cost	**32**	**9**	**41**	26	10	36
Participants' contributions	**9**	**1**	**10**	8	1	9
Acquisitions	**–**	**19**	**19**	28	–	28
Benefits paid	**(21)**	**(18)**	**(39)**	(16)	(6)	(22)
Transfers	**–**	**–**	**–**	–	5	5
Actuarial (gain)/loss	**(27)**	**–**	**(27)**	32	(4)	28
Currency translation	**–**	**(7)**	**(7)**	–	(4)	(4)
At 31 July	**630**	**188**	**818**	619	182	801

Analysis of present value of defined benefit obligation	**2007 £m**	2006 £m
Amounts arising from wholly unfunded plans	**54**	57
Amounts arising from plans that are wholly or partly funded	**764**	744
	818	801

(iii) Valuation assumptions

The financial assumptions used to estimate defined benefit obligations are:

	2007		2006	
	UK	**Non-UK**	UK	Non-UK
Discount rate	**5.7%**	**5.2%**	5.1%	5.1%
Inflation rate	**3.3%**	**2.0%**	3.1%	1.4%
Increase to deferred benefits during deferment	**3.3%**	**2.4%**	3.1%	2.2%
Increases to pensions in payment	**3.2%**	**2.2%**	3.0%	1.5%
Salary increases	**4.3%**	**3.2%**	4.6%	2.4%

The life expectancy assumptions used to estimate defined benefit obligations at 31 July 2007 are:

	2007		2006	
	UK	**Non-UK**	UK	Non-UK
Current pensioners (at age 65) – male	**20.1**	**20.6**	19.0	18.3
Current pensioners (at age 65) – female	**22.8**	**22.4**	21.9	20.9
Future pensioners (at age 65) – male	**20.8**	**19.3**	19.8	17.9
Future pensioners (at age 65) – female	**23.5**	**21.3**	22.8	20.4

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27. Retirement benefit obligations continued

History of experience gains and losses – UK schemes	**2007 £m**	2006 £m	2005 £m
Fair value of plan assets	**588**	501	404
Present value of defined benefit obligation	**(630)**	(619)	(527)
Deficit in the plan	**(42)**	(118)	(123)
Experience adjustments to scheme assets			
Amount	**40**	36	46
Percentage of scheme assets	**7%**	7%	11%
Experience adjustments on scheme liabilities			
Amount	**(8)**	–	–
Percentage of the present value of scheme liabilities	**1%**	–	–

History of experience gains and losses – non-UK schemes	**2007 £m**	2006 £m	2005 £m
Fair value of plan assets	**123**	112	105
Present value of defined benefit obligation	**(188)**	(182)	(180)
Deficit in the plan	**(65)**	(70)	(75)
Experience adjustments to scheme assets			
Amount	**(5)**	–	4
Percentage of scheme assets	**4%**	–	4%
Experience adjustments on scheme liabilities			
Amount	**3**	(2)	–
Percentage of the present value of scheme liabilities	**2%**	1%	–

28. Share capital

	Authorised		**Allotted and issued**	
	2007	2006	**2007**	2006
Number of ordinary 25 pence shares (million)	**800**	800	**661**	598
Nominal value of ordinary 25 pence shares (£ million)	**200**	200	**165**	149

All the allotted and issued shares, including those held by Employee Benefit Trusts, are fully paid or credited as fully paid.

Allotment of shares

From 1 August 2006 to 31 July 2007, new ordinary shares of 25 pence each in the Company have been issued as follows:

Allottees	Number of shares	Price per share (p)	Proceeds to the Group £m	Purpose of issue
Various	1,042,578	251 – 1,236	9	Exercise of savings-related share options
Various	2,926,430	349 – 1,185	18	Exercise of executive share options
Various	59,500,000	1,100	646	Share placing on 25 September 2006
	63,469,008		673	

Further details on the share placing on 25 September 2006 can be found on pages 40 and 52 of this Report.

Limits on grant of options

The maximum number of shares over which options may be granted (but excluding any which lapse) under all share option schemes and the stock appreciation plan in any ten year period is 10% of the issued share capital from time to time. The number of shares over which options may be granted under all such schemes as at 31 July 2007 was 66,116,522 (2006: 59,769,622), of which 22,694,685 (2006: 20,632,264) have already been issued pursuant to options exercised in the ten year period ended on 31 July 2007.

The maximum number of shares over which options may be granted (but excluding any which lapse) under the rules of the executive share option schemes in any ten year period is 5% of the issued share capital from time to time. The number of shares over which options may be granted as at 31 July 2007 was 33,058,261 (2006: 29,884,811), of which 18,861,366 (2006: 6,181,529) have already been issued pursuant to options exercised on or before 31 July 2007.

Employee Benefit Trusts
Three Employee Benefit Trusts have been established in connection with the Wolseley Share Option Plan 2003 and the Wolseley plc 2002 Long Term Incentive Scheme. During the year, one of these trusts purchased 2,188,522 ordinary shares of the Company, with a nominal value of £1 million, for a cash consideration of £27 million. The market value of the 6,200,000 shares held by the employee benefit trusts at 31 July 2007, which have a nominal value of £2 million, was £67 million (2006: £46 million) and none of them had been allocated to employees or Directors at that date. Dividends due on shares held by the Employee Benefit Trusts are waived in accordance with the provisions of the trust deeds.

29. Share-based payments

The Group operates seven share option plans: the 1984 Executive Share Option Scheme, the 1989 Executive Share Option Scheme and the Wolseley Share Option Plan 2003 (collectively, the 'Executive Option Schemes'); the Wolseley Employees Savings Related Share Option Scheme 1981, the Wolseley Irish Sharesave Scheme 2000 and the Wolseley European Sharesave Plan 2001 (collectively, the 'Employees Savings Option Schemes'); and the Wolseley Employee Share Purchase Plan 2001 (the 'ESPP'). The Wolseley Employees International Stock Appreciation Plan (the 'SAP') expired during the year ended 31 July 2006.

Awards granted under the Executive Option Schemes are subject to a condition such that they may not be exercised unless the growth in earnings per share over a period of three consecutive financial years exceeds growth in the UK Retail Price Index over the same period by at least 9 per cent and consequently vest over a period of three years. Awards granted under the Employee Savings Option Schemes vest over periods ranging from three to seven years. Awards granted under the Employee Share Purchase Plan vest over a one year period. Awards granted under the SAP vested over a period of five years.

The Group also operates a Long Term Incentive Scheme ('LTIS') and the Wolseley Restricted Share Plan ('RSP') for senior executives. Under the LTIS, executives will be awarded a variable number of shares depending on the level of total shareholder return over the next three years relative to that of a number of comparator companies. The vesting period is three years. The maximum award under the scheme is determined at grant date, and then adjusted at vesting date in accordance with the market performance condition. Under the RSP, executives are granted free shares. The vesting period is three years and there are no performance measures.

Share options outstanding during the year

	Year ended 31 July			
	2007	**2007**	2006	2006
	Shares 000's	**Weighted average exercise price £**	Shares 000's	Weighted average exercise price £
Executive Option Schemes				
Outstanding as at 1 August	**14,582**	**8.83**	11,809	7.22
Granted	**5,461**	**11.97**	4,588	11.87
Exercised	**(2,938)**	**6.54**	(1,358)	5.09
Surrendered or expired	**(433)**	**10.22**	(457)	8.89
Outstanding as at 31 July	**16,672**	**10.23**	14,582	8.83
Exercisable as at 31 July	**3,155**	**6.06**	3,172	5.10
Weighted average fair value of options granted during the year		**2.93**		3.97
Employees Savings Option Schemes, ESPP and SAP				
Outstanding as at 1 August	**3,678**	**8.53**	8,129	6.38
Granted	**2,048**	**10.11**	1,521	12.01
Exercised	**(1,043)**	**8.27**	(2,725)	3.80
Surrendered or expired	**(850)**	**10.08**	(3,247)	8.75
Outstanding as at 31 July	**3,833**	**9.10**	3,678	8.53
Exercisable as at 31 July	**68**	**6.99**	88	4.44
Weighted average fair value of options granted during the year		**3.25**		3.83

The weighted average share price at the date of exercise for share options exercised during the period was £12.81 (2006: £12.67). The total intrinsic value of options exercised during the period was £23 million (2006: £22 million). The aggregate intrinsic value of options outstanding and exercisable at 31 July 2007 was £28 million and £15 million respectively (2006: £48 million and £21 million).

29. Share-based payments continued

Maximum number of shares that can be issued under the LTIS and RSP

	Year ended 31 July			
	2007	**2007**	2006	2006
	Shares 000's	**Share price at award date £**	Shares 000's	Share price at award date £
Outstanding as at 1 August	**1,322**	**10.39**	604	9.27
Granted	**955**	**12.70**	730	11.29
Surrendered or expired	**(88)**	**10.93**	(12)	9.25
Outstanding as at 31 July	**2,189**	**11.38**	1,322	10.39
Exercisable as at 31 July	**–**	**–**	–	–
Weighted average fair value of shares awarded		**4.32**		3.99

Details of options exercisable

Options outstanding and exercisable at 31 July 2007 under the Executive Option Schemes, the Employees Saving Option Schemes and ESPP can be analysed as follows:

	Options outstanding			Options exercisable		
Range of exercise prices	Shares 000's	Weighted average remaining contractual life Years	Weighted average exercise price £	Shares 000's	Weighted average remaining contractual life Years	Weighted average exercise price £
£2.51 – £3.50	154	2.2	3.43	94	3.2	3.48
£3.51 – £4.50	477	1.1	4.09	68	1.7	3.94
£4.51 – £5.50	1,594	4.6	5.08	1,594	4.6	5.08
£5.51 – £6.50	47	1.5	5.62	6	0.3	5.62
£6.51 – £7.50	1,960	5.7	7.32	1,441	6.2	7.41
£7.51 – £8.50	–	–	–	–	–	–
£8.51 – £9.50	4,076	6.6	9.41	10	0.7	8.81
£9.51 – £10.50	2,021	2.7	10.14	4	2.7	9.77
£10.51 – £11.50	50	7.6	11.00	–	–	–
£11.51 – £12.50	10,015	8.5	11.92	6	1.7	11.64
£12.51 – £13.50	111	8.5	12.81	–	–	–
	20,505	6.7	10.02	3,223	5.3	6.08

The fair value at the date of grant of options awarded during the year has been estimated by the binomial methodology for all schemes except the LTIS, for which a Monte Carlo simulation was used. The fair value of shares granted under the RSP was calculated as the market price of the shares at the date of grant reduced by the present value of dividends expected to be paid over the vesting period.

The principal assumptions required by these methodologies were:

	Executive Share Options		**Employee Share Options**		**Long Term Incentive Schemes**	
	2007	2006	**2007**	2006	**2007**	2006
Risk-free interest rate	**4.78%**	4.45%	**5.34%**	4.52%	**4.98%**	4.40%
Expected annual increase in dividends*	**10%**	10%	**10%**	10%	**–**	–
Expected dividend yield	**–**	–	**–**	–	**2.6%**	2.75%
Expected volatility	**27.07%**	39.00%	**24.94%**	31.06%	**22.00%**	20.58%
Expected life	**5.7 years**	5.7 years	**1-7 years**	1-7 years	**3 years**	3 years

*The initial assumption was for 2007 interim and final dividends of 10.84 pence and 21.51 pence respectively (2006: 9.68 pence and 19.36 pence respectively).

Expected volatility has been estimated on the basis of historic volatility over the expected term. Expected life has been estimated on the basis of historical data on the exercise pattern.

30. Shareholders' funds and statement of changes in shareholders' equity

For the year ended 31 July 2007	Share capital £m	Share premium £m	Translation reserve £m	Retained earnings: Hedging reserve £m	Retained earnings: Own shares £m	Retained earnings: Profit and loss account £m	Total £m
Profit for the year attributable to equity shareholders	–	–	–	–	–	474	474
Exchange loss on translation of overseas operations	–	–	(229)	–	–	–	(229)
Exchange gain on translation of borrowings designated as hedges of overseas operations	–	–	97	–	–	–	97
Valuation loss on interest rate swaps (less amounts reclassified and reported in net income)	–	–	–	(1)	–	–	(1)
Valuation gain on currency swaps	–	–	–	2	–	–	2
Actuarial gain on retirement benefits	–	–	–	–	–	70	70
Change in fair value of available-for-sale-investments	–	–	–	–	–	(5)	(5)
Tax charge not recognised in the income statement	–	–	–	1	–	(18)	(17)
Total recognised income and expense	–	–	(132)	2	–	521	391
New share capital subscribed	16	657	–	–	–	–	673
Purchase of own shares by Employee Benefit Trust	–	–	–	–	(27)	–	(27)
Credit to equity for share-based payments	–	–	–	–	–	20	20
Dividends	–	–	–	–	–	(198)	(198)
Net additions to shareholders' funds	16	657	(132)	2	(27)	343	859
Opening shareholders' funds	149	288	(49)	1	(46)	2,249	2,592
Closing shareholders' funds	165	945	(181)	3	(73)	2,592	3,451

For the year ended 31 July 2006	Share capital £m	Share premium £m	Translation reserve £m	Retained earnings: Hedging reserve £m	Retained earnings: Own shares £m	Retained earnings: Profit and loss account £m	Total £m
Profit for the year attributable to equity shareholders	–	–	–	–	–	537	537
Exchange loss on translation of overseas operations	–	–	(182)	–	–	–	(182)
Exchange gain on translation of borrowings designated as hedges of overseas operations	–	–	58	–	–	–	58
Valuation gain on interest rate swaps (less amounts reclassified and reported in net income)	–	–	–	8	–	–	8
Valuation gain on currency swaps	–	–	–	5	–	–	5
Actuarial gain on retirement benefits	–	–	–	–	–	7	7
Change in fair value of available-for-sale-investments	–	–	–	–	–	(7)	(7)
Tax charge not recognised in the income statement	–	–	(7)	(4)	–	(2)	(13)
Total recognised income and expense	–	–	(131)	9	–	535	413
New share capital subscribed	1	30	–	–	–	–	31
Premium on share options issued through share symmetry arrangements	–	17	–	–	–	(17)	–
Purchase of own shares by Employee Benefit Trust	–	–	–	–	(27)	–	(27)
Credit to equity for share-based payments	–	–	–	–	–	36	36
Dividends	–	–	–	–	–	(162)	(162)
Net additions to shareholders' funds	1	47	(131)	9	(27)	392	291
Opening shareholders' funds	148	241	82	(8)	(19)	1,857	2,301
Closing shareholders' funds	149	288	(49)	1	(46)	2,249	2,592

A 'share symmetry arrangement' is an option scheme under which options are granted to an employee benefit trust, which exercises them on behalf of employees. When rights vested under the stock appreciation plans, the parent company issued shares to the trust, which then sold them in the market. From the Group's point of view, shareholders' equity only increased by the proportion of the sale proceeds attributable to the original exercise price of the award, while the trust remitted the remaining amount to employees. The parent company, however, is required by the UK Companies Act to credit the full issue proceeds to share capital and share premium account, and consequently the proportion of the issue proceeds remitted to employees is accounted for as a capitalisation of distributable reserves.

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31. Acquisitions

A list of businesses acquired during the year, and the month of acquisition, is set out on page 126. All these businesses are engaged in the distribution of construction materials. In all these acquisitions, the Group acquired 100 per cent of the issued share capital, and has accounted for the transaction by the purchase method of accounting.

	DT Group			Other acquisitions			Total
	Book values acquired £m	Fair value alignments £m	Provisional fair values acquired £m	Book values acquired £m	Fair value alignments £m	Provisional fair values acquired £m	Provisional fair values acquired £m
Intangible fixed assets							
– Customer relationships	–	181	181	–	116	116	297
– Trade names and brands	–	220	220	–	21	21	241
– Software	–	4	4	–	–	–	4
– Other	–	–	–	–	11	11	11
Property, plant and equipment	240	228	468	23	-	23	491
Inventories	226	(25)	201	90	(2)	88	289
Receivables	233	(1)	232	116	(3)	113	345
Cash, cash equivalents and bank overdrafts	4	–	4	11	–	11	15
Borrowings	(327)	–	(327)	(42)	–	(42)	(369)
Finance leases	(4)	–	(4)	–	–	–	(4)
Payables	(399)	(2)	(401)	(93)	(12)	(105)	(506)
Deferred tax	(16)	(167)	(183)	–	(8)	(8)	(191)
Retirement benefit obligations	(15)	(1)	(16)	–	–	–	(16)
Provisions	–	(9)	(9)	(1)	–	(1)	(10)
Total	(58)	428	370	104	123	227	597
Goodwill arising			642			121	763
Consideration			1,012			348	1,360
Satisfied by:							
Cash			1,007			307	1,314
Deferred consideration			–			24	24
Contingent consideration			–			13	13
Directly attributable costs			5			4	9
Total consideration			1,012			348	1,360

The fair value adjustments shown above for the year ended 31 July 2007 are provisional figures, being the best estimates currently available. Further adjustments to goodwill may be necessary when additional information is available concerning some of the judgmental areas.

The goodwill arising on these acquisitions is attributable to the anticipated profitability of the new markets and product ranges to which the Group has gained access, and to additional profitability and operating efficiencies in respect of existing markets.

The acquisitions contributed £2,067 million to revenue, £132 million to trading profit and £80 million to the Group's operating profit for the period between the date of acquisition and the balance sheet date. It is not practicable to disclose profit before tax, as the Group manages its borrowings as a portfolio and cannot attribute an effective borrowing rate to an individual acquisition. It is not practicable to disclose profit attributable to equity shareholders, as the complexity of the Group's tax arrangements is such that it cannot attribute an effective tax rate to an individual acquisition.

If each acquisition had been completed on the first day of the financial year, Group revenue would have been £16,774 million and Group trading profit would have been £930 million. It is not practicable to disclose profit before tax or profit attributable to equity shareholders, as stated above. It is not practicable to disclose operating profit as the Group cannot estimate the amount of intangible assets that would have been acquired at a date other than the acquisition date.

32. Analysis of the net outflow of cash in respect of the purchase of businesses

	2007 £m	2006 £m
Purchase consideration (note 31)	**1,360**	843
Deferred and contingent consideration (net of payments in the year)	**1**	(16)
Cash consideration	**1,361**	827
Cash, cash equivalents and bank overdrafts acquired	**(15)**	(5)
Net cash outflow in respect of the purchase of businesses	**1,346**	822

33. Disposals

The Group made no disposals of operations in the year ended 31 July 2007. £2 million of deferred consideration was received in 2006 in respect of a disposal in the year ended 31 July 2005.

34. Reconciliation of profit for the year to net cash inflow from operating activities

	2007 £m	2006 £m
Profit for the year	**474**	537
Net finance costs	**119**	65
Tax expense	**160**	232
Depreciation of property, plant and equipment	**182**	134
Amortisation of non-acquired intangibles	**9**	6
Profit on disposal of property, plant and equipment	**(27)**	(16)
Amortisation and impairment of acquired intangibles	**124**	48
Decrease/(increase) in inventories	**88**	(171)
Decrease/(increase) in trade and other receivables	**4**	(243)
Increase in trade and other payables	**149**	217
(Decrease)/increase in provisions and other liabilities	**(3)**	19
Share-based payments and other non-cash items	**20**	22
Cash generated from operations	**1,299**	850

35. Reconciliation of opening to closing net debt

For the year ended 31 July 2007	At 1 August £m	Cash flows £m	Acquisitions £m	New finance leases £m	Fair value adjustments £m	Exchange movement £m	At 31 July £m
Cash and cash equivalents	416	(154)	–	–	–	(18)	244
Bank overdrafts	(124)	(66)	–	–	–	6	(184)
	292	(220)	–	–	–	(12)	60
Financial assets: trading investments	4	–	–	–	–	–	4
Derivative financial instruments	(19)	5	–	–	4	2	(8)
Bank loans	(2,152)	(14)	(369)	–	(2)	94	(2,443)
Obligations under finance leases	(75)	12	(4)	(15)	-	2	(80)
	(1,950)	(217)	(373)	(15)	2	86	(2,467)

For the year ended 31 July 2006	At 1 August £m	Cash flows £m	Acquisitions £m	New finance leases £m	Fair value adjustments £m	Exchange movement £m	At 31 July £m
Cash and cash equivalents	381	52	–	–	–	(17)	416
Bank overdrafts	(437)	304	–	–	–	9	(124)
	(56)	356	–	–	–	(8)	292
Financial assets: trading investments	5	–	–	–	–	(1)	4
Derivative financial instruments	(11)	4	–	–	(13)	1	(19)
Bank loans	(1,047)	(1,085)	(74)	–	26	28	(2,152)
Obligations under finance leases	(62)	17	(2)	(30)	–	2	(75)
	(1,171)	(708)	(76)	(30)	13	22	(1,950)

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36. Related party transactions

There are no related party transactions requiring disclosure under IAS 24, Related Party Disclosures other than the compensation of key management personnel which is set out in the following table.

Key management personal compensation (including Directors)	**2007 £m**	2006 £m
Salaries, bonuses and other short-term employee benefits	**6**	9
Termination and post-employment benefits	**1**	1
Share-based payments	**2**	4
Total compensation	**9**	14

More detailed disclosures on the remuneration of the Directors are provided in the Remuneration report on pages 61 to 68.

37. Capital commitments

Authorised capital expenditure which was contracted for but not provided in these accounts was as follows:

	2007 £m	2006 £m
Property, plant and equipment	**82**	77
Intangible assets: software	**13**	14
Total capital commitments	**95**	91

38. Operating lease commitments

Future minimum lease payments under non-cancellable operating leases for the following periods are:

	2007 £m	2006 £m
Within one year	**238**	199
Later than one year and less than five years	**611**	533
After five years	**445**	372
Total operating lease commitments	**1,294**	1,104

Operating lease payments represent rental payable by the Group for certain of its properties. Some of these operating lease arrangements have renewal options and rental escalation clauses, though the effect of these is not material. No arrangements have been entered into for contingent rental payments.

The total minimum sublease payments expected to be received under non-cancellable subleases at 31 July 2007 is £18 million (2006: £8 million).

39. Contingent liabilities

The Group has quantifiable contingent liabilities under sundry guarantees, performance bonds and indemnities of £37 million (2006: £114 million) which arose in the ordinary course of business and which have not been provided in these accounts since no actual liability is expected to arise.

At 31 July 2007, the Group has counterparty exposure of £232 million (2006: £497 million) in respect of unsettled currency swaps. These currency swaps have a fair value of nil and further details are included in note 20.

As of 31 July 2007, cash deposits of Wolseley Insurance Limited amounting to £58 million (2006: £52 million) were charged in favour of Lloyds TSB Bank plc to secure letters of credit provided by that bank.

40. Post balance sheet events

In August 2007, the Group acquired 100 per cent of ProSource Building Supply, Western Air Systems & Controls, Inc., Davidson Pipe Company, Inc., T&R Electrical Wholesalers Ltd and Proaktiv Bygglogistic i Stockholm AB for an estimated aggregate consideration of £86 million. The estimated net assets acquired were £34 million and estimated goodwill was £52 million.

Both the cost of acquisition and the fair values of assets and liabilities acquired are estimates based on information available to the Group at the date of approval of these financial statements. Further adjustments will be necessary when additional information is available.

41. Parent company

Wolseley plc is a limited liability company incorporated in England and Wales and domiciled in the United Kingdom. It operates as the ultimate parent company of the Wolseley Group. Its registered office is Parkview 1220, Arlington Business Park, Theale, Reading RG7 4GA, United Kingdom.

42. Accounting standards, interpretations and amendments to published standards not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 August 2007 or later periods, but which the Group has not early adopted. The new standards which are expected to be relevant to the Group's operations are as follows:

IFRS 7 Financial Instruments: Disclosures (effective from 1 August 2007) and amendment to IAS 1 Presentation of Financial Statements – Capital Disclosures (effective from 1 August 2007)
IFRS 7 introduces new disclosures of qualitative and quantitative information about exposure to risks arising from financial instruments including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. Management is currently assessing the impact of IFRS 7 and the amendment to IAS 1 on the Group's financial statements.

IFRS 8 Operating segments (effective from 1 August 2009)
This IFRS specifies how an entity should report information about its operating segments in its financial statements. Generally, financial information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. Management is currently assessing the impact of IFRS 8 on the Group's financial statements.

Amendment to IAS 23 Borrowing Costs (effective from 1 August 2009)
This amendment requires the capitalisation of borrowing costs, to the extent they are directly attributable to the acquisition, production or construction of assets that need a period of time to get ready for their intended use or sale. Management is currently assessing the impact of this amendment on the Group's financial statements.

Amendment to IAS 1 Presentation of financial statements (effective from 1 August 2009)
This amendment requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. Preparers will have the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of comprehensive income). Management is currently assessing the impact of this amendment on the Group's financial statements.

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Year ended 31 July 2007

IFRIC 11 Group and Treasury Share Transactions (effective from 1 August 2007)
IFRIC 11 provides guidance on the application of IFRS 2 Share-based payments to transactions which are settled by the purchase of own shares, and transactions in which employees of a subsidiary receive rights to shares of a parent company. Management does not expect adoption of this interpretation to have a significant impact on the Group's financial statements.

IFRIC 12 Service Concession Arrangements (effective from 1 August 2008)
IFRIC 12 clarifies how certain aspects of existing IASB literature are to be applied to service concession arrangements, which are arrangements whereby a government or other body grants contracts for the supply of public services – such as roads, energy distribution, prisons or hospitals – to private operators. Management does not expect adoption of this interpretation to have a significant impact on the Group's financial statements.

IFRIC 13 Customer Loyalty Programmes (effective from 1 August 2008)
IFRIC 13 addresses accounting by entities that grant loyalty award credits to customers who buy other goods or services. It requires the award to be accounted for as a separate component of the sale transaction, with the fair value of the award being deferred until the obligation to provide free or discounted goods or services has been redeemed. Management is currently assessing the impact of this interpretation on the Group's financial statements.

IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective from 1 August 2008)
Paragraph 58 of IAS 19 Employee Benefits limits the measurement of the defined benefit asset in a pension plan to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.' IFRIC 14 clarifies how to measure this limit in the case of plans subject to a minimum funding requirement. Management does not expect adoption of this interpretation to have a significant impact on the Group's financial statements.