Annual Report and Accounts 2007

COMPANY NUMBER: 29846

WOLSELEY

Wolseley – the name the world builds on

The world's number one distributor of heating and plumbing products to the professional market and a leading supplier of building materials.

We are committed to achieving long-term growth in the business while improving margins and generating significant shareholder value – creating a truly world class company.

Financial highlights

+14.6%
Group revenue up to £16.2 billion

-0.6%
Trading profit of £877 million

-9.7%
Operating profit of £753 million

+52.8%
Operating cash flow of £1,299 million

£1.7bn
Acquisitions spend

+10.2%
Increase in total dividend for the year

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OUR KEY BRANDS

North America

Europe

Across Europe and North America we are the trusted partner of our suppliers and of our customers. Our strong brands are represented through a network of 5,296 branches across 28 countries, aiming to exceed customer expectations with our wide product range and superior service.

PROGRESS MADE IN A CHALLENGING YEAR

With our size and scale we can continue to invest and take advantage of the growth opportunities that the European and North American construction markets will provide in the future.

Chairman
John Whybrow

2007 has been a particularly challenging period for the Group In a year when we have achieved good performance across European operations generally, we have also had to contend with a very difficult market for new housing in the US Equally, we recorded our highest spend ever on acquisitions of £1,718 million which included the purchase of DT Group in the Nordic region Overall, revenue ended up 14 6 per cent with trading profit down 0 6 per cent

The new housing market in the US has seen its biggest fall in more than 15 years As a result, it was necessary to significantly reduce our cost base in Stock Building Supply ('Stock') (which is the Group's business most exposed to the new housing market in the US), closing a number of branches, reducing employee numbers and tightly controlling overheads However, the Board continues to believe that the European and North American construction markets, including new housing in the US, will provide good opportunities for growth in the future Ensuring that we have the appropriate organisation to respond to customers' changing needs and yet be efficient in the way we do business continues to be a priority

With this in mind, Chip Hornsby, in his first year as Group Chief Executive, has created a number of new roles, started new initiatives and agreed new targets with the Board, among which are to improve cash flow along with generating a 7 per cent trading margin by the year ending 31 July 2011 In the pages that follow, you can read more about these initiatives, all of which are designed to ensure that Wolseley benefits from being a genuinely international company and develops into a truly world class Group

The size and scale of our operations mean that we can continue to invest in people, infrastructure and technology Our aim is to source products at the right price from our suppliers and deliver these to our customers in the most effective manner possible In support of this, we continue to expand our capabilities in areas such as procurement, supply chain and IT to support our existing businesses and to maximise the value that we obtain from acquisitions going forward

Dividend
In September 2006, the Group raised £646 million after costs from the placement of new shares, equivalent to 10 per cent of its issued share capital, in order to provide funding headroom for bolt-on acquisitions and capital expenditure for expansion The impact of this share issue and the lower profitability due to the difficult US housing market has caused our earnings per share before amortisation and impairment of acquired intangibles to fall 11 2 per cent to 87 80 pence However, the Board is confident of the Group's future prospects and it is, therefore, recommending a final dividend of 21 55 pence, which represents a total dividend for the year of 32 40 pence This is an increase of 10 2 per cent over the total dividend paid last year

The Board
Fenton Hord, who was responsible for the Group's US building materials business, retired from the Board on 31 July 2007 after 20 years with the Group, including seven years as a Board member The Group has also announced that Robert Walker, a Non Executive Director since 1998, will leave the Board on 31 October 2007 To both Fenton and Robert, I wish to extend the Board's sincere thanks and appreciation for their significant contributions to the Group and wish them both well for the future

I also wish to thank all of our customers, suppliers, investors and each of our 78,948 employees for their support not just over the last year, but over many years

The Board looks ahead with confidence We have a sound strategy with a proven track record of growth sustained over many years and we operate in markets that are extremely fragmented We are confident that the initiatives and investments that Chip and his team are undertaking today will drive Wolseley to new and even greater achievements in the future

John W Whybrow
Chairman

‘WE NEVER LOSE SIGHT

OF OUR CUSTOMERS'

DRIVING WOLSELEY TOWARDS EVEN GREATER ACHIEVEMENTS

The new housing market in the US has been tough, but our results demonstrate the benefits of our diversity We have continued to invest for future growth, made acquisitions and restructured our operations to reduce costs and improve margins going forward.

Group Chief Executive
Chip Hornsby

My first year as Wolseley's Group Chief Executive has presented us with challenges in the US housing market, lumber price deflation and a weaker dollar but I am encouraged by how our businesses and people have responded and by what the Group has achieved The results demonstrate the benefits of the Group's diversity and its ability to react swiftly to changing market conditions We have continued to invest in the business for future growth, made acquisitions that further increase diversity and restructured our operations to reduce costs and improve margins going forward

In North America, our businesses were impacted by the sudden and rapid slowdown in the US new housing market Our building materials business, Stock Building Supply ('Stock'), was most affected as more than 80 per cent of its revenues have historically been generated from customers who are house builders It also faced significant price deflation to add to the volume decline with around 45 per cent of the products it sells being commodity lumber and panels As a result, Stock's local currency revenue fell 13 4 per cent and its trading profit fell 74 9 per cent In response to the poor market conditions, headcount was reduced in Stock by around 20 per cent with some 46 branches being closed Stock's branch network going forward will comprise 287 branches in 33 states The measures taken to restructure the Stock business should show increasing benefits as the US housing market improves

Our US plumbing and heating business, Ferguson Enterprises ('Ferguson'), has performed very well with the growth in the industrial, commercial, utilities and residential remodelling sectors more than offsetting the effect of the decline in new housing Ferguson's local currency revenue grew 14 8 per cent, including 5 5 per cent organic growth, and trading profit increased 18 4 per cent Our market outperformance, once again, demonstrated the benefits of our business diversity, specialist product offering, investment in high calibre people, our unique distribution centre network and a focus on cost efficiency

Wolseley Canada achieved local currency revenue growth of 2 1 per cent and trading profit increased 0 7 per cent, as it continued to align its operations with the US business structure Since 1 August 2007, Wolseley Canada has been integrated into Ferguson, which will enable further synergies, sharing of best practice and a consistent approach to broadening the customer base Increasing synergies are being realised across our North American operations as roles in areas such as IT, HR, indirect spend and property management are performed at the continental level, reducing the need to duplicate activities in the three businesses

In Europe, we continued to grow, expanding the number of countries we operate in from 13 to 21 as well as making good progress across our established businesses

In the UK, the restructuring continued whilst also achieving good levels of organic revenue growth Acquisitions made in the past few years, such as Brandon Hire (tool hire), Encon (insulation) and Neville Long (insulation and ceilings), are now well established alongside our traditional brands In addition, the electrical distribution businesses of William Wilson and AC Electrical, have been merged and rebranded as Electric Center, providing a good base on which to derive future growth in that new product area Revenues in the UK were up 17 9 per cent including 9 9 per cent organic growth, well ahead of the market generally Trading profit rose a more modest 5 0 per cent, reflecting the £13 million of one-off restructuring costs relating to 40 branch closures and rationalisation of head office Branch numbers grew overall by 74 to 1,917 and deliveries commenced from the new 330,000 square foot National Distribution Centre, which is located alongside Wolseley UK's head office in Leamington Spa

In France, the three businesses – plumbing and heating, building materials and timber import and solutions – now report into one management team following a period of major restructuring, particularly in Brossette, the plumbing and heating business It was encouraging to see good organic growth of 5 9 per cent in France with total local currency revenue up by 10 3 per cent and trading profit up by 13 1 per cent A national distribution centre was opened in France during the year in Orléans with 210,000 square feet of space

In Central and Eastern Europe we achieved a strong performance with revenue up 22 4 per cent and trading profit up 9 6 per cent with particularly good results in Switzerland, the Netherlands, Austria and Luxembourg We also continued our geographic expansion with the acquisition in October 2006 of Woodcote, a general builders' merchant This acquisition has taken us into the new geographic areas of the Slovak Republic, Poland, Romania and Croatia and has also extended our reach in the Czech Republic and Hungary The businesses we already had in the Czech Republic and Hungary have been integrated into Woodcote giving us more critical mass and a strong management team which is now integral to our Central and Eastern European team

Our ability to identify and integrate acquisitions has been a key feature of Wolseley's growth and success for many years and last year was no exception In fact it was a record year for the Group with £1,718 million being spent on acquisitions The biggest by far was the acquisition of DT Group, the number one building materials distributor in the Nordic region, for £1,339 million in September 2006 We have been very pleased with how quickly DT Group has been integrated into Wolseley and also by the quality of its ongoing performance It has an excellent management team which has been very focused on driving efficiencies, cost control and cash flow and is now pursuing our aggressive growth objectives

We invested £1,718 million on a total of 44 acquisitions in 17 countries during the year, as follows

	Number of Acquisitions	Spend £m
Europe	22	1,445
North America	22	273

Historically, acquisitions have delivered around half of our annual growth and this is an area where we have considerable expertise We follow a rigorous assessment process before an acquisition is made and then carefully integrate the business into the Group By monitoring the performance of our acquired businesses we ensure that they perform to expectations and our track record demonstrates that they deliver significant shareholder value

A simple business model

Wolseley does not have a complicated business model – we buy products well, add value for our customers, sell them at healthy margins and create profitable growth and good returns for our shareholders We have demonstrated for many years that we are good at growing our business, taking advantage of our strong market positions and using our experience to ensure that we outperform our markets We are not going to radically change the way we do business, but we must remain alert to changing customer requirements and the behaviour of our competitors With around £708 billion of construction products distributed annually across Europe and North America, we have enormous growth opportunities available to us and it is vital that we continue to invest and to make our competitive advantages really count for the benefit of our customers, employees and shareholders alike

The impact that the weak US housing market has had on the Group's short-term profitability is clear As a result, we have had to take some difficult decisions to reduce our cost base in order to maintain an acceptable level of profitability This slowdown has, however, created an opportunity for us to consider how we want the Group to evolve over the next stage of its development and to put in place initiatives to enhance future performance We are determined to create a truly world class company

Historically, Wolseley has an excellent track record of revenue and profit growth, typically in excess of 10 per cent per annum In the last two years, however, as we have invested significantly in our businesses, the rate of profit growth has been lower than that for revenue and we have seen our trading margin slightly reduced The initiatives we are putting in place are designed to reverse this trend with the target of reaching a minimum 7 per cent trading margin by 2011

Our objective is to continue to achieve an average of double-digit growth year on year and to ensure that our profits increase more rapidly than our sales We also aim to generate the cash required to continue to invest in the business to sustain further growth To achieve that aim, we have been putting increased focus on improving our working capital performance The results of this increased focus were clear from the impressive improvement in free cash flow generation delivered in the past year

Margin enhancement, strong cash flow generation and growth are key attributes of world class performance Within the Group we have started to communicate the 'Earn, Turn, Grow' initiative, as these are the priorities that we wish each of our operations to emphasise in their activities A number of specific initiatives have been launched across the Group to drive improved performance in these areas

Earn
The 'Earn' focus means achieving profit growth in excess of revenue growth, resulting in an improved margin, far in excess of anything we have achieved to date This means increased cost efficiency to generate productivity improvements, making the most of all the investment that has been made in the past and those to come through the business change programme Further rewards will be achieved from the distribution centres, supply chain and sourcing strategy

Part of our sourcing strategy is to leverage our size and buying power in order to enhance our gross margin With around 5,300 locations to service our customers, we are a great route to market for our suppliers With cost of goods sold of around £12 billion last year, there is significant opportunity to improve our margins, particularly as we develop Wolseley's private label product offering which will underpin and enhance our reputation for quality and high customer service

Turn
We will continue to focus on cash flow and working capital to ensure that we have sufficient cash to enable us to continue to invest in the business and to fund our bolt-on acquisitions The three components of inventory days, receivables and payables are being closely monitored in each business to target improvement turning our inventory more quickly, collecting receivables efficiently and as fast as possible, and extending our payables terms with the agreement of our suppliers Cash is what drives a business and it will support our growth ambitions

Grow
We want to continue to grow and double in size every five to seven years In the short term there needs to be more emphasis on our organic growth, 'sweating the assets' by putting more volume through our existing locations and taking advantage of past investments We will be putting a great deal of emphasis on improving our like-for-like sales growth in every branch In addition, acquisitions will continue to be a key part of our strategy, building on our ability to seek out good quality companies that are successfully integrated into Wolseley and then grown within our ownership

We are a Group with a real understanding of our markets and customers, an absolute grip on the basics of what differentiates us from our competitors and a clear desire to continue to grow and deliver even better overall business performance

With the 'Earn, Turn, Grow' priorities clearly communicated across the business units, we have identified five key areas that we will focus on as a Group which will differentiate us from our competition and which will support our objectives These include

- people development
- sourcing
- supply chain
- growth
- business improvement

These are discussed in further detail on pages 11 to 21

I am excited by the opportunities that we have as a Group We operate in very fragmented markets, so there is plenty of scope for growing our business and our market share further We have a business model where size really does make a difference and the scale of our operation gives purchasing benefits and sourcing opportunities which smaller competitors cannot achieve Our continued investment in the logistics network and distribution centres gives competitive advantages that become ever greater as the business grows We are currently in 28 countries with a total of 5,296 branches, employing around 79,000 highly talented people, I believe this is only the beginning I am confident that our priorities and focus will help make Wolseley a better, more effective, world class company Our goals are within our reach as long as we continue to focus on our priorities, manage our growth and increase the emphasis on margin enhancement and cash flow We have been through a difficult year with market conditions continuing to be tough in the new US residential housing market but I am confident that we will come through this as a leaner, stronger organisation, eager and able to achieve world class status

Chip Hornsby
Group Chief Executive

Our Five Key Focus Areas:

Effective and streamlined organisation from business improvement initiatives

People are essential in everything we do

Aim to double in size every five to seven years

More products available, quickly and efficiently delivered

Right products, right price, increased private label

'RIGHT PEOPLE, RIGHT SKILLS'

People development

The distribution of construction products to satisfy our customers is a relationship business, with people at the heart of everything we do. It is vital that we have the best leadership talent in the industry.

It starts with our extensive selection and recruitment programme at all levels and continues throughout our employees' careers as they are trained and developed, whether it be to provide better customer service, product knowledge or management capability The skills and commitment of our employees are a major competitive advantage, which is why we invest so much in people and leadership development

1,030

graduates recruited

79,000

employees

126,000

training days provided

Ferguson named by Business Week as 'one of the best places for new graduates'

‘RIGHT PRODUCTS, RIGHT PRICE’

Sourcing

Buying the right products, with the right specification and at competitive prices is at the heart of our business. Wolseley’s size and scale means that through our global sourcing programme we can search the world for the best products and buy in quantities that ensure we get the best prices.

With 72 per cent of our costs arising from the hundreds of thousands of products we buy, there is an opportunity to reduce our £12 billion purchasing bill by standardising some of our products and suppliers across the Group Increasingly we will source products directly from manufacturers globally and sell more private label products through our extensive branch network

Wolseley provides a powerful channel to the market for manufacturers' products and through our partnerships we are confident that we will continue to meet the needs of our customers as well as our own financial objectives

1 million+

products

20,000+

suppliers

350,000+

private label products

‘FROM THE FIRST TO THE LAST MILE’

Supply Chain

New and expanded distribution centres are helping us move more products, more quickly and efficiently, to more customers.

Once the decision has been made to acquire a certain manufacturer's products, the rest of the supply chain is then concerned with getting the product from the factory to the customer or the job site, in the most effective way

Over many years, Wolseley has invested in large distribution centres ('DCs') These enable us to obtain bulk purchasing benefits, improved inventory management and better service to more customers, through a wider product offering and higher availability rates In essence, working in partnership with our suppliers, we are able to take costs out of the supply chain

Every day thousands of products are moved from our DCs to our branches for local onward delivery or pick up, or taken directly to customers' sites

But it isn't just about delivery Whether it is online, from a catalogue or at a branch, we want to provide our customers with easy access to our products and to our knowledgeable staff We want to make doing business with Wolseley as easy and efficient as possible, from the first mile out of our suppliers' factory gates to the last mile to our customers and all the miles in between

5,296

branches

5 million

square feet of DC space

‘DOUBLE-DIGIT

Growth

We are focused on growing our business, organically and through acquisitions, with the aim of doubling in size every five to seven years.

Organic growth is achieved from existing branches expanding the range of customers they serve and the products they sell and also from new branches In 2007, 638 net new branches were added to give a total of 5,296 across 28 countries in Europe and North America

We have had an extremely successful run on acquisitions over the past year, spending £1,718 million on a total of 44 deals, a record year for the Group Achieving half of our double-digit growth target from acquisitions currently requires spending of £400-£450 million on bolt-on deals Occasionally we may find a larger company to buy and, in 2007, our spending included the £1 3 billion acquisition of DT Group, the largest builders merchant in the Nordic area with 275 branches in Denmark, Sweden, Norway, Finland and Greenland Since this acquisition, DT Group has also become the leading builders' merchant in Greenland Another four new countries – Poland, Slovakia, Croatia, and Romania – were added to our Central and Eastern European operations in October 2006 through the acquisition of Woodcote

The competitive advantage we obtain from our acquisitions stems from our ability to find quality companies with good people, being able to integrate them effectively into the Wolseley structure, gain synergies, improve working capital and enhance their performance

With acquisitions come new people, new facilities, new products, new customers and new growth opportunities The construction materials distribution market in Europe and North America is worth around £708 billion per annum Wolseley, although it is the biggest player in its field, has a 3 per cent market share and that is why we are confident of being able to grow well into the future

GROWTH'

'FROM TOP CLASS TO WORLD CLASS'

82

locations implemented common warehouse management system

12,000

employees served by common HR systems to date

Business improvement

In our industry, Wolseley is already a top class company, a leader in our field, in terms of size, scale, financial results and efficiency. However, we have the opportunity to be even better, to become truly world class.

The Group has continued to invest in key business improvement initiatives to support its long-term growth objectives, whilst creating a more effective and streamlined organisation

As well as the investments we are making to leverage our size and scale in supply chain and sourcing, we are also embarking on a global business change programme to drive best practice, establish more efficient processes, reduce costs and benefit from synergies across the Group

In particular, we have defined a target operating model that captures Wolseley's future vision and we are implementing a common set of processes across the Group supported by a world class, Company-wide, common IT platform The systems being developed will enable the Group to operate more effectively and will lead to continued market outperformance over the long term

Wolseley is beginning to reap the rewards as several early programmes are being rolled out, such as the human resource management system and a common IT platform across the Austrian operations In addition, we are assessing, updating and improving our supply chain and branch operations

Wolseley's business change initiatives aim to deliver real advantages and enhanced benefits to support the organisation's growth ambitions

By creating a culture of continuous improvement, we are raising the bar – each year having higher expectations than the last

A CHALLENGING BUT REWARDING YEAR

2007 has seen a record level of investment of £1.7 billion in acquisitions, including DT Group. Whilst our financial performance has been impacted by the weak new residential housing market in the USA and the weakening of the US dollar, the Group is in a strong financial position with free cash flow up 120 per cent.

Chief Financial Officer

Steve Webster

Introduction

Purpose

This Performance review has been prepared solely to provide additional information to existing and potential shareholders and other interested parties to assess the Group's strategies and the potential for those strategies to succeed

Forward-looking statements

This review and other sections of this Report contain forward-looking statements that are subject to risk factors, which are further explained inside the back cover of this Annual Report

Contents

The Performance review has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Wolseley plc and its subsidiary undertakings when viewed as a whole

The Performance review discusses the following areas

Basis of preparation of financial information

As noted on page 41, these financial statements are the second prepared under IFRS In respect of five year information included in this Performance review, information for years 2003 and 2004 has been prepared under UK GAAP Information for 2005, 2006 and 2007 has been prepared in accordance with IFRS

Company overview and performance monitoring

Company overview

Wolseley's business is the distribution of construction materials and the provision of related services primarily to a specialist market of professional contractors The Group is the world's number one distributor of heating and plumbing products to professional contractors and a leading supplier of building materials to the professional market The Group is an international business, operating 5,296 branches in 28 countries and employing around 79,000 people

Wolseley plc is the parent company of the Group and its subsidiaries are organised into two geographic divisions – Europe and North America Divisional management are primarily responsible for the profits of the operating companies they oversee and for driving organic growth, which includes additional sales from existing branches, new branch openings and expansion into new geographies, new customer types and product areas

The divisional teams are supported by global functional teams such as acquisitions, sourcing, supply chain, business improvement, finance and human resource development This structure allows the Group to focus on the key competencies by which the business is driven forward These key competencies and the business model are described in the Group Chief Executive's review on pages 8 to 21

The principal activities of the Group are

- the distribution of plumbing, heating and air conditioning equipment within Europe and North America,
- the distribution of building materials in the UK, Ireland, France, the Nordic region, Eastern Europe and the USA,
- the distribution of electrical components and supplies primarily in the UK, Ireland and France,
- the distribution of pipes, valves, fittings and waterworks in Europe and North America,
- the provision of construction and installation services in the USA and equipment hire in the UK, Austria and France

Wolseley's products

The Group supplies materials used in the construction industry The range of products used in construction is broad and the Group continually seeks opportunities to widen that choice for its customers The main product categories supplied to customers are set out on page 24

Wolseley's customers

The Group has a wide range of customers operating in different industry sectors that range from the individual plumber or builder through to national contractor chains and house builders, and include large industrial and commercial organisations Wolseley's primary customer focus is on professional contractors These contractors work with households, governments, property developers and industrial companies in the construction of new homes, offices and industrial buildings or in the repair and maintenance of existing premises Increasingly, the Group has structured around core business groups or brands allowing its local companies to put real focus on these sectors, whilst enhancing customer service and developing further product expertise

Competitive environment

The Group aims to be a leading distributor in each of the markets in which it operates The markets where the Group operates are typically fragmented with a few large players and a significant portion of the market supplied by small local operations In certain markets the Group competes with the large DIY chains which have increased their offerings to professional contractors

The opportunities for organic and acquisitive growth in these fragmented markets are substantial The environment for acquisitions has become marginally more competitive over the last few years in certain markets and the competition for large acquisitions from private equity investors has also increased However, for the majority of acquisitions which are smaller businesses, financial purchasers are few (the main competition in this area is from other trade purchasers) and there has been no significant change in the competition for these acquisitions

Other market factors

The changing demographics of the European and North American markets, with a generally ageing population and increasing immigration, suggests that demand for new housing will continue at relatively high levels over the long-term, although short term weaknesses in demand may be experienced from time to time, as is currently the case in the USA As the housing stock ages, it will increase demand in the repair and remodelling sector Activity in the commercial and industrial sector, which has been strong over the past year, varies according to the level of business investment, government spending and commercial property yields The Group's business model gives it the flexibility and agility to respond to changes in the market place across many different business cycles The diversity of the Group's business provides further resilience in performance

While the Group does not operate in a regulated industry, the performance of the Group can be impacted by Government legislation The key regulatory influences centre on environmental legislation and stipulations imposed when building or remodelling buildings Such changes in legislation present an opportunity for growth in response to increasing demand as customers or end users respond by changing their buying habits For example, the UK business is currently building a sustainable energy centre to provide a shop window for energy efficient products increasingly required by regulation and in response to increased environmental awareness of customers

Performance monitoring

The Group employs a rigorous performance management framework to plan, monitor and review the activities of its businesses A strategic plan is produced annually by all businesses which sets out business plans and resource requirements Linked to this is the annual budget process, which is core to the target setting process The form and components of the budget are, in general, cascaded down to branch level within the businesses

Each month, the businesses submit their results, which also include a forecast for the remainder of the financial year Performance against both budget and prior month forecast is reviewed with the businesses by continental and Group management Corrective actions or additional resource deployments are discussed with the benefit of such information

The Board of Wolseley plc meets regularly to discuss trading results and uses a set of Key Performance Indicators ('KPIs') to measure the overall progress of the Group against its business objectives

The KPIs used by the Group to monitor its performance are currently being reassessed in light of the recently launched 'Earn, Turn, Grow' initiative described in the Group Chief Executive's review on pages 8 to 21 This review is likely to result in the replacement or redefinition of some of the financial KPIs detailed in the next section for monitoring performance in the year ending 31 July 2008, with more emphasis being placed on measures such as like-for-like growth and cash-to-cash days which are integral to the 'Earn Turn, Grow' initiative

Wolseley's products

Plumbing, heating and air conditioning

- Baths, showers and accessories
- Sanitaryware
- Brassware
- Bathroom furniture
- Boilers and burners
- Radiators and valves
- Hot water cylinders and flues
- Control equipment
- Ventilation/air conditioning equipment

Electrical

- Cables and cabling accessories
- Controls and switchgear
- Wiring accessories
- Lighting
- Data networking supplies
- Cable management

Building materials

- Insulation
- Plaster and plasterboard
- Roofing materials
- Bricks, blocks and aggregates
- Tiles and flooring
- Timber products
- Doors and frames
- Glass
- Beams, trusses and frames
- Hardware

Civils/waterworks, industrial and commercial

- Tanks and treatment plants
- Sheet material
- Drainage pipes, associated supplies and covers
- Underground pressure pipes
- Small bore pressure pipes and fittings
- Other pipes, valves and fittings

In North America, the Group also provides construction services to house builders This consists of the provision of labour to assist with house construction and commercial lending to house builders secured on properties under construction or completed homes

Key Performance Indicators

The Group has utilised the following indicators of performance to assess its development against its strategy and financial objectives during the year ended 31 July 2007

Key Performance Indicator and definition	Review of performance
Growth in organic revenue The total increase or decrease in revenue for the year adjusted for the impact of currency exchange, new acquisitions in the year and the incremental impact of acquisitions in the prior year The Group seeks to achieve, on average, double-digit growth in revenue both through organic growth and through acquisitions Over the economic cycle the Group would expect growth to come broadly evenly from both sources	• Organic revenue increased in the year by 0 5 per cent • Ferguson achieved organic revenue growth of 5 5 per cent Stock Building Supply ('Stock') experienced an organic revenue decline of 24 2 per cent due to the weak new residential housing market in the US • The UK business outperformed the market and achieved 9 9 per cent organic growth • Each of the Austrian, Swiss and Dutch businesses achieved double-digit organic growth • Over the past five years the Group has delivered average organic revenue growth of 6 9 per cent
Growth in acquired revenue The growth in revenue from businesses that the Group has acquired during the financial year and the incremental effect of the prior year's acquisitions	• A total of 44 acquisitions were completed during the year, including the Group's largest ever acquisition, DT Group, for an aggregate consideration including net debt of £1,718 million • Acquisitions made in 2007 contributed £2,067 million to revenue in the year or 12 7 per cent and £132 million to trading profit or 15 0 per cent • Over the past five years the Group has delivered average acquired revenue growth of 12 3 per cent with 20 7 per cent in the last year, both exceeding target
Trading margin The ratio of trading profit to revenue expressed as a percentage The Group seeks to achieve a growth in trading profits higher than the growth in revenue through year-on-year improvements in trading margin as a result of continuous improvement in operations and the benefits of its international scale and leverage	• Overall, Group trading margin fell from 6 2 per cent in 2006 to 5 4 per cent in 2007 primarily as a result of the weak new residential housing market in the USA and a number of restructuring projects throughout the Group • Trading margin improvement was achieved in Ferguson but Stock's margin was significantly lower than last year • The European trading margin reduced due to lower trading margins in the UK following competitive pressures in the first half, restructuring costs and revenue investments • Over the past five years, the Group's trading margin has been around 6 per cent and this is targeted to increase to a minimum of 7 per cent by 2011
Free cash flow Free cash flow represents cash flow from operating activities less maintenance capital expenditure, tax, dividends and interest The Group seeks to generate sufficient free cash flow over the business cycle to fund normal bolt-on acquisitions and expansion capital expenditure	• Free cash flow increased significantly from £285 million in 2006 to £626 million, up by 120 per cent as a result of greater focus being placed on enhancing working capital performance across the Group • Over the past five years after dividends, average free cash flow was £288 million
Return on gross capital employed The ratio of trading profit to the aggregate of the monthly average of shareholders' funds, minority interests, net debt and cumulative goodwill and acquired intangibles written off The Group targets to deliver an incremental return on gross capital employed at least 4 per cent in excess of the pre-tax weighted average cost of capital A major driver of decisions relating to acquisitions and capital expenditure is the incremental return on capital generated by those investments	• Return on gross capital employed in 2007 decreased from 18 8 per cent to 13 7 per cent due to the significant reduction in profit at Stock and higher acquisition spend in the year and was 2 1 per cent ahead of the estimated pre-tax weighted average cost of capital of 11 6 per cent • Average return on gross capital employed over the past five years was 17 3 per cent • Return on gross capital employed in Europe was 12 7 per cent, down from 16 2 per cent in 2006 and in North America 16 2 per cent, down from 21 9 per cent in 2006

A summary of the Group's performance over the last five years is as follows

	2007	2006	2005	2004	2003
Growth in organic revenue	**0 5%**	10 9%	8 7%	13 1%	1 3%
Growth in acquired revenue	**20 7%**	11 9%	5 5%	16 4%	7 2%
Trading margin	**5 4%**	6 2%	6 3%	6 1%	5 8%
Free cash flow after dividends (£ million)	**626**	285	321	(60)	269
Return on gross capital employed	**13 7%**	18 8%	19 1%	18 4%	16 7%

Note 2007, 2006 and 2005 figures prepared under IFRS 2004 and 2003 figures prepared under UK GAAP

Human resource development performance indicators
Wolseley's 79,000 people are the cornerstone of providing service to its customers and are one of its key competitive advantages As much of the customer experience is generated through ongoing relationships with the Group's branch personnel or sales force, staff turnover rates are considered an important indicator and these are reviewed as part of the monthly reporting

The overall turnover rate for 2007 was 24 per cent (2006 22 per cent), which reflects a number of branch closures and restructuring activities at Stock and Wolseley UK Excluding these one-off items, the underlying turnover rate improved compared with the prior year and is in line with industry standards Turnover in 2007 at the management level of staff was at much lower rates

The safety of Wolseley's people is also regarded as paramount and lost time incident rates are monitored closely by health and safety committees established in each of the major businesses The lost day incident rate used is affected both by the severity of the cause of the absence from work and also the effectiveness of the handling of each absence and return to work programmes

Other performance areas
In order to measure the success of its strategy execution, the Group uses a variety of non-financial performance indicators which continue to be refined and developed

Business diversity
A key element of the Group's growth strategy is the enhancement of business diversity, which has a number of elements The Group is continuously seeking to enhance its branch network to provide improved service and a wider product offering to new and existing customers The expansion of the branch network is detailed in the table below

	2007	2006	2005	2004	2003
Europe	**3,311**	2,861	2,486	2,393	2,266
North America	**1,985**	1,797	1,434	1,244	1,183
Total	**5,296**	4,658	3,920	3,637	3,449

The Group also aims to increase its geographic footprint in its chosen areas of operation, Europe and North America During the year, the Group expanded its geographical diversity significantly, entering eight new countries, by acquiring DT Group, which has operations in Denmark, Sweden, Finland, Norway and Greenland, and Woodcote which has operations in the Czech Republic, Hungary, Slovak Republic, Poland, Romania and Croatia In North America, Stock expanded operations into the state of Arizona

The Group has continued its strategy of moving into new market segments within the construction materials and services industry Ferguson acquired Improvement Direct, an ecommerce business with a network of online stores, providing immediate entry into the home improvement segment, a key strategic move for North America In addition, most recent Stock acquisitions have been in the non-residential housing market which is part of the Group's strategy to diversify the product offering at Stock into the repairs, maintenance and improvement ('RMI') and industrial and commercial sectors and reduce exposure to the new residential housing market

In Europe, eight bolt-on acquisitions have been completed by DT Group to further expand its footprint in the Nordic region Additional acquisitions have been made in Central and Eastern Europe in line with the strategy to expand the Group's critical mass in that region, while in France acquisitions have expanded the Group's presence in the new residential market The Group's electrical distribution activities have been expanded through an acquisition in Ireland

Environmental
Wolseley is taking an active role in the sourcing and supply of renewable and sustainable building materials Wolseley UK's Sustainable Building Centre ('SBC'), a 6,800 square foot, interactive showcase for renewable and sustainable building materials, is presently under construction and is scheduled to be fully operational by April 2008 The building features the best available sustainable construction products selected from a bespoke range provided through Wolseley UK trading brands The range, which has been established since the beginning of 2007, is already proving attractive to many Wolseley customers in a diverse range of business segments Wolseley UK intends that the SBC will become the leading UK industry resource for sustainable building products and supporting information, promoting sustainable building best practices

The Group's approach to environmental measures is set out in the Corporate social responsibility report on pages 44 to 51 In accordance with the reporting guidelines suggested by the UK Government's Department for Environment, Food and Rural Affairs, the Group has developed a range of environmental measures, including those in the areas of carbon dioxide emissions, waste management and water use which are disclosed in the Corporate social responsibility report on pages 45 to 46

47%

The increase in reported revenue of the European division

£292bn

The estimated size of the total market opportunity in Europe

Operations

Europe

Market

The European Division continues to develop under four geographic areas ('clusters') – UK and Ireland, France, the Nordic region and Central and Eastern Europe The latter is responsible for the division's operations in Austria, the Benelux region, Italy, Switzerland and Eastern Europe

The division has over 3,300 branches serving a diverse range of customers and market sectors within construction materials

In the opinion of management, Wolseley UK's plumbing business is the UK's largest distributor of plumbing and heating products, Brossette is the second largest distributor of plumbing and heating equipment in France, PBM is the second largest integrated distributor of heavyside building materials in France and DT Group is the leading distributor of building materials for trade professionals and consumers in the Nordic region

European markets each have their own economic growth rates and market participants The diversity of the Wolseley operations and the fragmentation that exists in the European markets present significant growth opportunities for the Group Some important trends at present include

- An increasing rate of residential repair and maintenance across Europe, as more is spent on upgrading the ageing housing stock
- An increasing percentage of flats/apartments in the building mix, helping plumbing and heating products
- Infrastructure growth in recently joined EU members in the Central and Eastern Europe region
- High levels of migrant workers creating both employment within construction and 'hot spots' for residential growth
- The growth of sustainable construction products across Europe
- Increased usage of modern methods of construction, such as offsite fabrication

Wolseley has a well balanced product offer across Europe and is able to adopt and adapt business practices to exploit these market trends within its specific country markets

The European division continues to seek opportunities to expand into other geographic areas such as Spain, Germany and other parts of Eastern Europe

Market size

Management has estimated market sizes through evaluating the building materials suppliers' total market if all products were channelled through the distribution network Management's best estimate of both Wolseley's activity in each market and the total size of these markets are set out below

	Total for countries with Wolseley presence			UK and Ireland		
	Revenue £bn	Estimated market size £bn	Estimated market share %	Sales £bn	Estimated market size £bn	Estimated market share %
Plumbing, heating & air conditioning	2 7	21 7	12%	1 6	5 2	30%
Electrical	0 2	18 4	1%	0 1	3 2	3%
Building materials	4 0	126 6	3%	1 1	30 6	4%
Civils/waterworks, industrial & commercial	0 7	33 5	2%	0 4	3 8	11%
Total	**7 6**	**200 2**	**4%**	**3 2**	**42 8**	**7%**

	France			Central and Eastern Europe			Nordic		
	Sales £bn	Estimated market size £bn	Estimated market share %	Sales £bn	Estimated market size £bn	Estimated market share %	Sales £bn	Estimated market size £bn	Estimated market share %
Plumbing, heating & air conditioning	0 5	5 1	10%	0 6	9 8	6%	–	1 6	0%
Electrical	–	6 2	0%	–	7 1	0%	0 1	1 9	5%
Building materials	1 3	23 2	6%	0 1	58 8	0%	1 5	14 0	11%
Civils/waterworks, industrial & commercial	0 1	5 8	2%	0 2	20 6	1%	–	3 3	0%
Total	**1 9**	**40 3**	**5%**	**0 9**	**96 3**	**1%**	**1 6**	**20 8**	**8%**

An analysis of the estimated total market opportunity in Europe, including those territories where at 31 July 2007 Wolseley had no presence, is set out below

	Europe (Total)			Rest of Europe
	Sales £bn	Estimated market size £bn	Estimated market share %	Estimated market size £bn
Plumbing, heating & air conditioning	2 7	30 9	9%	9 2
Electrical	0 2	26 1	1%	7 7
Building materials	4 0	182 8	1%	56 2
Civils/waterworks, industrial & commercial	0 7	51 7	1%	18 2
Total	**7 6**	**291 5**	**3%**	**91 3**

Demand in the European markets is driven by activity in a number of key market sectors

- the residential market analysed between new construction and RMI,
- the non-residential market ('the commercial and industrial market') analysed between new construction and RMI, and
- the civil infrastructure market

The division's split of business by each of these key drivers is given below

	Sales £bn	Sales %
Residential		
New construction	2 2	29%
Repairs, maintenance and improvements	3 1	41%
Non-Residential		
New construction	1 1	15%
Repairs, maintenance and improvements	0 9	11%
Civil infrastructure	0 3	4%
Total	**7.6**	**100%**

The division has more activity generated from residential compared to non-residential and civil infrastructure work However, the actions under way both through acquisitions and enhancement of business diversity, continue to broaden the business base

Significant opportunities are available to broaden the division's reach both geographically and in terms of market segment The acquisitions of DT Group and Woodcote represent significant steps in this regard

Divisional performance

Most of the European operations achieved good revenue and profit improvements and the results also benefited from acquisitions which expanded the geographic diversity of the Group

Reported revenue, in sterling, for this division increased by 46 8 per cent to £7,559 million (2006 £5,150 million), of which 8 8 per cent was from organic growth Recent acquisitions accounted for £2,010 million (39 0 per cent) of revenue growth, including DT Group in the Nordic region in September 2006 Trading profit, in sterling, increased by 36 9 per cent to £433 million (2006 £316 million) Currency translation reduced divisional revenue by £50 million (1 0 per cent) and trading profit by £2 million (0 6 per cent) Excluding DT Group, European revenues and trading profit, in sterling, were up by 15 4 per cent and 5 5 per cent respectively

The overall divisional trading margin, after the allocation of central costs, declined from 6 1 per cent to 5 7 per cent of revenue, primarily due to lower trading margins in Wolseley UK and in Italy Underlying margin improvements were achieved in France and most of the Central and Eastern European operations

During the year, a further eight countries and net 450 branches were added to the European network, giving a total of 3,311 locations (2006 2,861), including 363 added through acquisitions

UK and Ireland
Wolseley UK grew strongly in a market which showed a gradually improving trend over the year, despite rising interest rates Government spending on schools, hospitals and social housing RMI underpinned the construction market In Ireland, the market saw continued rapid decline in housing starts, with some of the shortfall taken up by strong RMI activity

Against this background, Wolseley UK recorded a 17 9 per cent increase in revenue to £3,171 million (2006 £2,690 million) Organic growth of 9 9 per cent was a significant outperformance compared to the market generally, which is estimated to have risen by around 3 per cent

Trading profit increased by 5 0 per cent compared to the prior year, including the benefit from acquisitions Whilst gross margin improved slightly, the trading margin fell from 7 5 per cent to 6 7 per cent The trading margin was lower due to the effect of £13 million of one-off restructuring costs relating to 40 branch closures and the rationalisation of central offices, the initial dilutive impact of opening 125 new branches and the integration of the head offices of Brooks and Heatmerchants in Ireland

During the year, 59 net new locations were added in the UK and Ireland, including 12 branches added as a result of acquisitions, taking the total number of branches for Wolseley UK to 1,917 (2006 1,858)

France
In France, housing starts slowed significantly in the second half but remained at positive levels, whilst RMI, which represents approximately two-thirds of revenue for both Brossette and PBM, continues to show only marginal growth

Against this background, Wolseley's French operations showed good growth with revenue up 10 3 per cent to €2,774 million (2006 €2,515 million), including organic growth of 5 9 per cent Trading profit was up 13 1 per cent to €150 million (2006 €132 million) and trading margin improved to 5 4 per cent (2006 5 3 per cent) The Wolseley France management structure is now fully in place with a number of central functions supporting the three business divisions, each of which performed well in the period At the end of June 2007, a 210,000 square foot national DC was opened at Orleans initially supplying complementary building products to more than 300 PBM locations

The two PBM businesses (Heavyside and Import and Wood Solutions) together achieved a double-digit increase in revenue and underlying improvement in trading margin

In the Brossette plumbing and heating business, revenue rose 7 6 per cent to total more than €1 billion for the first time, with 5 2 per cent organic revenue growth The improved trading margin benefited from the recent reorganisation including the centralisation of a number of functions such as purchasing and logistics

The number of branches in France increased by 40 to 825 (2006 785)

Nordic
DT Group achieved a very strong performance, ahead of expectations at the time of acquisition by Wolseley on 25 September 2006 For the ten months of Wolseley ownership to 31 July 2007, revenue was DKK17,858 million (£1,617 million) and trading profit was DKK1,097 million (£99 million) The trading margin was 6 1 per cent This performance was achieved in markets that remained good, although there were signs of the new residential market in Denmark softening a little towards the end of the year

DT Group's integration was completed ahead of schedule and it has already made a valuable contribution to Group initiatives During the period, eight bolt-on acquisitions were completed, including expansion into the plumbing and heating business in Norway and the purchase of the remaining 40 per cent of a builders' merchant in Greenland DT Group has also started to source and procure private label products with other Group companies and assisted the UK and Irish businesses to introduce its Craftsman concept into some branches, for clothing, personal protection equipment and tools The range of plumbing products in existing DT locations continues to be expanded

For the 12 months to 31 July 2007, DT Group's management accounts show an underlying increase in revenue over the prior year of 14 6 per cent, including double-digit organic growth, and in trading profit, of 26 5 per cent

DT Group had 275 branches as at 31 July 2007

Central and Eastern Europe
The Group's other Continental European operations enjoyed generally good results with growth significantly ahead of generally flat markets Revenue, in sterling, in Central and Eastern Europe was up by 22 4 per cent to £899 million (2006 £735 million), reflecting organic growth of 11 7 per cent and the benefit of acquisitions Trading profit, in sterling, was up 9 6 per cent to £35 million (2006 £31 million) The trading margin declined to 3 8 per cent (2006 4 3 per cent) due to the previously announced £3 million restructuring charge in Italy following the opening of the new distribution centre and a lower trading margin in Belgium

In the other Benelux countries, both Wasco in the Netherlands and CFM in Luxembourg made excellent progress with double-digit revenue and trading profit growth

Tobler, in Switzerland, had another strong year with double-digit organic growth whilst increasing its trading margin

OAG, in Austria, reported double-digit organic revenue growth and an improvement in trading margin, despite significant preparation work ahead of the implementation of its new IT platform which went live in August 2007

+14.8%
The increase in local currency revenue of Ferguson

-3.8%
The decrease in reported sterling revenues of the North America division

In Italy, revenue increased although profits were down, as expected, due to the initial costs of the new €20 million (£14 million) DC that commenced branch deliveries at the end of 2006 and the €4 million (£3 million) one-off restructuring charge, primarily relating to the closure of warehouses no longer required The number of branches fed from the new DC will be further expanded over the next six months

In Eastern Europe, the Woodcote acquisition in October 2006, which took Wolseley into Croatia, Slovakia, Poland and Romania for the first time, is performing strongly across all regions

During the year, 76 net new locations were added in Central and Eastern Europe, including 45 branches through acquisitions, taking the total number to 294 (2006 218)

North America
Market
The Group's activities in North America centre around two main market areas – plumbing and heating distribution, which are served by Ferguson and Wolseley Canada, and building materials distribution, which is served by Stock Ferguson and Wolseley Canada have now been integrated to bring a more strategic approach to plumbing and heating distribution at a North American level

Ferguson is the largest wholesale distributor of plumbing supplies, pipes, valves and fittings in the USA and a major distributor of heating, ventilation and air conditioning systems[1] The company also distributes waterworks products, fire protection products and industrial pipes, valves and fittings as well as operating a number of speciality businesses, serving markets such as the nuclear industry and a maintenance, repairs and operations management services business Ferguson is managed through 'business groups' such as Heating Ventilation and Air Conditioning ('HVAC') and Waterworks These business groups allow management to focus on the specific needs of key groups of customers Ferguson is present in 50 states, as well as the District of Columbia and has 1,417 branches (2006 1,237 branches)

Wolseley Canada distributes plumbing, heating and piping products, including heating, ventilation and air conditioning, waterworks, refrigeration, industrial pipes, valves and fittings and fire protection products as well as industrial plumbing supplies to customers through its 260 branches (2006 246 branches)

Stock is the second largest supplier of building materials to professional home builders and contractors in the USA[2] Stock is present in 33 states with 308 locations (2006 314 locations) and provides contractors with building materials such as structural timber products, roofing materials, doors, windows, insulation and hardware Stock also assembles and sells a variety of engineered wood products including roof trusses, and offers customer delivery, design and installation as well as financing and credit services

In general, the North American plumbing and heating distribution market is fragmented with an estimated 95 per cent of distribution operations employing less than 100 people Consolidation of market players has accelerated with some of the major retailers having moved more significantly into the market The North American building materials market is also very fragmented

Both markets have been impacted in the year by weakness in the new residential sector of the market which has been affected by an oversupply of new homes, rising interest rates and sub-prime mortgage default issues Despite this, Ferguson has shown good organic growth outperforming the market and gaining market share Although Stock's revenue declined, it also outperformed its market

Demographic trends support high rates of home ownership and residential construction in the long-term with 'baby boomers' entering their peak earnings time and purchasing second or trade-up homes Baby boomers, who are thought to control a majority of the wealth in the USA, are also expected to have a significant effect on the repair and remodel market as their decision to improve their existing homes will be less influenced by the state of the economy

The plumbing and heating distribution market is driven by new construction and remodelling sales The latter market is less cyclical The building materials market is influenced similarly although Stock's business is currently more focused on the new residential construction sector and has therefore been significantly affected by weakness in that market in the year, as well as by lumber and panel commodity prices which have declined in this period of weak demand Annualised housing starts in the USA at 31 July 2007 were 1 37 million per annum[3], compared with just below 1 8 million per annum at 31 July 2006

Splitting the US into four geographic regions and using US Census information (for housing starts) and estimates provided by North America's Home Improvement Research Institute (for remodelling), it is possible to analyse the split and growth or decline in activity of new housing and remodelling by region This can then be compared to Wolseley's share of its business in each of these regions although it should be noted that this also includes some revenue from non-residential sources

[1] Source Supply House Times May 2007
[2] Source ProSales 2007
[3] Source US Census Bureau

Region	New residential: Calendar 2006 share of starts	New residential: Decline versus 2005	Remodelling: Calendar 2006 share	Remodelling: Growth versus 2005	Wolseley: Share of revenue in 2006/7
Northeast	9 3%	(11 9)%	17 3%	7 8%	7 5%
Midwest	15 5%	(21 8)%	23 0%	6 2%	15 6%
South	50 5%	(8 6)%	36 0%	9 1%	46 5%
West	24 7%	(15 4)%	23 7%	8 6%	30 4%

Note New residential and remodelling information relates to calendar years whereas the Wolseley information relates to the year ended 31 July 2007

In the South and West areas which in 2006 represented 75 2 per cent of new housing starts and 59 7 per cent of remodelling activity, the division had 76 9 per cent of its business and hence is well placed to exploit these key markets

Management has estimated overall market sizes for North America For the materials market, market size is based on the final selling cost to the installer or end user For construction services, the market only includes those activities currently serviced by Wolseley Management's best estimate of both Wolseley's activity in each market and the total size of these markets are set out below

	Wolseley North America			USA			Canada		
	Sales £bn	Estimated market size £bn	Estimated market share %	Sales £bn	Estimated market size £bn	Estimated market share %	Sales £bn	Estimated market size £bn	Estimated market share %
Plumbing, heating and air conditioning	3 3	32 8	10%	2 9	27 6	10%	0 4	5 2	8%
Electrical	0 1	36 9	0%	0 1	30 3	0%	–	6 6	0%
Building materials	2 2	162 5	1%	2 2	148 6	1%	–	13 9	0%
Civils/waterworks, industrial & commercial	2 8	106 7	3%	2 6	102 7	3%	0 2	4 0	5%
Construction services	0 3	77 3	0%	0 3	57 8	1%	–	19 5	0%
Total	**8 7**	**416 2**	**2%**	**8 1**	**367 0**	**2%**	**0 6**	**49 2**	**1%**

Management has also estimated the business drivers for its revenues in a consistent manner to the European division The results are shown below

	Sales £bn	**% Sales**
Residential		
New construction	3 4	38%
Repairs, maintenance and improvements	1 3	15%
Non-residential·		
New construction	2 1	25%
Repairs, maintenance and improvements	1 1	13%
Civil Infrastructure	0 8	9%
Total	**8 7**	**100%**

In general the division shows a broad spread of business across the categories While residential new construction has declined, the other segments continue to show growth Actions are being taken to widen the Group's North American business base and increase Wolseley's presence in these other market segments The use of the business group model providing dedicated focus on customer segments in North America is assisting progress towards this objective

Wolseley remains confident that with the continued development in the strength and depth of its management and the investment being made in the supply chain, the business is well placed to outperform in its markets and succeed in meeting its growth targets and improving margins over time

Divisional performance
The North American division performed well ahead of a market which was significantly impacted by a slowdown in the new housing sector, maintaining its position as the leading distributor of construction products to the professional contractor in North America

Reported revenue, in sterling, of the division decreased 3 8 per cent to £8,662 million (2006 £9,008 million), reflecting the 8 1 per cent negative impact of currency translation and an organic revenue decline of 4 6 per cent, partly offset by acquisitions Trading profit, in sterling, declined by 19 2 per cent to £487 million (2006 £603 million), after charging £12 million of one-off costs relating to headcount reductions and branch closures Currency translation reduced divisional revenue by £726 million (8 1 per cent) and trading profit by £49 million (8 1 per cent)

The North American operations are being increasingly integrated with a number of central functions now supporting all three businesses Since 1 August 2007, Wolseley Canada has been integrated into Ferguson, operating with the same business structure which focuses on specific customer types, and will benefit from leveraging the US operations, including the DC network There has been a particular focus to reduce aggregate corporate costs across the North American businesses and functions and these have declined by 8 per cent There was a net increase of 188 branches in North America to 1,985 (2006 1,797) Two new DCs in Frost Proof, Florida and Stockton, California are scheduled to be opened before the end of the 2008 financial year, adding more than one million square feet of space to the North American DC network

In the USA, the new residential market continued to be challenging, but the RMI market and the commercial and industrial sectors continued to provide opportunities for growth Aggregate revenue, in dollars, from the Group's US businesses, including acquisitions, was 4 8 per cent higher but US trading profit, in dollars, was down by 13 2 per cent due to the decline in profits in Stock US Dollar weakness led to an 8 2 per cent adverse currency translation impact when US results are reported in sterling

US plumbing and heating
Ferguson produced another strong performance with 5 5 per cent organic growth, from its focus on core businesses and the advantages gained from its DC network Commercial and industrial activity remained strong throughout the year and the RMI market remained robust for most of the financial year However, there were increasing signs of the RMI market slowing towards the end of the period in response to weaker consumer sentiment relating to the problems in the sub-prime sector and concerns associated with the impact of the deteriorating housing market on the US economy

Local currency revenue in the US plumbing and heating operations rose by 14 8 per cent to $11,079 million (2006 $9,651 million) with trading profit up by 18 4 per cent to $800 million (2006 $676 million) Organic revenue growth of 5 5 per cent was significantly ahead of the market generally, benefiting from the diversity of the business across waterworks, heating, ventilation and air conditioning, industrial and commercial as well as residential markets Gross margin was up slightly and the trading margin also improved from 7 0 per cent to 7 2 per cent and is the highest ever trading margin achieved The higher trading margin reflects the business diversity and the specialist product offering as well as a focus on cost efficiency Increases in commodity prices, mainly copper, gave rise to one-off profits amounting to around $20 million in the year (2006 $43 million)

Ferguson's total branch numbers increased by 180 to 1,417 locations (2006 1,237)

US building materials
The continued slowdown in the new residential market, which accounted for approximately 80 per cent of the activity in this business, caused a reduction in volumes, increased price competition and also led to significantly lower lumber and structural panel prices These factors have inevitably impacted on Stock's financial performance despite an aggressive cost reduction programme Stock continues to outperform in most of its major markets with a 15 per cent reduction in volumes compared to the 25 per cent average decline in housing starts

New housing has continued to be a difficult market with housing starts having fallen from an average annualised rate of 2 02 million for the 12 months to 31 July 2006 to an average of 1 54 million this year, with the figure in August 2007 being lower, at 1 33 million There continues to be significant regional variation with the markets in Utah, Idaho, Texas and the Carolinas performing relatively better than the weakest markets in the northeast, midwest, Las Vegas, Colorado and Florida

In local currency, Stock's revenue was down 13 4 per cent to $4,596 million (2006 $5,305 million) with trading profit down 74 9 per cent to $86 million (2006 $343 million), after charging the previously announced one off costs of $22 million relating to branch closures and headcount reductions During the year, there was a reduction of around 3,500 people, representing approximately 20 per cent of Stock's total workforce The decline in organic revenue in the year was 24 2 per cent, reflecting the 15 per cent fall in volume and commodity price deflation in lumber and structural panels, which fell 20 per cent and 24 per cent respectively The deflation in commodities, which account for around 43 per cent of Stock's revenue, had the effect of reducing local currency revenue by $470 million (9 per cent) Acquisitions contributed $577 million (10 9 per cent) to revenue growth

Stock's gross margin was slightly lower due to pricing pressure in the difficult markets The trading margin declined significantly from 6 5 per cent to 1 9 per cent, primarily due to lower volumes and prices and the effect of one off restructuring costs

As part of a cost cutting programme, a number of initiatives have been undertaken including centralising the sourcing of commodity products, headcount reductions and the closure of 46 branches

Stock will continue with its strategy of diversifying its business to reduce its dependency on the new residential market and expand its presence in the commercial and industrial and RMI markets by a combination of acquisitions and organic growth The Group continues to believe that the US housing market offers good long-term growth opportunities and Stock will continue to expand its geographic coverage in selective residential markets where value creating opportunities are identified

As previously announced, there was also a $10 million goodwill and intangible asset impairment provision recorded as a result of market conditions in the Midwest region, where a number of branches were closed At 31 July 2007, Stock had 308 branches, although, following the previously announced closure plans, its branch network going forward will comprise 287 branches across 33 states (2006 314 branches)

Wolseley Canada

In Canada, although housing markets held up reasonably well and economic activity remained positive, business from the oil and gas exploration industries in Western Canada was weak for most of the year as a result of warmer weather, lower natural gas prices and higher gas inventory levels

Against this background, Wolseley Canada's local currency revenue increased by 2 1 per cent to C$1,357 million (2006 C$1,330 million and trading profit increased by 0 7 per cent to C$92 million The trading margin declined slightly to 6 8 per cent (2006 6 9 per cent) reflecting the initial start up costs of the new regional DC in Oakville, Ontario

Branch numbers in Canada were increased by 14 to 260 (2006 246)

Future outlook

Recent events relating to the sub-prime market in the US and the subsequent concerns over liquidity in global financial markets have created uncertainty which is reflected in less favourable recent sales trends for a number of the Group's businesses It is too early to assess whether these trends will continue

There are no signs yet of any upturn in the US housing market and the RMI market is now beginning to soften The commercial and industrial market should remain positive, albeit at lower rates of growth The strength and diversity of the Group's US operations and their ability to respond rapidly to the changing operating environment will enable them to continue to outperform the market

Generally in Europe, the underlying fundamentals of the construction markets remain sound and Wolseley's operations are expected to show further good progress

Irrespective of market conditions, the Group will continue to execute its strategy of value creation through a combination of organic growth and acquisitions The Group is confident that it will generate competitive advantage by pursuing the initiatives relating to supply chain, sourcing and private label The rigorous focus on cash flow maximisation and cost efficiency will continue as will the swift and decisive action in response to prevailing market conditions The Group is positioned well to benefit from any improvement in business and consumer confidence

Risk management

In any business, there are a number of risks and uncertainties which could have an impact on its long-term performance The Group has an extensive risk management structure in place which is designed to identify, manage and mitigate business risk The Group recognises that the risks and uncertainties facing its businesses are constantly changing and it therefore empowers local companies to monitor these and deploy mitigation resources as appropriate

Risk assessment and evaluation is an essential part of the annual planning cycle and an important aspect of the Group's internal control system The relevant structures and processes across the Group are more fully described on page 58

The ability of Wolseley to monitor, assess and respond to these business risks can often provide it with competitive advantages and hence the business' resources are carefully managed in these areas The principal risks faced by the Group and its management response thereto are summarised below

Risk	Resource management
Market conditions Wolseley's products are distributed to a wide range of customers in connection with commercial, industrial and residential construction projects and the Group's results are consequently dependent on the levels of activity in their markets The level of activity varies by market depending on many factors including general economic conditions, the availability of credit to finance customer investment, mortgage and other interest rates, inflation, unemployment, demographic trends, weather, the price of fuel and consumer confidence	The Group's businesses closely monitor both market and geographic trends and understand lead and lag indicators in order to take timely actions to address issues affecting trading The diversity of the Group's operations, the nature of its customer base and its ability to react to market changes also provide a degree of protection The Group actively manages both its acquisitions activity and new branch openings to ensure it is best placed to exploit market opportunities
Product prices and availability The market price and availability of products distributed by the Group, such as stainless steel, copper, plastic, lumber and other products (or commodities used in such products), can fluctuate These fluctuations can affect operating results Lumber prices are affected both by changes in the availability of the raw logs and by changes in the volume and age profile of production capacity in the industry Panel prices in the US are affected by housing demand and production capacity Product shortages may arise as a result of unexpected demand or production difficulties and this could have an effect on the Group's operations	The Group's businesses actively review market prices for their supplies and take steps to protect themselves or, indeed, maximise opportunities arising from significant anticipated price rises In many cases, the businesses are able to cooperate with their supplier base to manage the effects of such product price changes Generally, the Group is able to pass on price increases from its suppliers to its customers The Group sources products from a wide variety of manufacturers and suppliers with none of these accounting for more than 5 per cent of its total material and supply purchases during the 2007 financial year Increasing collaboration with suppliers including joint demand forecasting initiatives is also helping to better manage product shortage issues
Competitive pressures The Group operates in a number of different markets with differing characteristics The principal aspects of the Group's offerings that have an impact on its competitive position in a market are product availability, supply chain efficiency, pricing, the quality of its people, customer service, branch location, availability of credit, an efficient and streamlined organisation, technical product knowledge with respect to application and usage and advisory and other service capabilities In its markets, Wolseley competes with and is affected by the actions of many local and regional distributors together with product manufacturers Consolidation in the building materials market may produce pressure on prices and margins, although the competitive environment remains highly fragmented	The Group actively works with its customers to find innovative ways to meet their changing needs in order to remain at the forefront of its chosen markets Wolseley's value proposition is based on the service, expertise and the product breadth it offers rather than strictly competing on price The combination of Wolseley's international scale, allowing it to continually invest efficiently in people, technology and logistics, thus reducing the underlying cost base, together with local company autonomy for managing the customer base, is designed to enhance the Group's competitive position

Risk	Resource management
Systems and infrastructure capabilities Wolseley targets sustained double-digit growth from a combination of acquisitions and organic growth This growth places increasing demands on Wolseley's existing systems and on its supply chain and logistics infrastructure Additionally, to support and enable future growth, the Group is undertaking multiple business change initiatives and is in the process of installing a common IT platform across the Group	Wolseley is committed to investing to support its short, medium and long-term growth targets and ensure the appropriate infrastructure is in place There are several business improvement initiatives under way relating to supply chain, sourcing, private label, human resources, the deployment of technology and customer service These initiatives are actively and carefully planned with defined governance procedures in place An important component of this planning process is to ensure that the risks of disruption to the business are controlled and monitored
Identification and successful integration of acquisitions Wolseley's growth strategy is in part dependent on acquiring businesses Market consolidation may, over a period of time, lead to increased competition for targets and, as a result, higher acquisition prices or fewer value-creating prospects The integration of acquisitions also involves a number of unique risks, including diversion of management's attention, failure to retain key personnel of the acquired business and risks associated with unanticipated events or liabilities	The Group continually reviews acquisition targets through established processes and searches The status of targeting and progress in making acquisitions is reported regularly to the Board and the Executive Committee The Group employs dedicated acquisition and integration teams whose processes have given the Group a successful track record of integrating acquisitions and achieving expected results Recent changes have been made to the Group's management structure to increase the central resource focused on identifying and integrating acquisitions The Group typically targets high quality businesses for acquisition, which not only quickly contribute to cash flow and earnings, but also expand the depth of management knowledge and expertise and provide opportunities for best practice sharing with existing businesses The Group continues to expect to find sufficient, suitably priced acquisitions, to enable it to meet its growth targets The Group also has the advantage of being able to expand and leverage its extensive existing network as an alternative means to achieving growth in certain areas Post acquisition reviews are carried out on all acquisitions to ensure achievement of the planned integration benefits
Governmental regulations The Group's operations are affected by various statutes, regulations and laws in the countries and markets in which it operates While the Group is not engaged in a regulated industry, it is subject to the laws governing businesses generally, including laws affecting land usage, zoning, environmental (including laws and regulations affecting the supply of lumber), health and safety, transportation, labour and employment practices (including pensions), competition and other matters In addition, building codes or particular tax treatments may affect the products Wolseley's customers are allowed to use and, consequently, changes in these may affect the saleability of some Wolseley products	The Group monitors regulations across its markets to ensure that the effects of changes are minimised Certain changes in regulations may also positively impact the businesses For instance, changes in building regulations in the UK with regard to the level of heat insulation required in new buildings have presented a growth opportunity for Wolseley UK Such changes may also provide demand for a broader and higher margin product range

Risk	Resource management
Litigation The international nature of Wolseley's operations exposes it to the potential for litigation from third parties In the US, the risk of litigation is generally higher than that in Europe in such areas as workers' compensation, general employer liability and environmental and asbestos litigation There is risk that due to the increasing sourcing of products from lower cost countries, recourse to the manufacturer may be more difficult were a product to fail for a customer	Wolseley has a culture and approach which is designed to resolve disputes directly with the party in question in a spirit of openness and co-operation Litigation is regarded as a last resort In the case of asbestos litigation, Wolseley employs independent professional advisers to actuarially determine the potential gross liability, which necessitates the application of certain assumptions relating to claims development and the cost of settling such claims over the remaining lifetime of the potential litigants, which is approximately 50 years There are a number of factors which could enable actual experience to differ from the assumptions made Actual experience is reviewed against the assumptions each year and the liability adjusted in the financial statements Wolseley has insurance which significantly exceeds the current estimated liability relating to asbestos claims Based on current estimates, no profit or cash flow impact is therefore expected to arise in the foreseeable future Wolseley has recognised a discounted liability of £35 million in respect of asbestos litigation An equal receivable amount of £35 million is shown in other receivables reflecting the discounted sum recoverable from insurers in respect of this liability
People Wolseley's ability to provide leadership and products and services to customers is dependent on retaining sufficiently qualified, experienced and motivated personnel In order to achieve its growth strategy and increase productivity, Wolseley must continue to increase this skill and experience base to develop the managers of the future	One of Wolseley's key competitive advantages is the quality and experience of its people Local companies have allocated specific responsibilities for reviewing the performance of senior managers and employees with high potential Development and succession planning for these individuals is planned and strong performance is actively rewarded The Group continues to invest significant time and money in senior management, manager development and graduate trainee and graduate recruitment programmes
Risks related to international operations Wolseley has its principal operations in Europe and North America and is therefore subject to the specific risks of conducting business in these regions In addition, there are particular risks arising from managing operations internationally • fluctuations in currency exchange rates may affect Wolseley's reported operating results and its financial position, • changes in tax regulation and international tax treaties could affect the financial performance of Wolseley's foreign operations, and • changes in other regulations/treaties may also affect the ability of the Group to repatriate profits from its foreign operations The management of Wolseley's businesses and personnel across 28 countries can also present logistical and management challenges due to different business cultures, laws and languages	Wolseley believes that the benefits of its geographical spread outweigh the associated risks The portfolio effect of economic conditions, exchange rates and other associated factors of having operations in Europe and North America provide some protection in terms of the long-term performance of Wolseley The Group continually seeks opportunities to increase its business diversity and has programmes in place to share best practice Increasingly, the Group's businesses are working together to meet customers' needs and to ensure the Group achieves more international leverage The Group seeks to manage its foreign currency risk and the steps it takes are described in the Financial Risk Management section on pages 40 to 41 The Group actively works with its taxation advisers to minimise its tax exposure and risk

Risk	Resource management
Credit risk Wolseley provides sales on credit terms to many of its customers There is an associated risk that customers may not be able to pay outstanding balances Stock also provides loans to finance the construction of properties There is an associated risk that customers may not be able to pay outstanding loan balances	Each of the businesses have established procedures in place to review and collect outstanding receivables Significant outstanding and overdue balances are reviewed on a regular basis and resulting actions are put in place on a timely basis In many cases, protection is provided through lien rights on projects or through credit insurance arrangements All of the major businesses use professional, dedicated credit teams, in some cases field based Not only does this lessen the risk of non-payment but it can also provide opportunities where these teams can work with higher risk customers to provide innovative, secured credit arrangements Historic write-off rates are low and appropriate provisions are made for debts that may be impaired on a timely basis Stock's construction loans are secured on the related properties and are managed by a dedicated lending team within that business Policies are also applied to provide further protection and KPIs are monitored regularly by management outside the business

Financial review

Revenue and operating profit

After taking account of currency translation, Group revenue increased by 14 6 per cent from £14,158 million to £16,221 million

Operating profit decreased by 9 7 per cent from £834 million to £753 million Trading profit decreased by 0 6 per cent from £882 million to £877 million, before deducting amortisation and impairment of acquired intangibles of £124 million (2006 £48 million)

Currency translation

Currency translation decreased Group revenue by £776 million (5 5 per cent) and Group trading profit by £51 million (5 8 per cent) compared with 2006 Over the past five years the constant currency growth of the Group is as follows

Annual growth in constant currency	% **2007**	% 2006	% 2005	% 2004	% 2003
Revenue growth	**21 2**	22 8	14 2	29 5	8 5
Trading profit growth	**5 5**	21 6	19 7	37 2	6 9

Note 2007, 2006 and 2005 figures prepared under IFRS 2004 and 2003 figures prepared under UK GAAP

The effect of US dollar depreciation has been to decrease translated US profits by £46 million (8 2 per cent) compared with 2006 US dollar denominated profits account for 50 7 per cent of the Group's trading profit

There has been a less significant reduction in the Euro translation rate which has decreased Euro trading profits by £2 million (1 7 per cent) compared with 2006 Euro denominated profits accounted for 17 8 per cent of Group trading profit in 2007 If the results of the Group are translated into dollars at the average rate for the respective year the results of the Group are as follows

US$ million	**2007**	2006	2005	2004	2003
Revenue in US$	**31,610**	25,322	20,839	17,746	13,113
Trading profit in US$	**1,709**	1,577	1,311	1,085	754
Operating profit in US$	**1,467**	1,491	1,300	1,017	706

Note 2007, 2006 and 2005 figures prepared under IFRS 2004 and 2003 figures prepared under UK GAAP

Further US$ figures and the basis of computation of the above figures can be found within the Information in US dollars section on page 125

Finance costs

Net finance costs of £119 million (2006 £65 million) reflect an increase in Group debt as a result of the acquisition of DT Group and other acquisitions and an increase in interest rates, partly offset by the effect of strong operating cash flow Net interest receivable on construction loans amounted to £11 million (2006 £12 million) Interest cover was 7 times (2006 14 times)

Tax

The effective tax rate, being tax payable on profit before tax and amortisation and impairment of acquired intangibles, decreased from 28 4 per cent to 25 4 per cent This is due to a higher proportion of the Group's profits coming from lower tax jurisdictions in Europe following the DT Group acquisition, the reduction in tax rates in some companies and the impact of deferred tax on share options

Earnings per share
Before the amortisation and impairment of acquired intangibles, earnings per share decreased by 11 2 per cent from 98 90 pence to 87 80 pence Basic earnings per share were down by 19 0 per cent to 73 52 pence (2006 90 77 pence) The average number of shares in issue during the year was 644 million (2005 592 million)

Dividends
The Board is recommending a final dividend of 21 55 pence per share (2006 19 55 pence per share) to be paid on 30 November 2007 to shareholders registered on 5 October 2007 The total dividend for the year of 32 40 pence per share is an increase of 10 2 per cent on last year's 29 40 pence Dividend cover is 2 3 times (2006 3 1 times) The increase in dividend for the year reflects the Board's confidence in the future prospects of the Group and its strong financial position The dividend reinvestment plan will continue to be available to eligible shareholders

Financial position
Shareholders' funds increased by £859 million from £2,592 million to £3,451 million The net increase comprised the following elements

	2007 £m	2006 £m
Retained profits	**474**	537
Dividends	**(198)**	(162)
New share capital subscribed (share placing and exercise of share options)	**673**	31
Purchase of own shares by ESOP trusts	**(27)**	(27)
Exchange translation (including related taxes)	**(132)**	(131)
Share-based payments (including related taxes)	**22**	34
Other	**47**	9
Increase in shareholders' funds	**859**	291

During the year the Group entered into certain foreign exchange transactions to hedge the Group's foreign currency net assets Gains and losses on these transactions were taken to reserves The gains and losses are subject to taxation and accordingly the taxation arising has been charged to reserves

On 25 September 2006, a placing of approximately 10 per cent of Wolseley plc's issued ordinary share capital raised £655 million before issue costs of £9 million to restore the Group's financial flexibility and enable it to continue to pursue its strategy of organic and acquisitive growth

The Group's employee benefit trusts purchased 2 6 million shares for £27 million, including dealing costs, during the period in order to allow greater flexibility in the settlement of long-term employee incentives

Net debt, excluding construction loan borrowings, at 31 July 2007 amounted to £2,467 million compared to £1,950 million at 31 July 2006, giving gearing of 71 5 per cent compared with 75 2 per cent at the previous year end and down from 89 6 per cent at the half year The movement of sterling against overseas currencies, particularly the US dollar, resulted in a translation difference of £86 million which decreased net debt on the balance sheet

The Group seeks to maintain a level of gearing, generally in the range of 40 to 100 per cent, to strike an appropriate balance between maintaining an efficient capital structure and having sufficient flexibility to fund further acquisitions Interest cover for the year was 7 times (2006 14 times) The Group is content to see interest cover in the 7–10 times range over a number of years but would allow the cover to reduce to 5 times in appropriate circumstances

In the US, construction loan receivables, financed by an equivalent amount of construction loan borrowings, were £286 million (2006 £313 million) The decrease reflects a more cautious approach to lending following the decline in the US new housing market and the decline in the US dollar

Return on gross capital employed ('ROGCE') decreased from 18 8 per cent to 13 7 per cent as a result of the significant reduction in profit at Stock and higher acquisition spend, partly offset by some organic growth and tighter control over working capital The ROGCE remains above the Group's weighted average cost of capital

The unamortised balance of acquisition goodwill in the balance sheet as at 31 July 2007 is £1,890 million (2006 £1,173 million) with the increase being due to the goodwill arising on acquisitions in the year offset by a small amount of goodwill impairment in Stock As set out on page 89 in note 12 to the accounts, the Group recognised, in accordance with IAS 38, acquired intangibles of £549 million (2006 £251 million) These represent, principally, customer relationships and brand names

Provisions in the balance sheet (note 26) include the estimated liability for asbestos claims on a discounted basis This liability has been determined by independent professional actuarial advisers The asbestos related litigation is fully covered by insurance and accordingly an equivalent insurance receivable has been included in receivables 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 There were 320 claims outstanding at 31 July 2007 (2006 246)

The Group's retirement benefit obligations have decreased from £189 million to £111 million, largely due to an actuarial gain of £67 million on the main UK defined benefit pension scheme Full details of the pension schemes operated by the Group are set out in note 27 to the accounts

£396m

Capital expenditure invested in the year

Cash flow

The cash flow performance of the Group over the last five years is summarised below

	2007 £m	2006 £m	2005 £m	2004 £m	2003 £m
Cash flow from operating activities	**1,299**	850	765	325	608
Maintenance capex[1]	**(191)**	(140)	(117)	(108)	(93)
Tax	**(167)**	(206)	(151)	(128)	(108)
Dividends	**(198)**	(162)	(145)	(136)	(113)
Interest	**(117)**	(57)	(31)	(13)	(25)
Free cash flow	**626**	285	321	(60)	269
Acquisitions less disposals[2]	**(1,346)**	(820)	(401)	(123)	(504)
Expansion capex	**(205)**	(206)	(122)	(28)	(15)
Other	**408**	(38)	1	96	(31)
Movement in debt	**(517)**	(779)	(201)	(115)	(281)

Note 2007, 2006 and 2005 figures prepared under IFRS 2004 and 2003 figures prepared under UK GAAP

[1] Maintenance capex is considered as equivalent to depreciation
[2] Excluding debt acquired

Net cash flow from operating activities increased from £850 million to £1,299 million, despite the reduction in trading profit as the Group has improved its management of working capital Free cash flow after dividends was £626 million (2006 £285 million)

Capital expenditure increased from £346 million to £396 million, reflecting continued investment in the business During the period the distribution centre and branch network in the US was expanded, investment continued in distribution centres in France and Italy and further expenditure was incurred on the common IT platform Capital expenditure is expected to remain at a relatively high level over the next few years with further investments in distribution centres, new branch openings and IT as the Group continues to put in place the infrastructure required to support substantial growth and improved margins

Investments in acquisitions completed during the year, including any deferred consideration and net debt, amounted to £1,718 million (2006 £914 million) with £1,339 million invested in DT Group and £379 million invested in 43 bolt-on acquisitions These 43 acquisitions are expected to add around £671 million per annum of incremental revenues in a full year Further details regarding acquisitions are included on page 106 in note 31 to the accounts

Shareholder return

The Group monitors relative Total Shareholder Return ('TSR') for incentive purposes (as set out within the Remuneration report on pages 63 and 64) and for assessing relative financial performance

For the year ended 31 July 2007, Wolseley achieved an annualised TSR of 5 96 per cent based on the average closing price achieved during July 2007, which put it in 57th position against the monitored peer group of 65 companies drawn from the FTSE 100 and the building materials and construction sectors utilised for the latest award under the long-term incentive plan Details of TSR performance since 2003 and the composition of the peer group are set out in the Remuneration report We continue to monitor return on capital including goodwill, throughout the Group, as one of the key measures of business performance ROGCE (as defined in the Five year summary on page 124) was 13 7 per cent (2006 18 8 per cent), ahead of the Group's weighted average cost of capital At the close of business on the date of the Report of the Directors, the value of an ordinary share as quoted in the Financial Times was 807 5 pence per share (2006 1094 0 pence), a decline of 26 2 per cent The decrease primarily reflects adverse market sentiment relating to the Group's exposure to the weak US housing market The market capitalisation of the Group at the date of this Report was £5,339 million (2006 £7,190 million) The total dividend of 32 40 pence per share in respect of the financial year gives a yield of 4 0 per cent

Other financial matters

Financial risk management

The Group is exposed to market risks arising from its international operations The Group has well defined and consistently applied policies for the management of foreign exchange and interest rate exposures There has been no change since the year end in the major financial risks faced by the Group The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk

The Treasury Committee of the Board reviews and agrees policies for managing each of these risks and they are summarised below These policies are regularly reviewed The Group's financial instruments, other than derivatives, comprise borrowings, cash and liquid resources and various items, such as trade receivables and trade payables that arise directly from its operations The Group also enters into derivative transactions (principally interest rate swaps and forward foreign currency contracts) The purpose of such transactions is to hedge certain interest rate and currency risks arising from the Group's operations and its sources of finance

Details of financial instruments are shown on page 92 in note 20 to the accounts

Derivatives are also used to a limited extent to hedge movements in the price paid for lumber These options and futures hedging contracts mature within one year and all are with organised exchanges The Group's policy is to control credit risk by only entering into financial instruments with authorised counterparties after taking account of their credit rating

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments or speculative transactions be undertaken

Capital structure

The Group monitors two principal measures of financial gearing, the ratio of net debt to shareholders' funds and the ratio of net debt to EBITDA (earnings before interest, taxes, depreciation and amortisation) Over the longer term the Group aims to maintain the ratio of net debt to shareholders' funds within the range of 50 to 75 per cent and as at 31 July 2007 the ratio was 71 5 per cent

The Group's main borrowing facilities all contain a financial covenant limiting the ratio of net debt to EBITDA For all facilities agreed after 1 August 2005 this ratio has been set at 3 5 As at 31 July 2007 the ratio was 2 2 1 (2006 1 9 1) The Group aims to maintain this ratio generally in the range of 1 5 to 2 3

For the Group, these two ratios are highly correlated both historically and prospectively and the two ranges are closely aligned

Interest rate risk

The Group finances its operations through a mixture of retained profits and bank and other borrowings The Group borrows in the desired currencies principally at floating rates of interest and then uses interest rate swaps to generate the desired interest rate profile, thereby managing the Group's exposure to interest rate fluctuations

At the year end approximately £1,102 million of the Group's net debt was at fixed rates for one year or more, after taking account of swaps

The Group reviews deposits and borrowings by currency at both Treasury Committee and Board meetings The Treasury Committee gives prior approval to any variations from floating rate arrangements

Liquidity risk

The Group maintains a policy of ensuring sufficient borrowing headroom to finance all investment and bolt-on acquisitions for the following financial year with an additional contingent safety margin Large acquisitions such as DT Group are funded shortly before the acquisition is made

The Group currently has undrawn centrally managed facilities in excess of £1 billion

On 25 September 2006 DT Group was acquired, funded by a syndicated bank facility for €1,500 million (£1,011 million) with a maturity of 18 months Also on 25 September the Group placed approximately 10 per cent of Wolseley plc issued ordinary share capital raising £646 million These net proceeds were used to repay €964 million (£646 million) of the 18 month facility As at 31 July 2007, the outstanding drawings under the 18 month facility were €500 million (£338 million) This facility will mature during the year ending 31 July 2008 and will be refinanced from existing facilities A further £250 million of short-term facilities with core banks are renewed on an annual basis

Following its acquisition by Wolseley, DT Group renegotiated its local bank facilities consisting of a DKK3,000 million (£272 million) multi-currency revolving facility and DKK2,076 million (£188 million) of mortgage facilities These facilities are now on the same commercial terms and financial covenants as the main Group facilities

The year-end maturity profile of the Group's centrally managed facilities was as follows

Maturity	**2007 Facility £m**	2006 Facility £m
Less than one year	**588**	200
1–2 years	**155**	34
2–3 years	**313**	174
3–4 years	**103**	343
4–5 years	**1,887**	111
Greater than 5 years	**367**	2,282
Total	**3,413**	3,144

At 31 July 2007, the Group had committed undrawn loan facilities of £1,204 million available to fund working capital, investments and general corporate purposes, as follows

	2007 Facility £m	2006 Facility £m
Less than one year	**250**	200
1–2 years	**–**	–
Over two years	**954**	580

Foreign currency risk
The Group has significant overseas businesses whose revenues are mainly denominated in the currencies of the countries in which the operations are located Approximately 49 6 per cent of the Group's revenue is in US dollars The Group does not have significant transactional foreign currency cash flow exposure However, those that do arise are generally hedged with either forward contracts or currency options The Group does not normally hedge profit translation exposure since such hedges have only temporary effect Most of the foreign currency earnings generated by the Group's overseas operations are reinvested in the business to fund growth in those territories The Group's policy is to maintain the majority of its debt in the currencies of its operating companies as this hedges both the net assets and cash flows of the Group

Details of average exchange rates used in the translation of overseas earnings and of year-end exchange rates used in the translation of overseas balance sheets, for the principal currencies used by the Group, are shown in the Five year summary on page 124 The net effect of currency translation was to decrease revenue by £776 million (5 5 per cent) and to decrease trading profit by £51 million (5 8 per cent)

These currency effects reflect a movement of the average sterling exchange rate against each of the major currencies with which the Group is involved as follows

	2007 (Strengthening)/ weakening of sterling	2006 (Strengthening)/ weakening of sterling
US dollar	**(8 2)%**	3 5%
Euro	**(1 7)%**	0 1%

Commodity risk
The Group's operating performance is affected by price fluctuations in stainless steel, nickel alloy, copper, aluminium, plastic, lumber and other commodities The Group seeks to minimise the effects of changing prices through economies of purchasing and inventory management, resulting in cost reductions and productivity improvements as well as price increases to maintain reasonable profit margins With the exception of lumber futures held to hedge future sales commitments, no trading instruments are held in respect of these commodities At 31 July 2007, the Group held no lumber futures contracts

Market price risk
The Group regularly monitors its interest rate and currency risk by reviewing the effect on profit before tax over various periods of a range of possible changes in interest rates and exchange rates On the basis of the Group's analysis, it is estimated that the maximum effect of a rise of one percentage point in the principal interest rates on the Group's continuing businesses would result in an increase in the interest charge of approximately £17 million Similarly, it is estimated that a strengthening of sterling by 10 per cent against all the currencies in which the Group does business would reduce operating profit before amortisation and impairment of acquired intangibles by approximately £72 million (8 3 per cent) due to currency translation, with the US dollar reduction being £45 million and the Euro reduction being £12 million

Financial reporting
These financial statements are the Group's second prepared under IFRS The Group's accounting policies set out on pages 73 to 77 of the accounts have remained unchanged from those disclosed last year

Insurance
The Group has a captive insurance company which is registered and operational in the Isle of Man No policies are written for third parties The administration is undertaken by a specialist management company The Group's insurance arrangements are reviewed annually

Going concern
The Directors are confident, on the basis of current financial projections and facilities available, that the Company and the Group have adequate resources to continue in operation for the foreseeable future Accordingly the Directors continue to adopt the going concern basis in preparing the financial statements

Stephen P Webster
Chief Financial Officer
24 September 2007

1 John W Whybrow [c]
Chairman
First appointed to the Board on 1 August 1997, Mr Whybrow became Chairman on 13 December 2002 He is Chairman of the Nominations Committee and, with effect from 31 October 2007, will be a member of the Remuneration Committee Mr Whybrow is a Non Executive Director of DSG International plc He was President and Chief Executive Officer of Philips Lighting Holding B V, based in the Netherlands, until 2001 and Executive Vice President, Philips Electronics from 1998 until March 2002, when he returned to the UK He was Chairman of CSR plc until May 2007 Mr Whybrow is Chairman of Petworth Cottage Nursing Home Age 60

EXECUTIVE DIRECTORS

2 Claude 'Chip' A S Hornsby [b c e]
Group Chief Executive
First appointed to the Board on 3 May 2001, Mr Hornsby was appointed Group Chief Executive on 1 August 2006 He was previously the Chief Executive Wolseley North America, having been President and Chief Executive Officer of Ferguson Enterprises, since 2001 He has spent 29 years with the Company Mr Hornsby is a Non Executive Director of Virginia Company Bank and is the Rector for Christopher Newport University Age 51

3 Robert H Marchbank [b]
Chief Executive, Europe
First appointed to the Board on 24 January 2005, Mr Marchbank is responsible for all the European businesses He first joined Ferguson Enterprises in 1982 and in 2001 he moved to the UK to join the newly created Wolseley Group headquarters as Director of Strategic Planning and was then appointed as the Director of Information and Processes Age 47

4 Frank W Roach [b]
Chief Executive, North America
First appointed to the Board on 16 December 2005 Mr Roach is responsible for all the North American businesses He first joined Ferguson Enterprises in 1976 and held a number of business roles In 2005, Mr Roach was appointed as Senior Vice President of the Wolseley North America management team, playing a key part in further developing and expanding the Group's North American businesses Age 56

5 Stephen P Webster [b e]
Chief Financial Officer
Chartered Accountant First appointed to the Board on 1 August 1994 as Group Finance Director designate Appointed as Group Finance Director on 9 December 1994 Formerly a partner in Price Waterhouse Mr Webster is a Non Executive Director of Bradford & Bingley plc Age 54

a) Member of the Audit Committee
b) Member of the Executive Committee
c) Member of the Nominations Committee
d) Member of the Remuneration Committee
e) Member of the Treasury Committee
f) Trustee of the UK Defined Benefit Pension Schemes

NON EXECUTIVE DIRECTORS

6 Gareth Davis [a c d]
First appointed to the Board on 1 July 2003 He is a member of the Audit, Remuneration and Nominations Committees and is the Senior Independent Director Mr Davis has been Chief Executive of Imperial Tobacco Group plc since its incorporation in 1996, having spent the last 35 years in the tobacco industry Age 57

7 Andrew Duff [c d]
First appointed to the Board on 1 July 2004 He is Chairman of the Remuneration Committee and a member of the Nominations Committee Mr Duff is Chief Executive of RWE npower plc He spent 14 years at BP plc where he held leading positions in marketing and oil trading and was latterly the Director of Strategic Planning for BP Oil, USA Mr Duff is a member of CBI President's committee Age 48

8 James I K Murray [a]
A Chartered Accountant First appointed to the Board on 12 April 2002 He is Chairman of the Audit Committee and, with effect from 31 October 2007, will become a member of the Nominations Committee Mr Murray was a Non Executive Director of UK Coal PLC and was also Finance Director of Land Securities PLC from 1991 until his retirement in 2001 Mr Murray is the Chairman of Trustees of the Land Securities Pension Fund Age 61

9 Nigel Stein [a]
First appointed to the Board on 1 December 2003 He is a member of the Audit Committee and, with effect from 31 October 2007, will become a member of the Remuneration and Nominations Committees Mr Stein, a Chartered Accountant, is now Chief Executive – Automotive of GKN plc He was, until 10 September 2007, Finance Director of GKN plc and has also worked in a number of other senior financial roles in his 12 years with this group Prior to GKN, he held senior financial positions with Laird Security Systems and Hestair Duple Limited Age 51

10 Robert M Walker [c d]
First appointed to the Board on 1 July 1999 He is a member of the Remuneration and the Nominations Committees Mr Walker is Non Executive Chairman of W H Smith PLC and of BCA Group Ltd, and a Non Executive Director of Tate & Lyle plc, Williams Lea Group Limited and Signet Group plc Mr Walker was, until February 2005, Group Chief Executive of Severn Trent Plc and a Non Executive Director of BAA plc He is also an adviser to Cinven Mr Walker will step down from the Board on 31 October 2007 Age 62

11 Charles P Watters [b f]
Group Company Secretary and General Counsel (Interim)
A barrister who joined Wolseley on an interim basis on 26 March 2007 He is a member of the Executive Committee Mr Watters is secretary to the Audit, Nominations, Remuneration and Treasury Committees He has held senior positions with several FTSE 100 companies and was previously Company Secretary of Alpha Airports plc and Allied Colloids plc Age 48

WE ARE COMMITTED TO SOUND CORPORATE SOCIAL RESPONSIBILITY

Wolseley believes that implementing and developing its Corporate Social Responsibility ('CSR') policies is integral to its operations. We are committed to CSR as a sustainable approach to business that benefits all stakeholders: customers, employees, shareholders, as well as communities in general.

Wolseley aims to uphold the highest standards of environmental and social responsibility CSR issues form part of the overall internal control process and the safety and well-being of Wolseley's employees are paramount The Company is a constituent member of the FTSE4Good Index of socially responsible companies, designed to measure the performance of companies that meet globally recognised corporate responsibility standards

This year, in addition to other relevant information, the Group is reporting for the first time on its carbon (CO_2) emissions, management of waste and use of water A common platform has been established in order that such environmental information from the Group's diverse operations can be measured and reviewed on a regular and consistent basis

We are continuing to develop systems which will enable and enhance CSR reporting across all of the Group's businesses including in relation to CO_2 emissions, waste management and the use of water

Health, safety and environment

Wolseley operates a largely decentralised structure and one of the key drivers of the Group's success has been the high degree of autonomy which is afforded to local managements, allowing each to serve their markets in the manner most suited to their business Within this structure, the Board has set down a number of health, safety and environmental principles with which all the Group's businesses are required to comply Environmental principles include the integration of environmental management into business operations, a commitment to prevent pollution and comply with local environmental legislation and ensuring proper communication with employees on environmental matters Health and safety principles include the prohibition of substance abuse, fleet maintenance in compliance with local legislation, the provision and use of protective clothing and apparatus and full safety training for all employees

Environment Management Systems

Our products impact the environment at every stage of their life cycle, from the sourcing of materials through to their use and disposal

Wolseley's aim is to continue to make improvements in environmental performance through the efficient use of energy, water and packaging and it has established systems to enable it to measure and set targets to reduce environmental impacts throughout the Group

This year, following the continued development of its Environmental Management System, Wolseley UK has attained ISO 14001 accreditation in a further eight branches, bringing the total to 11 accredited branches

Carbon (CO_2) Emissions

Emissions of CO_2 have been reported according to the Greenhouse Gas Protocol, which was jointly developed by the World Business Council for Sustainable Development and the World Resources Institute The protocol differentiates between emissions for which businesses are directly responsible, indirect emissions caused in the generation of supplied electricity and all other indirect emissions both upstream and downstream As it is impossible to know or control the negligible downstream emissions generated when products sold by the Group are used, they have been excluded from this report Similarly, reporting on the upstream emissions of our businesses would currently rely heavily on estimates and, as a result, they have also been excluded from this analysis However, given the nature of our operations, the Group does believe that it is appropriate to report on the emissions from third-party provided transportation

CO_2 emissions – Direct impact

Source	Definition	Data source and calculation methods	Absolute, tonnes FY 2007
Business operations	Emissions from utility boilers	Yearly fuel consumption collected from fuel bills	120,601
Vehicle fuel	Emissions from vehicle use	Expense claims and recorded mileage	228,470
Total			**349,071**

CO_2 emissions – Indirect impact

Source	Definition	Data source and calculation methods	Absolute, tonnes FY 2007
Electricity	Directly purchased electricity, which generates greenhouse gases including CO_2 emissions	Yearly consumption of directly purchased electricity in KWh, converted according to country specific guidelines	147,455
Business travel	Third-party provided transport (air and rail)	Recorded miles converted according to DEFRA emission factors	2,386
Total			**149,841**

The tables above comprise CO_2 emissions data captured from businesses representing 63 3 per cent of Group turnover for the year ended 31 July 2007

In total, the representative Group businesses within this report emitted a total of 498,912 tonnes of CO_2 in the year ended 31 July 2007 Approximately 70 0 per cent of the CO_2 emissions were as a result of direct emissions from fossil-fuel consumption of which 34 6 per cent were related to business operations and 65 4 per cent were related to vehicle fuel use Wolseley is committed to taking all practicable steps to reduce its carbon footprint across the Group

Waste Management

Wolseley recognises its responsibility to measure and minimise the waste generated by its business activities Waste is divided into hazardous and non-hazardous, with hazardous waste containing properties which may render it harmful to human health or the environment and non-hazardous waste comprising general office waste such as paper, card, wood, plastics and metals All of the Group's businesses comply with their applicable waste management regulations

Hazardous waste

	Definition	Data source and calculation methods	Absolute, tonnes FY 2007
Landfill	Hazardous waste sent to landfill	Volume per annum converted to tonnes	29
Recycled	Hazardous waste recycled	Volume per annum converted to tonnes	3,838
Incinerated	Hazardous waste incinerated	Volume per annum converted to tonnes	59
Total			**3,926**

Non-hazardous waste

	Definition	Data source and calculation methods	Absolute, tonnes FY 2007
Landfill	General office waste sent to landfill	Volume per annum converted to tonnes	88,266
Incinerated	General office waste incinerated	Volume per annum converted to tonnes	5,240
Recycled	General office waste recycled	Volume per annum converted to tonnes	38,161
Reused	General office waste reused	Volume per annum converted to tonnes	9,514
Total			**141,181**

The tables above comprise waste data captured from businesses representing 63 0 per cent of Group turnover for the year ended 31 July 2007

Wolseley UK is continuing to implement initiatives to reduce, reuse and recycle its waste through waste segregation facilities such as skips, wheelie bins and rear-end loader bins A project to recycle waste from branches back to the Regional Distribution Centres ('RDCs') began in February 2007 and the company has set a target of decreasing waste to landfill by 5 per cent and increasing recycling by 5 per cent across the RDC network year on year All RDCs are now recycling cardboard and plastic and this is being monitored on a monthly basis As part of the objectives for 2007/08, Wolseley UK is working with a number of its largest suppliers to reduce the quantity and improve the environmental quality of packaging used in its supply chain with the aim of minimising the environmental impact of waste for its business and customers

As required by respective domestic legislation, Wolseley UK and Brossette both comply with the European Waste Electrical and Electronic Equipment Directive (the WEEE Directive) regarding electrical material waste Brossette has also installed containers at each of its branches for the collection of plastic, paper, wood and metal for recycling OAG is a licensed member of the Abfallrecycling Austria AG ('ARA') and complies with all Austrian legislation with respect to waste collection and disposal and is subject to regular ARA audits

In Ireland, Heatmerchants backhauls all of its waste paper, cardboard, wood pallets and plastic from its branches back to its distribution centre for recycling During the year, over 2,800 tonnes of such material was recycled, resulting in cost savings of €500,000 Beijer in Sweden, a part of DT Group ('DT'), has this year recycled 4,000 tonnes of waste, saving it from landfill, which resulted in cost savings of approximately £200,000

Stock Building Supply ('Stock') employs a process at its operational locations to identify recycling opportunities and waste stream reduction, focused on removing solid wastes and recyclable material in amounts which maximise the tonnage per haul, thereby minimising environmental impact, expense and the number of hauls needed to service its operations

Water Use

Wolseley recognises that, irrespective of geography, water can be a scarce resource Steps have been taken during the year to measure water consumption throughout the Group to enable the appropriate goals to be set for greater water efficiency

Supplied water use – Indirect impact

	Definition	Data source and calculation methods	Absolute, m^3 FY 2007
Supplied water	Consumption of piped water No water is directly abstracted by the Group	Yearly consumption of supplied water	1,100,305

The table above comprises water consumption data captured from businesses representing 64 5 per cent of Group turnover for the year ended 31 July 2007

Energy Efficiency

In the year ended 31 July 2007, Ferguson installed high efficiency heating, ventilation and air conditioning equipment and controls, and energy efficient fluorescent lights in its warehouses which offer up to 50 per cent greater energy efficiency than standard lamps The Wolseley UK standard fit-out specification for its warehouses and distribution centres incorporates energy saving measures including low energy lighting, high frequency lamps and lighting controls This area of energy efficiency is constantly being reviewed to ensure the specification reflects current developments and best practice in this area

Environmental Opportunities

Wolseley UK's Sustainable Building Centre ('SBC'), a 6,800 square foot interactive showcase for renewable and sustainable building materials, is presently under construction and is scheduled to be fully operational by April 2008 The building features the best available sustainable construction products selected from a bespoke range provided through Wolseley UK trading brands The range, which has been established since the beginning of 2007, is already proving attractive to many Wolseley customers in a diverse range of business segments Wolseley UK intends that the SBC will become the leading UK industry resource for sustainable building products and supporting information, promoting sustainable building best practices

The SBC project has firmly established Wolseley UK as a leader within the sustainable building sector in the UK Customer demand for sustainable materials will be supported as regulatory standards such as the UK Code for Sustainable Homes, the European Performance of Buildings Directive and the Merton Rule, the planning policy which requires the use of renewable energy onsite to reduce annual carbon dioxide emissions in the built environment, are implemented Wolseley UK will continue to monitor product advances and process changes in order to maintain excellence in the growing sustainable construction sector

Timber

Responsible sourcing of raw timber products contributes to the success of sustainable forestry

As part of the ongoing development of our CSR strategy, Wolseley continues to recognise the importance of sustainable timber sourcing and the elimination of illegally logged timber from the supply chain and has well established policies in this area Wolseley is committed to the responsible purchasing of forest products from forests certified as well managed This commitment is set out in a Global Timber Policy and will be realised through a stepwise approach that utilises the best available techniques and information

Wolseley aims to source timber products from forests or forest product suppliers that comply with all relevant legislation in the country of origin relating to trade in forest products and trade from protected areas, parks or similar areas We also aim to source such products from forest areas or regions that are not subject to censure under the United Nations resolutions including number 2001/1343

Wolseley engages with its suppliers and seeks information as to the source of all forest products in order to evaluate this information against its policies Working with and encouraging suppliers who support credible certification, Wolseley is committed to best practice and to reviewing and reporting progress in this area

The Group continues to work with local forest management organisations and certification agencies to increase the amount of certified timber it purchases and just over 80 per cent of the 8,464,000 cubic metres of timber purchased in the year was from certified sources Unless the appropriate permits are in place, none of the Group's businesses purchase any species of timber included in any of the Appendices to the Convention on International Trade in Endangered Species of Wild Fauna and Flora, which identify threatened species of trees All of the Group's businesses have engaged with their suppliers of Indonesian plywood to ensure that any illegal logging is excluded from the supply chain

For the fourth consecutive year, Stock purchased 90 per cent of its timber from suppliers certified by recognised sustainable forestry agencies, such as the American Forest Products Association and the Canadian Standards Association Less than 0 05 per cent of the 5,467,000 cubic metres of timber purchased by Stock during the year consisted of Lauan plywood

Wolseley UK continues to work with the UK Timber Trade Federation to assess suppliers of timber products to ensure the legal and sustainable status of timber supplied, particularly if it is sourced from Asia Pacific, South America or West Africa During the year, 65 per cent of Wolseley UK's 357,000 cubic metres of timber purchased consisted of softwood and 30 per cent consisted of products such as plywood Build Center is now the UK's leading distributor of Forest Stewardship Council ('FSC') approved plywood

PB & M SA ('PBM') works with its suppliers to ensure that timber is sourced from sustainable forests which have been certified by recognised forestry associations promoting sustainable forestry management During the year, 76 per cent of the 925,000 cubic metres of timber purchased by PBM was sourced from Russia, Finland, Germany and France and less than 1 per cent consisted of plywood sourced from Indonesia under permit

This year, in recognition of its forestry and wood production management, PBM became the first trading company in France to be awarded a 'Two Leaf' rating from Le Commerce du Bois, the French timber trade federation, which has developed a code of practice that sets standards for timber sourcing, purchasing and distribution throughout France

DT, which is a member of the Danish timber trade federation, purchased most of its softwood from local forests, with small amounts coming from Chile, China and the Baltic States Less than 1 per cent of the 1,453,000 cubic metres of timber purchased by DT during the year comprised hardwood sourced from local wholesalers, Indonesia and Ivory Coast

+130%
Increase of chain of custody volumes in Build Center

Heatmerchants in Ireland purchased 247,000 cubic metres of timber in the year, of which 18,000 cubic metres consisted of hardwood, all of which was sourced from certified forests or suppliers free of UN censure

Chain of custody

Wolseley believes that whilst sustainable sourcing is vital, it is also key that illegal timber be eliminated from the supply chain, from the forest of origin to the end user

The chain of custody scheme, introduced in Build Center in the UK in 2003, now covers 3,660 products and certification has been achieved at a further 85 branches during the year (exceeding the target of 59 branches) Products within the chain of custody scheme have been independently audited and approved by, or on behalf of, both the FSC and Programme for the Endorsement of Forest Certification ('PEFC') The scheme provides evidence that products originate from certified, well-managed forests at any point in the supply chain, giving our customers an independent guarantee that the timber we are supplying is from a legal and sustainable forest source

Some 68 per cent of the timber purchased by Wolseley UK during the year was controlled within the chain of custody scheme, an increase of over 130 per cent from 2006

During the year, chain of custody certification was awarded to PBM's softwood import business, following such certification of its hardwood business and its garden products business in 2003 In line with its targets, 100 per cent of PBM's timber purchased during the year had either FSC or PEFC chain of custody certification

Stock does not have a formal chain of custody procedure for its timber as it relies upon the chain of custody procedures in place within its suppliers However, the vast majority of purchases made by Stock are from suppliers who hold recognised certifications and whose harvests are strictly controlled by US and Canadian Federal and State law Stock maintains an extensive dialogue with its suppliers regarding sustainability issues, including chain of custody

Accreditations during the year

- Wolseley UK attained ISO 14001 accreditation in a further eight branches
- Mart in Hungary and Cesaro in the Czech Republic continued ISO 9001 accreditation for their quality management processes

Transport

We continually seek ways to reduce our environmental footprint

Last year, the Group introduced a common standard for transport management systems across its operations This continues to be implemented and will enable real-time transport management systems to improve route planning and resource scheduling across different business sectors and between multiple sites This will help to ensure increased efficiency in the utilisation of commercial vehicles

The Group continues to focus on improving fuel consumption across its primary distribution fleet, switching fuels where viable and replacing old vehicles with more fuel efficient models

Wolseley UK has continued to improve its transport fleet utilisation by focusing on efficient route planning to minimise delivery journeys and the number of kilometres travelled The target set in 2005 to reduce overall kilometres travelled by eight per cent remains on track and is expected to be achieved by the end of July 2008

Ferguson and Stock are continually evaluating and optimising all modes of transportation to manage costs and reduce miles driven by all freight carriers The ability to measure the mileage reduction and consequent fuel savings as a result of this optimisation is currently being developed and should be fully established during 2008

Stock is in the process of testing new technology that treats friction causing parts in engines and transmissions First results have shown a reduction in emissions of 14 per cent and increased fuel economy of 12 per cent in the tested vehicles It is planned to continue to test a larger sample of the fleet and if similar results are observed, consideration will be given to the introduction of this technology across the fleet

All new cars purchased by Brossette in France and Tobler in Switzerland are low-emission vehicles New trucks purchased by Mart in Hungary comply to the EUR04 standard as do all new trucks purchased by Manzardo in Italy

Health and safety

The Company has developed a health and safety framework which requires local management to have suitable procedures in place to ensure compliance with applicable laws and regulations and best practices promoted by the Group An important objective for the Group is to achieve work environments free from injury and illness attained as a direct result of improvements in our health and safety performance

Wolseley UK has established an executive safety steering group, supported by its health and safety department, comprising senior managers and local board directors The steering group reviews the UK businesses' performance in health and safety matters, promotes good practice and ensures appropriate consultation on any intended changes to its health and safety management systems All branch and area managers are trained in this area and all employees are trained to complete their daily tasks in a safe manner Wolseley UK has also introduced new workplace health and safety initiatives including a new health and safety employee handbook and improved in-branch communications These initiatives support the company's 'Don't Walk By' initiative, encouraging pro-active responses from employees in relation to all health and safety matters

During the year, Wolseley UK introduced two new awards for its operations The company's 'Health and Safety Awards' incorporate five separate categories for various achievements in this field which are awarded to the highest performing branch locations and promote a positive attitude towards occupational health and safety The 'Commercial Driver of the Year Award' aims to reinforce Wolseley's commitment to road safety, helping to promote the highest standards of driving amongst Wolseley UK's commercial fleet The first of these annual events was held in October 2006

In France, Brossette has a central health and safety committee, which oversees individual branch health and safety committees Representatives of Brossette and its employees sit on each local committee, together with an occupational health doctor All new employees and managers receive appropriate induction and training, including matters of health and safety PBM also seeks to increase awareness of the importance of health and safety throughout its business by reinforcing the responsibility of each of its employees and their role in maintaining and improving health and safety standards During the year, a Wolseley France health and safety committee was established and a number of initiatives to promote enhanced health and safety performance are being implemented across the business

Wolseley Canada was awarded a 'Work Safe Alberta Best Safety Performer Award' from the Province of Alberta during the year This is awarded to those companies that have a 40 per cent lower than industry average of disabling injuries, no work-related fatalities in the previous three years, no outstanding compliance orders under Alberta's Occupational Health and Safety legislation and no pending prosecutions under the legislation

In North America, Ferguson and Stock have continued to work together to enhance their health and safety performance including the incidence of traffic accidents This has been driven, through the North American safety committee, by the desire to reduce the number of work-related injuries and the resulting consequences that such events have on other employees and the business This has produced significant improvements in the longer-term trends in both companies' health and safety records Of those employees who have been injured at work during the year, approximately 98 per cent have returned to work either on modified duty or to their original jobs and the costs, including those associated with medical and other expenses for claims for workers' compensation, were reduced by some $4 million This project has now been extended to include Wolseley Canada It is proposed to develop further initiatives within the Group's European businesses applying the experience achieved in North America as appropriate

Wolseley North America held a Winning Ideas in Safety & Health (W I S H) competition during the year for its employees across each of its businesses in the USA and Canada This helped to enforce its commitment to strengthening the safety culture across all of the Group businesses, with the aim of promoting safety as an underlying theme in the way they operate each day

Stock continues to operate and develop its 'Driven to Safety' programme which was first introduced in 2005 This is a proactive safe driver training programme, where every driver is trained in a variety of ways to recognise hazardous conditions, plan the appropriate response and take decisive action As a result of this programme, Stock was recognised for its outstanding results in reducing its vehicle insurance claims by being presented this year with Liberty Mutual's Gold Fleet Safety Award The Driven to Safety initiative was also implemented by Ferguson during the year

Ferguson has continued to promote its Customer 'CARE' (Customers and Associates Require Excellence) programme which is intended to symbolise Ferguson's determination to achieve a culture of excellence throughout the organisation The programme includes two goals aimed at communicating the importance of safety and quality and to promote a safe working environment for all of its employees

In common with Mart in Hungary which obtained its accreditation in 1997, Cesaro in the Czech Republic has also continued to demonstrate its commitment to customer care during the year following its achievement of ISO 9001 accreditation for its quality management processes The continued accreditations reflect the companies' commitment to meet applicable regulatory requirements and exceed customer quality expectations through continuous improvement

£14m

Spent on employee training during the year

Acquisitions

A great deal of importance is placed on environmental matters during the due diligence process for acquisitions Where appropriate, external environmental consultants review and assess environmental risks to which the Group could potentially become exposed Depending upon the type of proposed acquisition, this assessment could include reviews of environmental management systems, compliance with laws and regulations and the respect and care shown for the environment A review of health and safety compliance and processes is also carried out as part of due diligence Dialogue with, and indemnities from, the proposed vendors are sought where appropriate

Code of Ethics

The Group's Code of Ethics (the 'Code') sets out a number of fundamental principles which all Group companies and employees are required to follow The Code covers many areas including fair competition, compliance with laws, including anti-trust laws, and maintenance of the Group's reputation for integrity, including a prohibition on bribery and general principles for dealing with suppliers and authorities The Code can be viewed on the Company's website at www wolseley com or a printed copy is available from the Company Secretary

In keeping with our decentralised approach, businesses are required to adopt their own codes which respect local cultures and businesses but which also set clear standards which are no less exacting than those detailed in the Code These individual codes are appropriate to the scope of the local operation and endorse existing practices All new companies joining the Group are required to adopt codes of ethics on the same basis as existing businesses

Achievements during the year

- PBM was the first trading company in France to be awarded a 'Two Leaf' rating from Le Commerce du Bois
- Wolseley UK was awarded a 'Best in Class' in the 2006 CiB National Communications Excellence Strategy Awards
- Stock Building Supply was presented with Liberty Mutual's Gold Fleet Safety Award
- Wolseley UK was awarded the Royal Society of the Prevention of Accidents Gold Award for Occupational Health & Safety
- Wolseley Canada was awarded 'Work Safe Alberta Best Safety Performer Award'

The workplace

One of the Board's objectives is to ensure that Wolseley provides a workplace environment that encourages and supports all employees to achieve their best personal performance Wolseley continues to operate, through its 'International Leadership Development Programme', a global training programme designed to develop and improve the management and leadership skills of its senior and high potential managers To date, over 700 employees have attended Wolseley management training programmes and 30 senior executives have attended leadership development programmes at Harvard and other universities Training programmes for all levels of employee continue to be a high priority for the Company with over £14 million spent on employee training during the year

Wolseley UK undertook its second annual company-wide employee survey during the year, inviting employees to suggest areas for improvement and voice any concerns Its 2006 survey highlighted improvements needed in internal communications and, in response, the company has continued the roll-out of a series of employee engagement initiatives Employees are now kept informed and involved through a wide range of communication channels, ranging from a regular newsletter to programmes with a strong platform for two-way dialogue These include face-to-face meeting forums for all levels of management and employees, as well as the expansion of a monthly online chat session, which generated over 2,300 questions during the year Each session is hosted by a senior manager from Wolseley UK Themes and topics that do not receive sufficient coverage during the online sessions gain a response in the weeks following the live event and all questions and answers are posted on the company's intranet to allow employees who were not able to join the live event an opportunity to participate

A 'Back to the Floor' programme involving office-based employees spending time in the branch network has helped to improve understanding of business operations and the evaluation and feedback from this has been very encouraging This initiative, as part of a suite of programmes, received external recognition including a 'Best in Class' in the 2006 CiB National Communications Excellence Strategy Awards

Community relations

The Group recognises its responsibility to support the communities in which our businesses operate and to act as a good corporate citizen

Wolseley is a member of Business in the Community in the UK and continues to work with that organisation to help develop our approach and practice

The Group's businesses are involved in a wide range of initiatives for the benefit of local communities

Wolseley UK is supporting British Gymnastics, the UK national governing body for the sport, as part of the FTSE-British Olympic Association initiative As the UK builds up to hosting the Olympic Games in 2012, the initiative aims to link companies with sports' governing bodies to help improve the effectiveness of their business delivery and performance The initial focus of the Wolseley UK-British Gymnastics partnership will be executive level consultation, strategic marketing guidance, commercial proposition development, customer research and targeted marketing activities Over the coming months and years, it is hoped that many Wolseley UK employees will be able to get involved with the partnership, especially at a local level, where British Gymnastics promotes its sport at schools and clubs in employees' communities

Ferguson in the USA actively promotes the education and development of young people in Newport News, where Ferguson's head office is based Involvement with organisations such as the Boy Scouts of America, the Boys & Girls Club, Achievable Dream, Preschool Partners and the Rita Welsh Adult Literacy Program emphasise the company's commitment to the development of future community leaders Ferguson and Stock also made substantial donations to the Jamestown Foundation, the Virginia State Agency that manages the Jamestown Settlement and Yorktown Victory Center history museums, supporting the acquisition of artefacts, new exhibit features and educational programmes

Silvan, one of DT Group's subsidiaries in Denmark, has embarked on a programme to encourage the employment of people aged over 50 and receiving unemployment or disability benefit The programme offers flexible working hours, practical training with hands-on experience in one of Silvan's stores, personal coaching and mentoring and continued personal monitoring with the aim of over 70 per cent of participants obtaining paid employment at the end of the programme

The Group's North American businesses continued their support for Habitat for Humanity, a non-profit organisation that seeks to eliminate substandard housing and homelessness As part of this programme, in excess of $2 million in cash and goods in kind was contributed across North America and a national partnership has been established whereby branches throughout North America make donations of materials for every Habitat house built This is expected to benefit up to 5,000 houses in the next year

Ferguson also donates to ReStores across the USA through both product donation and employees' volunteer time ReStore is a network of building material warehouses that collects donated materials from individuals, businesses and building contractors to be resold to the public for a profit The profits made from the sale of these materials fund the construction of Habitat for Humanity homes across North America

Donations

The Group supports charities relevant to the countries and locations in which its businesses operate These are wide-ranging and cover health, welfare, education, civic and community projects as well as culture and the arts Each year, several hundred donations are made Many of our employees in North America make regular contributions to the United Way, an organisation which distributes funds to charities A Give As You Earn Scheme operates in the UK with the assistance of the Charities Aid Foundation which distributes funds to UK charities During the year, employees in the UK raised £400,000 for the children's charity NCH by undertaking a Grand Trek DT Group in Denmark has made significant donations to charities caring for the mentally and physically disabled and other charities including the Red Cross and Danish Cancer Society Further details of the amount of donations made during the year are set out on page 54

Report of the Directors

Including the statement of remuneration policy for the year ended 31 July 2007

The Directors submit their annual report and the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 July 2007

Principal activities and business review

Wolseley plc is the parent of the Group and its operating subsidiaries are organised into two geographical divisions which are set out on pages 27 to 33 The principal activities of the Group are the distribution of plumbing, heating and air conditioning equipment, pipes, valves and fittings and building materials (including timber) within Europe and North America In the USA, the Group also supplies other construction and installation services In the UK, France and Austria, the Group operates tool hire centres and, in the UK, France and USA, it distributes electrical components and supplies

Details of the development of the Group's businesses during the year, including an assessment of the Group's exposure to financial risks and how these are managed, and information which fulfils the requirements of the Business Review, are given in the Performance review on pages 22 to 41 and in the Group Chief Executive's review on pages 8 to 21, which are incorporated into this report by reference

Results and dividends

The Group's consolidated income statement, set out on page 70, shows a decrease of 9 7 per cent in Group operating profit from £834 million in 2006 to £753 million An analysis of revenue and operating profit is given on page 80 in note 2 to the accounts Details relating to post balance sheet events are given on page 109 Shareholders were paid the 2007 interim dividend of 10 85 pence per share (2006 9 85 pence) on 31 May 2007 The Directors recommend a final dividend of 21 55 pence per share (2006 19 55 pence) making a total dividend for the year of 32 40 pence per ordinary share, an increase of 10 2 per cent on the 29 40 pence paid in respect of last year Payment of the recommended final dividend, if approved at the Annual General Meeting, will be made on 30 November 2007 to shareholders registered at the close of business on 5 October 2007

The Wolseley plc 2004 Overseas Employee Benefit Trust, the Wolseley plc 2004 Employee Benefit Trust and the Wolseley plc 2004 Directors Benefit Trust were established on 5 October 2004 in connection with the Wolseley Share Option Plan 2003 and the Wolseley plc 2002 Long Term Incentive Scheme, details of which are set out in the Remuneration report on pages 63 to 65 The trustees of each of the trusts have waived their rights to receive dividends on any shares held by them Following purchases of shares in the capital of the Company made between November 2004 and January 2007, the trustees of the Wolseley plc 2004 Employee Benefit Trust hold 6,200,000 ordinary shares in the capital of the Company The average purchase price was 1174 7 pence per share (excluding dealing costs) The amount of dividends waived in respect of the year ended 31 July 2007 was £1,572,000 (2006 £300,425)

The Company's dividend reinvestment plan continues to be available to eligible shareholders Shareholders who do not currently participate in the plan and wish to do so can obtain an application form and explanatory booklet from the Company's Registrars, whose contact details are shown on page 127 The latest date for receipt of new applications to participate in respect of the 2007 final dividend is 9 November 2007

Change of control

All of the Company's share schemes contain provisions relating to a change of control Outstanding options and awards would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions at that time

Acquisitions and disposals

Details of acquisitions made during the year are contained in the Performance review on page 25 and in note 31 to the accounts on page 106 There were no disposals of businesses during the year

Future development

It remains your Board's intention to develop the Group through organic growth and by selective acquisitions

Share capital

At the date of this report, 661,187,360 ordinary shares of 25 pence each have been issued and are fully paid up and are quoted on the London Stock Exchange In addition, the Company has entered into a Level II American Depository Receipt programme with the Bank of New York Mellon, under which the Company's shares are traded in the form of American Depository Shares on the New York Stock Exchange The rights and obligations attaching to the Company's ordinary shares, as well as the powers of the Company's Directors, are set out in the Company's Articles of Association, copies of which can be obtained from Companies House in the UK or by writing to the Company Secretary There are no restrictions on the voting rights attaching to the Company's ordinary shares or on the transfer of securities in the Company No person holds securities in the Company carrying special rights with regard to control of the Company The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or on voting rights Unless expressly specified to the contrary in the Articles of Association of the Company, the Company's Articles of Association may be amended by a special resolution of the Company's shareholders

During the year ended 31 July 2007, options were exercised pursuant to the Company's share option schemes, resulting in the allotment of 3,969,008 new ordinary shares A further 22,136 new ordinary shares have been allotted under these schemes since the end of the financial year to the date of this report In addition, a total of 59,500,000 new ordinary shares were issued and allotted on 25 September 2006 by a placement, further details of which can be found on page 40 Details of these allotments, including, where appropriate, the amounts subscribed for new shares are set out in note 28 to the accounts on page 102, which also contains details of options granted over unissued capital

The Directors propose (Resolution 9 in the Notice of Meeting set out on pages 129 to 132) to renew the authority granted to them at the Annual General Meeting held in 2006 to allot equity shares up to an aggregate nominal value of £34,703,160 (representing the authorised but unissued ordinary share capital of the Company at the date of this report) (the 'section 80 authority') If approved at the forthcoming Annual General Meeting, the authority will expire no later than 15 months from the date on which the resolution is passed, or at the conclusion of the Annual General Meeting to be held in 2008, whichever is the sooner

The limited power granted to the Directors at last year's Annual General Meeting to allot equity shares for cash other than pro rata to existing shareholders expires no later than 29 February 2008 Subject to the terms of the section 80 authority, your Directors recommend (Resolution 10 in the Notice of Meeting) that this authority should be renewed so as to give them the ability, until the Annual General Meeting to be held in 2008, to issue ordinary shares for cash, other than pro rata to existing shareholders, in connection with a rights issue or up to a limit of 5 per cent of the ordinary share capital issued at the date of this report Your Directors have no present intention to issue ordinary shares, other than pursuant to the Company's employee share schemes and any share dividend alternatives The Directors recommend that you vote in favour of Resolutions 9 and 10 to maintain the Company's flexibility in relation to future share issues, including any issues to finance business opportunities should appropriate circumstances arise

A Special Resolution will also be proposed (Resolution 11 in the Notice of Meeting) to renew the Directors' limited authority last granted in 2006 to repurchase the Company's ordinary shares in the market The authority will be limited to a maximum of 66,118,736 ordinary shares (being 10 per cent of the Company's issued share capital at the date of this report) and also sets the minimum and maximum prices which may be paid This authority will enable your Directors to continue to respond promptly should circumstances arise in which they consider such a purchase would result in an increase in earnings per share and would be in the best interests of the Company

The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 allow shares repurchased by the Company to be held as treasury shares that may be cancelled, sold for cash or used for the purpose of employee share schemes The Company holds no shares in treasury but the Directors currently intend that any shares which are repurchased will be held in treasury The authorities to be sought by each of Resolutions 10 and 11 are intended to apply equally to shares to be held by the Company as treasury shares and to the sale of treasury shares The Directors consider it desirable for these general authorisations to be available to provide flexibility in the management of the Company's capital resources

CREST

The Company's ordinary shares are in CREST, the settlement system for stocks and shares

Substantial share interests

The Companies Act 1985 provisions in respect of substantial share interests were repealed on 20 January 2007 and, with effect from that date, the Disclosure and Transparency Rules of the UK Financial Services Authority came into force

At 31 July 2007, the Company had received notification that holdings exceeding the 3 per cent notification threshold were as follows

Name	%
Baillie Gifford & Co	7 004
Lloyds TSB Group plc	6 060
Legal & General Investment Management Limited	3 443
Aviva plc	3 096
Barclays plc	3 020

Directors

Brief particulars of the Directors in office at the date of this report are listed on pages 42 and 43 and further details of the Board composition as well as the Company's procedure with regard to the appointment and replacement of Directors are contained in the Corporate governance report on page 55 The Directors standing for re-election at the Annual General Meeting are Andrew Duff, Chip Hornsby and Jim Murray Each Director, being eligible, offers himself for re-election It is the view of the Board that Messrs Duff and Murray each bring considerable management experience and independent perspective to the Board's discussions and both are considered to be independent of management and free from any relationship or circumstance that could affect, or appear to affect, the exercise of their independent judgement

Directors' interests in shares

The interests of the Directors in office at 31 July 2007 and of their families in the ordinary shares of the Company at the following dates were

	31 July 2007	1 August 2006
G Davis	**10,664**	10,664
A J Duff	**7,006**	3,993
F N Hord	**99,195**	91,470
C A S Hornsby	**68,366**	57,709
R H Marchbank	**26,760**	26,462
J I K Murray	**7,000**	5,000
F W Roach	**36,898**	27,248
N M Stein	**6,500**	4,500
R M Walker	**10,944**	2,208
S P Webster	**55,535**	50,220
J W Whybrow	**70,284**	45,284

Between 1 August 2007 and 24 September 2007 there were no changes to the shareholdings of those Directors in office at the date of this report

Report of the Directors

Including the statement of remuneration policy for the year ended 31 July 2007

Donations

The Company's Corporate social responsibility report is set out on pages 44 to 51 The Group's charitable donations in 2007 totalled £2,019,500 (2006 £2,445,000)

At each of the Annual General Meetings held since 2002, shareholders have passed a resolution, on a precautionary basis, to approve donations to EU political organisations and to incur EU political expenditure (as such terms are defined in section 347A of the Companies Act 1985 (as amended), which will be superseded by sections 362 to 379 of the Companies Act 2006 with effect from 1 October 2007), not exceeding £125,000 per annum The Board has repeatedly confirmed that it operates a policy of not giving any cash contribution to any political party in the ordinary meaning of those words and that it has no intention of changing that policy The Directors, however, propose to seek once more authority for the Group to make political donations and/or incur political expenditure in respect of each of the heads identified in Resolution 12 in the Notice of Annual General Meeting in amounts not exceeding £125,000 in total, which they might otherwise be prohibited from making or incurring under the terms of the Companies Act 2006 and which would not amount to 'donations' in the ordinary sense of the word The authority sought by Resolution 12 in the Notice of Meeting will last until the Company's next Annual General Meeting

Creditor payment policy

All Group companies are responsible for establishing terms and conditions of trading with their suppliers It is the Group's policy that payments to suppliers are made within agreed terms and are, where applicable, consistent with the UK Government-backed Better Payment Practice Code Copies of this Code can be obtained from the Company Secretary at the Company's registered office At 31 July 2007, the Company had no trade creditors (2006 nil) The amount of trade creditors for the Group as at 31 July 2007 was equivalent to 59 days (2006 52 days) of trade purchases

Auditors and audit information

PricewaterhouseCoopers LLP are willing to continue as auditors of the Company and Resolution 7 in the Notice of Meeting concerning their reappointment and Resolution 8 in the Notice of Meeting concerning the determination of their remuneration are to be proposed at the Annual General Meeting The Directors in office at the date of this report confirm that, so far as they are each aware, there is no relevant audit information of which PricewaterhouseCoopers LLP are unaware and each Director has taken all the steps that ought to have been taken as a Director to be aware of any relevant audit information and to establish that PricewaterhouseCoopers LLP are aware of that information

Employee policies and involvement

The Group places particular importance on the involvement of its employees, keeping them regularly informed through informal bulletins, such as 'Directions' and other in-house publications, meetings and the Company's intranet, on matters affecting them as employees and on the issues affecting their performance A European Works Council has been operating since 1996 to provide a forum for dialogue and consultation with employees on significant developments in the Group's operations, management's plans and expectations, organisational changes within the Group and for employee representatives to consult management about concerns over any aspect of the Group's operations At the date of this report, there were 25 members comprising 14 employee representatives nominated from among employees from each European company with the balance being Company appointees For the forthcoming year, as a result of the recent Woodcote acquisition, the European Works Council will see an increase in total membership to 29 with 18 employee representatives

Permanent UK employees are invited to join the Company's pension arrangements which include defined contribution and defined benefit pension schemes The principal UK scheme has one corporate and two individual trustees The chairman of the trustees is David Tucker and, save for an independent trustee, all of the other trustees are UK-based employees or former employees of the Group The other main UK scheme provides benefits for employees of the William Wilson Group and has five trustees The chairman of the trustees is Ian Percy CBE and all of the other trustees are UK-based employees of the William Wilson Group or of the Company Permanent employees outside the UK are offered membership of their employing companies' pension arrangements

Employees are offered a range of benefits depending on their local environment, such as private medical cover Employees are encouraged to become shareholders in the Company, where possible, through participation in the Company's share schemes Priority is given to the training of employees and the development of their skills is of prime importance Employment of disabled people is considered on merit with regard only to the ability of any applicant to carry out the function required Arrangements to enable disabled people to carry out the function required will be made if it is reasonable to do so An employee becoming disabled would, where appropriate, be offered retraining The Group continues to operate on a largely decentralised basis, this provides encouragement for the development of entrepreneurial flair, balanced by a rigorous control framework exercised by a small head office team Local managements are responsible for maintaining high standards of health and safety and for ensuring that there is appropriate employee involvement in decision-making

Corporate governance

Including the report of the Audit Committee

Compliance with the Combined Code

The Board is committed to the highest standards of corporate governance as set out in the Combined Code on corporate governance published by the Financial Reporting Council ('FRC') in July 2003 (the 'Code') The Board has also applied the principles and provisions in the form set out in the revised Combined Code published by the FRC in June 2006 (the 'Revised Code') The Board is accountable to the Company's shareholders for good governance and this report describes how the Board applied the principles of good governance as set out in the Code and the Revised Code during the year under review

The Board

As at 31 July 2007, the Board of Directors was made up of 11 members comprising the Chairman, five Executive Directors and five Non Executive Directors The Non Executive Directors are considered by the Board to be independent of management and free of any relationship which could materially interfere with the exercise of their independent judgement The Board considers that each of the Non Executive Directors brings his own senior level of experience and expertise Fenton Hord retired from the Board as an Executive Director on 31 July 2007 and Robert Walker will step down from the Board as a Non Executive Director with effect from 31 October 2007 Accordingly, at the date of this report, there are 10 members of the Board, comprising the Chairman, four Executive Directors and five Non Executive Directors

Biographical details of the Directors currently in office are shown on pages 42 and 43 The Company's policy relating to the terms of appointment and the remuneration of both the Executive and Non Executive Directors is detailed in the Remuneration report on pages 61 to 68

The Board meets regularly during the year, as well as on an ad hoc basis, as required by time critical business needs The Board has a formal schedule of matters reserved to it for its decision, although its primary role is to provide entrepreneurial leadership and to review the overall strategic development of the Group as a whole Day-to-day operational decisions are managed by the Executive Committee and the Executive Committee Advisory Group, referred to on page 57 The Board met eight times during the year and Director attendance for each meeting is shown in the table on page 58 The Board has established a procedure for Directors, if deemed necessary, to take independent professional advice at the Company's expense in the furtherance of their duties This is in addition to the direct access that every Director has to the Company Secretary, who is charged with ensuring that Board procedures are followed and that good corporate governance and compliance is implemented throughout the Group Following their appointment, formal comprehensive and tailored induction is offered to all Directors, which is supplemented by visits to key locations within the Group and meetings with members of the Executive Committee, the Executive Committee Advisory Group and other key senior executives

Together with the Group Chief Executive and the Company Secretary, the Chairman ensures that the Board is kept properly informed and is consulted on all issues reserved to it Board papers and other information are delivered at times to allow Directors to be properly briefed in advance of meetings In accordance with the Company's Articles of Association, Directors are granted an indemnity from the Company to the extent permitted by law in respect of liabilities incurred as a result of their office The indemnity would not provide any coverage to the extent that a Director is proved to have acted fraudulently or dishonestly The Company has also arranged appropriate insurance coverage in respect of legal action against its Directors and Officers The distinct roles of Chairman and Group Chief Executive are acknowledged and set out in writing The Chairman has confirmed that he would not chair any other major company's board of directors Gareth Davis is the Company's Senior Independent Director and is available to shareholders where communication through the Chairman or Executive Directors would not be appropriate The Chairman ensures that the Board maintains an appropriate dialogue with shareholders and, although the Non Executive Directors are not formally asked, at present, to meet the Company's shareholders, their attendance at presentations of the annual and interim results is encouraged

The Chairman reviewed the developmental needs of the Board as a whole, including the skills and contributions each Director brought to it and confirmed that there were no outstanding items from the performance evaluations which had been carried out during 2006 It is proposed that a further detailed review be carried out during 2008 The Chairman confirmed that should any Director have any concerns or observations which they wished to raise, these could be notified to him directly or to the Company Secretary, to be addressed appropriately

Meetings between the Non Executive Directors, both with and without the presence of the Chairman and the Group Chief Executive, are scheduled in the Board's annual timetable The Board has also arranged to hold at least two Board meetings each year at divisional locations to help all Board members gain a deeper understanding of the business This also provides senior managers from across the Group the opportunity to present to the Board as well as to meet the Directors on more informal occasions

As part of their ongoing development, the Executive Directors are encouraged to take up an external non executive position on the board of a non competitor company, for which they may retain payments received in respect of such appointment In order to avoid any conflict of interest, all appointments are subject to the Board's approval and, generally, outside appointments for Executive Directors are limited to one company board The Board monitors the extent of Directors' other interests to ensure that the effectiveness of the Board is not compromised Overall responsibility for succession planning is considered to be a matter for the whole Board rather than for a committee

The Company's Articles of Association provide that one-third of the Directors retire by rotation each year and that each Director will seek re-election by the shareholders at the Annual General Meeting at least once every three years Additionally, new Directors are subject to election by shareholders at the first opportunity after their appointment It is Board policy that Non Executive Directors are normally appointed for an initial term of three years, which is then reviewed and extended for up to a further two three-year periods It is also Board policy that Non Executive Directors should not generally serve on the Board for more than nine years and that, in cases where it is proposed to exceed this period, the Director concerned will retire annually and offer himself for re-election Details of the Directors seeking re-election at the 2007 AGM are given in the Notice of Meeting on page 130

The formal terms of reference for the Board committees, approved by the Board and complying with the Code to assist in the discharge of its duties, are available from the Company Secretary and can also be found on the Company's website at www wolseley com Membership of the various committees is shown on page 127 The Company Secretary acts as secretary to all Board committees

Corporate governance

Including the report of the Audit Committee

Nominations committee

The Nominations Committee meets on an as needed basis and was not required to meet during the year ending 31 July 2007 At the date of this report, it comprises Messrs Whybrow (Chairman), Davis, Duff, Hornsby and Walker Mr Walker will be stepping down on 31 October 2007 and Messrs Murray and Stein will be appointed to the committee with effect from that date Mr Whybrow would not chair the committee when it considers the appointment of a successor chairman The committee reviews the structure, size and composition of the Board and its committees and makes recommendations with regard to any changes that are considered necessary, both in the identification and nomination of new Directors and the continuation of existing Directors in office The committee retains external search consultants as appropriate The committee also advises the Board on succession planning for board appointments although the Board itself has overall responsibility for succession generally

Audit committee

The Audit Committee comprises Messrs Davis, Stein and Murray, who chairs the committee The committee's membership is reviewed by the Nominations Committee and by Mr Murray at regular intervals Members of the committee are appointed by the Board following recommendations by the Nominations Committee The committee is normally comprised of three independent Non Executive Directors Two members constitute a quorum

Each member of the committee brings relevant financial experience at a senior executive level and the expertise and experience of the members of the committee are summarised on page 43 The Board considers that each member of the committee is independent within the definition set out in the Code Mr Stein is considered by the Board to have significant, recent and relevant financial experience, having been, until September 2007, Finance Director of GKN plc

All members of the committee receive appropriate induction, which is in addition to the induction which all new Directors receive and includes an overview of the business, its financial dynamics and risks Members of the committee undertake ongoing training as required Audit Committee members are expected to have an understanding of the following areas

- the principles of, contents of and developments in, financial reporting, including the applicable accounting standards and statements of recommended practice and in particular, the appropriateness of the Company's accounting policies,
- the Company's wider corporate policies and its financing, and
- the Company's systems of internal control and matters that require the use of judgement in the presentation of accounts and key figures as well as the role of internal and external auditors

The committee meets regularly throughout the year and its agenda is linked to events in the Company's financial calendar The agenda is mostly cyclical although each member of the committee may require reports on matters of interest in addition to the regular items Members' attendance at the meetings held during the year is set out in the table on page 58

The committee invites the Chairman, the Group Chief Executive, the Chief Financial Officer, the Director of Financial Reporting and Strategic Planning and the Head of Internal Audit together with senior representatives of the external auditors to attend each meeting and receive its papers, although it reserves part of each meeting for discussions without the invitees being present Other senior executives are invited to present such reports as are required for the committee to discharge its duties The Audit Committee members regularly meet the Head of Internal Audit and the external auditors without the presence of executive management The Chairman of the Audit Committee attends the Annual General Meeting to respond to any shareholder questions that might be raised on the committee's activities

The committee is required to assist the Board to fulfil its responsibilities related to external financial reporting and associated announcements During the year, the committee reviewed, either as a committee or as part of the Board

- the interim and annual financial statements, including the requirements for financial reporting,
- the interim and preliminary announcements made to the London and New York Stock Exchanges,
- the Company's trading statements and, where practicable, all proposed announcements to be made by the Company to the extent that they contain material financial information,
- the Form 20-F, filed with the Securities and Exchange Commission in the USA, having received the appropriate information on the accounting principles, policies and practices adopted in the preparation of the accounts,
- changes proposed to the Company's policies and practices,
- significant accounting issues,
- operation of the Company's whistleblowing policy,
- litigation and contingent liabilities and tax matters, including contingencies against tax liabilities together with compliance with statutory tax obligations,
- fraud reports, and
- the Company's risk management process

The committee is also responsible for the development, implementation and monitoring of the Company's policy on external audit and the committee reserves oversight responsibility for monitoring independence, objectivity and compliance with ethical and regulatory requirements The committee recommends the appointment and reappointment of the Company's external auditors and annually reviews a formal letter provided by the external auditors confirming their independence and objectivity within the context of applicable regulatory requirements and professional standards The committee also reviews the terms, areas of responsibility and scope of the audit (including schedules of unadjusted errors and representation letters) as set out in the external auditors' engagement letter, the overall work plan for the forthcoming year, together with the cost-effectiveness of the audit as well as the auditors' remuneration and performance, any major issues which arose during the course of the audit and their resolution, key accounting and audit judgements, the level of errors identified during the audit, and the recommendations made to management by the auditors and management's response

During the year, a review was carried out to provide assurance that the Group was receiving value for money for the service provided by the external auditors The committee monitors the rotation of key partners within the external auditors from time to time in accordance with UK and US rules The committee also monitors the extent of non-audit work which the external auditors can perform, to ensure that the provision of those non-audit services that can be undertaken by the external auditors falls within the agreed policy and does not impair their objectivity or independence Under the policy, the external auditors cannot be engaged to perform any of the following services

- bookkeeping services related to accounting records or financial statements,
- financial information systems' design and implementation,
- appraisal or valuation services, fairness opinions and contributions in kind reports,

- actuarial services,
- internal audit outsourcing services,
- management functions including human resources,
- broker or dealer, investment adviser or investment banking services, or
- legal and other services unrelated to the audit

The policy requires pre-confirmation by the committee of any non-audit work subject to de minimis levels The external auditors provide audit related services such as regulatory and statutory reporting as well as formalities relating to shareholder or other circulars The external auditors report any material departures from Group accounting policies and procedures that they identify during the course of their audit work to the committee Within the constraints of applicable UK and US rules, the external auditors undertake due diligence reviews and provide assistance on tax matters given their in-depth knowledge of the Group's business The provision of non-audit services within such constraints and the agreed policy is assessed on a case-by-case basis so that the best-placed adviser is retained During the year, the committee carried out an extensive review of the effectiveness of the external auditors, which included receiving responses from each of the Group's operating companies and considered whether the agreed audit plan had been fulfilled and the reasons for any variation from the plan The committee also considered the external auditors' robustness and the degree to which the external auditors were able to assess key accounting and audit judgements and the context of the management letter

The total fees paid to PricewaterhouseCoopers in the year ended 31 July 2007 were £10 5 million (2006 £9 6 million), of which £4 2 million (2006 £4 2 million) related to non-audit work Further disclosure of the non-audit fees paid during the year ended 31 July 2007 can be found in note 3 to the accounts on page 84

The committee also reviews the effectiveness of the Group's internal audit function, including its terms of reference, audit plans, general performance and its relationship with the external auditors Throughout the year, the committee reviewed the internal audit function's plans and its achievements against such plans The committee considered the results of the audits undertaken by the internal audit function and considered the adequacy of management's response to matters raised, including the time taken to resolve any such matters The committee carried out its annual review to consider the effectiveness of the internal audit function using guidance issued by the Institute of Chartered Accountants in England & Wales and the Institute of Internal Auditors – UK During the year, two continental audit committees were established by the continental CEOs for Europe and North America, at the suggestion of the committee The minutes of the continental audit committee meetings will be provided to the Audit Committee

The committee monitors and reviews the effectiveness of the Group's internal control systems, accounting policies and practices, standards of risk management and risk management procedures and compliance controls as well as the Company's statements on internal controls before they are agreed by the Board for each year's annual report The committee has also monitored the Company's response to the requirements of the US Sarbanes-Oxley Act as they apply to foreign private issuers with particular focus on the progress made in evaluating internal controls as required by Section 404 of that Act and the disclosures to be made by the Group Chief Executive and Chief Financial Officer as part of the Form 20-F certification process The Board retains overall responsibility for internal control and for the identification and management of business risk During the year, the committee also reviewed the processes which have been embedded throughout the Group in compliance with IFRS reporting requirements

The Company's whistleblowing policy, which is an extension of the Groupwide Code of Ethics, gives details of the international whistleblowing hotline operated on behalf of the Company by an independent third party and sets out the arrangements for the Company Secretary to receive, in confidence, disclosures on accounting, risk issues, internal controls, auditing issues and related matters which would, as appropriate, be reported to the committee A copy of the Group's Code of Ethics is available on the Company's website at www wolseley com

Each year the committee critically reviews its own performance and considers where improvements can be made The committee's terms of reference were reviewed and updated during the year and copies are available from the Company Secretary or on the Company's website at www wolseley com

Remuneration committee

The committee comprises Messrs Davis, Walker and Duff, who chairs the committee, all of whom are independent within the definition set out in the Code Mr Walker will step down from the committee on 31 October 2007 and Messrs Stein and Whybrow will be appointed to the committee with effect from that date The committee met four times during the year and Director attendance for each meeting is shown in the table on page 58 The committee has delegated authority to deal with remuneration matters on behalf of the Board and the Board's Remuneration report is set out on pages 61 to 68 During the year, the committee reviewed and updated its terms of reference, copies of which are available from the Company Secretary or on the Company's website at www wolseley com The chairman of the committee attends the Annual General Meeting to respond to any shareholder questions that might be raised on the committee's activities

Treasury committee

The committee comprises the Group Chief Executive, the Chief Financial Officer, who acts as its Chairman, and the Group Treasurer The committee's role is to consider treasury policy, tax matters and certain transactions on behalf of the Group within a framework delegated by the Board

Executive committee

The Executive Directors of the Company together with the Chief Business Development Officer, the Chief Operations Officer and the Group Company Secretary and General Counsel, meet at least eight times each year, often on the day before formal Board meetings The committee addresses operational business issues and shares best practice, thereby allowing the Directors more time at Board meetings to focus on strategy

Executive committee advisory group

The Executive Committee Advisory Group comprises the Group Chief Information Officer, the Group Senior Vice President Supply Chain, the Group Senior Vice President Sourcing, the Director of Financial Reporting and Strategic Planning and the Group HR Director The members of this group, who each have key roles in their own right, act as advisers to the Executive Committee

Corporate governance

Including the report of the Audit Committee

Meetings attendance

The following table shows the attendance of Directors at meetings of the Board, Audit and Remuneration Committees held during the year

Number of meetings held during the year to 31 July 2007	Board 8	Audit 5	Remuneration 4
G Davis	7	3	4
A J Duff	8	–	4*
F N Hord	6	–	–
C A S Hornsby	8	–	–
R H Marchbank	8	–	–
J I K Murray	8	5*	–
F W Roach	8	–	–
N M Stein	8	5	–
R M Walker	7	–	3
S P Webster	8	–	–
J W Whybrow	8*	–	–

*Chairman

Internal audit

The internal audit function is fully independent of the day-to-day operations of the Group It is involved in the assessment of the quality of risk management and internal control and helps to promote and further develop effective risk management within the businesses Certain internal audit assignments (such as those requiring specialist expertise) continue to be outsourced by the Head of Internal Audit to KPMG LLP as required A policy has been established regarding the recruitment of staff from both KPMG LLP and PricewaterhouseCoopers LLP The Head of Internal Audit attends all Audit Committee meetings as well as having regular meetings with the chairman of that committee The Audit Committee reviews key performance indicators relating to the activity of the department

Internal control

In a decentralised Group, where local management has considerable autonomy to run and develop their businesses, a well designed system of internal control is necessary to safeguard shareholders' investment and the Company's assets The Directors have overall responsibility for the Group's systems of internal control and for reviewing their effectiveness In accordance with the guidance set out in the Turnbull Report 'Internal Control Guidance for Directors on the Combined Code', an ongoing process has been established for identifying, managing and evaluating the risks faced by the Group and has been in place for the full financial year and up to the date on which the financial statements were approved

The systems are designed to manage rather than eliminate business risk, safeguard the Group's assets against material loss, fairly report the Group's performance and position and to ensure compliance with relevant legislation, regulation and best practice including that related to social, environmental and ethical matters The systems provide reasonable, not absolute, assurance against material misstatement or loss and are regularly reviewed by the Board to deal with changing circumstances

A summary of the key financial risks inherent in the Group's business is given on pages 40 to 41 Risk assessment and evaluation is an integral part of the annual planning cycle Each business documents the strategic objectives and the effectiveness of the Group's systems of internal control As part of this review, each business area and function has been required to identify and document each significant risk, together with the mitigating actions implemented to manage, monitor and report to management on the effectiveness of these controls

Group companies also submit risk management and internal control representation letters bi-annually to the Chief Financial Officer, with comments on the control environment within their operations The Chief Financial Officer summarises these submissions for the Audit Committee and the Executive Committee The chairman of the Audit Committee reports to the Board on any matters which have arisen from the committee's review of the way in which the risk management and internal control processes have been applied or any breakdowns in, or exceptions to, these procedures Group companies are also required to support the disclosures and attestations that the Group Chief Executive and Chief Financial Officer are required to give under the Sarbanes-Oxley Act These processes have been in place throughout the year ended 31 July 2007 and have continued to the date of this report The Board has reviewed the effectiveness of the Group's system of internal control for the year under review and a summary of the principal control structures and processes in place across the Group is set out below

Control structures

Whilst the Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness, it has delegated responsibility for the risk management and internal control programme to the Chief Financial Officer The detailed review of risk management and internal control has been delegated to the Audit Committee The management of each Group company is responsible for risk management and internal control within its own business and for ensuring compliance with the Group's policies and procedures Each Group company has appointed a risk director whose primary role in such capacity is to ensure compliance by local management with the Group's risk management and internal control programme Both the internal and external auditors have reviewed the overall approach adopted by the Group towards its risk management activities so as to reinforce these internal control requirements

Control processes

The Board reviews its strategic plans and objectives on an annual basis and approves Group company budgets and strategies in light of these Control is exercised at Group, continental, cluster and subsidiary board level through monthly monitoring of performance by comparison to budgets, forecasts and cash targets and by regular visits to Group companies by the Group Chief Executive, Chief Financial Officer and continental CEOs

The Board has formal procedures in place for the approval of investment and acquisition projects, with designated levels of authority, supported by post investment review processes for major acquisitions and capital expenditure The Board takes account of social, environmental and ethical matters in relation to the Group's businesses when reviewing the risks faced by the Group The Board is conscious of the effect such matters may have on the short and long-term value of the Company

As noted on page 52, the Company has entered into a Level II American Depository Receipt programme with the Bank of New York Mellon and has securities registered with the Securities and Exchange Commission in the USA As a result, the Company is required to comply with applicable US regulations including the Sarbanes-Oxley Act, insofar as it applies to foreign private issuers In accordance with the Securities and Exchange Commission's recommendations, the Company has established a disclosure committee comprising the Group Chief Executive, Chief Financial Officer, the Group Company Secretary and General Counsel and the Director of Financial Reporting and Strategic Planning

The Group Chief Executive and Chief Financial Officer will also provide the certificates required by the Sarbanes-Oxley Act when the Form 20-F for 2007 is filed There were no changes to the Company's internal control over financial reporting occurring during the year ended 31 July 2007 which have materially affected, or are reasonably likely to materially affect, that internal control Procedures relating to the internal controls, as required by Section 404 of the Sarbanes-Oxley Act, were in place throughout the year ended 31 July 2007 and continue to the date of this report

Compliance statement

The Company applied all of the principles set out in section 1 of the Code and the Revised Code for the period under review and has, throughout the year, complied with the detailed provisions set out therein, save that, until 31 July 2007, the pensionable salary of one Executive Director included his bonus capped at a fixed amount (as detailed on page 67) From 1 August 2007, all Executive Director service contracts comply with the Code and the Revised Code

The Company's auditors, PricewaterhouseCoopers LLP, are required to review whether the above statement reflects the Company's compliance with the nine provisions of the Code specified for its review by the Listing Rules of the UK Listing Authority and to report if it does not reflect such compliance No such report has been made

New York Stock Exchange corporate governance requirements

Although not required to do so as a foreign private issuer, the Company complies in all material respects with the corporate governance measures set out by the board of the New York Stock Exchange, Inc for US issuers Those standards state that companies should have a nominating/corporate governance committee composed entirely of independent directors with written terms of reference, which develops and recommends to the board a set of corporate governance principles for the company The Company has a Nominations Committee, details of which are set out on page 56 and a majority of the members of the Nominations Committee are independent Non Executive Directors and all such Directors sit on the Board The Board itself, rather than the Nominations Committee, develops the corporate governance principles for the Company and approves the Group's overall system of internal controls, governance and authority limits The Company's practice, in accordance with the UK Companies Act and the Code in relation to the appointment and termination of the external auditors, is that a recommendation is made by the Audit Committee to the Board, which will then make a recommendation to shareholders in general meeting This differs from the procedure in the USA, where the external auditors are accountable to the audit committee, which has the authority to appoint or dismiss the external auditors without reference to shareholders

In July 2005, rules were introduced by the US Sarbanes-Oxley Act, the Securities and Exchange Commission and the New York Stock Exchange which require the Company to comply with certain provisions relating to audit committees These include a requirement related to the independence of audit committee members and procedures for the treatment of complaints regarding accounting or auditing matters The Company is fully compliant with these requirements

Communications with shareholders

The Company places considerable importance on communication with its shareholders, including its employee shareholders The Group Chief Executive and Chief Financial Officer are closely involved in investor relations and a senior executive has day-to-day responsibility for such matters The views of our major shareholders are reported to the Board by the Chief Financial Officer and by the Chairman and discussed at its meetings The Annual Report and Accounts are available to all shareholders either in paper form or electronically and can be accessed via the Company's website www wolseley com or via Shareview, an internet service offered by the Company's Registrars, as detailed on page 128

The Company has regular dialogue with institutional shareholders and meetings with shareholder representatives, as required, and promotes communications with private shareholders through attendance at the Annual General Meeting Contact with institutional shareholders and with financial analysts, brokers and the media is controlled by written guidelines to ensure the protection of sensitive information which could affect the Company's share price and which has not already been made generally available to the Company's shareholders Contact is also maintained, when appropriate, with shareholders to discuss overall remuneration plans and policies The Group's preliminary and interim results, as well as all announcements issued to the London and New York Stock Exchanges, are published on the Company's website, www wolseley com The Company issues regular trading updates to the market and these, together with copies of presentations to analysts and interviews with the Group Chief Executive and Chief Financial Officer, are also posted on the Company's website The Notice of the Annual General Meeting is circulated to all shareholders at least 20 working days before such meeting and it is Company policy not to combine resolutions to be proposed at general meetings All shareholders are invited to the Company's Annual General Meeting at which they have the opportunity to put questions to the Board and it is standard practice to have the chairmen of the Audit, Nominations and Remuneration Committees available to answer questions The proxy votes for and against

Corporate governance

Including the report of the Audit Committee

each resolution, as well as abstentions which may be recorded on the proxy form accompanying the Notice of Meeting, are counted before the Annual General Meeting and the results are made available at the meeting after shareholders have voted on each resolution on a show of hands The results are also announced to the London and New York Stock Exchanges and are published on the Company's website shortly after the meeting

Awards under employee share schemes

Options were granted under the Employee Share Purchase Plan in April 2007 to 6,362 US-based employees (2006 8,151) and 304 Canadian-based employees (2006 442) in respect of a maximum of 668,431 ordinary shares (2006 817,439) exercisable at 1038 pence per share In April 2007, options were granted for the first time under the Wolseley European Sharesave Plan to 1,757 employees across 12 countries in Europe in respect of a maximum of 557,612 ordinary shares exercisable at 1038 pence per share Options were granted under the UK Employees Savings Related Share Option Scheme in April 2007 to 2,662 employees (2006 2,649) in respect of a maximum of 748,744 ordinary shares (2006 621,422) exercisable at 977 pence per share Options were granted under the Irish Sharesave Scheme in April 2007 to 159 employees (2006 229) in respect of a maximum of 65,606 ordinary shares (2006 86,100) exercisable at 977 pence per share In November 2006 options were granted under the Wolseley Share Option Plan 2003 over 5,432,414 ordinary shares (2006 4,473,070) to senior employees of the Group at an option price of 1201 pence per share In January 2007, awards under the Company's Restricted Share Scheme were granted for the first time over 192,404 ordinary shares to 45 employees below Board level across the Group Details of the total options outstanding at 31 July 2007 are set out in note 29 to the accounts on page 103 Awards under the Wolseley plc 2002 Long Term Incentive Scheme ('LTIS') were made in October 2006 over a total of 763,185 shares Details relating to the awards made to Executive Directors under the LTIS are set out on page 63

Shareholder services

Shareview is a service offered by our Registrars, which allows shareholders online access to a range of shareholder information Shareview provides access to details of shareholdings in the Company and practical help on transferring shares or updating personal details It also allows shareholders to choose to receive shareholder communications electronically, rather than by post To register, shareholders simply need to log on to www shareview co uk with their shareholder reference number, which is shown on the form of proxy sent to all shareholders with this report First time users will need to enter certain information and choose a Personal Identification Number before they are able to access their shareholding details

Shareview dealing is also available to UK-based shareholders This is a simple and convenient telephone and internet share purchase and sale service offered by the Registrars For telephone purchases and sales call 0870 850 0852 between 8 30am and 4 30pm, Monday to Friday For internet purchases and sales, log on to www shareview co uk/dealing A postal dealing service is also available from our Registrars and a form, together with terms and conditions, can be obtained by calling 0870 241 3934

Annual General Meeting resolutions

The resolutions to be proposed at the Annual General Meeting to be held on 28 November 2007, together with explanatory notes, appear in the Notice of Annual General Meeting on pages 129 to 132 This is also available on the Company's website at www wolseley com

On behalf of the Board
Charles P Watters
Group Company Secretary and General Counsel (Interim)
Wolseley plc, Registered No 29846
Theale, Reading
24 September 2007

Directors' responsibility statement

The Directors are required by UK company law as adopted by the European Union to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss for that period

The Directors consider that, in preparing the accounts, appropriate accounting policies have been used and applied consistently, supported by reasonable and prudent judgements and estimates, and the accounts have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and on the going concern basis Applicable UK accounting standards have also been applied for the parent company accounts

The Directors are also responsible for maintaining adequate accounting records which disclose with reasonable accuracy the financial position of the Company and the Group, which enable them to ensure that the financial statements comply with the UK Companies Act and Article 4 of the International Auditing Standards Regulation

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the wolseley com website The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website Legislation in the UK governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud or other irregularities The Directors, having prepared the financial statements, have permitted the auditors to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit opinion

Remuneration report

Including the statement of remuneration policy for the year ended 31 July 2007

The Board sets the Company's remuneration policy The Remuneration Committee makes recommendations to the Board, within its agreed terms of reference (available on the Company's website, www wolseley com) on the Company's framework of executive remuneration and its cost It also determines, with agreement with the Board, specific remuneration packages for each of the Executive Directors, the Chairman, the Company Secretary and members of the Executive Committee and Executive Committee Advisory Group The Chairman and the Executive Directors of the Board determine the remuneration of the Non Executive Directors The committee is also responsible for the Company's share incentive schemes for employees The current members of the committee, all of whom are independent Non Executive Directors within the definition set out in the Code and the Revised Code, are set out on page 57 and the Company Secretary acts as its secretary The committee has access to detailed external research on market data and trends from experienced independent consultants Since 2003, the committee has sought external advice from New Bridge Street Consultants LLP and has in the past also been provided with advice by Mercer Human Resource Consulting The Group Chief Executive, the Chairman and the Group HR Director are normally invited to attend the meetings of the committee to respond to specific questions raised by members of the committee This specifically excludes such matters concerning the details of and any discussions relating to their own personal remuneration The Chairman will join the committee on 31 October 2007

The Company has followed the provisions of Schedules A and B of the Code and the Revised Code and has complied with the relevant provisions of the Companies Act 1985, as amended by the Directors' Remuneration Report Regulations 2002

The Directors' report on remuneration has been received and adopted by shareholders at each of the Annual General Meetings held since 2003 and shareholders will again be invited to receive and adopt this report at the Annual General Meeting to be held on 28 November 2007

With the exception of the description of the performance bonus arrangements, service agreement details, performance graph, disclosure of remuneration to other senior executives, executive share ownership and external directorships, the information set out on pages 62 to 68 of this report represents the auditable disclosures referred to in the Auditors' report on page 111 as specified by the UK Listing Authority and under Schedule 7A of the Companies Act 1985

Policy on remuneration of Executive Directors

The Company's policy continues to be to provide remuneration packages that fairly reward Executive Directors for the contribution they make to the business, having regard to the size and complexity of the Group's operations and the need to attract, retain and motivate executives of the highest quality Remuneration packages comprise salary, performance bonuses, share options, long-term incentive awards, benefits in kind and retirement benefit provisions The Company takes all of these individual elements fully into account in adopting a total approach to remuneration None of the variable elements of remuneration are pensionable Each of the packages incorporates performance related elements linking both individual and company performance and strikes a balance between short and long-term elements These packages are designed to be broadly comparable with those offered by other similar international businesses and reflect competitive practices in the countries and markets in which the Executive Directors operate

The policy is designed to incentivise the Executive Directors to meet the Company's financial and strategic objectives, such that a significant proportion of total remuneration is performance related The committee considers that the targets set for the different elements of performance related remuneration are appropriate and demanding in the context of the Company's trading environment and the business challenges it faces The following chart shows the average of total remuneration attributable to salary, target bonus and the estimated value of long-term incentive awards and executive share options granted during the financial year to Executive Directors in office at the date of this Report

Remuneration report

Including the statement of remuneration policy for the year ended 31 July 2007

Salaries

Basic salaries are determined having regard to individual responsibility and performance and are benchmarked with market data which is derived from a group of companies selected on the basis of comparable size, geographic spread and business focus Consideration is also given to general pay and employment conditions across the Group The target salary is set at the median, with the opportunity to go above this level, subject to sustained individual performance New appointments, and in particular internal promotions, will tend to move to the median over two to three years once their expertise and performance has been proven The committee reviews the salaries of the Chairman and Executive Directors annually on 1 August, having sought the views of both the Chairman and the Group Chief Executive (other than in the case of their own salaries) The base salaries for the Chairman and Executive Directors for the financial year commencing on 1 August 2007 are as follows J W Whybrow £350,000, C A S Hornsby $1,450,000, R H Marchbank £480,000, F W Roach $930,000, and S P Webster £540,000

Benefits in kind

These principally comprise car benefits, healthcare insurance and, in the case of Messrs Hornsby, Marchbank and Webster, relocation and housing allowances following their relocations from the USA to the UK (Messrs Hornsby and Marchbank) and from Droitwich to Theale (Mr Webster), where the Company's head office is located Mr Webster's housing allowance ceased with effect from 30 April 2007 In addition, to ensure that senior executives who are US citizens are not disadvantaged as a result of paying both UK and US taxes on their income, there is a mechanism of tax equalisation, which avoids the need to increase salaries to meet any additional tax burden

Performance bonuses

Performance bonus arrangements for the Executive Directors are designed to encourage individual performance, corporate operating efficiencies and profitable growth Stretching targets are set for each element of the bonus, determined by the committee each year, which also considers the levels of performance targets to be achieved for bonus payments to be made in the succeeding year The annual bonus awards are based on a mix of demanding financial targets, derived from the Company's historic performance, annual long-term strategic business plan and annual budget, as well as market expectations For 2006/07, performance was measured against annual targets of return on capital employed, working capital, Group profit before tax and, where relevant, profit before tax for the appropriate division which, in aggregate, accounted for 90 per cent of the potential bonus with the majority relating to the profit before tax targets For 2007/08, performance will be measured by trading margin, cash flow and growth in earnings per share ('EPS'), reflecting key performance indicators in line with the Group's 'Earn, Turn, Grow' initiative These elements will account for 80 per cent of the bonus with the balance depending on specific personal objectives set for each Executive Director

The following percentages of base salary, which vary between Executive Directors depending on their particular responsibilities and spheres of influence, will be paid as bonus for the year ended 31 July 2007, subject to the achievement of the minimum, on-target and maximum levels of performance for each element (with the percentages increasing on a linear basis for achievement between each level)

	Percentage of base salary payable on achievement of			Actual bonus paid for the year
	Minimum target	On target	Maximum target	(% of salary)
F N Hord	80	120	160	24 2
C A S Hornsby	80	130	180	53 0
R H Marchbank	40	70	100	33 9
F W Roach	80	110	140	42 0
S P Webster	40	70	100	30 0

For the year ending 31 July 2008, the committee has determined that there will be no change from 2007 for the percentage of base salary payable as bonus for the achievement of minimum, on-target and maximum targets

Emoluments

The emoluments for 2006 and 2007 of the Directors who served during the financial year are set out below

Directors remuneration	Salary & fees £000	Bonuses £000	Benefits £000	**2007 Total £000**	2006 Total £000
Chairman					
J W Whybrow	320	–	–	**320**	300
Executive Directors					
C A S Hornsby[1]	629	333	113	**1,075**	1,430
R H Marchbank[2]	463	145	252	**860**	868
F W Roach[3]	395	166	71	**632**	581
S P Webster[4]	503	151	285	**939**	1,077
Non Executive Directors					
G Davis	65	–	–	**65**	58
A J Duff	67	–	–	**67**	58
J I K Murray	71	–	–	**71**	63
N M Stein	55	–	–	**55**	50
R M Walker	55	–	–	**55**	50
Former Director					
F N Hord[5]	377	91	3	**471**	1,065
Total	3,000	886	724	**4,610**	5,600
Pensions to former Directors	–	–	–	**314**	327
Pension contributions to money purchase plans	–	–	–	**284**	414
Aggregate gains on exercise of share options	–	–	–	**1,185**	1,339
Total	–	–	–	**1,783**	2,080

Notes

1 £75 000 (2006 £0) of the figure for benefits relates to an annual housing allowance

2 £195 117 (2006 £185 080) of the figure for benefits relates to relocation from the USA to the UK.

3 £40 452 (2006 £31 000) of the figure for benefits relates to life insurance which ceased from 1 August 2007

4 £19 589 (2006 £26 120) of the figure for benefits relates to relocation from Droitwich to Theale which ceased from 30 April 2007 £59 390 of the figure for benefits relates to the grossed-up tax due on a payment made by the Company into the Funded Unapproved Retirement Benefits Plan ('FURBS') during the tax year to 5 April 2006 £177 559 of the figure for benefits relates to a cash supplement in lieu of payments into the FURBS

5 Mr Hord retired from the Board on 31 July 2007

Other senior executives

There are a number of senior executives whose roles significantly influence the ability of the Group to meet its strategic objectives They include non-Board members of the Executive Committee and members of the Executive Committee Advisory Group The committee determines the level of remuneration for this group, based on proposals from the Group Chief Executive Their total remuneration including salary, actual bonus and the fair value of long-term incentives granted/awarded during the year ended 31 July 2007 is summarised below

Total remuneration 2006/07 £000	Number in band (2005/06 in brackets)
301 – 400	3 (0)
401 – 500	2 (2)
501 – 600	1 (1)
601 – 700	0 (0)
701 – 800	0 (3)
801 – 900	2 (0)

Service agreements

The Executive Directors have service agreements with Wolseley plc which are subject to a maximum of 12 months' notice of termination if given by the Company and six months' notice of termination if given by the Executive Director Such notice periods reflect current market practice and the balance that should be struck between providing contractual protection to the Directors that is fair and the interests of shareholders The Non Executive Directors do not have service agreements and their terms of service are contained in their respective letters of engagement The date of each service agreement and the year in which each Executive Director was last elected or re-elected are noted in the table below There are no provisions in any service agreement for early termination payments and, in the event of early termination of any service agreement, the committee will give full and proper consideration to mitigation, which should be taken into account when computing any compensation payable

Name of Director	Date of service contract	Year of election/ re election
C A S Hornsby	18 July 2003	2004
R H Marchbank	18 March 2005	2005
F W Roach	27 February 2006	2006
S P Webster	25 September 2002	2005

Long-term incentives

The Company currently operates a long-term incentive plan under the Wolseley plc 2002 Long Term Incentive Scheme ('2002 Scheme'), which was approved by shareholders in December 2002 and amended at the 2004 Annual General Meeting The 2002 Scheme (as amended) provides for awards of ordinary shares in the capital of the Company, subject to the Company meeting total shareholder return ('TSR') targets over single three-year periods All awards are made subject to the achievement of stretching performance conditions and TSR has been selected as the appropriate performance measure to more closely align the interests of the Executive Directors and senior executives with those of shareholders over the long term The 2002 Scheme rewards the relative outperformance of the Company against a defined list of comparator companies Calculations of TSR are independently carried out and verified before being approved by the committee

The lists of comparator companies for awards made under the 2002 Scheme are based upon the constituent members of the FTSE 100 as at the respective dates of grant, excluding banks, telecommunications, IT and utility companies but together with CRH plc and Travis Perkins plc, which compete in the same sector as the Company A similar group of companies will be selected for the 2007 awards under the 2002 Scheme

The 2002 Scheme is discretionary The committee's current policy is to make annual awards to the Group Chief Executive, Executive Directors and other senior executives Awards are made in shares, save where there are material securities or tax law constraints in overseas jurisdictions where the scheme would be operated, in which case conditional awards in cash would be considered

Details of the awards conditionally made to the Executive Directors in office during the year under the 2002 Scheme and outstanding at 31 July 2007 are shown in the table below

Name of Director	Interests in shares held at 1 Aug 2006	Interests awarded during the year[1]	Interests in shares held at 31 Jul 2007[2]
F N Hord	74,190	31,099	105,289
C A S Hornsby	90,687	77,748	168,435
R H Marchbank	51,412	35,309	86,721
F W Roach	26,314	33,849	60,163
S P Webster	77,031	40,240	117,271

1 The share price on the date of grant of the award was 1250 pence per share
2 The performance periods range from 1 August 2004 to 31 July 2009

Remuneration report

Including the statement of remuneration policy for the year ended 31 July 2007

The maximum amount that can be granted under the amended 2002 Scheme for each award is 200 per cent of base salary per annum, however, awards made to date have not exceeded 125 per cent, or 150 per cent in the case of the Group Chief Executive, of base salary Each year the committee assesses the proportion of awards that should be made up of both share options and long-term incentive awards It is the committee's intention that for the year ending 31 July 2008, awards are made to the Group Chief Executive of 150 per cent of salary with lower award levels for other Executive Directors The vesting level for a maximum award under the 2002 Scheme requires performance to be in the upper decile To better reflect market practice, shareholder approval was sought and received on 18 November 2004 so that 25 per cent of awards made from that date would vest for achievement of performance at the median, with a straight line percentage to vest between median and upper decile Extant awards remain subject to the achievement of performance conditions following a participant's agreed retirement and vesting is determined at the end of the performance period

The following table sets out the percentage of each award which has vested and the percentage of each extant award, had it vested on 31 July 2007

Year of award	Percentage vested on maturity or indicative vesting percentage based on performance as at 31 July 2007
2002	100% (vested 31 July 2005)
2003	34 5% (vested 31 July 2006)
2004	0% (at 31 July 2007)
2005	0% (performance after 24 months)
2006	0% (performance after 12 months)

The committee annually reviews whether grants under the 2002 Scheme should be subject to a financial performance underpin, in addition to the satisfaction of a TSR performance target The committee decided that for the 2006 award, the continuing use of EPS as a performance target under the Wolseley Share Option Plan 2003 and the use of financial measures for the annual bonus plan provided an appropriate balance to the use of TSR within the 2002 Scheme The committee has decided that future awards under the 2002 Scheme may, if deemed appropriate, be subject to performance criteria in addition to the current TSR targets and the committee will continue to monitor whether circumstances warrant the imposition of such additional criteria The factors which the committee would consider relevant in making their decision include a substantial drop in the Company's share price, the presence of significant bid speculation in the sector, the adoption of weaker targets for the TSR condition, or, a significant change in policy away from granting options to granting only long-term incentive awards

Performance graph

The following graph shows the Company's TSR performance against the performance of the FTSE 100 Index over the five-year period to 31 July 2007 The FTSE 100 Index has been chosen as being a broad equity market index consisting of companies comparable in size and complexity to Wolseley

Executive share options

The Wolseley Share Option Plan 2003 ('2003 Plan') received shareholder approval at the Annual General Meeting held in November 2003 Consequently, no further options will be granted under the Executive Share Option Scheme 1984 ('1984 Scheme') nor under the Executive Share Option Scheme 1989 ('1989 Scheme') which are now closed No options under any such scheme have or will be granted at a discount to the relevant middle market price at the time of grant and no option under any such scheme can be exercised unless performance conditions have been satisfied

All employees and Executive Directors of the Company, its subsidiaries and joint ventures, are eligible to participate in the 2003 Plan Participants are selected by the committee at its discretion The committee considers annually the levels of grant, which are phased over time and they determine the size of each award at the time of grant based on individual performance, the ability of each individual to contribute to the achievement of the performance conditions and market levels of remuneration Awards may not exceed an amount equal to five times salary for US-based executives and three times base salary for UK and other European-based executives, although the committee may, if it so determines, also use the five times salary limit in exceptional circumstances It is the committee's intention that for the year ending 31 July 2008, awards will not exceed 225 per cent of base salary or 300 per cent in the case of the Group Chief Executive

No options may be granted more than 10 years after the date on which the 2003 Plan was approved by the Company's shareholders and the committee will formally review the 2003 Plan by no later than November 2008

The Company monitors awards made under the various employee and discretionary share plans, which it operates, in relation to their effect on dilution limits Options are either satisfied by the issue of new shares or shares purchased in the market In accordance with the recommendations of the Association of British Insurers ('ABI'), the number of new shares that may be issued to satisfy options granted under the 2003 Plan and any other employee share scheme is restricted to 10 per cent of the issued ordinary share capital of the Company over any rolling 10 years Further, as set out in the ABI principles and guidelines, the number of new shares that may be issued to satisfy executive options granted under the 2003 Plan and any other discretionary share scheme is restricted to 5 per cent of the issued ordinary share capital of the Company over any rolling 10 years In addition, for US-based participants, the 2003 Plan will be restricted such that the aggregate number of shares for which options may be granted to such participants during the life of the 2003 Plan will not exceed 5 per cent of the issued ordinary share capital of the Company as at the date the 2003 Plan was approved by shareholders

At 31 July 2007, awards had been granted resulting in shares being issued or capable of being issued during the preceding 10 years under all of the Company's employee share plans representing some 7 per cent of the issued ordinary share capital at that date and 4 12 per cent of the issued ordinary share capital under the Company's discretionary share plans

During the year, an employee benefit trust purchased shares in the market in order to meet some of the Company's liability for grants made under the 2003 Plan and the 2002 Scheme Details of the shares held in the employee benefit trust and the price paid for them are set out in note 28 to the accounts on page 103

The extent to which the options will be capable of exercise depends on the satisfaction of a performance condition, based on achieving growth above UK inflation in the Company's EPS (as calculated under UK GAAP before goodwill amortisation and exceptional items), measured from the year ended immediately prior to grant

The performance condition for options now granted under the 2003 Plan operates on the following sliding scale

Multiple of salary worth of shares under option	Total margin over UK inflation after three years
First 100% of salary	9%
Second 100% of salary	12%
Next 50% of salary	15%
Greater than 250% of salary	15% to 21%

The performance of the Company is measured over three financial years, starting with the financial year in which the option grant takes place For all grants made under the 2003 Plan on or after 5 November 2004 there is a single three-year performance period and, in the event that the performance conditions are not fully met on the third anniversary of the date of grant, the options will lapse Provided the performance condition has been satisfied, an option may be exercised at any time until it lapses, 10 years from the date of grant No amount is payable on the grant of an option

The committee can set different EPS targets from those described above for future options, provided that the new conditions are no less challenging in the circumstances than the initial ones Similarly, the committee can vary the terms of existing options to take account of technical changes, for example, changes in accounting standards The amended target will be materially no less challenging as a result of any such change The committee continues to believe that the EPS condition is appropriate for share options, as it requires substantial improvement in the Company's underlying financial performance and complements the inherent requirement for share price growth for an option to have value

Following the introduction of International Financial Reporting Standards ('IFRS'), the Group now reports results on this basis EPS calculated under the IFRS basis will be utilised to measure performance in respect of options granted since 2005 but EPS and, to the extent required, return on capital employed, will be calculated on as near a UK GAAP basis as possible in respect of options granted prior to 2005 under which performance is still required to be measured in order to assess whether options have vested

The following table shows the number of share options held by Directors in office during the year under the executive share option schemes as at 31 July 2007

Executive share option schemes 2006/07

Name of Director	Subscription price (p)	Options exercisable between	**Options at 31 July 2007**	Options at 1 August 2006
F N Hord	349 75	20 10 03 – 19 10 10	–	40,000
	467 00	12 11 04 – 11 11 11	**75,000**	75,000
	543 00	04 11 05 – 03 11 12	**60,000**	60,000
	743 00	27 11 06 – 26 11 13	**65,037**	65,037
	949 00	04 11 07 – 03 11 14[c]	**78,162**	78,162
	1185 00	03 11 08 – 02 11 15[c]	**68,474**	68,474
	1201 00	02 11 09 – 01 11 16[c]	**66,161**	–
C A S Hornsby	743 00	27 11 06 – 26 11 13	–	101,871
	949 00	04 11 07 – 03 11 14[c]	**101,321**	101,321
	1185 00	03 11 08 – 02 11 15[c]	**117,179**	117,179
	1201 00	02 11 09 – 01 11 16[c]	**165,402**	–
R H Marchbank	467 00	12 11 04 – 11 11 11	**30,000**	30,000
	543 00	04 11 05 – 03 11 12	**30,000**	30,000
	743 00	27 11 06 – 26 11 13	**30,000**	30,000
	949 00	04 11 07 – 03 11 14[c]	**34,195**	34,195
	1100 00	21 03 08 – 20 03 15[c]	**50,000**	50,000
	1185 00	03 11 08 – 02 11 15[c]	**62,869**	62,869
	1201 00	02 11 09 – 01 11 16[c]	**75,117**	–
F W Roach	543 00	04 11 05 – 03 11 12	**13,161**	25,000
	743 00	27 11 06 – 26 11 13	**30,000**	30,000
	949 00	04 11 07 – 03 11 14[c]	**21,711**	21,711
	1185 00	03 11 08 – 02 11 15[c]	**27,341**	27,341
	1281 00	18 01 09 – 17 01 16[c]	**50,000**	50,000
	1201 00	02 11 09 – 01 11 16[c]	**72,012**	–
S P Webster	483 50	12 12 00 – 11 12 07	**4,550**	7,000
	381 00	13 11 01 – 12 11 08	**3,250**	5,000
	397 00	21 10 02 – 20 10 09	**10,000**	22,000
	349 75	23 10 03 – 22 10 10	**50,000**	50,000
	467 00	13 11 04 – 12 11 11	**75,000**	75,000
	543 00	05 11 05 – 04 11 12	**80,000**	80,000
	743 00	28 11 06 – 27 11 13	**90,679**	90,679
	949 00	05 11 07 – 04 11 14[c]	**79,293**	79,293
	1185 00	04 11 08 – 03 11 15[c]	**90,189**	90,189
	1201 00	03 11 09 – 02 11 16[c]	**94,233**	–

Notes

(a) The highest mid market price of the Company's ordinary shares during the year was 1407 pence and the lowest was 1061 pence The price on 31 July 2007 was 1083 pence

(b) The performance conditions for option awards under the 1984 and 1989 Schemes granted in and subsequent to December 1997 may not be exercised unless growth in EPS over a period of three consecutive financial years exceeds growth in the UK Retail Prices Index over the same period by at least 9 per cent The number of options exercisable for Executive Directors under the 1984 and 1989 Schemes are in addition determined by the return on capital employed achieved over the same rolling three-year period For options granted in 1997 and 1998 achieving a return on capital employed of 15 per cent per annum will enable 50 per cent of options granted to become exercisable rising on a sliding scale to 100 per cent for achieving a return on capital employed of 20 per cent or more With effect from October 1999 the return on capital employed required to permit exercise of 100 per cent of options granted was reduced from 20 per cent to 17 5 per cent and the sliding scale was adjusted accordingly

(c) Options exercisable subject to meeting performance targets

Remuneration report

Includıng the statement of remuneratıon polıcy for the year ended 31 July 2007

Savings related share option schemes

The UK- and US-based Executıve Dırectors may, along wıth all elıgıble employees, also partıcıpate ın the UK Savıngs Related Share Optıon Scheme ('SRSOS') and the Employee Share Purchase Plan ('ESPP') respectıvely Under the SRSOS, partıcıpants who enter ınto a savıngs contract for three, five or seven years, to a maxımum level of £250 per month, are granted optıons to subscrıbe for shares ın the Company Under the ESPP, a US Code 423 Plan, US partıcıpants may enter ınto a one-year savıngs contract to a maxımum level of $400 per month The Board may determıne that the optıons granted under eıther scheme may be awarded at a dıscount The maxımum dıscount, as applıed to the 2007 awards, ıs 20 per cent for the SRSOS and 15 per cent for the ESPP of the average market prıces used to determıne the prıce of the award The followıng table sets out the number of share optıons held under the SRSOS and ESPP by the Executıve Dırectors

Savıngs related share optıon schemes 2006/07

Name of Dırector	Subscrıptıon prıce (pence)	Optıons exercısable on or between	**Options at 31 July 2007**	Optıons at 1 August 2006 (or date of appoıntment)
F N Hord	1236 00	01 05 07 – 21 05 07	**–**	222
	1038 00	01 05 08 – 19 05 08	**235**	–
C A S Hornsby	1236 00	01 05 07 – 21 05 07	**–**	222
	1038 00	01 05 08 – 19 05 08	**235**	–
	977 00	01 06 10 – 30 11 10	**967**	–
R H Marchbank	1164 00	01 06 09 – 30 11 09	**803**	803
	1038 00	01 05 08 – 19 05 08	**235**	–
F W Roach	1236 00	01 05 07 – 21 05 07	**–**	222
	1038 00	01 05 08 – 19 05 08	**235**	–
S P Webster	1164 00	01 06 09 – 30 11 09	**803**	803

Gains made on all share options during the year to 31 July 2007

Name of Dırector	Optıon prıces							Total optıons exercısed	Value realısable 2007 £000	Value realısable 2006 £000
	349 75p	381p	397p	483 5p	543p	743p	1236p			
F N Hord	40,000(b)						196(e)	40,196	389	87
C A S Hornsby						101,871(d)	196(e)	102,067	564	782
F W Roach					11,839(a)		196(e)	12,035	84	1
S P Webster		1,750(c)	12,000(c)	2,450(c)				16,200	148	220

Date of exercıse	Closıng market prıce on date of exercıse (pence)
(a) 18 December 2006	1249
(b) 18 January 2007	1323
(c) 29 January 2007	1321
(d) 15 January 2007 (62 948 shares)	1324
07 June 2007 (38 923 shares)	1252
(e) 17 May 2007	1297

The value realısable from gaıns made on share optıons ıs the dıfference between the closıng market prıce on the date of exercıse and the orıgınal optıon prıce before any relevant tax deductıons, although ın most cases, some or all of the shares have been retaıned by the relevant Dırector

The total number of optıons exercısed ın May 2007 by each of Messrs Hord, Hornsby and Roach under the ESPP was reduced by 26 (whıch lapsed) from the total of 222 as lısted at 1 August 2006, due to exchange rate fluctuatıons

Pensions

Mr Webster, a UK citizen, participates in the Wolseley Group Retirement Benefits Plan (the 'Plan') The Plan is a defined benefit scheme and provides benefits based on final pensionable salaries The Company makes contributions to the Plan based on the recommendation of the Plan actuary Bonuses payable to Executive Directors are not pensionable Mr Webster currently contributes 8 per cent per annum of his pensionable salary to the Plan

The Finance Act 1989 introduced an earnings cap (the 'Cap') for employees joining the Plan after 31 May 1989 This has the effect of limiting the amount of an employee's salary that can be pensioned through a tax approved pension scheme A Plan specific earnings cap was introduced as a result of changes introduced by the Finance Act 2004, effective 6 April 2006, when the Cap was prospectively abolished The current Plan specific annual limit, to which Mr Webster is subject, is £112,800 The Company previously agreed to provide Mr Webster with benefits which are broadly comparable with those that would have applied under the Plan had the Cap not been introduced, which were provided for by payments into a Funded Unapproved Retirement Benefits Scheme ('FURBS') Following the introduction of the Finance Act 2004, the FURBS was no longer a tax efficient vehicle to fund pension benefits Accordingly, since 6 April 2006, Mr Webster's benefits have been provided through the Plan and through a cash supplement which, together, are broadly comparable to those to which he would previously have been entitled No further monies have been paid into the FURBS

Additionally, the Finance Act 1989 capped life assurance payable through a registered pension scheme in respect of such executives Mr Webster receives life cover up to the HM Revenue & Customs' Lifetime Allowance under the Plan A separate insurance policy, paid for by the Company, has been taken out to cover the excess above the Lifetime Allowance The amount charged to the profit and loss account during the year in respect of his future obligation was £1,256 (2006 £2,988)

Messrs Hornsby, Marchbank and Roach, who are US citizens, participate in the defined contribution pension arrangements of Ferguson Enterprises, Inc Messrs Marchbank and Roach received contributions at the level of 23 per cent of their base salary and Mr Hornsby at a level of 20 per cent Bonus ceased to be included in the calculation of pension contributions from 1 August 2006

Mr Hord, also a US citizen, participated in the qualified defined contribution plan of Stock Building Supply, Inc Mr Hord's pensionable earnings included his bonus up to a maximum of $742,400 as agreed when the bonus scheme was introduced in order to preserve his pension entitlement at that time Mr Hord was also a member of a US non-qualified defined benefit plan and he elected to receive a cash lump sum payment, in lieu of the 20 year instalments, at his retirement

The following table shows those Executive Directors participating in defined contribution pension plans and the cost of the Group's contributions thereto

Pensions defined contribution plans	2007 £000	2006 £000
F N Hord	**4**	5
C A S Hornsby	**126**	99
R H Marchbank	**99**	107
F W Roach	**91**	52

A US subsidiary undertaking has a commitment to a former Director, who is a US citizen, to pay a joint survivor pension of $300,000 per annum for 15 years from 1 August 1993 The net present value of the future obligation at 31 July 2007 was £149,479 (2006 £298,000), which has been charged in prior years' accounts

Additionally, Brossette, a French subsidiary undertaking, has a commitment to a former Director, who is a French citizen, to pay an annual pension of €225,597 (2006 €221,833), with a widow's entitlement of 60 per cent, subject to an annual increase based on the agreed French pension index The full actuarial cost of this arrangement was provided in previous years as part of Brossette's ongoing pension obligations The Company is guarantor of this future pension commitment which at 31 July 2007 was approximately £2 2 million (2006 £2 3 million)

The following table shows the Executive Directors in office on 31 July 2007 who participated during the year in the Group's defined benefit schemes and the amount of benefit accrued at the end of the year as if the Director had left service on 31 July 2007, the change in accrued benefit over the year, the transfer value at both the beginning and end of the year as well as the change in the transfer value over the year as required by the Directors' Remuneration Report Regulations 2002 The increase in transfer value figures represents an obligation on the pension fund or the Company – they are not sums due or paid to the Director The Listing Rules of the UK Listing Authority require additional disclosure of the change in accrued benefit net of inflation and the transfer value of this change These pension liabilities are calculated using the cash equivalent transfer value method prescribed in the Listing Rules

Pensions

		Directors' Remuneration Report Regulations 2002					Listing Rules		
				Transfer value					
	Age at 31 July 2007	Pension accumulated 2007 £000	Increase in pension 2007 £000	2007 £000	2006 £000	Increase/(decrease) in transfer value 2007 (excluding member contributions) £000	Pension accumulated 2007 £000	Increase in pension 2007 (net of revaluation) £000	Transfer value of the increase/(decrease) 2007 (excluding member contributions) £000
F N Hord[(a)]	60	359	60	4,629	4,518	483	359	47	602
S P Webster	54	49	6	722	634	80	49	4	51

(a) Mr Hord elected to have this fund transferred to him shortly following his retirement on 31 July 2007

Remuneration report

Including the statement of remuneration policy for the year ended 31 July 2007

External directorships

Executive Directors are encouraged to take on not more than one external non executive directorship on a non-competitor board, as the committee believes there are significant benefits to be achieved to both the Company and the individual In order to avoid any conflict of interest, all appointments are subject to the Board's approval Executive Directors may retain payments received in respect of these appointments Mr Hornsby is a Non Executive Director of Virginia Company Bank for which he received no fees during the year, he received 3,000 stock options at $10 each on appointment in 2006 Mr Hord is a Non Executive Director of Investors Management Corporation for which the annual rate of his fees was $19,500 (2006 $22,000) Mr Webster is a Non Executive Director of Bradford and Bingley plc, for which the annual rate of his fees is £70,000 (2006 £60,000)

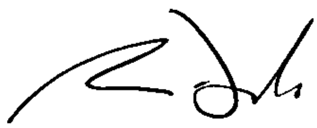
Executive share ownership

A share ownership programme was introduced with effect from 1 August 2004 It is designed to encourage all Directors and members of the Executive Committee to build up a shareholding with a value of 1 5 times annual base salary for the Group Chief Executive, 1 times annual base salary for all other Executive Directors, 1 times annual fees for all Non Executive Directors, including the Chairman, and 0 5 times annual base salary for all Executive Committee members For Executive Directors and members of the Executive Committee this may be achieved by retaining shares received as a result of participating in a Company share plan, other than the shares sold to finance option exercises, or to pay a National Insurance or income tax liability or overseas equivalent The programme specifically excludes the need for executives to make a personal investment should awards not vest Normally these levels of shareholding should be expected to be achieved within three to five years from the time the individual is included in the programme The committee has reviewed and noted the progress which has been made towards meeting these targets during the year Directors' current shareholdings are set out on page 53

Policy on remuneration of Non Executive Directors

The remuneration of Non Executive Directors during the year under review was made up of a basic fee and an additional fee where a Non Executive Director acts as chairman of either the Audit or Remuneration Committees and for the Director nominated as Senior Independent Director Fees are reviewed from time to time by the Chairman and the Executive Directors of the Board The Non Executive Directors have letters of engagement rather than service contracts and do not participate in any incentive plan, nor is any pension payable in respect of their services as Non Executive Directors The Board's policy is that Non Executive Directors are normally appointed for an initial term of three years, which is then reviewed and extended for a further three-year period Appointments may, however, be terminated upon six months' notice There are no provisions for compensation in the event of termination The terms and conditions of appointment of the Non Executive Directors are available for inspection at the Company's registered office during normal business hours and at the Annual General Meeting

The Board of Directors of Wolseley plc has approved this Remuneration report



On behalf of the Board
Andrew J Duff
Chairman of the Remuneration Committee
24 September 2007

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Company financial statements

Group income statement

Year ended 31 July 2007

	Notes	2007 £m	2006 £m
Continuing operations			
Revenue	2	**16,221**	14,158
Cost of sales		**(11,702)**	(10,222)
Gross profit		**4,519**	3,936
Distribution costs		**(2,958)**	(2,413)
Administrative expenses amortisation and impairment of acquired intangibles		**(124)**	(48)
Administrative expenses other		**(723)**	(665)
Administrative expenses total		**(847)**	(713)
Other income		**39**	24
Operating profit	2 3	**753**	834
Finance revenue	4	**58**	49
Finance costs	5	**(177)**	(114)
Profit before tax		**634**	769
Tax expense	6	**(160)**	(232)
Profit for the year attributable to equity shareholders		**474**	537
Earnings per share	8		
Basic earnings per share		**73 52p**	90 77p
Diluted earnings per share		**73 17p**	90 02p
Non-GAAP measures of performance	9		
Trading profit		**877**	882
Profit before tax and the amortisation and impairment of acquired intangibles		**758**	817

Group statement of recognised income and expense

Year ended 31 July 2007

	Notes	2007 £m	2006 £m
Profit for the financial year		**474**	537
Net exchange adjustments offset in reserves	30	**(132)**	(124)
Cash flow hedges			
– fair value gains and losses		**2**	14
– reclassified and reported in net profit for the year		**(1)**	(1)
Actuarial gains on retirement benefits		**70**	7
Change in fair value of available-for-sale investments		**(5)**	(7)
Tax charge not recognised in the income statement	6	**(17)**	(13)
Net losses not recognised in the income statement		**(83)**	(124)
Total recognised income for the year attributable to shareholders		**391**	413

The accompanying notes are an integral part of these consolidated financial statements

Group balance sheet

As at 31 July 2007

	Notes	2007 £m	2006 £m
Assets			
Non-current assets			
Intangible assets goodwill	11	**1,890**	1,173
Intangible assets other	12	**790**	333
Property, plant and equipment	13	**1,718**	1,144
Deferred tax assets	15	**9**	16
Trade and other receivables	17	**91**	36
Financial assets available-for-sale investments	14	**12**	21
		4,510	2,723
Current assets			
Inventories	16	**2,069**	1,954
Trade and other receivables	17	**2,829**	2,650
Current tax receivable		**8**	1
Financial assets trading investments	19	**4**	4
Derivative financial assets	20	**10**	10
Financial receivables construction loans (secured)	21	**286**	313
Cash and cash equivalents	22	**244**	416
		5,450	5,348
Assets held for sale	18	**10**	7
Total assets		**9,970**	8,078
Liabilities			
Current liabilities			
Trade and other payables	23	**2,796**	2,294
Current tax payable		**133**	91
Borrowings construction loans (unsecured)	21	**286**	313
Bank loans and overdrafts	24	**530**	192
Obligations under finance leases	25	**17**	18
Derivative financial liabilities	20	**18**	29
Provisions	26	**31**	29
Retirement benefit obligations	27	**24**	29
		3,835	2,995
Non-current liabilities			
Trade and other payables	23	**63**	25
Bank loans	24	**2,097**	2,084
Obligations under finance leases	25	**63**	57
Deferred tax liabilities	15	**275**	88
Provisions	26	**99**	77
Retirement benefit obligations	27	**87**	160
		2,684	2,491
Total liabilities		**6,519**	5,486
Net assets		**3,451**	2,592
Shareholders' equity			
Called up share capital	28	**165**	149
Share premium account	30	**945**	288
Foreign currency translation reserve	30	**(181)**	(49)
Retained earnings	30	**2,522**	2,204
Equity shareholders' funds		**3,451**	2,592

The consolidated financial statements on pages 70 to 110 were approved by the Board of Directors on 24 September 2007 and were signed on its behalf by

Chip Hornsby
Group Chief Executive

Stephen P Webster
Chief Financial Officer

The accompanying notes are an integral part of these consolidated financial statements

Group cash flow statement

Year ended 31 July 2007

	Notes	2007 £m	2006 £m
Cash flows from operating activities			
Cash generated from operations	34	**1,299**	850
Interest received		**57**	45
Interest paid		**(174)**	(102)
Tax paid		**(167)**	(206)
Net cash generated from operating activities		**1,015**	587
Cash flows from investing activities			
Acquisition of businesses (net of cash acquired)	32	**(1,346)**	(822)
Disposals of businesses (net of cash disposed of)	33	**–**	2
Purchases of property, plant and equipment		**(346)**	(326)
Proceeds from sale of property, plant and equipment		**62**	52
Purchases of intangible assets		**(50)**	(20)
Purchases of investments		**–**	(23)
Net cash used in investing activities		**(1,680)**	(1,137)
Cash flows from financing activities			
Proceeds from the issue of shares to shareholders		**673**	31
Purchases of shares by Employee Benefit Trusts		**(27)**	(27)
Proceeds from new borrowings		**1,143**	2,486
Repayments of borrowings and derivatives		**(1,134)**	(1,405)
Finance lease capital payments		**(12)**	(17)
Dividends paid to shareholders		**(198)**	(162)
Net cash generated from financing activities		**445**	906
Net cash (used)/generated		**(220)**	356
Effects of exchange rate changes		**(12)**	(8)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**(232)**	348
Cash, cash equivalents and bank overdrafts at the beginning of the year	35	**292**	(56)
Cash, cash equivalents and bank overdrafts at the end of the year	35	**60**	292

The accompanying notes are an integral part of these consolidated financial statements

Group accounting policies
Year ended 31 July 2007

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union, including interpretations issued by the International Accounting Standards Board ('IASB') and its committees and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS The date of transition to IFRS was 1 August 2004

A summary of the principal accounting policies applied by the Group in the preparation of the consolidated financial statements is set out below

Basis of accounting

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of available for sale investments and financial assets and liabilities held for trading

Consolidation

The consolidated financial information includes the results of the parent Company and its subsidiary undertakings drawn up to 31 July 2007

The trading results of businesses acquired, sold or discontinued during the year are included in profit on ordinary activities from the date of acquisition or up to the date of sale or discontinuance

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 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 sterling, which is the presentational currency of the Group and the functional currency of the parent company

The trading results of overseas subsidiary undertakings are translated into sterling using average rates of exchange ruling during the relevant financial period

The balance sheets of overseas subsidiary undertakings are translated into sterling at the rates of exchange ruling at the period end Exchange differences arising between the translation into sterling of the net assets of these subsidiary undertakings at rates ruling at the beginning and end of the year are recognised in the currency translation reserve as are exchange differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against foreign currency net assets

Changes in the fair value and the final settlement value of derivative financial instruments, entered into to hedge foreign currency net assets and that satisfy the hedging conditions of IAS 39, are recognised in the currency translation reserve (see the separate accounting policy on derivative financial instruments)

In the event that an overseas subsidiary undertaking is sold, the gain or loss on disposal recognised in the income statement is determined after taking into account the cumulative currency translation differences that are attributable to the subsidiary undertaking concerned As permitted by IFRS 1, the Group elected to deem the cumulative currency translation differences of the Group to be £nil as at 1 August 2004 As a result the gain or loss on disposal of an overseas subsidiary undertaking will not include currency translation differences arising before 1 August 2004

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

Revenue

Revenue is the amount receivable for the provision of goods and services falling within the Group's ordinary activities, excluding intra-group sales, estimated and actual sales returns, trade and early settlement discounts, value added tax and similar sales taxes

Revenue from the provision of goods is recognised when the risks and rewards of ownership of goods have been transferred to the customer The risks and rewards of ownership of goods are deemed to have been transferred when the goods are shipped to, or are picked up by, the customer

Revenue from services, other than those that arise from construction service contracts (see below), are recognised when the service provided to the customer has been completed

Revenue in respect of construction service contracts, where the Group is providing framing lumber installation services to residential property companies, is recognised using the percentage of completion method, with the percentage complete being determined by comparing the percentage of costs incurred to date with the estimated total costs of the contract Losses on these contracts, if any, are recognised in the period when such losses become probable and can be reasonably estimated

Revenue from the provision of goods and all services is only recognised when the amounts to be recognised are fixed or determinable and collectibility is reasonably assured

Cost of sales

Cost of sales includes purchased goods, the cost of bringing inventory to its present location and condition, and labour and overheads attributable to assembly and construction services

Group accounting policies

Year ended 31 July 2007

Vendor rebates

The Group enters into arrangements with certain vendors providing for inventory purchase rebates These purchase rebates are accrued as earned and are recorded initially as a reduction in inventory with a subsequent reduction in cost of sales when the related product is sold

Business combinations

The Group has applied the purchase method in its accounting for the acquisition of subsidiaries

As permitted by IFRS 1, the Group elected not to apply IFRS 3 'Business Combinations' to acquisitions of subsidiaries that were recognised before 1 August 2004 and as a result the carrying amount of goodwill recognised as an asset under UK GAAP was brought forward unadjusted as the cost of goodwill recognised under IFRS as at 1 August 2004 IFRS 3 has been applied with effect from 1 August 2004 and goodwill amortisation ceased from that date

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill If the cost of acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement

Intangible assets

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 in intangible assets

Goodwill is not amortised but is tested annually for impairment and carried at cost less accumulated impairment losses Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold

Goodwill is allocated to cash-generating units for the purpose of impairment testing Each of those cash-generating units represents the lowest level within the Group at which the associated goodwill is monitored for management purposes and are not larger than the primary or secondary reporting segments determined in accordance with IAS 14 'Segmental Reporting'

Other intangible assets

An intangible asset, which is an identifiable non-monetary asset without physical substance, is recognised to the extent that it is probable that the expected future economic benefits attributable to the asset will flow to the Group and that its cost can be measured reliably The asset is deemed to be identifiable when it is separable or when it arises from contractual or other legal rights

Intangible assets, primarily brands, trade names and customer relationships, acquired as part of a business combination are capitalised separately from goodwill and are carried at cost less accumulated amortisation and accumulated impairment losses Amortisation is calculated using the reducing balance method for customer relationships and the straight-line method for other intangible assets The cost of the intangible assets is amortised over their estimated useful lives as follows

Customer relationships	4-25 years
Trade names and brands	1-15 years
Other	1-4 years

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, consulting costs attributable to the development, design and implementation of the computer software and internal costs directly attributable to the development, design and implementation of the computer software Costs in respect of training and data conversion are expensed as incurred Amortisation is calculated using the straight-line method so as to charge the cost of the computer software to the income statement over its estimated useful life (three to five years)

Property, plant and equipment ('PPE')

PPE is carried at cost less accumulated depreciation and accumulated impairment losses, except for land and assets in the course of construction, which are not depreciated and are carried at cost less accumulated impairment losses Cost includes expenditure that is directly attributable to the acquisition of the items In addition, subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred

Depreciation on assets is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, as follows

Freehold buildings and long leaseholds	35-50 years
Short leaseholds	over the period of the lease
Plant and machinery	7-10 years
Fixtures and fittings	5-7 years
Computers	3-5 years
Motor vehicles	4 years

The residual values and useful lives of PPE are reviewed and adjusted if appropriate at each balance sheet date

Borrowing costs attributable to assets under construction are charged to the income statement in the period in which they are incurred

Leased assets

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have transferred to the Group, are capitalised in the balance sheet and depreciated over the shorter of the lease term or their useful lives The asset is recorded at the lower of its fair value and the present value of the minimum lease payments at the inception of the lease The capital elements of future obligations under finance leases are included in liabilities in the balance sheet and analysed between current and non-current amounts The interest elements of future obligations under finance leases are charged to the income statement over the periods of the leases and represent a constant proportion of the balance of capital repayments outstanding in accordance with the effective interest rate method

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases The cost of operating leases (net of any incentives received from the lessor) is charged to the income statement on a straight line basis over the periods of the leases

Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered by sale rather than by continuing use in the business For this to be the case, the asset must be available for immediate sale in its present condition, management must be committed to and have initiated a plan to sell the asset which, when initiated, was expected to result in a completed sale within 12 months Assets that are classified as held for sale are not depreciated and are measured at the lower of their carrying amount and fair value less costs to sell

Impairment of assets

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 and assets under construction 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 For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows

Inventories

Inventories are stated at the lower of cost and net realisable value Cost is determined using the first-in, first-out (FIFO) method or the average cost method as appropriate to the nature of the transactions in those items of inventory The cost of goods purchased for resale includes import and custom duties, transport and handling costs, freight and packing costs and other attributable costs less trade discounts, rebates and other subsidies It excludes borrowing costs Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses

Taxation

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

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss

Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised

Deferred tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future

Derivative financial instruments

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

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

Derivative financial instruments are recognised as assets and liabilities measured at their fair values at the balance sheet date Where derivative financial instruments do not fulfil the criteria for hedge accounting contained in IAS 39, changes in their fair values are recognised in the income statement

Group accounting policies
Year ended 31 July 2007

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

Pensions and other post-retirement benefits

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

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

Trade receivables

Trade receivables are recognised initially at fair value and measured subsequently at amortised cost using the effective interest method, less provision for impairment A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables

Cash and cash equivalents

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

Share capital

The Company has only one class of shares, ordinary shares, which are classified as equity

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax

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

Borrowings

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

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

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

Investments

The Group classifies its investments in the following categories financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets The classification depends on the purpose for which the investments were acquired Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date

(a) Financial assets at fair value through profit or loss
This category comprises financial assets held for trading which have been acquired principally for the purpose of selling in the short term Derivatives also fall within this category unless they are designated as hedges and the hedge is effective for accounting purposes Assets in this category are classified as current

(b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets Loans and receivables are included in trade and other receivables in the balance sheet

(c) Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity They are included in non-current assets unless the investment is due to mature within 12 months of the balance sheet date

(d) Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method Realised and unrealised gains and losses arising from changes in the fair value of the 'Financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities

Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, 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 Such provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date The discount rate used to determine the present value reflects current market assessments of the time value of money Provisions are not recognised for future operating losses

Provisions for insurance represent an estimate, based on historical experience, of the ultimate cost of settling outstanding claims and claims incurred but not reported at the balance sheet date

Share-based payments

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

As permitted by IFRS 1, the Group applied IFRS 2 'Share-based Payment' retrospectively only to equity-settled awards that had not vested as at 1 August 2004 and were granted on or after 7 November 2002 and cash-settled awards that had not vested as at 1 August 2004

Dividends payable

Dividends on ordinary shares are recognised in the Group's financial statements in the period in which the dividends are approved by the shareholders of the company (generally in the case of the final dividend) or paid (in the case of interim dividends)

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

Notes to the consolidated financial statements

Year ended 31 July 2007

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

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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

Notes to the consolidated financial statements

Year ended 31 July 2007

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)

Notes to the consolidated financial statements

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

Notes to the consolidated financial statements

Year ended 31 July 2007

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

Notes to the consolidated financial statements
Year ended 31 July 2007

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)

Notes to the consolidated financial statements

Year ended 31 July 2007

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)

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Year ended 31 July 2007

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 000s	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 000s	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

Notes to the consolidated financial statements

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

Independent auditors' report to the members of Wolseley plc

We have audited the Group financial statements of Wolseley plc for the year ended 31 July 2007 which comprise the Group income statement, the Group balance sheet, the Group cash flow statement, the Group statement of recognised income and expense and the related notes These Group financial statements have been prepared under the accounting policies set out therein

We have reported separately on the parent company financial statements of Wolseley plc for the year ended 31 July 2007 and on the information in the Directors' Remuneration report that is described as having been audited

Respective responsibilities of Directors and auditors
The Directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

We report to you our opinion as to whether the Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation We report to you whether in our opinion the information given in the Directors' report is consistent with the Group financial statements We also report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed

We review whether the corporate governance statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures

We read other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements The other information comprises only the Directors' report, the Directors' Remuneration report, the Chairman's statement, the Group Chief Executive's review, the Performance review and the corporate governance statement We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements Our responsibilities do not extend to any other information

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements

Opinion
In our opinion

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 31 July 2007 and of its profit and cash flows for the year then ended,
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation, and
- the information given in the Directors' report is consistent with the Group financial statements

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
24 September 2007

Company balance sheet

As at 31 July 2007

	Notes	2007 £m	Restated (note 1) 2006 £m
Fixed assets			
Investments	2	**4,382**	4,382
		4,382	4,382
Current assets			
Debtors	3	**2,201**	1,166
Cash at bank and in hand		**101**	49
		2,302	1,215
Creditors amounts falling due within one year	4	**(3,531)**	(1,976)
Net current liabilities		**(1,229)**	(761)
Total assets less current liabilities		**3,153**	3,621
Creditors amounts falling due after one year	5	**(311)**	(1,176)
Net assets		**2,842**	2,445
Capital and reserves			
Called up share capital	6	**165**	149
Share premium	7	**945**	288
Profit and loss reserve	8	**1,732**	2,008
Total shareholders' funds	9	**2,842**	2,445

The Company financial statements on pages 112 to 119 were approved by the Board of Directors on 24 September 2007 and were signed on its behalf by

Chip Hornsby
Group Chief Executive

Stephen P Webster
Chief Financial Officer

The accompanying notes are an integral part of these consolidated financial statements

Notes to the Company financial statements

Year ended 31 July 2007

1. Company accounting policies

Basis of accounting
These Companies Act financial statements are prepared under the historical cost convention and in accordance with applicable UK accounting standards

The principal accounting policies, as set out below, have been applied consistently throughout the period The amendment to the Financial Reporting Standard 26 'Financial Instruments Measurement' (FRS 26) has been adopted by the Company for the first time in these financial statements The amendment requires a financial guarantee to be recorded within the accounts at its fair value The impact on the restated Company's reserves at 1 August 2006 of applying this new accounting policy is a decrease in reserves of £8 million (1 August 2005 £11 million) and an increase in profit for the year of £3 million (2006 £3 million)

Note 7 on page 86, note 27 on pages 98 to 102, note 28 on pages 102 to 103 and note 29 on pages 103 and 104 of the Wolseley plc consolidated financial statements form part of these financial statements

Under section 203(4) of the Companies Act 1985 the Company is exempt from the requirements to present its own profit and loss account Under Financial Reporting Standard 1 (revised 1996) the Company is exempt from the requirement to prepare statements of cash flow as the Consolidated Statements have been published

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

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

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

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

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

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

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

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

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

Notes to the Company financial statements

Year ended 31 July 2007

Financial guarantees
Financial guarantee contracts are recognised as assets and liabilities measured at fair value as at the reporting date Fair value is estimated by discounting expected cash flows at a market rate Changes in fair value are recognised in the income statement

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

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

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

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

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

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

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

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

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

The Company has applied FRS 20 retrospectively only to equity-settled awards that had not vested as at 1 August 2004 and were granted on or after 7 November 2002 and cash-settled awards that had not vested as at 1 August 2004

Dividends payable
Dividends on ordinary shares are recognised in the Company's financial statements in the period in which the dividends are approved by the shareholders of the Company (generally in the case of the final dividend) or paid (in the case of interim dividends)

2. Fixed asset investments

	£m
Cost as at 1 August 2006	4,408
Provisions as at 1 August 2006 and 31 July 2007	(26)
Net book value as at 1 August 2006 and 31 July 2007	**4,382**

All of the above investments are in unlisted shares Particulars of principal subsidiary undertakings are listed on pages 121 and 122 of the Annual Report

3. Debtors

Amounts falling due within one year	2007 £m	2006 £m
Amounts due from Group companies	**2,138**	1,143
Corporation tax recoverable	**52**	8
Deferred tax	**–**	5
Derivative financial assets (note 12)	**10**	10
Other debtors and prepayments	**1**	–
Total debtors	**2,201**	1,166

The fair value of amounts included in debtors approximates to book value

4. Creditors: amounts falling due within one year

	2007 £m	Restated 2006 £m
Bank loans and overdrafts (note 13)	**526**	38
Derivative financial liabilities (note 12)	**1**	4
Amounts due to Group companies	**2,990**	1,916
Financial guarantees	**5**	8
Other creditors	**9**	10
Total creditors amounts falling due within one year	**3,531**	1,976

The fair value of amounts included in creditors approximates to book value

5. Creditors: amounts falling due after one year

	2007 £m	2006 £m
Bank loans (note 13)	**311**	1,176

The fair value of amounts included in creditors approximates to book value

6. Share capital

Details of the Company's share capital are set out in note 28 on pages 102 and 103, to the Wolseley plc consolidated financial statements

7. Share premium

	£m
At 1 August 2006	288
Shares issued	657
At 31 July 2007	**945**

Notes to the Company financial statements

Year ended 31 July 2007

8. Profit and loss reserve

	£m
At 1 August 2006 (as previously reported)	2,016
Prior period adjustment (note 1)	(8)
At 1 August 2006 (restated)	2,008
Purchase of own shares for employee benefit trust	(27)
Loss for the period	(71)
Dividends	(198)
Equity-settled employee share options	20
At 31 July 2007	**1,732**

Included in the profit and loss reserve is an amount of £939 million which may not be distributable The balance of £793 million is distributable

9. Reconciliation of movements in equity shareholders' funds

	2007 £m	2006 £m
Opening shareholders' funds (as previously reported)	**2,453**	1,463
Prior period adjustment (note 1)	**(8)**	(11)
Opening shareholders' funds (restated)	**2,445**	1,452
Issue of share capital of £0 25 each	**16**	1
Share premium on issue of shares	**657**	47
Purchase of own shares for employee benefit trust	**(27)**	(27)
(Loss)/profit for the period (as previously reported)	**(71)**	1,101
Prior period adjustment (note 1)	–	3
Profit for the period (restated)	**(71)**	1,104
Dividends	**(198)**	(162)
Equity settled employee share options	**20**	20
Deferred tax on equity settled employee share options	–	1
Cash flow hedges	–	13
Deferred tax on cash flow hedges	–	(4)
Closing shareholders' funds	**2,842**	2,445

10. Retirement benefit obligations

The Company participates in the Wolseley Group Retirement Benefits Plan This is a defined benefit multi-employer scheme, the assets and liabilities of which are held independently from the Group The Company is unable to identify its share of the underlying assets and liabilities of the scheme and accordingly accounts for the scheme as if it were a defined contribution scheme Information in respect of the scheme is provided in note 27, on pages 98 to 102, to the Wolseley plc consolidated financial statements The total contribution to the defined benefit scheme in the year was £1 million (2006 £1 million)

11. Share-based payments

Details of share options granted by Group companies to employees, and that remain outstanding, over the Company's shares are set out in note 29, on pages 103 and 104, to the Wolseley plc consolidated financial statements The Company recognised an equity-settled share-based payment charge of £3 million in the year (2006 £3 million)

12. Derivative financial instruments

Current assets	2007 £m	2006 £m
Interest rate swaps	**10**	10
Currency swaps at fair value through profit and loss	**–**	–
Derivative financial assets	**10**	10

Current liabilities	2007 £m	2006 £m
Interest rate swaps	**(1)**	(2)
Currency swaps at fair value through profit and loss	**–**	(2)
Derivative financial liabilities	**(1)**	(4)

Interest rate swaps
The Company 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 Company'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, and the valuation gains have been 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 profit and loss	**–**	(1)
Cash settlements in the period	**1**	–
At 31 July	**9**	8

Outstanding interest rate swap contracts at 31 July 2007 comprised fixed interest payable on notional principal of US$650 million and €1,280 million (2006 US$650 million and €770 million) and fixed interest receivable on notional principal of US$350 million (2006 US$350 million) The contracts expire between September 2007 and August 2011 (2006 September 2006 and August 2009), and the gains deferred in equity will reverse in the profit and loss account over that period The fixed interest rates varied between 2 313 per cent and 5 415 per cent (2006 2 313 per cent and 5 415 per cent)

Currency swaps
The Company uses currency swaps either to obtain the optimum return on its surplus funds or to hedge the spot exchange rate risk of its assets and liabilities, principally loans 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

At fair value through profit and loss	2007 £m	2006 £m
At 1 August	**(2)**	(11)
Valuation gains credited to profit and loss	**2**	5
Cash settlements in the period	**–**	4
At 31 July	**–**	(2)

At the balance sheet date the Company had entered into certain short-term currency swaps amounting to assets of US$150 million, DKK640 million, £98 million and SEK 16 million (2006 assets of US$627 million, €222 million and CHF22 million) and liabilities of €172 million, CAD136 million and CHF127 million (2006 liabilities of £419 million and CAD169 million)

Notes to the Company financial statements

Year ended 31 July 2007

13. Bank loans and overdrafts

Current	2007 £m	2006 £m
Bank overdrafts	**188**	38
Loans	**338**	-
	526	38

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
Sterling	**11**	(150)
US dollar	**159**	80
Euro	**338**	100
Other	**18**	8
	526	38

Non-current	2007 £m	2006 £m
Bank loans	**311**	1,176

The non-current loans are repayable as follows	£m	£m
Due in one to two years	**16**	34
Due in two to five years	**295**	99
Due in over five years	**–**	1,043
	311	1,176

At 31 July 2007, no loans carried a fixed interest rate (2006 £nil) Interest payments on floating rate loans are determined by reference to short-term benchmark rates applicable to the relevant currency or market, such as LIBOR

The currency analysis of non-current loans is as follows

	2007 £m	2006 £m
Sterling	**–**	120
US dollar	**147**	618
Euro	**164**	406
Other	**–**	32
	311	1,176

14. Contingent liabilities

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

At 31 July the Company has a quantifiable contingent liability for value added tax of certain subsidiary undertakings of £8 million (2006 £5 million) which arose in the ordinary course of business and has not been provided in these accounts since no actual liability is expected to arise

At 31 July 2007 the Company 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 12 on page 117

In addition, the Company has given its principal UK bank authority to transfer at any time any sum outstanding to its credit against or towards satisfaction of the liability to the bank of certain subsidiary undertakings

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

15. Employees and employee costs

The average number of employees (including Directors) of the Company in the year ended 31 July 2007 was 17 (2006 15) Total employee costs of the Company for the year were £6 million (2006 £6 million)

16. Dividends

Details of the Company's dividends are set out in note 7 on page 86, to the Wolseley plc consolidated financial statements

17. Related party transactions

The Company has taken advantage of the exemption available under FRS 8 'Related Party Disclosures' to dispense with the requirement to disclose transactions with subsidiaries, 90 per cent or more whose voting rights are held within the Group, and which are included in the Wolseley plc consolidated financial statements

18. Post-balance sheet events

There are no significant post-balance sheet events

Independent auditors' report to the members of Wolseley plc

We have audited the parent company financial statements of Wolseley plc for the year ended 31 July 2007 which comprise the balance sheet and the related notes These parent company financial statements have been prepared under the accounting policies set out therein We have also audited the information in the Directors' Remuneration report that is described as having been audited

We have reported separately on the Group financial statements of Wolseley plc for the year ended 31 July 2007

Respective responsibilities of Directors and auditors
The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the parent company financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements and the part of the Directors' Remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 We report to you whether in our opinion the information given in the Directors' report is consistent with the parent company financial statements We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements The other information comprises only the Directors' report, the unaudited part of the Directors' Remuneration report, the Chairman's statement, the Group Chief Executive's review, the Performance review and the corporate governance statement We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements Our responsibilities do not extend to any other information

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements and the part of the Directors' remuneration report to be audited It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements and the part of the Directors' Remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements and the part of the Directors' Remuneration report to be audited

Opinion
In our opinion

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 July 2007,
- the parent company financial statements and the part of the Directors' Remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' report is consistent with the parent company financial statements

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
24 September 2007

Principal subsidiary undertakings and their directors

Year ended 31 July 2007

EUROPE

UNITED KINGDOM
***Wolseley UK Limited, Leamington Spa, Warwickshire CV31 3HH**
(Incorporated and operational in the United Kingdom)
S Ashmore, R H Marchbank, M J Neville, N J Sibley, I Tillotson

IRELAND
***Heatmerchants Ltd, Athlone, Co Westmeath**
(Incorporated and operational in the Republic of Ireland)
S McBride, M McCague, B McTernan, M J Neville, M O'Brien, J O'Connell, P Roche, C Soden

***Brooks Group Limited, Athlone, Co Westmeath**
(Incorporated and operational in the Republic of Ireland)
S McBride, V Nally, M J Neville, P Roche, C Soden

FRANCE
***Brossette SAS, 69007 Lyon**
(Incorporated and operational in France)
C P Watters

***PB & M SAS, 92400 Courbevoie**
(Incorporated and operational in France)
C P Watters

DENMARK
***DT Group A/S, Gladsaxe Mollevej, 5 DK-2860 Soborg**
(Incorporated and operational in Denmark)
M Asim, K S Borregaard, R H Marchbank, B W Mortensen, C P Watters, S Weirsoe

***Electro – Oil International A/S, DK-2600 Glostrup**
(Incorporated and operational in Denmark)
K H D Jones, B Oestergaard, D Rasmussen

AUSTRIA
***OAG AG, A-1110 Wien**
(Incorporated and operational in Austria)
J Dutter

Supervisory Board R Bailkoski, T Brophy, E Cihlar, P Frank, K H D Jones, R H Marchbank

BELGIUM
***Wasco-Centratec NV, 1070 Anderlecht**
(Incorporated and operational in Belgium)
F D'Have, K H D Jones, O G J van den Belt

CZECH REPUBLIC
***Wolseley Czech Republic spol s r o , 619 00 Brno**
(Incorporated and operational in the Czech Republic)
M Dvoracek, M Flasar, K H D Jones, N G Parry

***Wolseley Eastern Europe a s , U Pekarky 281/3 Prague**
(Incorporated and operational in the Czech Republic)
K H D Jones, H F Kolowrat, N G Parry

HUNGARY
***Mart Kft , H-2120 Dunakeszi**
(Incorporated and operational in Hungary)
K H D Jones, K Kinde, N G Parry

ITALY
***Manzardo SpA, 39100 Bolzano**
(Incorporated and operational in Italy)
R Coates, K H D Jones, R H Marchbank, C P Watters

LUXEMBOURG
***Comptoir des Fers et Métaux SA, L-1882 Luxembourg**
(Incorporated and operational in Luxembourg)
K H D Jones, R H Marchbank, S Sartor, O G J van den Belt, C P Watters

NETHERLANDS
***Wasco Holding B.V, Twello**
(Incorporated and operational in the Netherlands)
K H D Jones, H A T van den Belt, O G J van den Belt

SWITZERLAND
***Tobler Haustechnik AG, 8902 Urdorf**
(Incorporated and operational in Switzerland)
E Ballmer, K H D Jones, A Stucker, H Wiedmer

Principal subsidiary undertakings and their directors

Year ended 31 July 2007

NORTH AMERICA

USA

***Ferguson Enterprises Inc**
Newport News, Virginia 23602
(Incorporated and operational in the United States of America)
J K Cross, J R English, S F Grosslight, M L Grunkemeyer, W S Hargette, B L Miller, F W Roach, J A Stegeman, L J Stoddard, D P Strup, J L Wilcox

***Stock Building Supply Holdings Inc,**
Raleigh, North Carolina 27617
(Incorporated and operational in the United States of America)
J J Appelman, F N Hord, J F Major, F W Roach, B J Yeazel

CANADA

***Wolseley Canada Inc, Burlington, Ontario**
(Incorporated and operational in Canada)
J Ballance, G Gamble, P R Lachance, M D Lamontagne, G Petrin, F W Roach, I Thompson, B Wilcox

***Wolseley Industrial Products Group Inc, Burlington, Ontario**
(Incorporated and operational in Canada)
P R Lachance, M D Lamontagne, K Parlee, F W Roach

SERVICE COMPANIES

***Jule P Limited**
(Incorporated and operational in Guernsey)
***Jule T Limited**
(Incorporated and operational in Guernsey)
***Ridgeflower Limited**
(Incorporated and operational in the United Kingdom)
***WF (Cherwell) LP**
(Established and operational in Guernsey)
***Wolseley Capital Inc.**
(Incorporated and operational in the United States of America)
***Wolseley Capital Limited**
(Incorporated and operational in the United Kingdom)
***Wolseley Capital (Parkview) Limited**
(Incorporated and operational in the United Kingdom)
***Wolseley Central and Eastern Europe AG**
(Incorporated and operational in Switzerland)
Wolseley Europe Limited
(Incorporated and operational in the United Kingdom)
***Wolseley Finance (Isle of Man) Limited**
(Incorporated in the Isle of Man and operational in the United Kingdom)
***Wolseley Finance (Parkview No 2) Limited**
(Incorporated and operational in the United Kingdom)
***Wolseley Finance (Thames) Limited**
(Incorporated and operational in the United Kingdom)
***Wolseley Finance (Theale) Limited**
(Incorporated and operational in the United Kingdom)
***Wolseley France SAS**
(Incorporated and operational in France)
***Wolseley (Group Services) Limited**
(Incorporated and operational in the United Kingdom)
Wolseley Group Holdings Limited
(Incorporated and operational in the United Kingdom)
***Wolseley Holdings Canada Inc**
(Incorporated and operational in Canada)
***Wolseley Holdings Denmark ApS**
(Incorporated and operational in Denmark)
***Wolseley-Hughes Limited**
(Incorporated and operational in the United Kingdom)
***Wolseley Insurance Limited**
(Incorporated and operational in the Isle of Man)
***Wolseley Investments Inc**
(Incorporated and operational in the United States of America)
***Wolseley Nordic Holdings AB**
(Incorporated and operational in Sweden)
***Wolseley North American Services, Inc**
(Incorporated and operational in the United States of America)
***Wolseley Overseas Limited**
(Incorporated and operational in the United Kingdom)
***Wolseley Overseas Holdings Limited**
(Incorporated and operational in the United Kingdom)
***Wolseley UK Finance Limited**
(Incorporated in Guernsey and operational in the United Kingdom)
***Wolseley UK Holdings Limited**
(Incorporated and operational in the United Kingdom)

All subsidiary undertakings have been included in the consolidation

Shareholdings in companies marked * are held by intermediate subsidiary undertakings

All shareholdings in the above subsidiary undertakings are of ordinary shares or equity capital, plus the following preference shares in the case of

Wolseley Insurance Limited	100%
Wolseley Investments Inc	100%
Wolseley Overseas Holdings Limited	100%
Wolseley UK Finance Limited	100%
Wolseley UK Holdings Limited	100%

Five year summary

	IFRS			UK GAAP	
	2007 £m	2006 £m	2005 £m	2004 £m	2003 £m
Revenue					
UK and Ireland	**3,171**	2,690	2,351	2,107	1,889
France	**1,872**	1,725	1,644	1,621	658
Nordic	**1,617**	–	–	–	–
Central and Eastern Europe	**899**	735	642	520	410
Europe	**7,559**	5,150	4,637	4,248	2,957
US plumbing and heating	**5,685**	5,396	3,858	3,390	3,155
US building materials	**2,358**	2,966	2,249	2,044	1,713
Canada	**619**	646	512	446	396
North America	**8,662**	9,008	6,619	5,880	5,264
	16,221	14,158	11,256	10,128	8,221
Trading profit					
UK and Ireland	**211**	201	183	163	144
France	**101**	91	98	92	39
Nordic	**99**	–	–	–	–
Central and Eastern Europe	**35**	31	30	21	16
Europe central costs	**(13)**	(7)	(4)	–	–
Europe	**433**	316	307	276	199
US plumbing and heating	**411**	378	260	230	180
US building materials	**44**	192	131	109	81
Canada	**42**	44	36	32	28
North America central costs	**(10)**	(11)	(1)	–	–
North America	**487**	603	426	371	289
Group central costs	**(43)**	(37)	(25)	(28)	(15)
	877	882	708	619	473
Amortisation and impairment of acquired intangibles	**(122)**	(48)	(6)	–	–
Goodwill amortisation and impairment	**(2)**	–	–	(39)	(30)
Operating profit	**753**	834	702	580	443
Net interest (payable)	**(119)**	(65)	(37)	(21)	(17)
Profit on ordinary activities before tax	**634**	769	665	559	426
Current tax charge	**(174)**	(223)	(142)	(153)	(118)
Deferred tax credit/(charge)	**14**	(9)	(44)	(9)	(10)
Profit on ordinary activities after tax	**474**	537	479	397	298
Ordinary dividends	**(211)**	(186)	(155)	(139)	(123)
Net assets employed					
Intangible fixed assets	**2,680**	1,506	948	666	687
Property, plant and equipment	**1,718**	1,144	833	719	717
Other net assets, excluding liquid funds	**1,520**	1,892	1,691	1,458	1,197
	5,918	4,542	3,472	2,843	2,601
Financed by					
Share capital	**165**	149	148	146	145
Share premium	**945**	288	241	200	178
Foreign currency translation reserve	**(181)**	(49)	82	–	–
Profit and loss account	**2,522**	2,204	1,830	1,556	1,451
Shareholders' funds	**3,451**	2,592	2,301	1,902	1,774
Net debt	**2,467**	1,950	1,171	941	827
Net assets employed	**5,918**	4,542	3,472	2,843	2,601
Cumulative goodwill and acquired intangibles written off	**791**	667	619	613	574
Gross capital employed	**6,709**	5,209	4,091	3,456	3,175

Five year summary

	IFRS			UK GAAP	
	2007	2006	2005	2004	2003
Trading margin	**5 4%**	6 2%	6 3%	6 1%	5 8%
Earnings per share before amortisation and impairment of goodwill and acquired intangibles	**87 80p**	98 90p	82 60p	74 84p	56 69p
Basic earnings per share	**73.52p**	90 77p	81 61p	68 15p	51 53p
Dividends per share (in respect of the financial year)	**32 40p**	29 40p	26 40p	23 80p	21 20p
Cover for ordinary dividends	**2 2**	3 1	3 1	2 9	2 4
Gearing ratio (note 1)	**71 5%**	75 2%	50 9%	49 5%	46 6%
Net tangible assets per ordinary share	**116 64p**	181 61p	228 55p	211 26p	187 26p
Return on gross capital employed (note 2)	**13 7%**	18 8%	19 1%	18 4%	16 7%
Average number of employees	**78 948**	65,223	53,668	48,379	39,299
Aggregate wages and salaries (£ million)	**1,854**	1,630	1,257	1,108	941
Number of shares in issue at year end (million)	**661**	598	592	585	581
Number of branches at year end					
Europe	**3,311**	2,861	2,486	2,393	2,266
North America	**1,985**	1,797	1,434	1,244	1,183
Total branches	**5,296**	4,658	3,920	3,637	3,449
US dollar translation rate					
Income statement/profit and loss	**1 9487**	1 7885	1 8514	1 7522	1 5951
Balance sheet	**2 0285**	1 8673	1 7564	1 8198	1 6076
Canadian dollar translation rate					
Income statement/profit and loss	**2 1932**	2 0595	2 2997	2 3473	2 3835
Balance sheet	**2 1644**	2 1128	2 1464	2 4229	2 2427
Euro translation rate					
Income statement/profit and loss	**1 4823**	1 4577	1 4587	1 4635	1 5039
Balance sheet	**1 4835**	1 4628	1 4479	1 5144	1 4171

Note 1 The gearing ratio is the ratio of net borrowings, excluding construction loan borrowings, to shareholders' funds

Note 2 Return on gross capital employed is the ratio of trading profit (before loss on disposal of operations and the amortisation and impairment of goodwill and acquired intangibles) to the aggregate of average shareholders' funds, minority interests, net debt and cumulative goodwill written off

Pro forma information in United States dollars

	IFRS			UK GAAP	
	2007 $m	2006 $m	2005 $m	2004 $m	2003 $m
Revenue					
UK and Ireland	**6,179**	4,811	4,353	3,692	3,013
France	**3,648**	3,085	3,044	2,840	1,049
Nordic	**3,151**	–	–	–	–
Central and Eastern Europe	**1,752**	1,315	1,188	911	654
Europe	**14,730**	9,211	8,585	7,443	4,716
US plumbing and heating	**11,079**	9,651	7,142	5,940	5,033
US building materials	**4,595**	5,305	4,164	3,581	2,732
Canada	**1,206**	1,155	948	782	632
North America	**16,880**	16,111	12,254	10,303	8,397
	31,610	25,322	20,839	17,746	13,113
Trading profit					
UK and Ireland	**411**	359	339	286	230
France	**197**	163	181	161	62
Nordic	**193**	–	–	–	–
Central and Eastern Europe	**68**	55	55	37	25
Europe central costs	**(25)**	(12)	(7)	–	–
Europe	**844**	565	568	484	317
US plumbing and heating	**800**	676	481	403	287
US building materials	**86**	343	243	191	129
Canada	**82**	79	67	56	45
North America central costs	**(19)**	(20)	(2)	–	–
North America	**949**	1,078	789	650	461
Group central costs	**(84)**	(66)	(46)	(49)	(24)
	1,709	1,577	1,311	1,085	754
Amortisation and impairment of acquired intangibles	**(238)**	(86)	(11)	–	–
Goodwill amortisation and impairment	**(4)**	–	–	(68)	(48)
Operating profit	**1,467**	1,491	1,300	1,017	706
Net interest (payable)	**(232)**	(116)	(69)	(37)	(27)
Profit on ordinary activities before tax	**1,235**	1,375	1,231	980	679
Current tax charge	**(339)**	(399)	(263)	(268)	(188)
Deferred tax credit/(charge)	**27**	(16)	(81)	(16)	(15)
Profit on ordinary activities after tax	**923**	960	887	696	476
Ordinary dividends	**(411)**	(313)	(288)	(244)	(196)
Net assets employed					
Intangible fixed assets	**5,437**	2,812	1,665	1,212	1,104
Property, plant and equipment	**3,485**	2,136	1,463	1,308	1,152
Other net assets, excluding liquid funds	**3,083**	3,533	2,970	2,654	1,925
	12,005	8,481	6,098	5,174	4,181
Financed by					
Share capital	**335**	278	260	266	233
Share premium	**1,917**	538	423	364	286
Foreign currency translation reserve	**(367)**	(91)	144	–	–
Profit and loss account	**5,116**	4,115	3,214	2,831	2,333
Shareholders' funds	**7,001**	4,840	4,041	3,461	2,852
Net debt	**5,004**	3,641	2,057	1,713	1,329
Net assets employed	**12,005**	8,481	6,098	5,174	4,181
Cumulative goodwill written off	**1,605**	1,245	1,087	1,115	922
Gross capital employed	**13,610**	9,726	7,185	6,289	5,103

The above information has been extracted from the five year summary on pages 123 and 124 Income statement figures have been translated using the relevant year's income statement/profit and loss US dollar translation rate as set out on page 124 Balance sheet figures have been translated at the relevant year's balance sheet US dollar translation rate as set out on page 124

Acquisitions completed during the year

Name	Date	Country of incorporation
Water Works Supplies, Inc	August 2006	USA
Palermo Supply Co Inc , Palermo Plumbing Center, Inc and Palermo Wholesale Supply, Inc	August 2006	USA
Lunts Heath Limited	August 2006	UK
United Automatic Heating Supply Ltd	August 2006	USA
Sigmatec SAS	August 2006	France
Atout K-RO SAS	September 2006	France
Morris Insulations Limited, Acoustic & Thermal Insulations Limited, Customised Insulation Manufacturers Limited and Construction Insulation Distributors Limited	September 2006	Ireland
DT Group	September 2006	Denmark
Murdock ECD Limited and Murdock Haworth Limited	October 2006	UK
Lawrence Plumbing Supply Co Inc , Castle North Corporation and Castle Supply Company, Inc	October 2006	USA
Northern Water Works Supply, Inc	October 2006	USA
Helatukku Finland Oy	October 2006	Finland
Adelgaard Byggeforum	October 2006	Denmark
Gulf Refrigeration Supply, Inc	October 2006	USA
Kandall Fabricating and Supply Corporation KF Industries, LLC	October 2006	USA
Lee Window & Door Company	October 2006	USA
Perfection Truss Company, Inc	October 2006	USA
Woodcote – stavebni materialy, a s	October 2006	Czech Republic
Hjalmars Tra AB	November 2006	Sweden
Ditac SAS	November 2006	France
Kempsville Building Materials, Inc	November 2006	Canada
Hudson Plumbing Supplies Limited	November 2006	USA
Etablissements Pochon Felix SA	December 2006	France
Onda-Lay Pipe and Rental, Inc	December 2006	USA
T'N'T Sales, Inc	December 2006	USA
Tonto Verde Construction, Inc and Precision Forest Products, LLC	December 2006	USA
Guntersville Fabrication and Sprinkler Co , Inc and Guntersville Pipe and Supply	December 2006	USA
R J Hosking Building Supplies Limited	December 2006	UK
Kopex Groothandel in Sanitaire Installatie Artikelen B V , Kopex Apeldorn B V , Kopex Tilburg B V , Van Deursen Technische Handelsonderneming, B V	December 2006	Holland
Cal-Steam Supply, Inc	December 2006	USA
Superbyg Kalaallit Nunaat A/S	January 2007	Greenland
Jarn och Tra Orust AB	February 2007	Sweden
Escaffre & Fils SA and Espace Carrelages Eurl	February 2007	France
Grif-Fab Corporation	February 2007	USA
Conlon Quinn Ltd	February 2007	Ireland
Oregon Pacific Building Products (New Mexico), Inc	February 2007	USA
Improvement Direct, Inc	March 2007	USA
Maverick Supplies Limited	May 2007	Canada
Etablissements Lebrun SAS	June 2007	France
H R Sandvold AS	June 2007	Norway
A/S Baagoe & Riber	June 2007	Denmark
Hollow Metal Specialists, Inc	July 2007	USA
Fire Fab, Inc	July 2007	USA
Save Tra Forsaljnings AB	July 2007	Sweden

Group information

Head Office and Registered Office
Parkview 1220
Arlington Business Park
Theale
Reading RG7 4GA
Telephone +44 (0) 118 929 8700
Fax +44 (0) 118 929 8701
Website www wolseley com

Auditors
PricewaterhouseCoopers LLP

Corporate brokers
UBS Limited
Hoare Govett Limited

Solicitors
Freshfields Bruckhaus Deringer
Skadden, Arps, Slate, Meagher & Flom LLP

UK Registrars
Equiniti
(formerly known as Lloyds TSB Registrars)
Aspect House
Spencer Road
Lancing
West Sussex BN99 6BN
Telephone
within the UK 0870 241 3934
from overseas +44 (0) 121 433 8000
Website www equiniti com

American Depositary Receipts
The Bank of New York Mellon
Investor Relations
PO Box 11258 Church Street Station
New York, NY 10286 - 1258
Telephone within the US toll free
1-888-BNY-ADRS
from overseas +1 212 815 3700
Website http //www stockbny com

NYSE specialist firm
Spear, Leeds & Kellogg
120 Broadway
6th Floor
New York, NY 10271

Principal committees of the Board

Audit Committee
James I K Murray – Chairman
Gareth Davis
Nigel M Stein

Remuneration Committee
Andrew J Duff – Chairman
Gareth Davis
Nigel M Stein *(from 31 October 2007)*
Robert M Walker *(until 31 October 2007)*
John W Whybrow *(from 31 October 2007)*

Nominations Committee
John W Whybrow – Chairman
Gareth Davis
Andrew J Duff
Claude 'Chip' A S Hornsby
James I K Murray *(from 31 October 2007)*
Nigel M Stein *(from 31 October 2007)*
Robert M Walker *(until 31 October 2007)*

Treasury Committee
Stephen P Webster – Chairman
Claude 'Chip' A S Hornsby
Michael J R Verner

Shareholder information

Shareholders can register online to view their Wolseley plc shareholding details using Shareview, a service offered by our Registrars, Equiniti (formerly known as Lloyds TSB Registrars) To access the service, you should log on to www shareview co uk and complete the simple on-screen registration process You will then need to enter your surname, postcode, email address and shareholder reference number (which is detailed on the form of proxy accompanying this report)

By logging on to www shareview co uk, you will be able to do all of the following at the click of a mouse

- check your shareholding in Wolseley plc 24 hours a day,
- register your email and mailing preference (post or electronic) for future shareholder mailings,
- gain easy access to a variety of shareholder information including indicative valuations and payment instruction details,
- access the share dealing facility, and
- use the internet to appoint a proxy for you at general meetings of the shareholders

The Company can, at shareholders' request, send shareholders an email notification each time a new shareholder report or other shareholder communication is put on the website Shareholders will then be able to read and/or download the information at their leisure, but will still be able to request paper copies of the documents should they so wish

To encourage more shareholders to convert to ecommunications, the Company will arrange for a tree to be planted in the UK for each shareholder who chooses to receive all future communications electronically The next opportunity for us to notify you electronically will be for the Interim Report which will be published in Spring 2008

Share dealing
UK-based shareholders are also now offered a simple and convenient telephone and internet share sale and purchase service by our Registrars Equiniti Shareview dealing is available, for telephone purchases and sales on 0870 850 0852 between 8 30am and 4 30pm, Monday to Friday and for internet purchases and sales via www shareview co uk/dealing A postal dealing service is also available and a form together with terms and conditions can be obtained from Equiniti by calling 0870 242 4244

Stock Exchange listings
The ordinary shares of 25 pence each of the Company are listed on the London Stock Exchange Ordinary shares of the Company are also traded on the New York Stock Exchange in the form of American Depositary Shares and held in the form of American Depositary Receipts ('ADRs') ADR holders receive the annual and interim reports issued to shareholders The Company also files a Form 20-F each year with the Securities and Exchange Commission in the USA

Published information
Further copies of the Annual Report and the 2007 Form 20-F may be obtained from the Investor Relations Department, Wolseley plc, Parkview 1220, Arlington Business Park, Theale, Reading RG7 4GA Company information may also be viewed on the Company's website at www wolseley com

If you would like to receive a copy of the Annual Report in an appropriate alternative format, such as Braille or an audio version on CD, please contact the Group Company Secretariat on 0118 929 8700

Corporate timetable

9 November 2007	–	Final date for DRIP elections
28 November 2007	–	Annual General Meeting and Interim Management Statement
30 November 2007*	–	Proposed final dividend of 21 55 pence per share to be paid to shareholders who are on the Register of Members on 5 October 2007
17 March 2008*	–	Interim results for the half year ended 31 January 2008 announced
2 April 2008*	–	Interim statement posted to shareholders
21 May 2008*	–	Interim Management Statement
30 May 2008*	–	Interim dividend to be paid to shareholders who are on the Register of Members on 28 March 2008
31 July 2008	–	End of financial year 2007/08
22 September 2008*	–	Preliminary results for the year ended 31 July 2008 announced

*Dates are based on current expectations

The interim results and preliminary results announcements will be available on the Company's website at www wolseley com following their release

Notice of meeting

This document is important and requires your immediate attention. If you have any doubts about what action you need to take, you should contact your stockbroker, bank manager, solicitor or accountant or other independent professional adviser authorised pursuant to the Financial Services and Markets Act 2000 immediately. If you have sold or transferred all of your holding of ordinary shares you should pass this Notice and accompanying documents to the person through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

Notice is hereby given that the Annual General Meeting of Wolseley plc will be held at Haberdashers' Hall, 18 West Smithfield, London EC1A 9HQ on Wednesday 28 November 2007 at 12 noon.

As a member of the Company, you are entitled, notwithstanding any provision to the contrary in the Articles of Association of the Company, to appoint a proxy to exercise all or any of your rights to attend and to speak and vote at the Annual General Meeting of the Company.

Routine business

To consider and, if thought fit, to pass the following resolutions:

Resolution 1
That the Directors' Annual Report and Accounts and the auditors' report thereon for the year ended 31 July 2007 be received and adopted.

Resolution 2
That the Directors' Remuneration report for the year ended 31 July 2007 be received and adopted.

Resolution 3
To declare a final dividend of 21.55 pence per ordinary share.

Resolutions 4, 5 and 6
That Messrs Duff, Hornsby and Murray be re-elected as Directors of the Company.

Resolution 7
That the auditors PricewaterhouseCoopers LLP be reappointed as the Company's auditors, until the conclusion of the next Annual General Meeting of the Company.

Resolution 8
That the Directors be authorised to agree the remuneration of the auditors.

Non-routine business

To consider and, if thought fit, to pass the following resolutions which will be proposed as to Resolutions 9, 12 and 13 as ordinary resolutions and as to Resolutions 10, 11, 14 and 15 as special resolutions.

Resolution 9
That the Directors be and hereby are generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of section 80 of the Companies Act 1985 ('the Act')), up to a maximum nominal amount of £34,703,160, which authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution and in any event no later than 15 months after the passing of this resolution (unless previously revoked or varied by the Company in general meeting). The power conferred by this resolution shall enable and allow the Directors to make an offer or an agreement before the expiry of the power which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

Resolution 10
That the Directors be and hereby are empowered, pursuant to section 95 of the Companies Act 1985 ('the Act'), to allot equity securities (as defined in section 94 of the Act) for cash, at any time when they are generally authorised for the purposes of section 80 of the Act, as if section 89 (1) of the Act did not apply to any such allotment, provided that this power shall be limited:

10.1 to the allotment of equity securities in connection with, or pursuant to, a rights issue in favour of the holders of ordinary shares in the Company where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares deemed to be held by them, subject only to such arrangements or exclusions as the Directors may feel necessary or expedient to deal with fractional entitlements otherwise existing or legal or practical problems arising by virtue of shares being represented by depositary receipts or otherwise under the laws of or any other requirements of any regulatory body or stock exchange in any territory or any matter whatsoever; and

10.2 to the allotment (otherwise than pursuant to sub-paragraph 10.1 above) of equity securities up to an aggregate nominal amount of £8,264,842 equal to 5 per cent of the issued ordinary share capital of the Company as at 24 September 2007 and shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution and in any event no later than 15 months after the passing of this resolution.

The power conferred by this resolution shall enable and allow the Directors to make an offer or an agreement before the expiry of the power which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired.

Resolution 11
That the Company be and hereby is generally and unconditionally authorised in accordance with Part VII of the Companies Act 1985 ('the Act') to make market purchases (within the meaning of section 163 of the Act) of ordinary shares of 25 pence each in the capital of the Company provided that:

11.1 the maximum number of ordinary shares hereby authorised to be purchased is 66,118,736;

11.2 the minimum price which may be paid for each ordinary share is 25 pence, exclusive of expenses;

11.3 the maximum price which may be paid for each ordinary share is, in respect of a share contracted to be purchased on any day, an amount equal to 105 per cent of the average middle market quotations for the ordinary shares of the Company derived from the Daily Official List of the London Stock Exchange on the five business days immediately preceding the day on which the ordinary share is purchased, exclusive of expenses;

11.4 the power hereby granted shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution; and

11.5 the Company may under the authority conferred by this resolution and prior to the expiry of the authority make a contract to purchase its own ordinary shares which will or may be executed wholly or partly after the expiry of the authority and may make a purchase of its own ordinary shares in pursuance of such contract.

Notice of meeting

Resolution 12
That the Company and any company which is or becomes its subsidiary during the period to which this resolution relates, be and is hereby authorised during the period commencing on the date of this Annual General Meeting and ending on the date of the Company's next Annual General Meeting to

12 1 make political donations to political parties,

12 2 make political donations to political organisations other than political parties, and/or

12 3 incur political expenditure,

in a total aggregate amount not exceeding £125,000

For the purposes of this resolution, the terms 'political donation', 'political parties', 'political organisation' and 'political expenditure' have the meanings given by sections 363 to 365 of the Companies Act 2006

Resolution 13
That pursuant to Regulation 111 of the Articles of Association of the Company, the total fees payable, in aggregate, to Non Executive Directors be and are hereby increased to £1,000,000 per annum

Resolution 14
That the Articles of Association of the Company be amended by making the alterations marked on the print of the Articles of Association produced to the Meeting marked 'A' and initialled by the Chairman for the purposes of identification with effect from the conclusion of the Meeting

Resolution 15
That the Articles of Association of the Company shall be amended with effect from (and including) 1 October 2008 by making the alterations marked on the print of the Articles of Association produced to the Meeting marked 'B' and initialled by the Chairman for the purposes of identification

Charles Watters

By order of the Board
Charles P Watters
Group Company Secretary and General Counsel (Interim)
5 October 2007

Wolseley plc
Registered No 29846, England
Parkview 1220
Arlington Business Park
Theale, Reading RG7 4GA

Explanatory notes

Resolution 1
The Directors are required to present to the Meeting the audited accounts and the Directors' and auditors' report for the financial year ended 31 July 2007

Resolution 2
The Directors' report on remuneration includes the Company's policy on Directors' remuneration for the next financial year and for the years subsequent to that, a table containing details of the Directors' emoluments and a line graph that shows total shareholder return ('TSR') from 1 August 2002, together with the TSR for the FTSE 100 index since that date

Resolution 3
If Resolution 3 is approved by shareholders, the final dividend for the year ended 31 July 2007 will be paid on 30 November 2007 to shareholders whose names appear on the register of members at close of business on 5 October 2007

Resolutions 4, 5 and 6
Under the Company's Articles of Association, one-third of the Directors are required to retire by rotation each year and, in addition, no Director may serve for more than three years without being re-elected by shareholders Messrs Duff, Hornsby and Murray will retire by rotation this year in accordance with the Articles of Association and are proposed for re-election through separate resolutions numbered 4, 5 and 6 Mr Duff is standing for re-election as a Non Executive Director Mr Duff is the Chairman of the remuneration committee and a member of the nominations committee Mr Duff does not have a service contract with the Company but his appointment is terminable on six months' notice Mr Hornsby is standing for re-election as an Executive Director Mr Hornsby has a service contract with the Company terminable by not less than six months' notice given by him or 12 months' notice if given by the Company Mr Murray is standing for re-election as a Non Executive Director He is Chairman of the audit committee Mr Murray does not have a service contract with the Company but his appointment is terminable on six months' notice Biographical details of all the Directors standing for re-election appear on pages 42 and 43 of the Annual Report and Accounts

Resolutions 7 and 8
Auditors have to be appointed at every general meeting at which accounts are presented to shareholders The current appointment of PricewaterhouseCoopers LLP as the Company's auditors will end at the conclusion of the Annual General Meeting and it has advised its willingness to stand for reappointment It is normal practice for a company's directors to be authorised to agree how much the auditors should be paid

Resolutions 9 and 10
The Companies Act 1985 prevents Directors from allotting unissued shares without the authority of shareholders in general meeting The Company's Articles of Association permit the Directors to allot unissued shares but this power is subject to renewal by shareholders Resolution 9 empowers the Directors to allot shares of up to £34,703,160 in nominal amount representing the authorised but unissued ordinary share capital as at 24 September 2007, being a date not more than one month prior to this Notice The Directors were last given this authority at the Annual General Meeting held in 2006 and it is intended that renewal of this authority will be sought on an annual basis Resolution 10 empowers the Directors to allot shares for cash or sell/transfer shares out of treasury otherwise than pro rata to existing shareholders but this power is limited to allotments in connection with a rights issue and otherwise up to an aggregate nominal amount of £8,264,842 (approximately 5 per cent of the issued ordinary share capital as at 24 September 2007, being a date not more than one month prior to this Notice) Save for the issue of shares pursuant to the Company's various employee share schemes and any share dividend alternatives, the Directors do not presently intend to allot any unissued shares Treasury shares and the regulations which came into force on 1 December 2003 in relation to them, are more fully explained in the note to Resolution 11 The authority conferred by these resolutions will expire no later than 15 months from the date on which the resolution is passed, or at the conclusion of the Annual General

Meeting to be held in 2008, whichever is the sooner Similar resolutions have been approved by shareholders at each Annual General Meeting since 1984

Resolution 11
This resolution empowers the Directors to make limited on-market purchases of the Company's ordinary shares The power is limited to a maximum of 66,118,736 shares (10 per cent of the issued share capital as at 24 September 2007) and details the minimum and maximum prices that can be paid, exclusive of expenses The authority conferred by this resolution will expire at the conclusion of the Company's next Annual General Meeting The Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 came into force on 1 December 2003 These regulations allow shares repurchased by the Company to be held as treasury shares Treasury shares may be cancelled, sold for cash or used for the purpose of employee share schemes The authority to be sought by this resolution is intended to apply equally to shares to be held by the Company as treasury shares No dividends will be paid on shares which are held as treasury shares and no voting rights will be attached to them Shares held as treasury shares will be treated as if cancelled The Company holds no shares in treasury but the Directors currently intend that any shares which are repurchased will be held in treasury

Resolution 12
This resolution enables the Directors to incur expenditure of up to a total of £125,000 in respect of the heads identified (including any such expenditure by a subsidiary company) without unintentionally breaching the provisions of the Companies Act 2006, which defines political organisations and political donations in a broad manner The authority sought will, if granted, last until the conclusion of the 2008 Annual General Meeting of the Company when the Directors intend to seek renewal of this authority The policy of not giving any cash contributions to any political party will continue

Resolution 13
The Articles of Association prescribe that the total amount of fees which may be paid to the Non Executive Directors shall not exceed £750,000 per annum, unless the Company's shareholders otherwise resolve In view of the increasing time commitment involved and in line with market trends, the Board believes it is appropriate to recommend an increase in the limit to £1,000,000 per annum in order to provide flexibility for the future

Amendments to the Articles of Association of the Company
The Companies Act 2006 (the '2006 Act') received Royal Assent in November 2006 The 2006 Act represents a major reform of UK companies' legislation and is being brought into force on a staged basis between January 2007 and October 2008 It is proposed that, at this year's Annual General Meeting, the Company amends its Articles of Association (the 'Articles') to reflect certain changes in the law governing electronic communications and Directors' conflicts of interest which have or will come into force as a result of the 2006 Act (see notes to Resolutions 13 and 14 below)

However, over the coming year, the Company (in conjunction with its legal advisers) intends to conduct a further review of the Articles, incorporating any further changes which are necessary or desirable following the full implementation of the 2006 Act Any proposed amendments will be put to shareholders at the 2008 Annual General Meeting Copies of the current and proposed Articles (and comparison documents showing all the proposed changes to the Articles) are available for inspection during normal business hours at the registered office of the Company and at the offices of its solicitors, Freshfields Bruckhaus Deringer (65 Fleet Street, London EC4Y 1HS) until 28 November 2007 or upon request from the Company Secretary Copies will also be available at the Annual General Meeting from 11 15am until its conclusion The material differences between the current and the proposed Articles are summarised below Changes of a minor, conforming or purely technical nature have not been mentioned specifically

Resolution 14
Provisions relating to electronic communications
Currently, shareholders may elect for communications to be sent to them via email rather than receiving documents in hard copy form The 2006 Act contains new provisions relating to electronic communications between companies and their shareholders which will enable companies to use electronic communications with shareholders as the 'default' position by placing documents on a website unless shareholders specifically elect to receive hard copies Shareholders may also elect to communicate with the Company by electronic means where the Company has given an electronic address in a Notice calling a meeting or in an instrument of proxy The Company proposes to amend its Articles to take advantage of these provisions

In any event, before implementing the 'default' provisions (as detailed above), the Company would write to all shareholders to give them the opportunity to exercise their choice as to whether they wish to continue to receive documents in hard copy form or via the Company's website

Resolution 15
Provisions relating to conflicts of interest
The 2006 Act sets out Directors' general duties, which largely codify the existing law, but with some changes Under the 2006 Act, from 1 October 2008 a Director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests This requirement is very broad and could apply, for example, if a Director becomes a Director of another company or a trustee of another organisation Currently, Directors discuss such proposed positions with the Company before taking them up and there are actions Directors can take to avoid a breach of their duties if an actual conflict arises The 2006 Act allows Directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the Articles of Association contain a provision to this effect The 2006 Act also allows the Articles of Association to contain other provisions for dealing with Directors' conflicts of interest to avoid a breach of duty This change to the Articles of Association, to take effect from 1 October 2008, would give the Directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position

There are safeguards which will apply when the Directors decide whether to authorise a conflict or potential conflict Firstly, only Directors who have no interest in the matter being considered will be able to take the relevant decision and secondly, in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success The Directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate

The Directors consider that each of the resolutions is in the best interests of the Company and the shareholders as a whole and, accordingly, recommend all shareholders to vote in favour of all resolutions, as the Directors intend to do in respect of their own shares

Notice of meeting

Electronic communications

The Company is currently authorised to send shareholder information, including Annual Reports, Notices of General Meetings and Forms of Proxy to you electronically, provided only that you agree to receive them in this format.

This has a number of advantages, including:

- Speedier delivery of documents;
- Cost savings on the delivery of documents;
- Saving on environmental resources;
- Confirmation of receipt of proxy appointments.

To receive your shareholder documentation electronically, you need to register with our Registrars' online service, www.shareview.co.uk. This is a secure service enabling shareholders to set up and view personal shareholding details. When you register please have your shareholder reference number to hand (this can be found on your share certificate or your proxy form).

To encourage more shareholders to convert to ecommunications, if you make the choice to receive all future communications electronically, we will arrange for a sapling tree to be planted in the UK to be dedicated to you.

This offer and the provision of a facility to communicate with shareholders electronically, does not discriminate between registered shareholders of the same class. The facility is available to all registered shareholders on equal terms and participation is made as simple as possible. Please note that it is the shareholder's responsibility to notify our Registrars through www.shareview.co.uk of any change to their email address.

In the future, subject to the approval of the amendments to the Articles of Association pursuant to Resolution 14, the Company will be able to communicate with shareholders who have consented, or who have deemed to have consented, to receive documents electronically, by placing shareholder documentation on a website and notifying them in writing that such documents are available. The Company would, however, write to all shareholders before doing so to give you an opportunity to exercise your choice as to whether you wish to continue to receive documents in hard copy form or via the Company's website.

The next opportunity for us to notify you electronically will be for the Interim Report for 2008, which will be published in Spring 2008. If you have registered, an email will be sent in March/April 2008 notifying you that the report has been published and this will include a link to the relevant page on our website. A similar procedure will be followed for future shareholder documentation. There are no particular software requirements to view these documents, other than those described and available on our website www.wolseley.com.

Before electing for electronic communication, shareholders should ensure that they have the appropriate computer capabilities. The Company takes all reasonable precautions to ensure no viruses are present in any communication it sends out, but cannot accept any responsibility for loss or damage arising from the opening or use of any email or attachments from the Company and recommends that shareholders subject all messages to virus checking procedures prior to use. Please note that any electronic communication sent by a shareholder to the Company or the Registrar containing a computer virus will not be accepted.

The Company's obligation is satisfied when it transmits an electronic message. It cannot be held responsible for a failure in transmission beyond its control. In the event that the Company becomes aware that an electronic transmission is not successfully transmitted, a paper notification will be sent to the shareholder at their registered address. The Company also reserves the right, irrespective of your election, to revert to sending paper documentation by post, whenever the Board considers it necessary or desirable to do so.

Enquiries

Equiniti (formerly Lloyds TSB Registrars) maintain the Company's share register. They also provide a telephone helpline service. If you have any enquiries about the Annual General Meeting or about your Wolseley plc shareholding, you may contact Equiniti:

by telephone to the Shareholder helpline		
from the UK	–	0870 241 3934
from outside the UK	–	+44 121 415 7047
in writing to	–	Equiniti (0049) Aspect House Spencer Road Lancing West Sussex BN99 6BN
website	–	www.equiniti.com

The Bank of New York Mellon maintains the Company's American Depositary Receipt register. They also provide a telephone helpline service. If you have any enquiries about your holding of Wolseley American Depositary Shares, you may contact the Bank of New York Mellon:

by telephone to the Shareholder helpline		
within the US	–	1-888-BNY-ADRS (toll-free)
from outside the US	–	+1 212 815 3700
in writing to	–	Bank of New York Mellon Investor Relations PO Box 11258 Church Street Station New York, NY 10286-1258
website	–	https://www.stockbny.com

Data protection statement

Your personal data includes all data provided by you, or on your behalf, which relates to you as a shareholder, including your name and contact details, the votes you cast and your Reference Number (attributed to you by the Company). The Company determines the purposes for which and the manner in which your personal data is to be processed. The Company and any third party to which it discloses the data (including the Company's Registrars) may process your personal data for the purposes of compiling and updating the Company's records, fulfilling its legal obligations and processing the shareholder rights you exercise.

Published information

The Notice of Annual General Meeting is also available in Braille or in an audio version on CD, depending on your requirements.

Certain statements included in this Annual Report and Accounts may be forward-looking and may (and often do) involve risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied by the forward-looking statements Forward-looking statements include, without limitation, projections relating to results of operations and financial conditions and the Company's plans and objectives for future operations including, without limitation, discussions of the Company's business and financial plans, expected future revenues and expenditures, investments and disposals, risks associated with changes in economic conditions, the strength of the plumbing and heating and building materials market in North America and Europe, fluctuations in product prices and changes in exchange and interest rates All forward-looking statements in this respect are based upon information known to the Company on the date of this report Accordingly, readers are cautioned not to place undue reliance on forward-looking statements, which speak only at their respective dates The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise It is not reasonably possible to itemise all of the many factors and events that could cause the Company's forward-looking statements to be incorrect or that could otherwise have a material adverse effect on the future operations or results of the Company

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