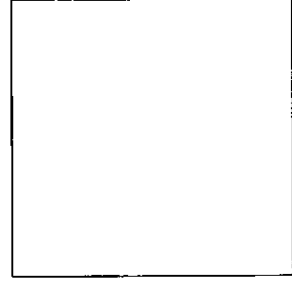
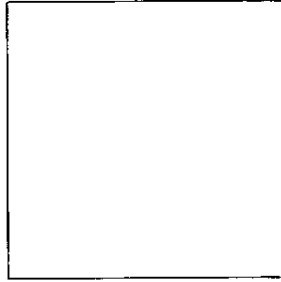
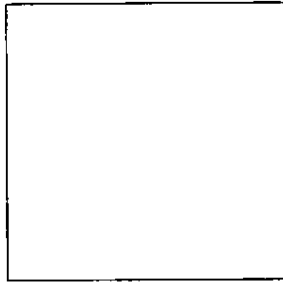
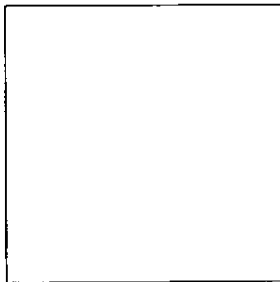


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Wolseley plc



Company registration no.
29846

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**Focusing on
what we do best**
Annual Report and Accounts 2009

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Online annual report

What you'll find online

Every year, more and more information is available for our shareholders, employees and customers in the online version of Wolseley's Annual Report. Publishing information in this way is also kinder to the environment. This year's Report includes several interactive features:

Usability

The online version of Wolseley's Annual Report is available on your computer or handheld at any time, allowing you to access information when you need it, wherever you are; making it more convenient than requesting a printed copy.

Accessibility

This Annual Report has been designed to be as accessible as possible and also to be compatible with the types of adaptive technology used by people with disabilities, including screen readers.

Visitors to the website can control the size of the text and use "access keys" on the keyboard rather than the mouse to navigate through the pages.

Interactive content

This year's Annual Report features links to an interview with Wolseley's recently appointed Group Chief Executive Ian Meakins.

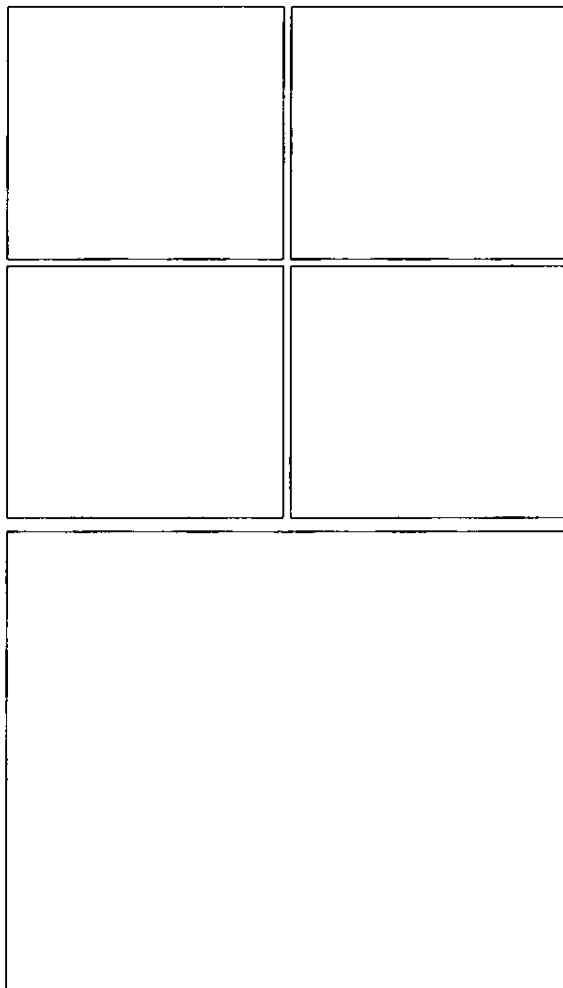
There is a wealth of other interactive features for shareholders on our main corporate website www.wolseley.com including share price information, charts and comparison tools, the opportunity to actively manage your shareholding, the ability to register your proxy appointments and the option to elect to receive all future shareholder communications electronically; there is also a simple and convenient telephone and internet share dealing service for UK-based shareholders.

A year of transition

In many ways the economic turmoil of the last 12 months has redrawn the map in terms of the future direction of Wolseley's markets. In the face of these challenging conditions, we have taken firm action to focus on our strengths, cut costs, reduce debt and improve liquidity. In addition, we remain resolutely focused on positioning the business to fully capitalise on the recovery.

Group at a glance

Our business



Wolseley is the world's largest specialist trade distributor of plumbing and heating products to professional contractors and a leading supplier of building materials to the professional market. Primarily we purchase pre-assembled products such as plumbing supplies, heating and ventilation equipment, building materials, industrial pipes, valves and fittings. These products are then delivered to our branches or our regional distribution centres for onward sale to customers against orders or over the counter. Goods are either collected by our customers or delivered to their site.

Wolseley supplies 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, including large industrial and commercial organisations. Our primary customer focus is on professional contractors who work with households, governments, property developers and industrial buildings or in the repair and maintenance of existing premises.

Our focus

Our business is divided into two geographical divisions: Europe, which covers business segments in the UK and Ireland, France, the Nordic region and Central and Eastern Europe; and North America, which consists of the North America plumbing and heating businesses namely Ferguson and Wolseley Canada. As at 31 July 2009 the Group had approximately 51,000 employees and operated in 27 countries.

North America plumbing and heating

Ferguson is the leading distributor of plumbing and heating supplies to professional contractors and the second largest distributor of pipes, valves and fittings in the US. As at 31 July 2009 the business had 1,228 branches and 17,402 employees. Wolseley Canada is a significant player in wholesale distribution of plumbing, heating and ventilation products. As at 31 July 2009 the business had 225 branches and 2,487 employees.

See pages 16 – 19

UK and Ireland

Wolseley UK and Ireland is one of the leading distributors of heating and plumbing products to the professional market and a major supplier of building materials. As at 31 July 2009 the business had 1,643 branches and 11,673 employees in the UK and Ireland.

See pages 20 – 21

Nordic region

DT Group is a leading distributor and retailer of building materials in the Nordic markets. Stark and Beijer are market leaders in Denmark and Sweden respectively, while Starkki is the second largest brand in Finland. As at 31 July 2009 the Nordic region had 296 branches and 6,749 employees.

See pages 22 – 23

France

Wolseley France is made up of Brossette, which is the second largest distributor of plumbing and heating equipment in France, and Réseau Pro, which is an integrated distributor of heavyside building materials in France. The business also has an active presence in the French timber and timber-derived products market. As at 31 July 2009 the business had 776 branches and 9,053 employees.

See pages 24 – 25

Central and Eastern Europe

Central and Eastern Europe is made up of the plumbing and heating businesses located in Switzerland, Austria, the Netherlands, Italy, Luxembourg and Denmark. As at 31 July 2009 the region had 226 branches and 2,936 employees.

See pages 26 – 27

Our strengths

The following strengths and key competitive advantages are common to our businesses:

Fundamentally attractive business sector

Whilst the construction industry operates in a cyclical manner correlating directly with economic output, we believe that the long-term drivers for house building and construction are positive in all of the regions in which Wolseley operates. Ageing populations, as well as an ageing housing stock, in Europe and North America indicate that demand for new housing and remodelling should remain strong over the long term.

See page 23

Scale advantages

We believe that scale advantages such as the Group's distribution network utilisation and sourcing activities are key competitive advantages and differentiators in the marketplace. Historically the Group has achieved higher returns where it has consolidated its position, built strong local brands and a critical mass which delivers significant cost and scale advantages.

See pages 18, 21 and 27

Strong local brands and knowledge

We have a track record of building strong trading brands in local markets. We believe that the skills and commitment of our employees are a significant competitive advantage. We believe that local knowledge of market dynamics and customer needs is essential, as is retaining and motivating strong and successful leadership teams who can drive the future growth of the business.

See page 25

Strong business model

Over several years we have invested in large distribution centres, particularly in the US, which enable us to purchase in bulk from suppliers, to better serve customers by reducing delivery times, improving fill rates and increasing the availability of products, and to manage inventory more efficiently. The distribution network also facilitates cost reduction in the supply chain, more efficient establishment of new branches and quicker integration of acquired companies.

See page 17

Our key achievements

Continuing to drive performance

In the year ended 31 July 2009, we have announced restructuring actions which are expected to deliver annualised benefits of £431 million. We will continue to lower the cost base but without losing sight of the need to position Wolseley strongly for the upturn. Alongside profitability, the delivery of strong cash flow is also important. Despite the significant reduction in trading profit this year due to market conditions operating cash flow was down only 5 per cent at £1,200 million (2008: £1,262 million). In the year ended 31 July 2009 challenging targets for working capital have been exceeded and across both continents actions have been taken to reduce capital expenditure and dispose of non-core assets and businesses.

Financial restructuring complete

In addition to the actions outlined above, in April 2009 we successfully completed a £1 billion capital raising in the form of a share placing and rights issue. We also arranged a €1 billion multi-currency committed two-year forward start debt facility. This significantly extends our debt maturity profile and reduces any refinancing risk in the period to 1 August 2011, when the facility commences. Both the above actions have strengthened our capital base to create a more stable position from which we can take advantage of any recovery in our markets.

Future focus on our core businesses

We believe that significant shareholder value can be generated through an even greater level of focus on the Group's core businesses. During the year we have identified a future focus on North America plumbing and heating, UK and Ireland, France, Nordic and certain Central and Eastern Europe regions which present the best opportunities for return on investment in the long term.

Exit of Stock Building Supply and strategic review of Central and Eastern Europe

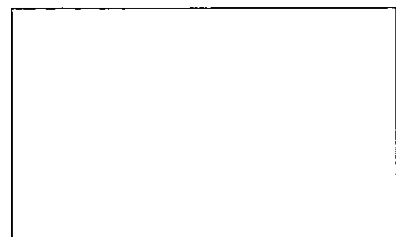
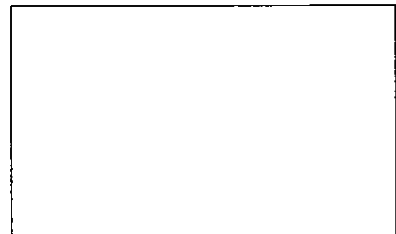
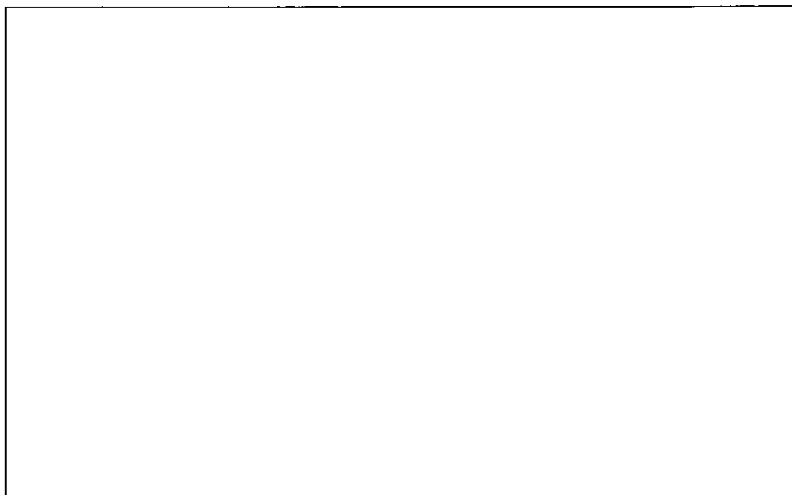
In May 2009 we announced the exit from Stock Building Supply ("Stock"), our US building materials business. This business has been severely affected by the US housing downturn. The Group now owns a minority shareholding in Stock through a joint arrangement, with the majority holding owned by Gores Group LLC, an American private equity investor. This transaction gives our shareholders an opportunity to participate in the long-term value potential of the Stock business whilst ensuring deconsolidation of Stock's operating losses and conserving cash.

Following a strategic review during the financial year of Central and Eastern Europe, Wolseley has determined to focus on those constituent countries where it has built sufficient scale, established leading market positions and can deliver an appropriate financial return. Accordingly, the Group has decided to retain a presence in Switzerland, Austria, Luxembourg, Denmark, Holland and Italy.

Chairman's statement

We enter 2010 after a year of profound change and unprecedented challenges in both our industry and our Company, but I am confident the measures we have taken to reposition Wolseley this year will enable us to take maximum advantage of the opportunities that will arise as the global economy recovers.

John W Whybrow Chairman



Summary results (continuing operations)

Revenue	£14.4bn
Trading profit ¹	£447m
Operating cash flow	£1,200m
Cash conversion ²	364%
Operating loss	£(606)m

¹ Trading profit, a term used throughout the Annual Report, is defined as operating profit before exceptional items and the amortisation and impairment of acquired intangibles. See note 12 of the consolidated financial statements for a reconciliation from operating profit to trading profit.

² Cash conversion is the ratio of operating cash flow to trading profit (including discontinued operations).

Group results

2009 has been an extraordinary year, by any measure, and we are experiencing the most severe global downturn since the 1930s. It was triggered by problems in the US housing market, which spread to the financial services industry and has now moved on to the broader economy. During the year the construction industry in North America and Europe that Wolseley serves has continued to be significantly adversely affected by these circumstances and consequently many of our businesses have dealt with peak to trough declines in activity levels which would not have been considered possible only 18 months ago.

The difficult operating environment is clearly reflected in the results for the year. Group revenue from continuing operations for the 12 months to 31 July 2009 was down 2.5 per cent to £14.4 billion and earnings per share from continuing operations before exceptional items and amortisation and impairment of acquired intangibles was down 60.2 per cent to 95.6 pence.

While our financial results reflect these macro-economic conditions and our exposure to them, management action this year has remained resolutely focused on the deployment of plans to deal with this severe market contraction. Particular focus has continued on restructuring actions to lower the cost base and driving strong cash generation. These actions are expected to reduce headcount by 9,848 and we have closed 653 underperforming branches through specific restructuring programmes. These restructuring actions are expected to deliver annualised savings of over £431 million.

Further considerable progress has been made in driving improvements in working capital which showed through in an excellent operating cash flow performance of £1,200 million (2008: £1,262 million), which is only 5 per cent below the prior year despite the significant reduction in trading profit. Challenging targets for working capital have been met and across both continents actions have been taken to reduce capital expenditure and dispose of non-core assets and businesses.

Financial restructuring and capital raising

Despite the significant ongoing actions, the demands imposed by the operating environment and outlook for our industry also required that we reviewed more fundamentally how we run the business. In particular, it became apparent that action was required to strengthen Wolseley's balance sheet and ensure that the Company maintained its focus and put its resources into our principal business activities.

A comprehensive package of measures was announced with the accelerated Half Year Results in March which included a share placing and rights issue, which raised approximately £1 billion, and a €1 billion committed two-year forward start debt facility from 1 August 2011. It was pleasing that the share issue was well subscribed with over 99 per cent of our shareholders voting to accept our proposals and over 98 per cent of the rights offered being taken up.

The Board is conscious that the inevitable but regrettable consequence of the capital raising exercise has been the dilution of the interests of some existing shareholders. The Directors considered a range of alternative options to raising equity, including the negotiation of amendments to the financial covenants in the Group's existing facilities and the possibility of further disposals of businesses.

After careful consideration, the Board determined that the share issue was necessary and clearly provided the correct path to achieving financial stability for the Group within an appropriate time frame and in a manner that best preserved long-term shareholder value. As a consequence of the capital raising and a strong working capital performance for the year ended 31 July 2009 gearing was significantly lower at 28.4 per cent (2008: 73.5 per cent).

Aligning executive remuneration with shareholder interests

In recognition of the substantial decrease in profitability in 2009, the Remuneration Committee of the Board has been working to bring about fundamental change to the way remuneration works for our senior executives. These changes are outlined in the Remuneration report on page 62. Our approach has sought to balance the reality of our current level of financial performance with a need to offer a competitive remuneration package for individuals who are performing well and in a manner aligned with long-term shareholder interests.

In summary, at Board and Executive Committee level there will be no bonus payments for the year ended 31 July 2009, no salary increase for the coming year and a reduction in long-term incentive plan and share option awards. In addition, this year both Executive and Non Executive Directors will contribute between 10–15% of salary or fees to be used to invest in shares in the Company, thereby further reinforcing the relationship between Director and shareholder interests.

Focusing on our strengths

At the time of the capital raising, announced with the release of the Half Year Results, we also outlined a greater focus for the Group on the North America plumbing and heating, UK and Ireland, Nordic and French businesses. We strongly believe that significant shareholder value can be generated through an even greater level of focus on these core businesses, which we regard as presenting the best opportunities for growth and return on investment in the medium term. The Group historically has achieved higher returns where it has consolidated its market position, and developed strong local brands and a critical mass, which delivers significant cost and scale advantages.

In March we also determined to exit Stock Building Supply ("Stock"), the Group's US building materials business. The business was loss making and highly exposed to continuing deterioration in the US new residential construction market. In May we announced the disposal of the business and the formation of a joint arrangement with the Gores Group LLC. Going forward Wolseley has retained a minority holding in Stock, which will allow shareholders to benefit from any future market recovery in US housing, while deconsolidating its results from our financial statements and excluding these from our banking covenant commitments. We wish the business every success under Gores' stewardship and continue to have an interest in its overall direction through Board representation.

In July we announced the outcome of the strategic review of those countries that comprise the Group's Central and Eastern Europe activities. Our future focus in the region will be on those countries where we have built sufficient scale, established leading market positions and can deliver an appropriate financial return. Accordingly, we have determined to sell our businesses in Belgium, Slovakia and the Czech Republic.

During the year we also disposed of MART, Wolseley's Hungarian plumbing and heating business, and Wasco-Anbuma, a carbon and stainless steel pipe business based in Belgium, to local management.

Board changes

In June, Chip Hornsby stepped down as Group Chief Executive and the Board appointed Ian Meakins as his successor. In all, Chip spent over 31 years in our industry, joining Ferguson in 1978 and working his way up to take over as Chief Executive of that business in 2001. He was appointed as Wolseley Group Chief Executive on 1 August 2006 and led the drive to reduce costs and improve cash flow in response to increasingly challenging trading conditions arising from the global financial crisis. I would like to take this opportunity to recognise Chip's significant contribution to the Group in a long and distinguished career and wish him and his family well for the future.

Ian Meakins started in his new role on 13 July and brings a wealth of operational experience in global business, having undertaken a number of leadership positions in brand, retail and wholesale distribution operations on an international scale. His track record on improvement of business performance is impressive and he is already making an impact in his first few weeks. Later on in this report, Ian will share some of his early thoughts with you about his intentions to keep the focus on operating performance given market conditions. In addition, he is already turning the organisation's attention to further sharpening our strategy to ensure prioritising investment in Wolseley's most attractive businesses.

Action has also been taken to strengthen the broad range of skills and senior experience of the Board. On 1 September, Alain Le Goff joined the Board as a Non Executive Director. Alain has significant international experience in logistics and cost reduction from the consumer products industry through his previous role at Reckitt Benckiser.

In October, Michael Wareing will also join the Board as a Non Executive Director. Michael was formerly International Chief Executive of KPMG and will assume the role of Chairman of the Audit Committee on 1 January 2010. Although Jim Murray will not be retiring from the Board until 2010, I would like to take this opportunity to thank him for his significant contribution over the last eight years, and in particular for his conscientious and constructive leadership of the Audit Committee.

I should also comment on a Board review which we undertook during the year. This review, using an external facilitator, undertook an evaluation of the performance of the Board, that of its Committees and individual Directors. I am pleased to report that your Board was rated as being highly effective in comparison with other FTSE 100 companies regarding its engagement and contribution, and in its response to the economic situation. Equally, opportunities for continued development of the Board, being cognisant of the changing internal and external dynamics, were also identified.

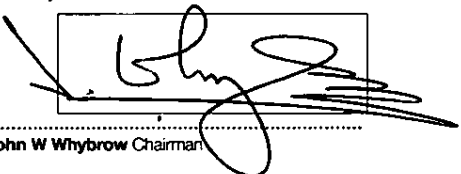
Dividends

It is not appropriate to pay any dividend on the ordinary shares in 2009. However, the Board is very mindful that dividends are an extremely important part of shareholder return and income. It is the Board's intention over time to return to paying dividends, taking account of the Group's capital position, retained earnings and prospects. I also recognise that the reduction in the Group's value over the last year has caused considerable hardship and has demanded the actions we detail in this report. I would like to thank our shareholders and banks for their support and faith in what we are doing.

Summary

In summary, last year was undeniably difficult and a continuing weak economic environment means that 2010 will present significant challenges in all of our markets. During the year I have spent a considerable amount of time working with executives, managers and employees throughout the organisation and I continue to be impressed by their professionalism, dedication, and application. I would like to thank all our employees who have worked extremely hard, often meeting very demanding deadlines with great enthusiasm.

In the current operating environment, the path to recovery will be neither smooth nor straight. But we build on a number of strengths: strong core businesses with appropriate scale and leading market positions, talented people and, above all, thousands of loyal customers around the world who recognise the quality of service that we provide. By doing our best by them, in all of our enduring franchises around the world, we will take the actions that will deliver once again sustainable returns for our shareholders. I am confident that through Ian's leadership and the continued commitment and determination of our people, Wolseley will make rapid progress towards this objective.

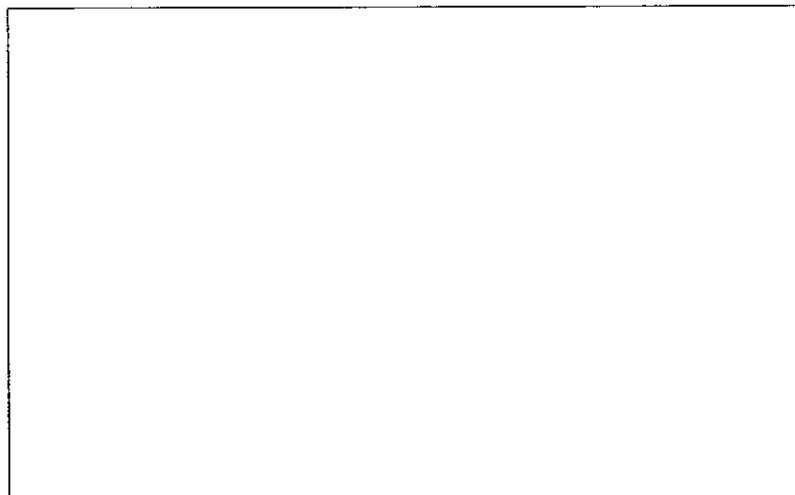
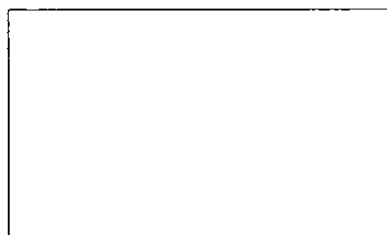
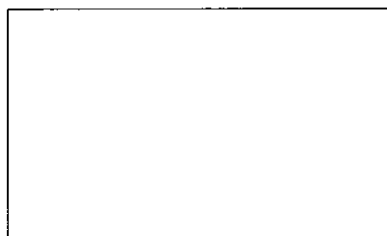


John W Whybrow Chairman

Group Chief Executive's review

To be successful we must focus on enduring customer franchises, with top tier competitive positions where we choose to compete – we must also focus on where we can achieve the best financial returns. Equally, we need to have a clear understanding of the best way to develop our most attractive businesses to be even more successful in the future.

Ian K Meakins Group Chief Executive



The road to profitable growth

As this is my first review for Wolseley shareholders, I should open by saying how aware I am of the responsibility for leading this Company into better times. Wolseley has a great importance to thousands of customers, to many corporations worldwide, to our shareholders and to all those in the communities we serve. In common with many businesses, we are facing tough times and the downturn in our markets and the wider economies of the world shows little sign of abating. A key short-term priority will be to steer the business through this, to support our customers while working steadfastly to restore Wolseley to profitable growth in the future.

Over the past few weeks since joining Wolseley and visiting many of our operations, I have seen at first hand the inherent strengths of our businesses. We have leading market positions in many of the segments in which we operate, the quality and dedication to our customers of our front line people is impressive, and the business model is fundamentally sound. Wolseley operates in an attractive industry sector where the long-term drivers for construction materials distribution are positive in all the geographic regions where we operate. Ageing housing stock and demand for new housing and remodelling should remain strong over the long term and the vast majority of the businesses have excellent customer franchises and operate in highly fragmented markets. There is lots of growth and market share to go for.

However, the recession and its recent impact on Wolseley's financial results highlight the cyclical nature of the business. While a downturn was anticipated, no one could have foretold the unprecedented market disruption and global economic downturn of the last 12 months. With roots in economic imbalances across many countries, the downturn has weakened many and the path to recovery is far from certain. In a number of ways the recent economic turmoil has redrawn the map in terms of future trajectories of our markets and consequently will require Wolseley to adapt to these harsh new conditions.

Continuing to drive performance

With this call to action as a backdrop, in the current environment we will remain focused on driving operational performance. We will continue to lower the cost base, but without losing sight of the need to position Wolseley strongly

for the upturn. We will do this prudently and according to the markets we serve. At the same time we will sustain our businesses that continue to operate through unprecedented pressures, challenges and change. What the last 12 months has shown is that actual conditions have proven to be far worse than anyone expected, so we cannot be complacent about what the coming months might bring.

Alongside profitability, the delivery of strong cash flow is also extremely important. Our aim will be to deliver this through revenue growth and operating efficiency, supported by disciplined use of capital expenditure and working capital. The delivery of strong cash flow provides us with the opportunity to reinvest that cash to grow the business and to reward shareholders. It is encouraging that during 2009 challenging targets for working capital have been exceeded and across both continents actions have been taken to reduce capital expenditure and dispose of non-core assets and businesses. We will continue to keep the organisation focused on driving sustained working capital improvements and keeping up the momentum.

Finally, we will continue to place a huge degree of emphasis on improving customer service at the local level so we beat the competition where it counts – at the front line. Very often Wolseley's businesses compete close to where our customers operate their businesses. This makes it particularly important that we are better than the competition, especially in terms of product availability, competitive pricing, advice, correct billing and collections, as well as on-time in full delivery. To achieve this we need motivated and skilled people at the front line, supported by accountable local management. I passionately believe that excellent customer service is the heart of every successful business and an area where we can always improve.

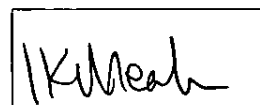
Prioritising future investment

While managing short-term performance remains critical, we must also prepare the Company for when our markets recover. The geographic markets which Wolseley operates in, whilst vast in terms of overall size, are also fragmented. What is more, each business has different characteristics in terms of mix of new residential construction and repairs, maintenance and improvement business, the degree of supplier or customer consolidation, the customer mix and product mix – all therefore have different gross margins and returns on capital.

In the current market conditions we have to be far more rigorous in where we choose to compete and win as well as make sure that the businesses are capable of the best performance and get the resources needed. To be successful we must focus on enduring customer franchises, with top tier competitive positions where we choose to compete – we must also focus on where we can achieve the best financial returns. Equally, we need to have a clear understanding of the best way to develop our most attractive businesses to be even more successful in the future. Consequently, to identify and prioritise where and how we want to win, I have recently initiated a review to assess Wolseley's portfolio in each geography and we will share the outcomes with shareholders later in the financial year.

In management style we want to be purposeful, to "make it happen" for our customers and then for our shareholders. We will anchor our efforts in securing a strategic understanding of the businesses, focusing on long-term, high quality profitability and delivering customer satisfaction. In doing this we will ensure that when the markets turn and we get back to growth, we will do so by developing and building on Wolseley's strengths and the most attractive businesses to get the best returns for our shareholders.

Despite the challenging outlook, our businesses all around the world are inherently sound and fully engaged in sustaining as robust a performance as the environment permits. And the restructuring we have embarked on will continue to see high levels of activity designed to reposition Wolseley successfully. My special thanks go to all my colleagues around the world serving our customers every day, and I look forward to working with them in redoubling our efforts to move Wolseley forward again and delivering profitable growth.

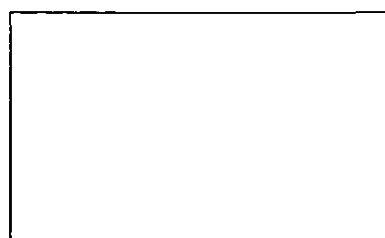
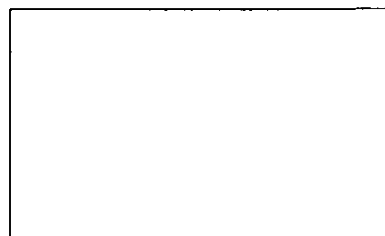
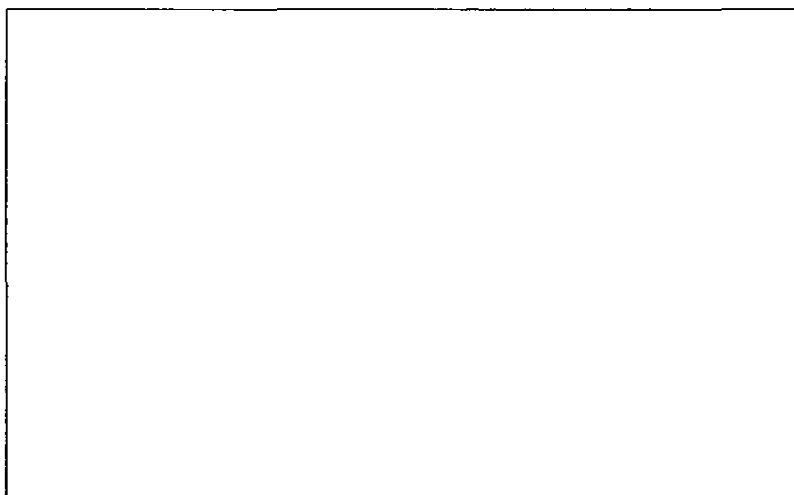


Ian K Meakins Group Chief Executive

Our business

The Wolseley Group is the world's largest specialist trade 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 4,394 branches in 27 countries and employing approximately 51,000 people.

Stephen P Webster Chief Financial Officer



Activities

Wolseley plc is the parent company of the Group and its business falls into two geographic divisions – Europe and North America. Throughout the year ended 31 July 2009, Europe has been managed through four business segments: the UK and Ireland, France, the Nordic region and Central and Eastern Europe. North America has been managed as a single business.

The business model is essentially simple. Products are sourced directly from suppliers or through agents and delivered to distribution centres and branches. Sales to customers can be made over the counter at our branches, through orders dealt with by branches, through call centres or over the internet, or through supply contracts which are managed centrally. Products are either delivered direct to our customers or collected from our branches.

Suppliers

The Group has over 100,000 trade suppliers in total and its larger key suppliers are manufacturers with market-leading brands, usually international in operations but focused on the needs of local markets, and delivering quality products, which we strive to ensure are ethically and environmentally sound. The Group continues to work with low-cost, high-quality manufacturers to supply our private label (own brand) product ranges.

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 in the following list:

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 and air conditioning equipment
- ▶ Heat pumps and solar equipment
- ▶ Plastic pipes and fittings
- ▶ Copper tubing and fittings

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 and tools
- ▶ Cement

Civils/waterworks, industrial and commercial

- ▶ Drainage pipes, associated supplies and covers
- ▶ Underground pressure pipes
- ▶ Small bore pressure pipes and fittings
- ▶ Carbon and stainless steel pipes, valves and fittings
- ▶ Other pipes, valves and fittings

Electrical

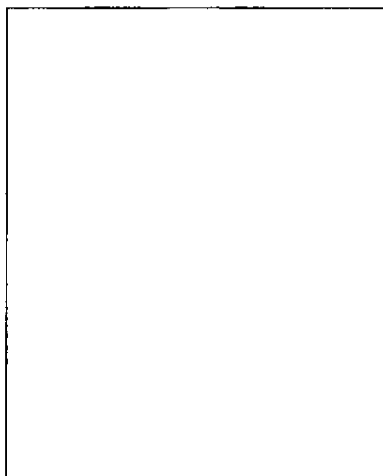
- ▶ Cables and cabling accessories
- ▶ Controls and switchgear
- ▶ Wiring accessories
- ▶ Lighting
- ▶ Data networking supplies
- ▶ Cable management

Services

- ▶ Management of customer inventory
- ▶ Hire of equipment and tools
- ▶ Installation of cabinets and fireplaces
- ▶ Pipe fabrication and valve actuation
- ▶ Bathroom layout and design
- ▶ Secured lending in the US to house builders
- ▶ Maintenance contracts

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, including prominent Fortune 500 companies. 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.



Market drivers

During the 2007/8 financial year, the North American markets experienced a reduction in demand, due to restrictions on credit availability, falling house prices and low consumer confidence, in combination with a relatively high supply of newly built or repossessed housing stock. During 2008/9, these markets have continued to decline and European markets also started to contract rapidly.

Following the global financial crisis which commenced in September 2008, commercial credit as well as consumer credit was restricted. Most countries in which the Group has a presence fell into recession and rising unemployment eroded consumer confidence.

The governments of most advanced economies have responded to the liquidity shortage and economic recession with a variety of programmes to support commercial lending, reduce interest rates and stimulate demand, in some cases with investments in infrastructure and low-cost or social housing that increase demand for the Group's products. Some statistics indicate that GDP may now have stopped shrinking in a number of those countries that have experienced a macro-economic recession, but there are few indications that the construction markets are yet returning to growth.

In the longer term, the changing demographics of the European and North American markets, with a generally ageing population and increasing immigration, should support demand for new housing at relatively high levels. As the housing stock ages, it will increase demand in the repair and remodelling sector. Activity in the commercial and industrial sector varies according to the level of business investment, government spending, commercial property yields and finance available to fund large projects.

While the Group does not operate in a regulated industry, the performance of the Group can be affected 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 has a Sustainable Building Center to demonstrate energy efficient products increasingly required by regulation and in response to increased environmental awareness of customers.

Competitive environment

The Group aims to be a leading distributor in each of the markets in which it operates, the majority of which are fragmented.

The Group competes on the basis of availability of materials and supplies, breadth of product range, pricing of products, customer service, provision of credit, technical product and local market knowledge with respect to application and usage, and also offers advisory and other service capabilities.

The Group's competition varies by product line, type of customer and geographic market; competing with many local, regional, and, in some markets and product categories, other national distributors including specialist subsidiaries of large home centre chains and product manufacturers. To a much more limited extent, it also competes with the large home centre chains, such as The Home Depot and Lowe's in the US and B&Q in the UK, for business from professional contractors as well as with product manufacturers.

Performance monitoring

The Group plans, monitors and reviews the activities of its businesses principally through the financial reporting process. A strategic plan is produced annually by all businesses which sets out business plans and resource requirements for the next three years. On this basis a detailed budget is prepared for the following financial year, which is central 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. With the benefit of such information, corrective actions or additional resource deployments are discussed.

Key performance indicators (“KPIs”)

The Group has used the following indicators of performance to assess its development against its strategy and financial objectives during the year ended 31 July 2009. Growth in like-for-like revenue and cash-to-cash days are KPIs which have been given prominence in the last two years because of the more difficult markets within which the Group was operating, therefore the Group does not have the historical information to give a five-year record for these measures. Trading margin and return on gross capital employed are both based on trading profit, which excludes exceptional items.

Previous years have been restated to exclude discontinued operations.

Key performance indicator and definition

Review of performance

Performance table

Change in like-for-like revenue

The total increase or decrease in revenue for the year, excluding the effect of currency exchange, sales days, new acquisitions, branch openings or branch closures in the year, and the incremental effect of acquisitions, branch openings and branch closures in the prior year. The Group expects changes in like-for-like revenue in each of its markets to exceed changes in the overall level of economic activity in those markets.

Group like-for-like revenue reduced by 13.9 per cent during the year, compared to a reduction of 2.3 per cent in the previous year. The sharpest reductions were in the Nordic region, by 17.9 per cent, and in the United States by 16.4 per cent. The contraction in Canada was 3.4 per cent and in Central and Eastern Europe 5.4 per cent.

Change in organic revenue

The increase or decrease in like-for-like revenue and in revenue derived from branch openings or closure in the year and the incremental effect of branch openings and closures in the prior year. In the past, the Group has sought to achieve, on average, double-digit growth in revenue both through organic growth and through acquisitions. Over the economic cycle the Group has seen growth come broadly evenly from both sources. The impact of the current severe downturn on the Group's markets is currently being assessed and it may be appropriate to revise the growth target. It is likely that acquisitions will constitute a smaller percentage of the Group's revenue in the future.

Group organic revenue reduced by 16.4 per cent during the year with the net branch closures reducing revenue by a further 2.1 per cent in addition to the reduction in like-for-like revenue.

Trading margin

The ratio of trading profit to revenue expressed as a percentage. Over the cycle, the Group seeks to achieve a growth in trading profit 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.

Group trading margin overall fell from 5.3 per cent to 3.1 per cent. The sharpest falls were in the UK and Ireland, from 5.5 per cent to 2.0 per cent, and France from 4.9 per cent to 1.5 per cent. Central and Eastern Europe broke even again. The US plumbing and heating business segment contributed 5.4 per cent compared to 7.1 per cent the previous year and the Nordic cluster delivered 4.6 per cent compared to 6.9 per cent the previous year.

Key performance indicator and definition

Cash flow performance

The Group monitors cash-to-cash days, which are defined as the average number of days from payment for items of inventory to receipt of cash from customers. The Group also monitors the cash conversion ratio, which is operating cash flow divided by trading profit.

Review of performance

Cash-to-cash days, measured with spot exchange rates, was 28 at 31 July 2009, compared to 44 at 31 July 2008. The reduction reflected improved working capital management.

Cash conversion was 364 per cent, compared to 185 per cent in the prior year.

Performance table

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 by £280 million from £571 million in 2008 to £851 million in 2009, despite a reduction of £340 million in trading profit, as a result of a reduction of £846 million in working capital.

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 has previously targeted 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 has been the incremental return on capital generated by those investments. The Group is currently assessing whether this return on capital target continues to be appropriate.

Return on gross capital employed decreased from 12.7 per cent to 6.9 per cent reflecting the reduced trading margins in all the Group's businesses and the increased level of capital employed after the rights issue. This return was below the Group's estimated pre-tax weighted average cost of capital of 9.7 per cent.

Other performance indicators

The Group also uses a variety of other financial and non-financial measures to monitor performance against the targets and objectives set by the Board.

Human resources

The safety of Wolseley's people is regarded as paramount and lost time incident rates are monitored closely in each of the major businesses.

Wolseley's staff provide key competitive advantages, as customer relationships are maintained by branch personnel or members of the sales force.

Staff turnover rates are considered an important indicator and are reviewed regularly. The overall turnover rate for 2009 of 26 per cent (2008: 31 per cent) and the 2009 turnover rate of 16 per cent at management level (2008: 17 per cent), reflect the extensive restructuring carried out during the year, which has resulted in business disposals, branch closures and reductions in staffing levels both at remaining branches and in management. Further staff reduction measures may be required in 2009/10.

Restructuring costs and benefits

Since the downturn spread from the US residential market in the second half of 2008 and began affecting the remainder of the Group's markets, management has implemented an aggressive restructuring programme across the Group's businesses to preserve cash and reduce costs. Between 31 July 2007 and 31 July 2009 the Group closed or disposed of 902 branches, disposed of six non-core businesses, reduced headcount by 28,000 and took measures to preserve cash, such as suspending the payment of dividends and reducing planned capital expenditure. In relation to the restructuring of continuing operations, the Group has recorded exceptional charges of £70 million in the year ended 31 July 2008 and £346 million in the year ended 31 July 2009.

Cost-benefit analyses of each restructuring action are prepared locally and submitted to the Group head office for review and challenge. If actions are approved, each business reports monthly on the costs incurred and the benefits realised to date and forecast to be realised in the current and subsequent financial year.

Supply chain

There are diverse supply chain initiatives around the Group; their performance is monitored by both financial measures, such as annualised savings in transportation costs, and also by non-financial measures, such as inventory turns and, for the Group's network of distribution centres ("DCs"), the fill rate achieved, which is the proportion of orders that can be fulfilled from inventory on hand at the time of the order.

Sourcing

The Group has financial measures for the progress of its global sourcing programmes. These are primarily annual targets for the margin benefit from new supplier rebate agreements and improvements to existing rebate schemes. The Group also measures the impact on cash flow, such as through improved payment terms.

Environmental

The Group's approach to environmental measures is set out in the Corporate responsibility report on pages 39 to 49. In accordance with the reporting guidelines suggested by the UK Government's Department for Environment, Food and Rural Affairs, the Group has tracked performance applying a range of environmental measures, including those relating to carbon dioxide emissions, waste management and water use which are disclosed in the Corporate responsibility report on page 45.

Private label

Most of the Group's businesses aim to increase the proportion of sales of private label products, as these generally command higher margins. Overall the percentage of the Group's revenue attributable to private label products has increased from 6.0 per cent in 2007 to 7.7 per cent in 2009, and initiatives to increase this further are tailored to the opportunities and circumstances of each business.

Business Change Programme

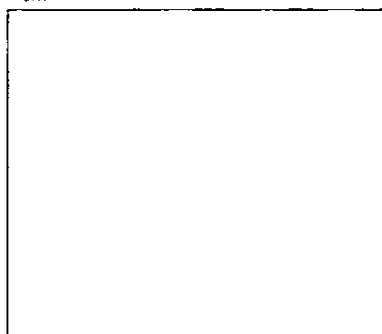
The Group's Business Change Programme has a range of objectives, including increasing productivity, enhancing margins and driving like-for-like sales growth. Another objective is to improve the resilience and security of the Group's information technology infrastructure while reducing its operating cost. In advance of the large-scale deployment of new applications, the Group's Global Service Delivery IT organisation has begun operating, and has taken responsibility for supporting and maintaining networks and legacy business applications in a number of regions. The organisation has service level agreements with each operating company it supports and reports its performance against these agreements monthly to the IT Executive. The key measures are the percentage of time for which systems are available, the number of service calls created, closed and outstanding for each service desk, and the number and percentage of identified vulnerabilities that have been cleared.

North American operations – North America plumbing and heating

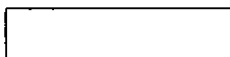
Performance

		% of Group
Revenue	£6,520m	45%
Trading profit	£349m	69%

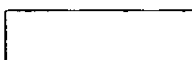
\$m



Key brands



Ferguson is a distributor of plumbing supplies, valves and fittings, heating and cooling equipment, waterworks, tools, safety equipment and fire protection products. Ferguson operates across 50 US States, the District of Columbia, and in Puerto Rico, the Caribbean and Mexico.



Wolseley Canada is a wholesale distributor of plumbing, heating and ventilation equipment and is located in all ten provinces of Canada.

Market opportunities

The North American market for plumbing, heating and air conditioning products is substantial. Management has estimated the combined addressable US and Canadian markets to be worth over \$200 billion in calendar year 2008.

In the US, Wolseley is exposed to three components of the market which manifest different cycles: new residential, repair, maintenance and improvement ("RMI"), and commercial and industrial. The new residential market has contracted sharply as housing starts have declined from an annualised 924,000 in July 2008 to an annualised 560,000 in July 2009, a reduction of 39 per cent year-on-year; although the July 2009 figure reflects a recovery from a low point of 498,000 in April 2009. The RMI market is, in general, less cyclical as consumers who are unable or unwilling to relocate at current market prices are likely to compensate by increasing expenditure on home improvements. The estimates and forecasts from Harvard Joint Centre show annualised home improvements expenditure reducing from \$126 billion in Q2 of calendar 2008 to \$112 billion in Q2 of calendar 2009, a reduction of 11 per cent. The commercial and industrial sector has longer lead times than the consumer-driven sectors, as there can be an interval of two or more years from the commitment of funding to completion of a project. Levels of activity started to decline from those of the previous year in the second quarter of the financial year and this decline has accelerated in the second half of the year.

The US government has taken measures to support the availability of credit and stimulate demand in the overall economy, including making funds available to subsidise first-time buyers, to make houses more energy-efficient and to modernise and repair schools, which should support demand for the Group's product range.

Business strengths

Strong brand and market position

- ▶ Leading distributor of plumbing and heating in North America
- ▶ Continuing strong performance

Significant market opportunities

- ▶ US economy expected to be the first to recover
- ▶ Increasing signs of competitor distress
- ▶ Wolseley Canada managed by Ferguson

Strong business model

- ▶ Large scale distribution centre model and branch network
- ▶ Highly trained employees with extensive local knowledge
- ▶ Operating cash flow of \$1.4 billion over the last 12 months

Business profile

The Group's North American plumbing and heating businesses are Ferguson in the United States and Wolseley Canada.

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. Ferguson is managed through five business groups: Residential Plumbing, Heating Ventilation and Air Conditioning ("HVAC"), Waterworks, Commercial Plumbing and Industrial. A number of brands other than Ferguson have been retained for servicing specific markets. Ferguson has eight distribution centres, three pipeyards and 1,228 branches (2008: 1,382 branches).

Wolseley Canada is the domestic market leader in the wholesale distribution of plumbing, heating and ventilation products with 225 branches (2008: 254 branches).

Scale

1,453

Number of branches

19,889

Number of employees

The Canadian economy has been less affected by the financial crisis than that of most developed countries, primarily due to the underpinning provided by commodity prices and the relative strength of its banking system. The downturn has, however, been concentrated in the residential new construction market, which provides about a third of Wolseley Canada's revenue and where housing starts are forecast to fall by 33 per cent to 140,000 in calendar year 2009 from 210,000 in calendar year 2008.

In the longer term, demographic trends in North America suggest high rates of home ownership and residential construction in the future, as the so-called "echo boomers", children of the "baby boom" generation, are now entering the peak home buying and renting ages, and as rates of immigration continue to be high and foreign-born populations increasingly move to home ownership.

Despite some consolidation in recent years, as some of the major retailers have diversified into plumbing and heating equipment, the market is highly fragmented, with an estimated 95 per cent of distribution operations employing fewer than 100 people.

The current economic conditions favour the stronger and better capitalised distributors and management consider that the North America business has gained market share over the last year.

Strengths and strategy

Ferguson's business is the strongest in the Group's portfolio, as a result of its market leadership, its unique distribution network based around the DCs, the buying power it derives from scale, the wide range of business cycles to which it is exposed through its range of customers and markets, and its proven ability to react quickly to the market. The Canadian business is the domestic market leader, with an extensive branch network and a broad product range.

In the short term, Ferguson will continue to take action to protect its margins and maintain discipline on costs and working capital, while continuing to take market share from distressed competitors. Specific areas of focus will be the development and marketing of private label products, the remerchandising of counters and build-up of showroom visitors, expanding e-commerce and further exploiting business intelligence systems to manage the gross margin matrix.

As the cycle turns, funds will be made available both for organic growth through new branches in the markets with the best opportunities and for bolt-on acquisitions, which have historically been successful for the business. The Group will keep the possibility of strategic acquisitions under constant review, but will only enter into negotiations if the business fit is compelling and prices are attractive.

Performance

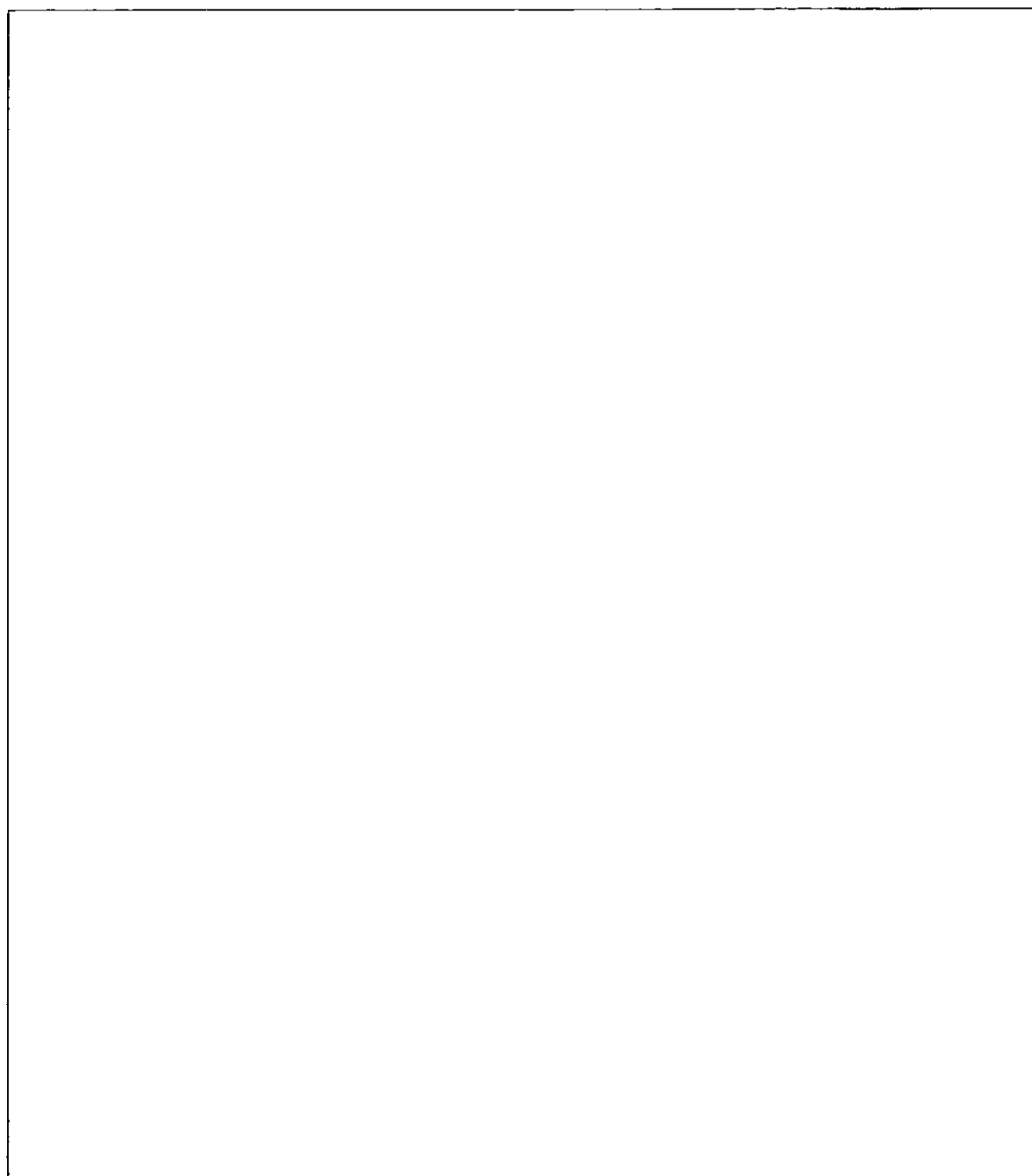
Local currency revenue in the US plumbing and heating operations was down by 18.6 per cent to \$9,143 million (2008: \$11,226 million) with organic revenue down 18.7 per cent.

Underlying trading profit, excluding property profits, was down by 40 per cent to \$479 million (2008: \$794 million). Despite the challenging conditions and commodity price deflation of \$34 million (£22 million), the gross margin was only 30 basis points down on the prior year, reflecting the continued focus on changes in the business mix towards higher margin business generated from showrooms, counter sales and private label products. The underlying trading margin was lower at 5.2 per cent (2008: 7.1 per cent).

Strong business model

Wolseley's Industrial Products Group ("WIPG"), Meridian and Ferguson Integrated Services ("FIS") are working together to supply an international power generation company. FIS, a maintenance repairs and operations integrator, now provides the procurement umbrella under which both Meridian and WIPG supply product to the end user.

The result is a significant three year agreement to supply pipes, valves, fittings, maintenance, repair and overhaul supplies across North America. The contract gives Wolseley the opportunity to leverage existing infrastructure and core capabilities of individual businesses and at the same time provide substantial value to the end user that is not available elsewhere in the marketplace.



Scale advantages

Ferguson's Baltimore branch recently won a contract to provide materials for the Johns Hopkins Hospital in Baltimore which has embarked on a \$1.2 billion, 10-year redevelopment plan that calls for two new clinical buildings. The Johns Hopkins project

is one of the largest-ever healthcare projects in the US. Ferguson is supplying all of the plumbing fixtures, pipes, valves and fittings to the project's mechanical contractors, Poole & Kent Corporation of Baltimore. Poole & Kent Corporation selected Ferguson for the job because of their financial strength and service capability. Logistics played

a big part as material prices were escalating at the time the contract was awarded and the customer needed to control costs on behalf of their client. This contract win demonstrates Ferguson's buying strength and excellent logistical ability through its distribution network.

In response to the slowing markets, Ferguson reduced its headcount by 3,840. These reductions equate to around 18 per cent of its total employees and along with other cost saving initiatives will give rise to estimated annualised savings of \$258 million. This brings the cumulative headcount reduction in Ferguson to around 25 per cent of its employees over the two years ended 31 July 2009.

Cash flow performance was strong with a continued improvement in cash-to-cash days with further progress in inventory, demonstrating the benefits of the DC network, and collections of receivables.

Ferguson's overall branch numbers reduced by 154 to 1,228 locations (2008: 1,382).

In Canada, market activity remained strong in the early part of the year before falling away sharply in December 2008. In July 2009, housing starts had fallen to an annualised rate of 132,000, with declines evident across all regions. Global economic uncertainty and, in particular, expected reduced demand for natural resources and commodities continue to inhibit levels of activity.

Against this background, Wolseley Canada continued to outperform the market. Local currency revenue decreased by 6 per cent to C\$1,293 million (2008: C\$1,376 million) including a 6 per cent organic revenue decline. Gross margins were lower, although the trend improved in the second half of the financial year, and trading profit was 25.6 per cent lower at C\$59 million (2008: C\$79 million). On 1 April 2009, responsibility for the management of the Industrial Products Group ("IPG") was transferred to Ferguson. Excluding the IPG business, the revenue decline in the year was 3.4 per cent.

In response to the slowing markets, Wolseley Canada reduced its headcount by 387 during the year to 2,487. Restructuring actions taken during the year will give rise to estimated annualised savings of C\$5 million.

Branch numbers in Canada were reduced by 29 to 225 (2008: 254).

Construction loans

Business profile

The Group has retained, through North American Loan Services ("NALS"), the portfolio of construction loan receivables formerly owned and managed by Stock Building Supply ("Stock"). These are loans made to builders to finance the construction of properties. At origination the term of the loan is a maximum of 12 months, with an option at NALS's discretion to extend by six month increments, and with a registered charge over the property. The charge usually has priority over other charges over the asset and is often reinforced by liens under State law and personal guarantees. In general, the funding is made available as the expenditure is incurred, rather than in advance, which restricts the exposure, and the completed property cannot be sold by the builder unless the loan has been repaid and the charge released.

Charges for impairment of receivables and gains or losses on the disposal of foreclosed property, as well as the cost of labour and facilities, are included in the Group's trading profit. Income from interest and fees is included in the Group's finance revenue, and interest expense in the Group's finance cost.

Strengths and strategy

The Group intends to effect a phased reduction in the construction loans portfolio over the next two to three years. It expects to continue to undertake selective lending only, to allow for an orderly reduction in the scope of the business. The portfolio will also be reduced through a phased withdrawal from selected markets to position the business for a possible future sale.

Following its separation from Stock, NALS has ceased operations in five States, and now has 90 per cent of its portfolio in North Carolina, South Carolina, Texas and Virginia.

Performance

Both new loan originations and the outstanding loans have been reduced over the past 12 months reflecting a more cautious approach to lending following the continuing decline in the US housing market. At 31 July 2009, construction lending receivables on Wolseley's balance sheet, financed by an equivalent amount of construction loan borrowings, was \$272 million (£163 million) compared to \$470 million at the previous year end. The trading loss for the year of \$37 million has decreased slightly from \$38 million in the prior year and reflects bad debt charges and losses on property disposals of \$29 million. The run rate of losses is expected to decline over the next 12 months.

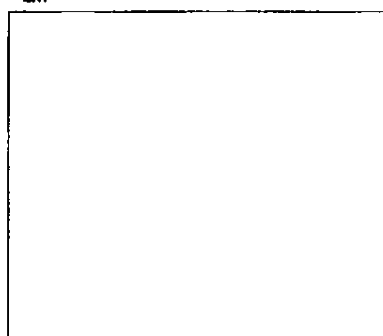
Following the separation from Stock, NALS recorded an exceptional charge of \$48 million to reflect an impairment of receivables that arose as a result of the separation and the withdrawal from certain markets at that time rather than from any further deterioration in its underlying markets.

European operations – UK and Ireland

Performance

		% of Group
Revenue	£2,699m	19%
Trading profit	£55m	11%

£m



Business strengths

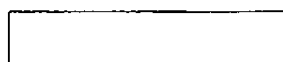
Strong brand and market position

- ▶ Wolseley "Centres" are strong, well-known brands targeted to specific customer groups
- ▶ Performing at or above the market in plumbing and heating

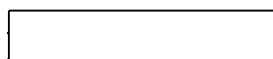
Established business model

- ▶ Extensive branch network
- ▶ Advanced supply chain providing next day delivery
- ▶ Operating cash flow of £390 million over the last 12 months

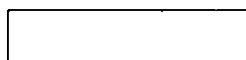
Key brands



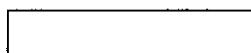
Plumb Center is a market leading specialist supplier of domestic lightside products including central heating equipment, plumbing, drainage, bathrooms and showers.



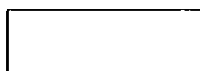
Build Center is a national builders' merchant supplying building materials and services to the trade. The extensive product range includes bricks and blocks, aggregates and cement, insulation and plasterboard, timber, tools, landscaping and drainage, as well as ironmongery and personal protective equipment. Build Center also provides additional products through specialist branches, including timber, landscaping materials, general ironmongery and hardwood, Dryad architectural ironmongery and glass.



Pipe Center is a supplier to mechanical services and plant engineers, offering expertise in tube valves and fittings in steel, plastic, copper, stainless steel as well as commercial and industrial heating and air conditioning equipment.



Bathstore is a leading bathroom specialist. The retailer's product range includes baths, basins, showers and shower cubicles, whirlpools, bathroom furniture, toilets and taps.



Encon and Nevill Long are specialist distributors of insulation, drywall, ceilings, partitioning, fire protection and related products to all sectors of the construction industry.

Business profile

Wolseley UK trades through a number of brands, each of which targets a particular sector and many of which have leading positions in their sectors:

Number One

Plumb Center
Parts Center
Drain Center (above ground)
Climate Center (in refrigeration)
William Wilson (Scottish independents)

Number Two

Pipe Center
Encon Insulation

Number Three

Brandon Hire

Number Four

Build Center

In Ireland, Heat Merchants and Tubs and Tiles are both number one in their sectors, while Brooks is the leading timber merchant and the second largest builders' merchant.

Wolseley UK operates a national distribution centre, servicing Plumb, Parts and Climate Centers from Leamington Spa. Wolseley operates three regional distribution centres, in Melmerby, Worcester and Marston Gate, and DHL operates a distribution centre in Crick. The business has a fleet of 2,200 commercial vehicles and trades from 1,544 branches in the UK and 99 in Ireland.

Scale

1,643

Number of branches

11,673

Number of employees

Market opportunities

The total construction market in the UK and Ireland was estimated by Euroconstruct to be worth about €215 billion in calendar year 2008. Both markets have contracted in calendar year 2009, reflecting the overall contraction of credit and reduction in consumer demand, and more specifically the collapse in property prices, with the Irish market suffering much more severely than that of the UK. Some support for demand will be provided by government projects to invest in affordable homes and in large infrastructure programmes. In the medium term customers will continue to renovate their homes, and in the longer term there is likely to be fundamental demand for additional housing as family units fragment and single-person occupancy grows.

Strengths and strategy

Wolseley companies, which have been distributing building materials in the UK and Ireland for more than 30 years, have an established business model, a number of strong brands with specialist sales teams and leading positions in their markets and an experienced management team.

The product range is diverse – more than 400,000 product lines, including a significant percentage of own brand private label products – supported by strong supplier relationships. The supply chain, based on the distribution centres and fleet of delivery trucks, provides same day or next day delivery throughout the UK.

The business will continue to focus on the fundamentals of customer service and on building on its stronger market positions. The complexity of its portfolio of brands and the branch network has been rationalised in light of market opportunities. There are further efficiencies to be extracted from the DC network and, as the market recovers, there will be opportunities to invest in both organic growth and industry consolidation.

Performance

Wolseley UK recorded a 15.8 per cent decrease in revenue to £2,699 million during the year (2008: £3,203 million). The overall gross margin was lower due to competitive pressure partially offset by price management and sourcing benefits. Trading profit declined by 69 per cent compared to the prior year, from £176 million to £55 million, due to lower organic trading volumes and a loss of £30 million in Ireland.

As a result, the trading margin fell from 5.5 per cent to 2.0 per cent. Cash flow performance was strong, with another significant reduction in cash-to-cash days achieved in the period.

Significant action has been taken throughout the year to reduce the cost base in the UK and Ireland, resulting in annualised savings of £160 million. In addition to a headcount reduction in the year of 3,083 and net branch closures of 284 branches, action to rationalise the supply chain was also taken through the closure of the Didcot, Chorley, Henfield and Ripon distribution centres.

As at 31 July 2009 the total number of branches for Wolseley UK and Ireland was 1,643 (31 July 2008: 1,927).

Scale advantages

Wolseley UK uses its distribution network to create value for customers by improving the service provided to them through quicker, more reliable delivery of products. For example, the company supplies the spare parts and building materials required for response, repair and maintenance work for Tesco's 2,000-plus UK retailing stores. The supplies are predominantly distributed via a dedicated Parts Center branch set up inside Wolseley's National Distribution Centre at Leamington Spa and supported through the company's nationwide branch network.

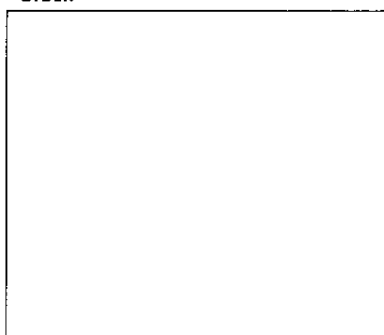
Using Wolseley UK's distribution network in this way is cost-effective for the company, efficient for the customer and demonstrates the company's ability to deliver bespoke services tailored for its biggest customers.

European operations – Nordic

Performance

		% of Group
Revenue	£2,113m	14%
Trading profit	£96m	19%

DKKm



Business strengths

Strong brand and market position

- ▶ A leading retailer and distributor of building materials in the Nordic markets
- ▶ Stark and Beijer are market leaders in Denmark and Sweden respectively
- ▶ Starkki is No.2 in Finland

Attractive market dynamics

- ▶ Fragmented building materials market

Established business model

- ▶ Industry leading working capital management
- ▶ Strong and experienced management team
- ▶ Well placed branch network
- ▶ Significant operational leverage on the upside
- ▶ Operating cash flow of DKK1.7 billion over the last 12 months

Scale

296

Number of branches

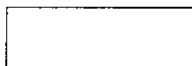
6,749

Number of employees

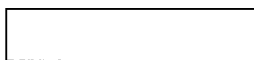
Key brands



Silvan is a Danish chain of DIY stores, represented broadly in Denmark, with a wide and well assorted product range targeting primarily DIY consumers.



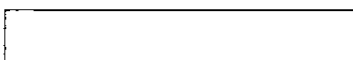
Stark is a nationwide Danish chain of builders' merchants with sale of timber, building materials and tools, providing professional advice on building and logistics solutions to professional and DIY builders.



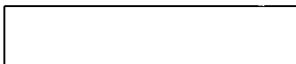
Starkki is a Finnish chain of builders' merchants with a wide and well assorted product range targeting professional builders, consumers, home builders, industry and distributors.



Beijer Bygghandel is a Swedish chain of builders' merchants, which operate through combi-stores with a wide and well assorted product range targeting both professional customers and consumers.



Neumann Bygg is a Norwegian chain of builders' merchants trading with consumers, professional customers as well as industry and retailers.



Woodcote is a chain of builders' merchants and specialist stores in Central Europe trading from outlets across Poland, the Czech Republic, Slovakia, Hungary and Romania, providing heavy-side building materials and internal systems to professional contractors throughout the region.

Business profile

DT Group operates in Denmark, Finland, Sweden and Norway. Since 1 August 2008 the Woodcote business, which operates in the Czech Republic, Poland, Slovakia, Hungary and Romania, has reported through DT Group, as the product lines and customer profiles are similar.

The cluster trades through seven principal brands:

- Stark is the number one building materials distributor in Denmark, with 2009 revenue of DKK7.4 billion through 93 branches.
- Starkki is the second largest building materials distributor in Finland, with 2009 revenue of DKK3.5 billion through 22 branches.
- Beijer is the number one distributor of building materials in Sweden, with 2009 revenue of DKK3.3 billion through 64 stores.
- Silvan is a DIY and retail chain in Denmark, with 2009 revenue of DKK1.6 billion from 40 stores.
- Neumann Bygg is a Norwegian builders' merchant, with 2009 revenue of DKK1 billion through 14 stores.
- Woodcote is an Eastern European builders' merchant, with 2009 revenue equivalent to DKK0.7 billion revenue, with 42 branches.
- Cheapy is a Swedish DIY and retail chain of 20 stores, with 2009 revenue of DKK0.3 billion.

Fundamentally attractive business sector

DT Group is a leading retailer and distributor of building materials in the Nordic markets. Its Stark and Beijer brands are market leaders in Denmark and Sweden respectively, with Silvan the number one DIY retailer in Denmark and Starkki, the second largest builders' merchant in Finland. DT Group has a well-placed branch network and a strong and experienced management team who have been responsible for driving cost and capital efficiency and establishing strong working capital management.

During the downturn, DT has continued to perform at least in line with the markets in which it operates. These are highly fragmented and the medium and long-term outlook for the construction market in this region is expected to be positive. There are future opportunities to further consolidate DT's leading market positions and benefit from its operational leverage once the market recovers.

Market opportunities

The total construction market for the Nordic region was estimated by Euroconstruct at €107 million in calendar year 2008. While Euroconstruct has forecast an overall contraction of 8 per cent for calendar year 2009, with growth in civils and infrastructure partly compensating for a 30 per cent reduction in new residential building, Wolseley's experience has been that the market decline has been even steeper than this. In Denmark, government policies are aimed at supporting consumer confidence: tax rates have reduced as well as interest rates and mandatory savings schemes have been relaxed. The Swedish government has also provided support to consumers, increasing borrowing by the equivalent of 6.5 per cent of GDP. The recession in Finland is expected to last longer than in the other Nordic territories. In the longer term, population growth, particularly in Denmark and Sweden, which have recently had high levels of immigration, is expected to support the market.

Strengths and strategy

The cluster has an established business model, strong brands and well-located branches in a large market which, because of its fragmentation, has attractive dynamics. In the current weak markets the focus has been on preserving cash and closing loss-making stores or divisions, while capturing market share from smaller operators. There are opportunities to build further on strong customer relationships, for example by providing services as well as products to private customers with larger projects and providing premium delivery services to professional customers and also to increase the share of own-brand products. As markets recover there will be opportunities to expand the branch network and to make acquisitions.

Performance

Given the challenging market backdrop the Nordic region, which includes the Eastern European heavyside businesses of Woodcote, achieved a resilient performance in 2009, with all Nordic countries at least tracking in line with the market. For the year ended 31 July 2009 revenue for the Nordic cluster fell from DKK22,986 million (£2,290 million) to DKK18,256 (£2,113 million) reflecting an organic revenue decline of 18.4 per

cent. Trading profit of DKK832 million (£96 million) was 47.1 per cent lower than the prior year of DKK1,596 million (£159 million). Overall the gross margin was flat and the trading margin was 4.6 per cent (2008: 6.9 per cent) as management demonstrated its ability to reduce costs as business growth slowed. During the year there has been some benefit from government intervention to stimulate activity, particularly in Sweden, but with a negligible impact on the Nordic market.

In response to market conditions, the Nordic region reduced its headcount by 1,205 during financial year 2009. Restructuring actions taken will give rise to estimated annualised savings of DKK376 million. During the year action was taken to exit the DT Group's DIY business in Sweden trading under the Silvan brand, which was loss making. This resulted in the closure of eight branches with the conversion of three branches to Beijer Builders' stores.

Cash flow performance was strong, with a further reduction in cash-to-cash days achieved in the year ended 31 July 2009.

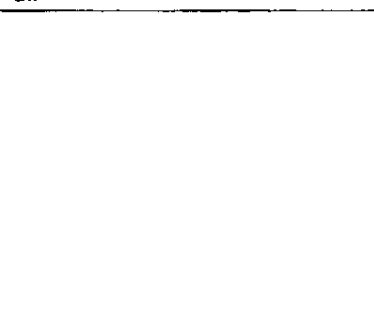
The Nordic cluster had 296 branches as at 31 July 2009 including 42 Woodcote branches (2008: 324).

European operations – France

Performance

		% of Group
Revenue	£2,144m	15%
Trading profit	£32m	6%

€m



Business strengths

Strong brand and market position

- Brossette is the No.2 distributor of plumbing and heating in France
- Réseau Pro is a leading distributor of heavyside building materials in France

Attractive market dynamics

- France is the second largest construction market in Europe
- Market downturn likely to be less severe than in UK

Established business model

- Recent investment in distribution model
- Operating cash flow of €297 million over the last 12 months

Key brands



Réseau Pro is a distributor of wood and building materials.



Brossette is a major distributor of plumbing supplies and pipes, valves and fittings in France.



Silverwood is a specialist in timber, flooring, indoor and outdoor covering and product structure.

The main brand, Brossette, is the number two integrated distributor of plumbing, heating, pipes valves and fittings in France. The division also trades as Brossette TC (specialist in drains and industrial pipes), CDL (electricals), Pôle Confortique (air conditioning), Brossette TP (specialist in public works) and Ditac (parts).

The timber import and solutions division recorded revenue of €0.3 billion in 2009 (2008: €0.3 billion). It has 24 branches and it trades through seven brands: Silverwood (interior and exterior panelling), Sinbpla (specialist carpentry and joinery), Savare (specialist sawing and planing), Nailweb (joists and girders), Charpentes Françaises (industrial), Bois des Trois Ports (exotic woods) and Cerland (garden furniture).

Market opportunities

The French construction market is the second largest in Europe, with volumes estimated by Euroconstruct at €214 billion in calendar year 2008, though forecast to contract by 6 per cent in calendar year 2009.

Although there is a government recovery programme, only €2 billion of additional expenditure has been pledged to the construction sector, mostly in initiatives to construct social housing (an additional 25,000 units per year) and renovate unfit housing. The RMI market, which provided 62 per cent of Wolseley France's revenue in 2009, will continue to be key, and is strongly linked to consumer confidence. The renewable energy segment is growing rapidly and represents a significant opportunity.

In the longer term, population growth and the ageing of the housing stock are expected to underpin demand.

Scale

776

Number of branches

9,053

Number of employees

Strengths and strategy

Wolseley France has an established business model and leading brands in one of the largest European markets and has invested in distribution centres in recent years.

The plumbing and heating business is being repositioned away from its traditional reliance on oil-fired boilers and towards the growing demand for renewable energy solutions. The number of small sales points will be reduced as there is better coverage from distribution centres and larger locations will be reinforced in service levels and by the renovation of showrooms. Spare parts and electricals will be integrated into the core business and higher-margin own brand sales will be developed.

The building materials business will be developed through Réseau Pro as a nationwide supplier of a wide range of products, while specialist brands are used to develop new markets. The branch network is being rationalised. There are opportunities from the expected growth of demand for environmentally sound and more energy-efficient construction materials and methods, and to develop own-brand product lines.

No further investment for growth will be made in France as a whole until the restructuring currently planned has been completed and results are satisfactory. Non-core operations will be disposed of when appropriate.

Performance

Local currency revenue was down 12.8 per cent to €2,486 million (2008: €2,850 million) with organic revenue declining 12.9%. Despite this, the gross margin was broadly flat although trading profit was 73 per cent lower at €37 million (2008: €139 million), as management continued to phase cost reduction actions in accordance with French social laws. The 2007/8 trading profit benefited from €11 million more non-exceptional property and other asset disposal profits than 2008/9. Trading margin for the year ended 31 July 2009 was 1.5 per cent (2008: 4.9 per cent). Spot cash-to-cash days were lower than the prior year with improvements in inventory days and receivable days, despite changes to legislation regarding payment of suppliers.

Management attention continues to focus on lowering the cost base and maintaining gross margins with additional social plans launched in June and July. During the year restructuring actions gave rise to €28 million of exceptional costs, headcount was reduced by 1,152 and 56 branches were closed. The restructuring actions are expected to give rise to annualised savings of €39 million (£34 million). Particular focus has been on the Brossette lightside businesses which made a trading loss of €4 million in the year ended 31 July 2009. The repositioning of Brossette continues with the aim of providing a broad range of solutions for professionals in the heating segment, to expand the showroom capability and to improve customer service and the product offering.

In addition, action has been initiated to exit the loss making branches relating to the public works business, subject to employee consultation.

France reduced the number of branches to 776 in the year ended 31 July 2009 (2008: 848).

Local brands/knowledge

Being part of Wolseley plc allows the different Wolseley businesses to leverage the knowledge and capabilities of the Group and create natural synergies. Examples include taking advantage from experiences in similar businesses such as Réseau Pro (Wolseley France's main heavyside brand) which has recently been sharing best practices with DT Group in the Nordic region and has introduced its "Craftsmen corner" concept into "Réseau Pro Express" (the self-service area). This is a dedicated area in the front of a branch with specialist advice as well as high end tools and accessories for highly skilled tradesmen. To date, the concept has been extremely well received by customers.

European operations – Central and Eastern Europe

Performance

		% of Group
Revenue	£965m	7%
Trading profit	-	-

£m



Business strengths

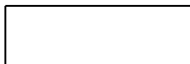
Future focus on countries where Wolseley has:

- ▶ Built sufficient scale
- ▶ Established leading market positions
- ▶ Ability to deliver an appropriate financial return

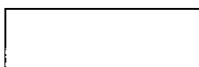
Key brands



Tobler is a Swiss distributor of heating and plumbing products.



ÖAG is an Austrian distributor of plumbing and heating supplies and of pipes, valves and fittings.



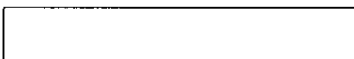
Wasco is a Dutch distributor of heating and plumbing products and spares.



Manzardo is an Italian distributor of plumbing, heating, sanitary and air conditioning products to installers.



CFM is a distributor of sanitary, heating and appliances and pipes based in Luxembourg.



Electro-Oil is a Danish distributor of gas and oil heating systems and their associated parts.

Business profile

The principal operations in Central and Eastern Europe, and their revenue in 2009, are in Austria (£268 million), Switzerland (£212 million), the Netherlands (£211 million) and Italy (£129 million). There are also smaller operations in Luxembourg and Denmark.

There are 66 branches and 858 employees in Austria. The principal brand is ÖAG, the number one distributor of plumbing and heating products and there are also specialist divisions – Kontinentale (industrial pipe), FAP (bathroom fittings), Parts Center and Miet Center (tool hire).

There are 41 branches and 697 employees in Switzerland. The principal brand is Tobler, the number one distributor of plumbing, heating and air conditioning products in the country.

In the Netherlands, the main brand is Wasco-Kopex, which is the number two distributor of heating, plumbing and ventilation equipment. There are also specialist divisions supplying spare parts for boilers and installation tools, and providing energy-saving technologies. There are 29 branches and 357 employees.

Manzardo in Italy has 46 branches and 486 employees. It is the number three distributor of plumbing and sanitary products in Italy, although the market is so fragmented that management estimates that it has only a 2 per cent market share.

The businesses in Luxembourg (CFM) and Denmark (Electro-Oil) are the market leaders in their respective specialist segments.

The Group disposed of its plumbing and heating business in Hungary and one of its Belgian businesses during the year, for a loss of £16 million. On 27 July 2009 it announced that, after its strategic review of the Central European cluster, it had decided to dispose of its remaining business in Belgium, and the plumbing and heating businesses in the Czech Republic and Slovakia. These businesses have been classified as held for sale at 31 July 2009, resulting in a further loss of £28 million.

Scale

266

Number of branches

2,936

Number of employees

Market opportunities

The total size of the construction market in Austria, Italy, Switzerland and the Netherlands was estimated by Euroconstruct at €340 billion in calendar year 2008, with an overall 6 per cent contraction forecast for 2009. The Swiss real estate sector has held up well for most of the year, as the high level of activity in residential housing construction has resulted in unusually low vacancy rates but not an excess of supply. The other markets have all contracted by comparison to 2008, prompting government responses. The Austrian government has announced an economic stimulus package amounting to 2.5 per cent of GDP and the levels of growth in neighbouring Eastern European countries will provide continuing support. The Italian government is liberalising regulations over new residential building and it is expected that demographics will continue to support demand.

Strengths and strategy

The Group has recently completed a strategic review of the cluster, which focused on identifying those countries where it can utilise its scale and established leading market position to deliver an appropriate financial return. The Group has decided to retain a lightside presence in Switzerland, Austria, Luxembourg, Denmark, Holland and Italy. Following the review, action has been initiated to strengthen the leadership in Austria and Italy and these businesses will be further restructured. Until this restructuring is completed, no further capital will be allocated for the expansion of these businesses, other than maintenance capital expenditure.

Performance

The businesses in Central and Eastern Europe achieved revenue growth, in sterling, of 6.3 per cent to £965 million (2008: £908 million), reflecting the benefits of exchange rates, partly offset by an organic revenue decline of 8.9 per cent. The gross margin was flat for the year as a whole, although it improved during the second half following the disposals of MART in Hungary and Wasco-Anbuma in Belgium and the closure of KSM (an Austrian steel and

metal distributor) which were loss making. The cluster broke even at trading profit level, as it did in the previous year. As a direct result of the focus on working capital, cash-to-cash days improved significantly compared to the prior year.

Given the deteriorating market conditions, action taken in the year has resulted in a headcount reduction of 850 and annualised savings of £20 million. Following the strategic review announced in July 2009, action has recently been taken to strengthen the leadership teams in Italy and Austria and restructuring measures are underway focusing on gross margin management, simplifying the product range and driving improvements in customer service.

On a pro forma basis, for the year ended 31 July 2009, the continuing constituent businesses in Central and Eastern Europe (Austria, Italy, Luxembourg, the Netherlands and Switzerland) had revenue of £868 million (2008: £801 million) and a trading profit of £5 million (2008: £4 million).

At 31 July 2009 the cluster had 226 branches (2008: 290).

Scale advantages

Wasco is a Dutch distributor of heating and plumbing products and spares. It has been able to add value to customers by leveraging its extensive distribution network. For example, the business has been able to create a unique solution for Feenstra, a Dutch heating company, which has a specific Feenstra logistics area in key distribution locations where Wasco picks and packs all small installation material in specially developed "Feenstra Buckets" for distribution to the customer. IT teams from both companies worked together to develop an electronic ordering process directly into Wasco's Enterprise Resource Planning system. Wasco now receives orders two to three days before delivery so both parties have a better and more efficient planning process. This has improved Wasco's logistics performance and delivery times for the customer.

Discontinued operations

On 6 May 2009 the Group announced that it had entered into a joint arrangement with the Gores Group LLC ("Gores") which acquired Stock. Gores controls the joint venture, with Wolseley retaining, as at 31 July 2009, a 44 per cent equity interest and two out of seven seats on the Board. Wolseley ceased to consolidate Stock from the date of the transaction, and as Stock had previously been reported as a separate major line of business it has been treated as a discontinued operation in the financial statements. Wolseley recognised an after tax loss on disposal of £81 million (£159 million before tax) as a result of the transaction. For the nine month period of Wolseley ownership, Stock had revenue of \$1.8 billion (£1.1 billion) and a trading loss of \$182 million (£117 million). Wolseley's equity interest in the joint arrangement is accounted for as an investment in an associate and its share of the post-tax profits or losses of the associate are shown as a single item in the income statement.

At the date of disposal, Stock entered into a pre-packaged Chapter 11 reorganisation, which allowed it to reject a net \$225 million of lease commitments, while ensuring that trade creditors were paid in full.

Wolseley provided a \$100 million debtor-in-possession facility during the reorganisation, but Stock's cash flow was sufficiently strong that no drawdowns were required under this facility. Stock emerged from Chapter 11 reorganisation on 30 June 2009, at which date it received \$75 million of preferred equity from Gores and entered into a \$150 million banking facility. Wolseley has no remaining financing commitments in relation to the joint arrangement. Further restructuring has been undertaken, leaving the business focused on 19 high-potential residential markets.

Stock's markets have continued to be weak, with housing starts appearing to stabilise at levels far below historic averages. Competitors are retrenching and in some cases also undertaking Chapter 11 restructuring, but so far few have gone out of business. Wolseley has recorded £15 million as its share of the joint arrangement's losses for the three months to 31 July 2009 (including £6 million of exceptional restructuring costs). Its investment in the associate was stated at £53 million at 31 July 2009.

Future outlook

Market trends since the July trading update continue to support the Group's view that in the short term market conditions will remain challenging driven by tight credit conditions, high levels of foreclosures and rising unemployment rates. New residential markets are expected to show continuing signs of stabilisation, RMI markets will continue to decline albeit at a slower rate and Commercial and Industrial markets are expected to decline at a faster rate. Each segment is likely to recover at different rates dependent on local economic and credit conditions.

Overall, we remain cautious as to the outlook in 2009/10, although profit trends in the second half are expected to improve, driven by cost reduction actions already taken in 2008/9 which is expected to result in incremental benefit in 2009/10 of £233 million. During 2009/10 actions to lower the cost base will be taken according to anticipated local market conditions, to ensure operational leverage is maximised as markets recover. At the same time, the Group will continue to evaluate where to prioritise future investment, in order to develop its leading businesses which are characterised by leading competitive positions and strong customer franchises.

Risk management

The Company has in place a comprehensive risk management programme which is designed to ensure that significant and emerging risks are identified, assessed and managed effectively. During the year, the risk management programme was strengthened with the introduction of a protocol which ensured more consistent categorisation and assessment of risks. This allows for better appraisal of risks both from the perspective of the operating company and the Group, and for more accurate reporting and review of those risks. The new programme also requires a more rigorous plan for management of any significant risks that have been identified, with operating companies assuming greater accountability.

Risk

Market conditions

The Group's results depend on the levels of activity in the new construction and property repair and remodelling markets. These in turn can fluctuate rapidly, and depend on such factors as:

- ▶ the general rate of GDP growth
- ▶ consumer confidence
- ▶ the availability of credit to finance customer investment
- ▶ mortgage and other interest rates
- ▶ the level of government initiatives to stimulate economic activity
- ▶ inflation
- ▶ unemployment
- ▶ demographic trends

and others. These factors are out of the Group's control and have been difficult to forecast.

Levels of activity have decreased markedly over the last two years, and there is a risk that they may decrease further or that improvement may be slow. A continuing downturn or lack of improvement in any of the Group's markets could have a material adverse effect on the Group's results or financial condition.

Restructuring actions

In response to the recent deterioration of its markets, the Group has undertaken a restructuring programme to reduce costs and preserve cash. This has involved divesting certain businesses and other assets, closing branches, reducing headcount and curtailing capital expenditure.

The Group's assessment of the level of restructuring required, and its expectations for the financial benefits it will derive, are based on assumptions about future economic conditions that are inherently highly uncertain. There is a risk that the downturn may be more severe than the Group expects, so that it fails to reduce costs as much as it could do, and there is also a risk that the downturn is less severe and the recovery more rapid than the Group expects, so that it reduces its size excessively and is unable to benefit fully from the recovery. Either of these outcomes could have a material adverse effect on the Group's results or financial condition.

Mitigation

The Group's businesses review all available indicators of activity – such as market statistics, economic forecasts, surveys and competitor announcements – to assist in making decisions.

All the Group's businesses have active programmes, monitored from the centre, to reduce their cost base in line with expected levels of sales, to identify and exploit counter-cyclical opportunities, such as projects funded by the American Recovery and Reinvestment Act, and to diversify into the sectors, particularly commercial and industrial, that have proved more robust.

Programmes remain well managed to improve cash flow and reduce debt.

All decisions about closing or divesting businesses or exiting market sectors are made on the basis of cost-benefit analyses. Group management only approves those which are consistent with our overall view on the direction of our markets and the longer term strategic direction of the Group.

Each business reports monthly on the costs incurred and the benefits realised to date and forecast to be realised in the current and subsequent financial year and these reports are reviewed and challenged by central management.

Risk management continued

Risk

Financial flexibility

Wolseley's current bank facilities include a covenant that its net debt should not exceed 3.5 times its annualised earnings before interest, taxes, depreciation and amortisation ("EBITDA"). A breach of this covenant could result in a significant proportion of the Group's borrowings becoming payable immediately.

In order to remain in compliance with this covenant, and depending on the future performance of its business, there is a risk that the Group might have to take actions to reduce costs or preserve cash that it would not otherwise have chosen to do, or that it might not have the resources to exploit opportunities it would otherwise have pursued. Either of these outcomes could have a material adverse effect on the Group's results or financial condition.

Competitive pressures

Wolseley competes with numerous local and regional distributors, as well as product manufacturers, in serving the existing customer base and responding to trends in its markets.

The Group's numerous markets have different characteristics. Trends affecting certain of them include:

- ▶ customer or supplier consolidation
- ▶ manufacturers shipping directly to customers
- ▶ commoditisation of products
- ▶ increasing demand for e-commerce
- ▶ changes in technology to improve fuel efficiency or reduce environmental cost.

The Group's competitive position in any one market can depend on such factors as:

- ▶ product availability
- ▶ supply chain efficiency
- ▶ pricing
- ▶ branch location
- ▶ the product knowledge and customer service levels of its staff
- ▶ availability of credit
- ▶ ability to support specific customer requirements (eg central billing).

There is a risk that competition in some or all of the Group's markets could reduce sales prices or margins, which could have a material adverse effect on the Group's results or financial condition.

Mitigation

The Group regularly updates its five-year strategic plan to reflect changing market conditions and prepares medium-term financial forecasts and shorter-term budgets on the basis of this plan.

These allow the Group to monitor its capital structure and assess whether the overall balance of debt and equity remains appropriate, and also to monitor its future compliance with covenants.

If these forecasts indicate periods of limited headroom, the Group can take whatever action is needed to restore a comfortable margin of compliance.

The Group also regularly reviews financial performance, cash flow forecasts and its exposure to fluctuations in currency exchange rates.

The successful share placing and rights issue, and the signing of a two-year forward start debt facility effective in 2011, has significantly improved the Group's financial flexibility.

Wolseley competes through the service, expertise and the product breadth it offers as well as on price.

Local businesses respond to the dynamics of their local markets and serve customers appropriately. Whatever changes those businesses require – for example, shifting the product mix towards higher margin own-brand ranges, or developing services to reduce their customers' overall procurement costs – are supported by the investment in people, technology and logistics that is enabled by the Group's international scale.

Central management conducts a regular review of operational performance, including the monitoring of non-financial KPIs.

Risk**Systems and infrastructure capabilities**

The Group can only carry on business as long as transactions are supported by its information technology systems. There is a wide variety of systems across the Group, some of which have been operating for many years, which makes it difficult to capture or to aggregate certain kinds of information which would assist management in responding to market changes or to competitor activity. The Group is running a large-scale programme of business improvement (the Business Change Programme), which will implement shared and upgraded systems across the Group over a number of years.

This programme has recently been in competition with other projects for the limited funding available, which has delayed the planned deployment, but the Group still expects that benefits over the lifetime of the systems will significantly exceed development costs.

There are risks that the anticipated benefits may not be realised or that they may be delayed, that development and implementation of new systems and extending the life of legacy systems may cost more than currently budgeted, and that the deployment may result in greater business disruption or diversion of management attention than currently foreseen. Any of these outcomes could have a material adverse effect on the Group's results or financial condition.

Liquidity risk

While the Group's current bank facilities provide adequate borrowing capacity for the next four years, these facilities are only available as long as the Group continues to comply with its covenants. The Group will seek to refinance these facilities well before they expire, and may identify investment opportunities in the medium term that require access to additional financial resources. There is a risk that the Group may not be able to obtain new facilities or refinance existing facilities on satisfactory terms, which could have a material adverse effect on the Group's results or financial condition.

Product prices and availability

The market price and availability of products distributed by the Group, such as stainless steel, copper, plastic, timber and other products (or commodities used in such products), can fluctuate.

The cost of fuel, which is a significant proportion of the Group's distribution cost, can fluctuate.

Product shortages may arise as a result of unexpected demand or production difficulties. In addition, suppliers in certain territories rely on obtaining credit insurance on their receivables, and in recent market conditions have been finding it increasing difficult to do so, which affects their willingness or ability to make product available on credit.

There is a risk that the Group may be unable to accommodate or respond to adverse price fluctuations and that the Group may lose sales due to lack of available products, which could have a material adverse effect on the Group's results or financial condition.

Mitigation

Wolseley is committed to investing to ensure the appropriate infrastructure is in place to sustain its current business and support growth. A governance structure has been established, cascading from the Board to operating divisions, to ensure that the planned revenue and capital costs remain appropriate, that benefits will be delivered and the risks of disruption to the business are controlled and monitored and to make the detailed decisions about allocating resources between competing projects.

During the course of the year, strong and effective management of this risk has ensured that no major debt facility should need to be negotiated until 2013.

The Group's strategic plan provides the basis for assessing the level of facilities required throughout its planning horizon and also allows an estimate of relevant credit metrics.

The Group intends to obtain a credit rating during the financial year 2009/10 and is currently working towards this. A credit rating will assist in the refinancing of existing facilities as they mature and extend the financing options available to the Group.

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 2008/9 financial year. The Group actively seeks diversity of suppliers for key product ranges and increasingly works with suppliers to forecast demand and hence manage product availability better.

Generally, the Group is able to maintain margins by passing on price increases from its suppliers to its customers. The Group's businesses also seek to minimise the effects of changing prices through economies of purchasing and inventory management, resulting in cost reductions and productivity improvements.

The Group has provided assistance to a number of its suppliers in covering their receivables, for example by making presentations directly to credit insurers or changing credit terms to mitigate their exposure.

Risk management continued

Risk

Credit and counterparty 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.

The North American Loan Services business (formerly part of Stock Building Supply) 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.

Wolseley places funds on deposit with banks, and enters into interest rate swaps under which it is entitled to receive future cash flows from banks. There is an associated risk that counterparties may not be able to meet their obligations.

International operations

Wolseley operates in 27 countries, which can present logistical and management challenges owing to different business cultures, laws and languages. The Group needs to strike the right balance between centralising where there are benefits to be gained from the Group's size and expertise, while allowing businesses the right amount of autonomy to respond to local conditions, and while recognising that business models that have been successful in certain regions cannot necessarily be transferred to others.

In addition, there are general 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 or treaties may also affect the ability of the Group to repatriate profits from its foreign operations.

People

Wolseley's ability to provide leadership and products and services to customers depends on retaining sufficiently qualified, experienced and motivated personnel.

In order to increase productivity, and be able to take growth opportunities when markets improve, Wolseley must maintain the skills and experience of its existing management and continue to develop the managers of the future.

The current difficult conditions experienced in certain markets, and the Group's response to them, have increased staff turnover and may demotivate remaining staff.

Mitigation

Each of the businesses has established procedures to monitor and collect outstanding receivables. Significant outstanding and overdue balances are reviewed regularly and prompt action is taken. In many cases, protection is provided through lien rights on projects or through credit insurance arrangements, and all of the major businesses use professional, dedicated credit teams, in some cases field based. Appropriate provisions are made promptly for debts that may be impaired.

The construction loans provided by North America Loan Services are secured on the related properties and are managed by a dedicated lending team within that business.

Group Treasury maintains a list of approved counterparties and exposure limits, and monitors the credit ratings and credit default swap spreads of these counterparties monthly.

Wolseley believes that the benefits of its geographical spread outweigh the associated risks. The portfolio effect of owning businesses in a range of economies and currency regimes reduces the volatility of the Group's longer term performance. The Group continues to realise efficiencies in sourcing and distribution, and has programmes in place to share best practice.

The Group seeks to manage its foreign currency risk and the steps it takes are described in the financial risk management section on pages 37 to 38 and 111 to 114.

The Group actively works with its taxation advisers to understand the implications of changes to tax legislation and to minimise its tax exposure and risk.

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 rewarded.

The Group continues to invest significant time and money in senior management, manager development and graduate development programmes.

The Group reviews its compensation, incentivisation and rewards policies to ensure that it is able to recruit and retain high quality employees.

Risk**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 highly regulated industry, it is subject to the laws governing businesses generally, including laws affecting competition, land usage, zoning, the environment, health and safety, transportation, labour and employment practices (including pensions), data protection, 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.

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 a 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.

Mitigation

The Group monitors regulations across its markets to ensure that the effects of changes are minimised.

Certain changes in regulations may also provide opportunities, by increasing demand for a broader or higher margin product range. For instance, changes to the standard of heat insulation in new buildings required by building regulations in the UK have increased demand for specialist products provided by Wolseley UK.

Wolseley has a culture which is designed to resolve disputes directly with the party in question in a spirit of openness and co-operation. Litigation is generally regarded as a last resort.

In the case of asbestos litigation, Wolseley employs independent professional advisers to actuarially determine the potential gross liability, on the basis of assumptions about how claims will develop and the cost of settling such claims over the remaining lifetime of the potential litigants, which is about 50 years. Actual experience may be expected to differ from the assumptions made, and these assumptions are reviewed 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 material profit or cash flow impact is expected to arise in the foreseeable future. Wolseley has recognised a discounted liability of £42 million in respect of asbestos litigation with an equivalent insurance receivable shown in other receivables reflecting the discounted sum recoverable from insurers in respect of this liability.

Further information of financial and related risks can be found on pages 37 to 38 under Other financial matters.

Financial review

Revenue and operating profit

After taking account of currency translation, Group revenue from continuing operations decreased by 2.5 per cent from £14,814 million to £14,441 million.

Operating result from continuing operations decreased by 209 per cent from a profit of £555 million to a loss of £606 million, after charging exceptional items of £458 million. Trading profit from continuing operations decreased by 43 per cent from £787 million to £447 million, before deducting amortisation and impairment of acquired intangibles of £595 million (2008: £162 million) and exceptional items of £458 million (2008: £70 million).

Currency translation

Currency translation increased Group revenue from continuing operations by £2,439 million (16.5 per cent) and Group trading profit from continuing operations by £147 million (18.9 per cent) compared with 2008.

The effect of US dollar appreciation has been to increase translated US trading profit by £100 million (27 per cent) compared with 2008. US dollar denominated profits account for 64 per cent of the Group's trading profit from continuing operations.

Exceptional items: continuing operations

Exceptional items comprise £346 million of restructuring costs, £41 million relating to the impairment of software assets under construction, £40 million relating to losses on disposal of businesses and revaluations of disposal groups, and £31 million relating to the impairment of construction loan receivables.

Within continuing operations, the Group disposed of four businesses in the year, for proceeds of £17 million, resulting in a loss on disposal of £12 million. A further three businesses have been classified as held for disposal at 31 July 2009: their net assets are stated at nil after a charge of £28 million to reduce their carrying value to estimated sales proceeds net of costs.

The restructuring costs, and the benefits estimated to be realised in the year ended 31 July 2009 and in a full financial year, can be further analysed as the table below shows:

	Cost £m	Headcount reduction	2009 benefit £m	Benefit £m pa
UK and Ireland	183	2,914	74	160
France	24	1,020	6	33
Nordic	11	1,413	18	44
Central and Eastern Europe	38	489	7	20
Europe	256	5,836	105	257
US plumbing and heating	80	3,861	88	164
Canada	6	130	1	3
North America	86	3,991	89	167
Group head office	4	21	4	7
Total continuing operations	346	9,848	198	431

Finance costs

Net finance costs for continuing operations of £145 million (2008: £156 million, including a one-off charge of £22 million in respect of the impairment of an available-for-sale investment), reflect high debt levels for most of the year and the effect of a net increase of £13 million in the net pension interest cost and an incremental £12 million in respect of discount charges on receivables funding arrangements. Net interest receivable on construction loans amounted to £8 million (2008: £12 million). Interest cover for continuing operations was three times (2008: six times).

Tax

The effective tax rate for continuing operations, being tax payable on profit from continuing operations before tax, exceptional items and amortisation and impairment of acquired intangibles, was virtually unchanged at 31.8 per cent (2008 restated: 31.1 per cent).

Discontinued operations

The loss from discontinued operations of £441 million (2008: £168 million) relates to Stock, and represents after-tax losses of £360 million for the period up to 5 May 2009, and an exceptional loss on disposal of £81 million incurred on 5 May 2009 when the Group disposed of the majority of its interest in the business and ceased to consolidate it.

Earnings per share

Before discontinued operations, exceptional items and the amortisation and impairment of acquired intangibles, and after adjusting for the effects of the share placing and rights issue, earnings per share decreased by 60.2 per cent from 240.3 pence to 95.6 pence. Basic loss per share including discontinued operations was 558.0 pence (2008: earnings per share of 41.0 pence). The average number of shares in issue during the year was 210 million (2008 restated: 181 million).

Dividends

In light of current market conditions, the Board is recommending no final dividend (2008: nil). The Group is committed to a progressive dividend policy and will revert to paying a dividend as soon as it is prudent to do so.

Financial position

Shareholders' funds increased by £17 million from £3,359 million to £3,376 million. The net increase comprised the following elements:

	2009 £m	2008 £m
Retained (loss)/profit	(1,173)	74
Dividends	–	(215)
New share capital subscribed (rights issue, share placing and exercise of share options)	994	4
Exchange translation	280	129
Actuarial losses	(115)	(135)
Fair value losses on cash flow hedges	(20)	–
Share-based payments	9	5
Other, including tax credit not recognised in the income statement	42	46
Increase/(decrease) in shareholders' funds	17	(92)

During April 2009 the Group raised £994 million by a share placing and a rights issue net of £52 million of costs and £5 million of shares purchased by the Group's Employees Benefit Trusts.

Net debt, excluding construction loan borrowings, at 31 July 2009 amounted to £959 million compared to £2,469 million at 31 July 2008, giving a gearing of 28.4 per cent compared with 73.2 per cent at the previous year end.

Return on gross capital employed ("ROGCE") from continuing operations decreased from 12.7 per cent to 6.9 per cent as a result of reduced profitability and the increased capital base. The ROGCE for 2009 was below the Group's weighted average cost of capital.

The unamortised balance of goodwill and other acquired intangibles in the balance sheet as at 31 July 2009 is £2,051 million (2008: £2,681 million) with the reduction resulting from goodwill impairments of Stock, DT Group, Wolseley UK and Benelux. The Group did not recognise any acquired intangibles in the year (2008: £64 million, principally representing customer relationships and brand names), as no acquisitions were made in the year (2008: investment of £249 million, including deferred consideration and net debt).

The balance of property, plant and equipment has reduced from £1,842 million at 31 July 2008 to £1,593 million at 31 July 2009, as depreciation and impairment charges of £286 million have exceeded additions of £94 million, and disposals of £257 million have offset exchange gains of £200 million.

The Group has recognised an investment in associate of £53 million (2008: £nil) representing the Group's remaining 44 per cent share of the net assets of Stock.

In the US, construction loan receivables, financed by an equivalent amount of construction loan borrowings, were £163 million (2008: £237 million). The decrease reflects reduced loan originations and loan impairments as the business has withdrawn from a number of markets.

Provisions have increased from £178 million to £366 million, reflecting a net increase of £152 million in the restructuring provision, which mainly related to onerous lease commitments on branches that have been or will be closed.

The Group's retirement benefit obligations have increased from £236 million to £341 million, largely due to a reduction of £86 million in the market value of assets held in the main UK defined benefit pension scheme. Full details of the pension schemes operated by the Group are set out in note 32 to the financial statements.

Financial review continued

Cash flow

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

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Cash flow from operating activities	1,200	1,262	1,299	850	765
Maintenance capex ¹	(157)	(242)	(191)	(140)	(117)
Tax	(27)	(99)	(167)	(206)	(151)
Dividends	-	(215)	(198)	(162)	(145)
Interest	(165)	(135)	(117)	(57)	(31)
Free cash flow	851	571	626	285	321
Acquisitions less disposals ²	(33)	(183)	(1,346)	(820)	(401)
Expansion capex	-	(75)	(205)	(206)	(122)
Proceeds of share issues	999	4	673	31	33
Other ³	(347)	(319)	(265)	(69)	(32)
Movement in debt	1,510	(2)	(517)	(779)	(201)

¹ Maintenance capex is considered as equivalent to depreciation in a year when capex exceeds depreciation.

² Excluding debt acquired and disposed of.

³ Other movements are primarily debt acquired, foreign exchange differences and proceeds of sale of property, plant and equipment.

Net cash flow from operating activities decreased by only £62 million from £1,262 million in the year ended 31 July 2008 to £1,200 million in the year ended 31 July 2009, despite the reduction in trading profit, as the Group has reduced working capital by £846 million. Free cash flow was £851 million (2008: £571 million).

Capital expenditure decreased from £316 million to £157 million, as all spend across the Group was carefully scrutinised and non-essential projects were postponed.

Shareholder return

The Group monitors relative Total Shareholder Return ("TSR") for incentive purposes (as set out within the Remuneration report on pages 62 and 72) and for assessing relative financial performance.

For the year ended 31 July 2009, Wolseley achieved an annualised TSR of minus 38 per cent, which put it in 56th position against the monitored peer group of 68 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 2004 and the composition of the peer group are set out in the Remuneration report. At the close of business on the date of the Directors' report, the value of an ordinary share as quoted in the *Financial Times* newspaper was 1455 pence per share (2008: 1960 pence, as adjusted), a decrease of 25.7 per cent. The market capitalisation of the Group at the date of this Report was £4,130 million (2008: £3,111 million). No dividend has been paid this year.

Other financial matters

Financial risk management

The Group is exposed to market risks arising from its international operations and the financial instruments which fund them. The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk and liquidity risk. The Group has well defined policies for the management of interest rate, liquidity, foreign exchange and counterparty exposures, which have been consistently applied during the financial years ended 31 July 2008 and 2009. By the nature of its business the Group also has trade credit and commodity price exposures, the management of which is delegated to operating businesses. There has been no change since the year end in the major financial risks faced by the Group.

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.

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.

Details of financial instruments are shown on pages 110 and 111 in note 29 to the financial statements.

Capital structure and covenants

The Group's sources of funding currently comprise cash flows generated by operations, equity contributed by shareholders and borrowings from banks and other financial institutions. To assess the appropriateness of its capital structure to current and forecast trading, the Group's principal measure of financial gearing is the ratio of net debt to EBITDA. The Group aims to maintain this ratio in the range of 1.5:1 to 2.3:1, and the Group's active main borrowing facilities all contain a financial covenant limiting the ratio of net debt to EBITDA to 3.5:1. As at 31 July 2009 the ratio was 1.4:1 (2008: 2.7:1), calculated as shown in the table below.

In addition, the Group monitors the ratio of net debt to shareholders' funds for consistency with the targeted ratio of net debt to EBITDA. At 31 July 2009 the ratio of the net debt to shareholders' funds was 28.4 per cent (2008: 73.5 per cent).

In order to maintain or adjust the capital structure, the Group may adjust the amounts of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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 are funded shortly before the acquisition is made.

In March 2009, the Group entered into a €1 billion forward start multi-currency syndicated facility, which was a restatement and extension of the Group's existing €2.8 billion facility. This €1 billion facility will commence when the existing facility matures on 1 August 2011 or is cancelled by the Group before this date, and will expire on 1 August 2013. Following the share placing and rights issue which was completed in April 2009, the Group cancelled facilities amounting to £1,017 million which were no longer required.

	2009 £m	2008 £m
Operating profit	(606)	301
Amortisation and impairment of acquired intangibles	595	306
Depreciation and other amortisation	321	242
Exceptional one-off costs	458	76
EBITDA	768	925
Depreciation included in exceptional costs	(77)	(9)
Acquisition adjustment	-	6
Disposal adjustment	(1)	(1)
Covenant EBITDA	690	921
Year end net debt	959	2,469
Net debt: EBITDA	1.4	2.7

Other financial matters continued

The maturity profile of the Group's borrowings and committed undrawn facilities at 31 July 2009 was as follows:

Maturity date	Drawn on uncommitted facilities £m	Private placement £m	Drawn on committed facilities £m	Drawn amounts £m	Undrawn amounts £m	Capacity £m
Borrowing facilities expiring in						
Less than one year	42	-	-	42	100	142
1-2 years	1	124	-	125	-	125
2-3 years	1	-	829	830	683	1,513
3-4 years	1	50	-	51	43	94
4-5 years	1	-	-	1	852	853
After 5 years	1	432	217	650	-	650
Total	47	606	1,046	1,699	1,678	3,377
Amounts drawn on uncommitted facilities						(47)
Total committed debt facilities as at 31 July 2009						3,330
As at 31 July 2008				2,716	1,159	3,875

In August 2008 the Group entered into a €127.5 million uncommitted receivables funding arrangement in France. In December 2008 the Group entered into a £100 million receivables funding arrangement in the UK, committed for two years, and in July 2009 this arrangement was increased to £140 million.

The undrawn loan facilities are available to fund working capital, investments and general corporate purposes.

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. 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 for the year ended 31 July 2009, and subsequently, is to adjust the currencies in which its debt is denominated to match the currencies in which its trading profits are generated, as this hedges the ratio of net debt to EBITDA in the covenant calculation.

The Group's policy for the year ended 31 July 2008 and earlier was to maintain the majority of its debt in the currencies of its operating companies as this hedged both the net assets and cash flows of the Group.

Interest rate risk

To manage the Group's exposure to interest rate fluctuations, the Group's policy is that at least 20 per cent of bank borrowings required during the next two years should be at fixed rates. 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.

Financial reporting

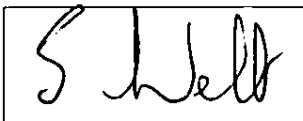
These financial statements have been prepared under IFRS. The Group's accounting policies set out on pages 78 to 83 of the accounts have remained unchanged from those disclosed last year, except for the inclusion of new policies for associates and discontinuing operations following the Stock disposal transaction, which have resulted in additional disclosures but have not had a significant impact on the Group's financial position or results of operations.

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, and after considering sensitivities, that the Company and the Group has sufficient resources for its operational needs and will enable the Group to remain in compliance with the financial covenant in its bank facilities for at least the next 12 months. Accordingly the Directors continue to adopt the going concern basis in preparing the financial statements.



Stephen P Webster Chief Financial Officer
28 September 2009

Corporate responsibility

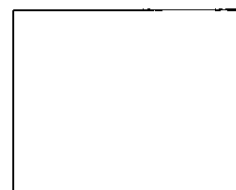
This year has been a period of development for Wolseley's Corporate Responsibility ("CR") Strategy. Approved by the Board in July 2008, the strategy is intended to provide a framework for our operating companies to build on our strengths, apply best practice, learn from each others' experiences and, above all, improve operational effectiveness.

Individually, our operating companies have developed good practices over many years, some of which have been recognised by external awards and industry praise, for example in health and safety and fleet management. Our aim is to harness these good practices and deliver a coordinated approach to CR across the Group.

Economically, this year has been very challenging for our business and, while not deterring our commitment, this has affected the speed and scale of the implementation of some of the objectives under our CR strategy. Nevertheless, good progress has been made by our operating companies and some examples are given later in this report. Further information is also available on our website.

More information regarding the impact of the global economic conditions on our businesses can be found on page 5.

Last year, we introduced a five-year framework for our CR programme. It recognised the ability of our businesses to make progress at different speeds and to set priorities, based on our five "key themes", that were most suited to their business objectives. The progress we have made over the year is explained in more detail overleaf.



☐ www.wolseley.com/corporate-responsibility.aspx

Strategy

The five key themes of Wolseley's CR strategy are:

- Health and safety;
- Environment;
- People;
- Responsible business; and
- Community engagement.

These themes were selected to support Wolseley's business strategy and represent the areas that have the greatest impact for our operations. Ensuring the health and safety of our people and maintaining our physical assets helps us to preserve the integrity of our operations and strengthens customer service.

Measuring our environmental performance will enable us to set targets to improve our impact on climate change as well as reduce costs in our business. Offering competitive rewards and development opportunities will help to improve morale in our workforce, attract and retain high quality employees and ensure that our people can maximise their potential. Conducting business responsibly and with integrity minimises risk and strengthens our reputation. Building closer relationships with the communities in which we operate helps us to promote our business and its objectives and gain a greater understanding of our customers, neighbours and employees. Further information on each of our five key themes can be found later in this report.

The strategy identifies minimum standards with which each of our operating companies should comply and Group goals which we aim to achieve over time. In pursuit of the Group goals, each operating company has the freedom to implement its own initiatives and targets in respect of each of the key themes. This approach recognises that the drivers for progression may vary from business to business, that different objectives may require different resources and time to achieve, and that they will therefore require different solutions. This approach also recognises that some of our businesses might achieve their goals within an earlier time frame than the overall five-year plan.

Key themes

	Group minimum standard	Group goal
Health and safety	Compliance with legal requirements, monitoring Group and operating company Key Performance Indicators ("KPIs").	Proactive safety culture, recognised industry leader.
Environment	Compliance with legal requirements, establish KPIs, develop improvement programmes.	Carbon neutral operations, informing industry best practice.
People	All employees are competitively rewarded and provided with development opportunities.	Industry-leading staff retention and productivity rates.
Responsible business	Endorsement of the Group Code of Ethics, identify forest source of timber.	Group Code of Ethics and compliance programmes evidence best practice, eliminate risk-timber.
Community engagement	Participating in, or donating to, a number of community projects.	Public recognition of Wolseley's contribution and value.

To help achieve our objectives we have identified a number of priority actions, which are summarised in the tables that follow, together with the progress made to date.

Year 1: 2008 – 2009

Target and priorities	Progress	
Governance Focus on building on existing CR governance and consolidating implementation processes.	Group CR strategy communicated to businesses. Engagement with key managers. Development of internal CR network to deliver local CR plans.	Achieved <input type="checkbox"/>
Health and safety	Group health and safety policy introduced in December 2008 with supporting Group-wide common management processes and KPIs.	Achieved <input type="checkbox"/> See pages 42 – 43 for more detail
Environment and Responsible business Ethical sourcing.	Timber: development and coverage of the Group's risk assessment process has continued and improved.	Achieved <input type="checkbox"/> See pages 47 – 48 for more details
	Other products: a pilot project is underway in Wolseley UK to begin the process of verifying our suppliers' practices against our ethical sourcing standards.	Achieved <input type="checkbox"/> See page 48 for more details
Responsible business Prevention of fraud and corruption.	Group anti-fraud and anti-corruption policies and training are currently in development, for introduction later in the financial year.	In progress See page 47 for more details

We are pleased to report that our objectives for the first year of the CR strategy have broadly been met. The focus of resources on other Group priorities has resulted in a delay to some activities but not to a significant extent.

Year 2: 2009 – 2010

- Target and priorities**
- ▶ Delivery of anti-fraud and anti-corruption policies and training.
 - ▶ Continued development of local CR plans.
 - ▶ Refresh and re-launch Group Code of Ethics and supporting policies.
 - ▶ Develop Group environment and sustainability objectives.

Year 3: 2010 – 2011

- Target and priorities**
- ▶ CR governance and implementation processes are consistent and aligned across the Group. Implement enhancements.
 - ▶ Further focus on Group-wide approach to improvements to priority CR activities.
 - ▶ More detailed and consistent data gathering and reporting.

Year 5: 2012 – 2013

- Target and priorities**
- ▶ Higher standards achieved by all businesses.
 - ▶ Continuous improvement principles integrated into business processes.

CR governance

The Group Company Secretary and General Counsel (see biography on page 51) is responsible for the overall delivery of the Group's CR programme. Within our operating companies, local management have responsibility for developing and implementing CR plans that are integral to their operations and that support the Group CR strategy. Maintaining responsibility for operating company plans in this way helps to promote accountability for our CR goals at the local level and helps to ensure that individual plans are aligned with local objectives, markets and resources.

Progress against the CR programme is monitored at a Group level by regular updates from operating companies to the Group Company Secretary and General Counsel, who then updates the Board annually ensuring objectives and priorities are discussed and agreed.

Risk management

An explanation of the Group's risk management programme is set out on pages 29 to 33. Those risks which might have an impact on the key elements of our CR programme, and consequently on our business, are discussed in more detail in this section.

Prompted by the threat posed by the H1N1 virus (swine flu), the Group reviewed its business continuity plans and tested its preparedness to respond to the potential impact of the virus on our employees, their families and our customers. All employees have been provided with extensive information and advice to help prevent infection, recognise symptoms and plan responses where infection occurs.

Risks associated with climate change, for example flooding, present a threat to some of the Group's physical assets but, overall, the impact is expected to be manageable or limited. These risks are reviewed annually as part of the renewal of the Group's insurance programme.

In the UK, the Carbon Reduction Commitment ("CRC"), to be introduced in 2011, will require Wolseley's UK operations to participate in a government auction process for carbon emissions allowances. Wolseley UK has established a working group to assess the impact of the CRC on its operations and to identify ways to reduce its carbon emissions.

These initiatives may include changes to physical infrastructure, for example the types of insulation and heating used in buildings, as well as cultural and behavioural changes to everyday practices and procedures. Carbon reduction initiatives identified by the CRC working group will be shared across the Group to ensure that the maximum benefits can be gained.

It is possible that European legislation will be introduced within the next five years which will stipulate that all timber imported into the European Union must be from a legal source. We are engaging with national governments and the European parliament, as well as national timber trade federations, to provide our input to the development of legislation and government procurement policies. We are actively working with our suppliers to ensure the legal status of the timber we supply and thereby reduce the risk of purchasing products from illegal or unsustainable forest sources. See pages 47 to 48 for more detail.

Health and safety

We will provide a safe and healthy working environment and we will not compromise the health and safety of any individual.

With 51,000 employees, over 4,000 branches and a fleet of over 16,000 vehicles, the safety of our people and property is essential to our operations. Our employees' activities include the manual handling of heavy objects, mechanical lifting, operating machinery and driving between our own sites, as well as to those of our suppliers and customers; these include construction sites that are inherently more hazardous than our branch locations.

Effective management of our health and safety programme helps to minimise the risk of injury to our employees, customers and suppliers and damage to property; reduces costs associated with employee illness, injury and loss of physical assets; reduces the risk of legislative breaches; and protects our reputation. We always aim to identify areas for improvement and, where good practices exist, share them across the Group.

During the year, we introduced a Group health and safety policy. High quality health and safety programmes were already well established in our operating companies. The significant improvement was to define, for the first time, commitments, standards and metrics that could apply consistently to all of our operations. The policy is supported by a Letter of Commitment signed by the Group Chief Executive and by the Continental Division Chief Executives.

Implementation of the policy has been supported with a number of standard tools to help operating companies assess their current health and safety practices, identify areas that require improvement and develop plans and targets. The European and North American divisions worked together closely to align their practices, to ensure that data was collected in a consistent format and to identify efficiency improvements.

The Company also established an internet-based data site, which facilitated cost-effective communication in different time zones.

In support of our objective to further improve health and safety performance in all of our operations, in 2008 we stated our intention to introduce health and safety performance reporting based on KPIs common to the Group.

Three key measures were introduced during the year to provide consistency in reporting in all of our businesses: medical injury rate, lost workday rate and fleet collision rate. These indicators were selected as the most appropriate measures for our business, based on their direct and indirect moral, legal and financial impact on our operational performance. These measures will help us to better identify areas where strong performance and best practices can be shared across the Group and identify activities that may benefit from additional resources and training. We are now able to benchmark performance within all businesses in the Group and have a firm basis for assessing progress and trends over time.

The results of this analysis can be found below.

FY 2009

Medical injury rate

Number of at-work injuries requiring medical treatment per 100 employees. **4.4¹**

Lost workday rate

Number of workdays lost per 100 employees. **44.6¹**

Fleet collision rate

Number of third-party vehicle collisions per 100 vehicles. **18.5²**

¹ Excludes DT Group (4,655 employees) which was unable to report data this year.

² Excludes DT Group (1,172 vehicles) which was unable to report data this year.

While it is currently too early to report trends in safety performance at the Group level, a number of our operations have reported significant improvements in their safety performance compared with last year. In the US, Ferguson achieved a 40 per cent reduction in fleet collisions and a 17 per cent reduction in employee medical injuries. Wolseley UK reported an 18 per cent year-on-year reduction in its employee medical injuries and a 30 per cent reduction in its lost workday rate. A number of initiatives have helped to achieve these improvements.

Our employees receive health and safety training appropriate for their role. This includes training on safe driving techniques, the operation of plant and equipment and general health and safety awareness. For example, in the UK monthly safety bulletins and awareness campaigns focus on specific safety topics. In the US, over 5,400 delivery drivers, sales and management employees have completed a web-based driver training course during the year. Both the US and UK businesses also operate internal awards programmes for outstanding health and safety performance and safe driving and have been recognised by external national awards for their achievements in these areas.

We will report further on our health and safety performance and initiatives in next year's report.

Through the maintenance and continuous improvement of our health and safety management practices, we have been successful in reducing the frequency of personal injuries and vehicle accidents. This in turn has led to efficiency improvements in our operations.

Environment

We will run efficient operations that minimise waste and reduce our contribution to climate change. We will promote sustainable development.

The Group has a responsibility to manage the impact of its operations on the environment so that any harm is minimised and positive contribution is maximised. Opportunities to reduce our carbon impact, our use of natural resources and to reduce waste and recycle more materials exist in all our operations and at every stage of our products' life cycle, from the sourcing of materials through their transportation and to their ultimate use and disposal. The increasing cost of energy, water consumption and the disposal of waste add a clear commercial imperative for measuring and understanding our performance in these areas. More information on each of these issues can be found on pages 44 to 45.

A priority for the second year of our CR programme will be to identify the best improvement opportunities for each of our businesses. In Wolseley UK, this will be part of our coordinated response to the requirements of the CRC. This process will contribute to the development of a set of Group-wide sustainability objectives to improve our environmental performance and operational efficiency.

In certain markets, there is increasing demand for sustainable products. To remain competitive, it is important that we understand our customers' needs and are responsive to change as the industry, markets and legislation develop. Wolseley UK's Sustainable Building Center, located next to its headquarters in Leamington Spa, was opened in 2008. In its first year, it has attracted interest from existing and new customers such as architects, homebuilders, property developers and facilities managers and has provided an innovative means of showcasing the variety and quality of Wolseley's sustainable product offering (see www.wolseleysbc.co.uk for more information). A similar facility operates at Wasco in the Netherlands. Brossette in France has also introduced "Cap Energie", this year, a project which includes, among other things, an initiative to further develop our renewables product capabilities. More information can be found in the case study on page 44.

Environment continued

Environmental performance

This is the third year in which the Group has reported on its environmental performance. The Group has developed an improved data collection tool this year to evaluate the data reported on page 45. These enhancements have helped us to understand the accuracy and completeness of the data collected by our businesses and will be used to improve our data analysis and reporting in next year's report. This year's data has been reviewed for completeness and quality and analysed by an independent third party.

Cap Energie

The Cap Energie project is transforming Brossette, ensuring that the business is able to seize the huge opportunities presented by the shift towards new energy sources for heating.

The French marketplace for heating products is changing, driven by shifting consumer demands and financial incentives from the French government. Analysts are now forecasting that more than 80 per cent of heating systems sold in five years' time will be powered by new energy sources.

Following a review of this new business environment, Brossette has implemented a wide-ranging project known as Cap Energie, which translates roughly as "moving forward with energy".

The main purpose of Cap Energie is to reinforce Brossette's position as one of the key suppliers in the wholesale heating sector while also increasing its profitability. Brossette has traditionally been focused on oil and gas heating. The Cap Energie project aims to move the business rapidly to satisfy new demands; primarily for ground source heat pumps, which make use of renewable energy stored in the ground to provide one of the most energy-efficient ways of heating buildings. Brossette is also concentrating more on solar energy products and other alternatives that are not based on fossil fuels.

With the geographically dispersed and decentralised nature of our operations, although the integrity of data gathered has improved significantly, complete and reliable data in all categories has been difficult to obtain from all locations. The scale of the Group's operations has changed significantly over the past year as a result of the global economic environment and the consequential effect on our businesses' markets. In addition, the Company sold Stock Building Supply in May 2009, retaining a minority shareholding in a joint venture with The Gores Group (see page 28 for more detail); environmental data relating

There are ten projects in all, five focusing on sales and five on support activities, all to be phased in over a three-year period. Four members of the Brossette management committee are part of a team of ten managers responsible for leading the project. To date, over 300 employees have been trained to provide the specialised knowledge and service needed to ensure that our customers are able to benefit fully from this new offering. Construction of a new training facility in Lyon has been completed and will open in the near future. Four new-format point of sale facilities are already open and a new showroom concept has been developed to showcase Cap Energie products.

Back office operations have also been improved to support these changes. A new distribution centre opened in the east of France at the end of January 2009 and IT systems improvements are currently being evaluated.

to that business is not included in this report. These events have had a commensurate effect on the Group's environmental impact.

For these reasons, including the overall improvement in the quality of data produced since last year, it is not useful to provide a direct comparison with the Group's environmental performance in previous years, nor does it provide a useful indication of future trends. However, our historical reported environmental performance can be found online at www.wolseley.com/corporate-responsibility.aspx. We expect to improve the scope and integrity of the data that we collect to present a basis for year-on-year comparisons in future reports.

Greenhouse gas emissions

The vast majority of the Group's greenhouse gas emissions derive from electricity use at our facilities (46 per cent) and the transportation of our goods (29 per cent). In addition to the increasing costs associated with energy consumption, our markets are likely to experience increasing legislative measures in the future aimed at reducing the climate change impact from commercial operations. To help us to reduce our emissions, our businesses have developed various measures, including environmental management systems, resource efficiency plans, fleet management systems and fleet backhauling programmes. More information on these activities can be found online at www.wolseley.com/corporate-responsibility.aspx.

Emissions of greenhouse gases have been reported in accordance with the Greenhouse Gas Protocol ("GHG Protocol"), which was developed jointly by the World Business Council for Sustainable Development and the World Resources Institute. The standard differentiates between emissions for which businesses are directly responsible ("Scope 1 emissions") and indirect emissions from the generation of supplied electricity and supplied heat (eg district heating) ("Scope 2 emissions"). Certain other indirect emissions ("Scope 3 emissions") do not form part of the core carbon footprint as defined by the GHG Protocol. However, given the nature of our operations and the degree of control we exercise over certain activities, we do believe that it is appropriate to report on the emissions from third-party provided transportation as well as from our employees' business travel. These Scope 3 emissions, together with our Scope 1 and Scope 2 emissions, are included in the data reported below.

Source	FY 2009 Emissions (tCO ₂ e) ¹
Electricity use	393,930
Fuel use: operations	118,270 ²
Fuel use: transportation of goods	246,518
Business travel: vehicles	87,647
Business travel: air and rail	8,189
Refrigerant leakage	1,594
Total³	856,148
Emissions per £m of revenue	59.3

¹ Greenhouse gas emissions are reported as tonnes of CO₂ equivalent (abbreviated as tCO₂e), based on the Global Warming Potential ("GWP") of each of the "basket of six" greenhouse gases, as defined by the Kyoto Protocol. The GWP of CO₂ is 1 (1 tonne CO₂ = 1 tonne CO₂e). For other greenhouse gases in the "basket of six", including refrigerants, the GWP is relative to CO₂ over a 100-year time horizon (eg one tonne of the refrigerant R407C is equivalent to 1,526 tonnes of CO₂ in terms of the potential climate change impact).

² Includes supplied heat (district heating).

³ Based on a combination of actual and estimated data.

During the coming year, we will further evaluate the activities that contribute to our greenhouse gas emissions, with a view to reducing those emissions. In next year's report, we will publish targets for the reduction of our emissions in future years.

Waste management

The Group's businesses generate non-hazardous waste and, to a lesser extent, hazardous waste. Although definitions vary from country-to-country, hazardous waste may include items such as batteries and electronic equipment; non-hazardous waste typically includes materials such as paper, plastic and metal.

Wolseley aims to measure and minimise the waste generated by its business activities. As well as reducing our environmental impact, reducing the waste we produce in our operations also has the beneficial effect of lowering waste removal costs. Our Group waste performance can be seen in the table below.

Final waste destination	FY 2009 Hazardous waste (tonnes)	FY 2009 Non- hazardous waste (tonnes)
Incinerated	1,283	6,599
Landfilled	250	85,003
Recycled	77	22,617
Total¹	1,610	114,219
Waste per £m of revenue	0.1	7.9

¹ Based on a combination of actual and estimated data.

An example of how one Wolseley business is addressing waste management is described in the case study on page 46.

Water use

We have continued to measure water consumption throughout the Group during the year to enable the appropriate goals to be set for greater water efficiency. The majority of our water consumption derives from normal operational and sanitary water use. The Group's water is almost exclusively supplied by local utility providers.

	FY 2009 (cubic metres)
Total water consumption¹	984,102
Average water consumption per employee	19.4

¹ Based on a combination of actual and estimated data.

Environment continued

War on waste

Wolseley UK is making huge progress in its efforts to minimise its impact on the environment and its waste management programme makes a valuable contribution. The Company has increased its recycling levels by 10 per cent in the past year and now recycles 50 per cent of its waste. Recycling levels at Wolseley UK three years ago were approximately 5 per cent.

The Company carries out a waste analysis periodically, to gain a better understanding of the waste management practices on Wolseley sites. Initial analysis showed that many of the Company's waste bins were being collected when not completely full. Waste disposal by contractors is charged on a per collection basis, rather than by weight of waste collected; by rationalising its waste services, Wolseley UK reduced scheduled collections by waste contractors by approximately 50 per cent, thereby reducing its waste collection charges. A more recent analysis has demonstrated opportunities to further reduce waste disposal volumes and costs.

The waste analysis also revealed that much of Wolseley UK's waste was made up of recyclable material. The Company has introduced a backhauling programme whereby its branches return their clear plastic, cardboard and wood pallets back to Wolseley UK distribution centres, utilising free space on its commercial fleet once branch deliveries have been off-loaded.

Plastic and cardboard waste, although lightweight, is bulky and takes up space in branch waste bins.

Reducing waste in this way allows for more efficient use of the waste bins, increases recycling rates and reduces the frequency of collections required by waste contractors. Where branches are not serviced by a distribution centre, they can backhaul recyclable material via a neighbouring branch, or on-site recycling services are installed.

At Wolseley UK's head office, waste bills have been reduced as a result of a new recycling scheme, raising awareness of the types of material that can be recycled and improving access to recycling bins. Waste costs have dropped from £30,000 per annum in 2007 to £6,000 in 2009. Recycling levels at the head office have risen from approximately 10 per cent in 2006 to around 80 per cent this year. The target is to achieve zero waste to landfill from the site. Four worm farms have been constructed at the head office to reduce the volume of waste food at the site. The worms transform waste food into fertiliser and rich soil that will be used to improve green spaces around the building.



People

It is important that we value our employees and their diversity. We will develop our people, reward them competitively and engage them in our CR activities.

Over the past 18 months, the Group has made significant changes as it has responded to worsening market conditions. Regrettably, cost reductions, including those relating to our employees, are an inevitable necessity in contracting markets. In that time, approximately 17,000 employees have left the Group through redundancy. In all cases, we comply with local employment law as a minimum when making an employee redundant. Where appropriate, we also enhance redundancy terms beyond the local statutory minimum. Other restructuring work has taken place to improve human resources ("HR") processes and offer efficiencies to routine, back office HR activities.

We have taken the difficult decision this year to reduce the intake to our graduate recruitment programmes and suspend programmes in some markets. This decision will be reviewed when market conditions improve.

Training continues to be a priority for the Group. Our European and North American divisions both continued to operate leadership development programmes during the year. A new training programme for branch managers has been implemented in the UK, focusing on managerial competencies and technical skills. Online training modules are available to all employees in the UK and US.

Responsible business

We are committed to working within the laws and regulations of all jurisdictions in which we operate and to comply with our Code of Ethics. We will encourage our suppliers to meet similar standards.

Operating in 27 countries, the Group employs people from a diverse spectrum of nationalities, race, gender and cultural backgrounds. Detailed analysis on employee diversity is not currently collected on a Group basis and is not believed to be an operationally significant priority. However, at Ferguson in the US, a diversity and inclusion programme has operated since 2006 aimed at improving employee engagement, loyalty and productivity, and developing closer alignment between our employees and the customers they serve. Ferguson is beginning to measure the results and trends from this programme, which are helping to inform human resource planning and succession programmes. In 2007, a supplier diversity programme was developed to support the interests of suppliers operated by minority groups. These initiatives have been especially important recently for Ferguson as it has developed its markets in the retail sector. As required by US Federal Law, certain of Ferguson's diversity data is submitted to US government agencies on an annual basis.

As the markets in which we operate begin to recover from very difficult conditions, our People strategy will increasingly focus on re-designed reward and benefit schemes, leadership development programmes and the provision of future career opportunities. These initiatives will be aimed to motivate and retain our employees.

The Group's Code of Ethics sets out a number of fundamental principles which all Group companies and employees are required to follow. The Code sets expectations for fair competition, compliance with laws (including anti-trust laws), avoiding bribery and conducting business with integrity with customers, suppliers and other stakeholders.

In the competitive markets in which we operate, it is vital to ensure that we conduct our business responsibly and continually reinforce with our employees, customers and suppliers the principles by which we operate. With this in mind, a review of the Group Code of Ethics is currently being conducted, intended to refresh its content and reinforce the standards to which the Group adheres. Our intention is to introduce the updated Code by the end of 2009, together with individual new policies and training on the prevention of fraud and corruption. The Group has an established competition law compliance programme and improved training materials have been developed which will be used with employees in the coming year.

Timber sourcing

Sourcing timber from sustainable and well-managed forests is important to Wolseley. Many of our customers, including governments, demand legal and sustainable timber and our sourcing practices in this area help to ensure our reputation for supplying high quality products. We are committed to the elimination of illegally logged timber from our supply chain.

In support of our global timber policy, which sets out Wolseley's commitment to the responsible purchasing of forest products, our timber procurement process includes a global risk assessment system that identifies the legal and sustainable status of the timber products we purchase. The system provides a risk assessment of product information from our suppliers, including details of species and country of origin, and captures supporting documentary evidence. This information is verified for Wolseley by an independent third party.

The system is particularly valuable where timber is sourced from forest areas where credible certification schemes do not currently operate, which may pose a greater risk of non-compliance with our policy. Where high-risk products have been identified, we have worked with our suppliers to improve control processes or identify alternative products. Where there has been no demonstrable improvement, we have ceased purchases and removed the product from sale.

	FY 2009 (cubic metres)	FY 2008 (cubic metres)	FY 2007 (cubic metres)
Total timber purchases¹	2,051,000	2,351,000	2,997,000
Total certified²	77%	76%	65%

¹ This year's timber data does not include data relating to Stock Building Supply (see page 44 for more information). Data above relating to FY 2008 and FY 2007 has been restated to allow consistent comparison.

² Timber sourced from forests certified by recognised sustainable forestry schemes such as FSC, PEFC, SFI, CSA and MTCS.

FSC	Forest Stewardship Council
PEFC	Programme for the Endorsement of Forest Certification schemes
SFI	North American Sustainable Forestry Initiative
CSA	Canadian Standards Association (Sustainable Forest Management Standard)
MTCS	Malaysian Timber Certification Scheme

Corporate responsibility continued

Responsible business continued

The reduction in the Group's timber purchases this year, compared to previous years, is almost entirely due to the contraction of the markets in which we operate.

Wolseley operates chain of custody schemes in its European businesses that provide independently certified verification of the ownership of products throughout the supply chain.

Documentation to support the chain of custody is captured by our risk assessment system. Certification schemes have made the identification of sustainable timber much clearer for our customers.

Wolseley is an active member of the UK Timber Trade Federation ("TTF"), with which it has worked in close collaboration since 2004, helping to introduce the TTF's Responsible Purchasing Policy in 2006. From October 2009, all TTF members must demonstrate as a condition of membership a commitment to a process of due diligence in the supply of timber. Wolseley's timber risk assessment system meets this requirement.

Our aim is to be certain that all our timber is obtained from legal sources and from suppliers operating responsible forest management practices. Where we cannot be certain, we encourage our suppliers to make

efforts to improve their own practices and work towards credible certification. This helps us to ensure that, as well as being compliant with all applicable laws, our timber is sourced from sustainable forests.

Other product sourcing

A pilot project is underway in Wolseley UK to begin the process of verifying our suppliers' practices against our ethical sourcing standards. To achieve this, we will seek assurances from our suppliers regarding a number of social measures, including in relation to labour standards. It is intended that in time, the lessons learned from this UK project can be used to implement similar initiatives in other parts of the Group.

Community engagement

We will be a responsible member of the communities in which we work.

We aim to engage with the local communities where our operations are based, as well as nationally and internationally. We continue to build strong relationships with our neighbours, suppliers and customers in order to maximise our contribution to the communities that they, and we, support. As well as recognising the philanthropic benefits we can offer, our work in this area helps to improve the awareness and reputation of our businesses in their local communities and provides development opportunities for our employees.

It is important to our businesses to build strong relationships with their local communities and to encourage charitable initiatives. Our reputation and the trust we earn from local communities helps us to achieve our business objectives. For example, demonstrating our commitment to being a responsible trading partner helps us to attract and maintain good relationships with our customers and suppliers. It also ensures we remain an attractive, competitive employer.

Our employees and their businesses support many charities and community initiatives relevant to the countries and locations in which they operate. These are wide-ranging and include initiatives closely aligned with our business and its objectives, as well as charities for which our employees have a particular passion.

They include organisations engaged in health, welfare, sports, education, civic and community projects as well as culture and the arts. A number of established relationships have generated successful projects. For example, in the US we have worked for a number of years with Habitat for Humanity and in the UK the Company is a member of Business in the Community.

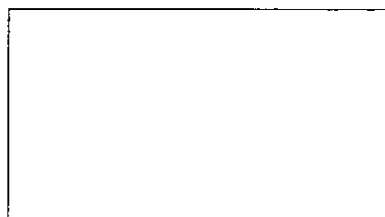
We have reviewed our approach to charitable giving during the year with the aim of achieving more effective relationships with selected partners. A Group policy on charitable donations will be introduced in the next financial year that will more closely align our charitable giving and our community engagement activity with our employee development programmes as well as with aspects of our operations and product offering. We will focus our efforts on the built environment, homelessness, sustainability and climate change, environmental conservation and remediation, waste management and recycling, water quality and sanitation as well as literacy, numeracy and work-based skills.

Further details of the amount of charitable donations the Group made during the year can be found on page 60.

More information about our CR programme, including further case studies, statistics and examples of our practices, awards and community engagement can be found on the Wolseley plc website at www.wolseley.com/corporate-responsibility.aspx.



Our Board



John W Whybrow ^{d,n}

Chairman

Appointment and election

Appointed to the Board on 1 August 1997 and became Chairman on 13 December 2002. Last re-elected in 2008 and standing for re-election in 2009.

Experience

Chairman of the Nominations Committee and a member of the Disclosure Committee. Mr Whybrow is a non executive director of DSG International plc and was Chairman of CSR plc from March 2004 until May 2007. 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. Mr Whybrow is Chairman of Petworth Cottage Nursing Home. Age 62.



Ian K Meakins ^{d,e,t}

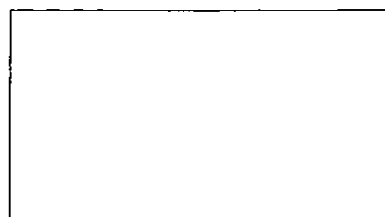
Group Chief Executive

Appointment and election

Appointed to the Board on 13 July 2009. Standing for election in 2009.

Experience

Mr Meakins was, until April 2009, Chief Executive of Travelex Holdings Ltd, the international foreign exchange and payments business. Previously he was Chief Executive Officer of Alliance UniChem plc until its merger with Boots in July 2006 and prior to that, was President, European Major Markets and Global Supply for Diageo plc, between 2000 and 2004, spending over 12 years with the company in a variety of international management positions. Mr Meakins is a director of the Impetus Trust. Age 53.



Robert H Marchbank ^e

Chief Executive Officer, Europe and Managing Director, Wolseley UK Limited

Appointment and election

Appointed to the Board on 24 January 2005. Last re-elected in 2008.

Experience

Mr Marchbank is responsible for all the European businesses. He first joined Ferguson Enterprises Inc. 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. Mr Marchbank took on full operational responsibility as MD for Wolseley UK and Ireland in July 2008. Age 49.



Gareth Davis ^{a,n,r}

Non Executive Director

Appointment and election

Appointed to the Board on 1 July 2003. Standing for re-election in 2009.

Experience

Senior Independent Director and a member of the Audit, Remuneration and Nominations Committees. Mr Davis has been Chief Executive of Imperial Tobacco Group plc since its incorporation in 1996, having spent the last 37 years in the tobacco industry. Age 59.



Andrew J Duff ^{n,r}

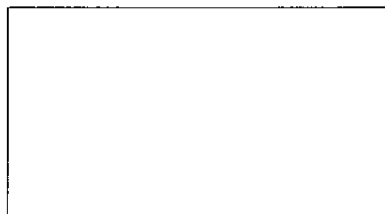
Non Executive Director

Appointment and election

Appointed to the Board on 1 July 2004 and last re-elected in 2007.

Experience

Chairman of the Remuneration Committee and a member of the Nominations Committee. Mr Duff is Chief Executive of RWE npower plc. He spent 16 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, the CBI Climate Change board and the Green Fiscal Commission and is also a fellow of the Energy Institute. Age 50.



James I K Murray ^{a,n}

Non Executive Director

Appointment and election

Appointed to the Board on 12 April 2002 and last re-elected in 2007.

Experience

Chairman of the Audit Committee and a member of the Nominations Committee. Mr Murray, a chartered accountant, 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 63.

Appointments since 31 July 2009

**Frank W Roach***Chief Executive Officer,
North America**Appointment and election**

Appointed to the Board on 16 December 2005. Standing for re-election in 2009.

Experience

Mr Roach is responsible for all the North American businesses. He first joined Ferguson Enterprises Inc. in 1976 and has 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 58.

**Stephen P Webster^{d, e, f}**

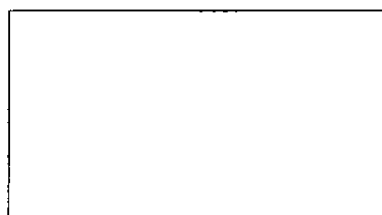
Chief Financial Officer

Appointment and election

Appointed to the Board on 1 August 1994. Last re-elected in 2008.

Experience

Mr Webster, a chartered accountant, was appointed as Group Finance Director on 9 December 1994. He is chairman of the Disclosure and Treasury Committees. He was formerly a partner in Price Waterhouse. Mr Webster was a Non Executive Director of Bradford & Bingley plc until November 2008. Age 56.

**Alain Le Goffⁿ**

Non Executive Director

Appointment and election

Appointed with effect from 1 September 2009. Standing for election in 2009.

Experience

Mr Le Goff retired as Executive Vice President, Supply of Reckitt Benckiser plc in March 2009, a position he had held for ten years. He joined Benckiser in 1986 as industrial director in France before moving to Germany in 1992, later becoming global logistics director. Mr Le Goff is currently a non executive director of Coty Inc., a US based leader in fragrances and of the holding company of the Birds Eye Iglo Group, a UK based leader in frozen food. Age 57.

**Nigel M Stein^{a, n, r}**

Non Executive Director

Appointment and election

Appointed to the Board on 1 December 2003 and standing for re-election in 2009.

Experience

A member of the Audit, Remuneration and Nominations Committees. Mr Stein, a chartered accountant, is currently Chief Executive Automotive of GKN plc and during his 15 years with this group has worked in a number of senior financial roles; he was, until September 2007, the Finance Director. Prior to GKN, he held senior financial positions with Laird Security Systems and Hestair Duple Limited. Age 53.

**Richard Shoykov^{d, e}**Group Company Secretary and
General Counsel**Appointment**

Joined Wolseley plc in November 2007.

Responsibilities

He is secretary to the Board and all Committees of the Board and is a member of the Disclosure and Executive Committees. Mr Shoykov, a solicitor, has responsibility for the Group's legal affairs, risk management and corporate responsibility. Age 44.

**Michael P Wareing^{a, n, t}**

Non Executive Director

Appointment and election

Appointed with effect from 1 October 2009. Standing for election in 2009.

Experience

Mr Wareing was International Chief Executive of KPMG from 2005 until he retired in September 2009, having previously been Chief Executive of KPMG's Europe, Middle East and Africa region. Joining KPMG in 1973, he worked in a variety of roles, as both advising major plc clients, including the audit partner, and running a large global organisation in his own right. Throughout his career Mr Wareing has been closely involved with a number of charities/public bodies, including his appointment in 2007 as the Prime Minister's Special Envoy for the reconstruction of Southern Iraq and Chairman of the Basra Development Commission. He is Chairman of CSR 360 and is also a Board member of Business in the Community and Business Action on Homelessness. Age 55.

* Member of the Audit Committee

^a Member of the Disclosure Committeeⁿ Member of the Executive Committee^r Member of the Nominations Committee^t Member of the Remuneration Committee^d Member of the Treasury Committee

Corporate governance report

Including the report of the Audit Committee

Compliance with the Combined Code

The Board is committed to the highest standards of corporate governance. It recognises that it is accountable to the Company's shareholders for good governance, to facilitate efficient and effective management in order to deliver shareholder value over the long term, within appropriately established risk parameters. The principal governance rules applying to UK companies listed on the London Stock Exchange are contained in the Combined Code on Corporate Governance (the "Code"), as adopted by the Financial Reporting Council (www.frc.org.uk/corporate) and most recently revised in June 2008. This report, together with the Directors' report and the Remuneration report, describes how the Board applied the principles of good governance, as contained in section 1 of the Code, and seeks to demonstrate how those principles have been applied, and continue to be applied, during the year under review.

The Board

The Board meets regularly during the year, as well as on an ad hoc basis as required by time critical business needs. During the year, the Company held additional Board and Board Committee meetings principally to consider and approve the technical aspects of the share placing and rights issue which was completed in April 2009; further details of this transaction are on pages 5 and 6. The Board's primary role is to provide effective and entrepreneurial leadership necessary to enable the Group's business objectives to be met and to review the overall strategic development of the Group as a whole. It has a formal schedule of matters reserved to it for its decision while day-to-day operational decisions are managed by the Executive Committee, as referred to on page 54.

Board composition

As at 31 July 2009, the Board of Directors was made up of nine members consisting of the Chairman, four Executive Directors and four Non Executive Directors. The Chairman and the Non Executive Directors are each 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 including the Chairman, despite the longevity of his tenure on the Board. The Board considers that each of the Non Executive Directors brings his own senior level of experience and expertise. In furtherance of the Board's objective to maintain the strength and breadth of expertise and experience on the Board, two additional Non Executive Directors will join the Board during the next financial year. Alain Le Goff has been appointed with effect from 1 September 2009 and Michael Wareing with effect from 1 October 2009. Additionally, Mr Wareing will take over from Mr Murray as chairman of the Audit Committee with effect from 1 January 2010. Biographical details of the Directors currently in office, as well as for the two new appointments, are shown on pages 50 and 51. 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 62 and 66. The distinct roles of Chairman and Group Chief Executive are acknowledged, set out in writing and agreed by the Board. Although now permitted under the Code, the Chairman has confirmed that he does not chair any other board of directors in the FTSE 100. Gareth Davis is the Company's Senior Independent Director. His role includes being available for approach or representation from investors and shareholders,

where communication through the Chairman or the Executive Directors may not seem appropriate. The Nominations Committee, as well as the Board as a whole, considers succession planning and the appropriate composition of the Board.

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 election and re-election at the 2009 Annual General Meeting are given below and in the Notice of Meeting.

Directors

Brief particulars of the Directors in office at the date of this report are listed on pages 50 and 51. The Directors offering themselves for re-election at the 2009 Annual General Meeting are Gareth Davis, Frank Roach and Nigel Stein. John Whybrow, having served on the Board for over nine years, is also standing for re-election. Each of these Directors, following a full performance evaluation during the year, continues to be considered by the Board to be effective and to demonstrate commitment to his respective role. In addition, following their respective Board appointments during the year, Ian Meakins, Alain Le Goff and Michael Wareing will each be standing for election.

Board procedures and responsibilities

A 12-month rolling programme of items for discussion by the Board is prepared to ensure that all matters reserved and other key issues are considered at appropriate times. The Board met 12 times during the year and Director attendance for each meeting is shown in the table on page 56. 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 matters reserved to it. Board papers and other information are delivered at times to allow Directors to be properly briefed in advance of meetings to ensure that they are provided with sufficient resources to undertake their duties.

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. This is supplemented by meetings, as required, with major shareholders, visits to key locations within the Group and meetings with members of the Executive Committee and other key senior executives. Meetings led by the Senior Independent Director 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 operating locations to help all Board members gain a deeper understanding of the business, whilst also providing senior managers from across the Group the opportunity to present to the Board and to meet the Directors on more informal occasions.

Board evaluation

During the year, the Board conducted a full evaluation of its own performance and that of its Committees and individual Directors, with the assistance of an external facilitator. The evaluation was carried out to assess the quality of the Board's decision-making, its overall contribution and value to the long-term benefit of the Company, and to its preparation for future challenges.

The facilitator carried out the evaluation process using a combination of comprehensive questionnaires, one-to-one interviews, observation of Board proceedings and a review of relevant Board and Committee papers. A consolidated report detailing the outcome of the evaluation exercise was prepared by the facilitator and presented to the Board for review and consideration. The evaluation report concluded that the Board, in comparison with other FTSE companies, rates highly in its effectiveness and in its engagement with and contribution to the business. A number of actions and improvements were identified for the medium to long term, including a recommendation to continue to address internal and external changes which could affect the business.

The Board and its Committees will continue to critically review their procedures, effectiveness and development throughout the year ahead and the Chairman has reiterated that should any Director have any concerns or observations which they wished to raise, these should be notified to him directly or to the Company Secretary, to be addressed appropriately.

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. Details of external directorships and any fees retained are shown on page 72.

Indemnities

In accordance with the Company's Articles of Association, the Company has always indemnified its Directors to the maximum extent permitted by law in respect of liabilities incurred as a result of their office. Qualifying third-party indemnity provisions (as defined in section 234 of the Companies Act 2006) have been granted to all Directors in office and to the Company Secretary and these remain in force as at the date of this report. The Company has also arranged appropriate insurance coverage in respect of legal action against its Directors and Officers. Neither the Company's indemnity nor insurance would provide any coverage to the extent that a Director is proved to have acted fraudulently or dishonestly.

Board committees

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 and activities of the various committees are summarised below. The Group Company Secretary, whose appointment and removal is a matter for the Board as a whole, acts as secretary to all Board committees.

Nominations Committee

The Nominations Committee consists of Messrs Davis, Duff, Murray, Stein and Whybrow, who chairs the Committee. Messrs Le Goff and Wareing became members of the Committee on their respective dates of appointment. Mr Whybrow would not chair the Committee or attend if it were to consider 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, as was the case for the new appointments to the Board as noted on page 52. The Committee also advises the Board on succession planning for Board appointments although the Board itself has overall responsibility for succession generally. The Committee meets as required and met six times during the year ending 31 July 2009. The matters discussed included the change of Chief Executive Officer, the appointment of two additional Non Executive Directors to the Board and changes to Committee membership. During the year, the Committee reviewed its terms of reference.

Remuneration Committee

The Committee consists of Messrs Davis, Stein and Duff, who chairs the Committee, all of whom are considered independent within the definition set out in the Code. Mr Whybrow stepped down from the Committee during the year. Whilst the Committee continues to consider Mr Whybrow as independent, it recognised that the length of his concurrent service on the Board with an Executive Director may appear to some observers to be inconsistent with that independence. The Committee met five times during the year and Director attendance for each meeting is shown in the table on page 56. The Committee has delegated authority to deal, on behalf of the Board, with all remuneration matters, including pension entitlements and any compensation payments. It is responsible for setting the remuneration of the Executive Directors and the Group Company Secretary in accordance with the remuneration policy approved by the Board. It is also responsible for determining the fees of the Chairman and for monitoring and approving the remuneration policy in relation to senior management below Board level. The Committee prepares, for the Board's approval, the Remuneration report, which is presented to shareholders at each Annual General Meeting.

During the year, the Committee reviewed and updated its terms of reference. The chairman of the Committee attends the Annual General Meeting to respond to any questions shareholders may raise on the Committee's activities.

Executive Committee

The Executive Directors of the Company together with the Group Chief Information Officer, the Director of Group Strategy and Investor Relations, the Group HR Director and the Group Company Secretary and General Counsel, meet at least eight times each year, usually prior to Board meetings. The Committee addresses operational business issues and is responsible for implementing strategy and Group policies, day-to-day management and monitoring business performance.

Treasury Committee

The Committee currently consists of the Group Chief Executive, the Chief Financial Officer, who chairs the Committee, and the Group Treasurer. Mr Wareing will join the Committee following his appointment on 1 October 2009. Mr Harding, the Director of Group Strategy and Investor Relations, will also join the Committee on that date. The Committee's role is to consider treasury policy, including financial structures and investments, tax strategy and hedging policies and certain transactions on behalf of the Group, within a framework delegated by the Board.

Disclosure Committee

The Committee consists of the Chairman, the Group Chief Executive, the Chief Financial Officer, who chairs the Committee, the Director of Communications and the Group Company Secretary and General Counsel. The Committee meets as required to deal with all matters relating to public announcements of the Company and, in particular, the Company's obligations under the Listing and Disclosure Rules of the UK Listing Authority. The Committee also assists in the design, implementation and periodic evaluation of the Company's disclosure controls and procedures.

Audit Committee

The Audit Committee has wide-ranging oversight responsibilities assigned to it by the Board. It reports regularly to the Board on compliance in relation to the business activities for which it has responsibility within its terms of reference.

The Committee consists of Messrs Davis, Stein and Murray, who chairs the Committee, all of whom are independent Non Executive Directors. 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. On his appointment on 1 October 2009, Mr Wareing will join the Committee and will then succeed Mr Murray, who will stand down after eight years, as Committee chairman with effect from 1 January 2010. Mr Murray will remain a member of the Committee until his retirement from the Board in September 2010.

Each member of the Committee brings relevant financial experience at a senior executive level; the expertise and experience of the members of the Committee are summarised on pages 50 and 51. The Board considers that each member of the Committee is independent within the definition set out in the Code. In addition, Mr Stein (having been until September 2007 Finance Director of GKN plc) and Mr Wareing (who was International Chief Executive of KPMG until his retirement in September 2009) provide the Board with the assurance it requires that the Committee has at least one member with significant, recent and relevant financial experience, as required by the Code. 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 may 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 and integrity of the financial statements;
- 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 56.

The Committee invites the Chairman, the Group Chief Executive, the Chief Financial Officer, the Director of Group Strategy and Investor Relations and the Head of Internal Audit, together with senior representatives of the Company's external auditors, to attend each meeting and receive its papers, although it reserves part of each meeting for discussions without the invitees present. Other senior executives are invited to present such reports as are required for the Committee to discharge its duties. The Audit Committee members meet the Head of Internal Audit and the external auditors without the presence of executive management at the end of each meeting. The chairman of the Committee reports to the subsequent meeting of the Board on the key issues covered by the Committee and the Board also receives copies of the minutes of each meeting. 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.

The Committee assists the Board to fulfil its responsibilities related to external financial reporting and associated announcements. During the year, the matters reviewed, either as a committee or subsequently by the Board, included:

- the Half Year and Full Year financial statements, including the requirements for financial reporting;
- the Half Year results and Annual Final results announcements made to the London Stock Exchange;
- the Company's Trading and Interim Management Statements and, where practicable, all proposed announcements to be made by the Company to the extent that they contained material financial information;
- the documentation relating to the capital reorganisation, share placing and rights issue;
- accounting and auditing issues;
- changes proposed to the Company's policies and practices;
- monitoring and reviewing the effectiveness of the internal audit function and reviewing the effectiveness and continued independence of the external auditor;

- litigation and contingent liabilities and tax matters, including contingencies against tax liabilities together with compliance with statutory tax obligations;
- fraud reports and the operation of the Company's whistle-blowing policy;
- the Company's risk management process; and
- the effectiveness of the Company's internal control procedures.

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.

PricewaterhouseCoopers LLP have been the Company's auditors for many years. The Committee is satisfied that their effectiveness and independence has not considered it necessary to require an independent tender process. To help reach this conclusion, an exercise was recently carried out, which included cost comparisons, to assure the Committee that the auditors continue to be cost-effective.

The Committee monitors the rotation of key partners within the external auditors from time to time in accordance with UK regulations. The Committee also scrutinises all proposals for non-audit work which is to be performed by the external auditors for the Company, 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:

- book-keeping services related to accounting records or financial statements;
- design and implementation of financial information systems;
- 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-approval by the Committee of any non-audit work subject to maximum budget 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 to the Committee any material departures from Group accounting policies and procedures that they identify during the course of their audit work. Within the constraints of applicable UK Ethical Standards, 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 reviewed 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. In accordance with its remit, the Committee reviewed and approved 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 issues which arose during the course of the audit and their resolution; key accounting and audit judgements; errors identified during the audit; and the recommendations made to management by the auditors and management's response.

The total fees paid to PricewaterhouseCoopers in the year ended 31 July 2009 were £13.4 million (2008: £9.2 million), of which £8.5 million (2008: £5.0 million) related to non-audit work. £2.8 million of the non-audit work fees were pursuant to work required in relation to the share placing and rights issue. Further disclosure of the non-audit fees paid during the year ended 31 July 2009 can be found in note 3 to the financial statements on page 91.

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.

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 Board retains overall responsibility for internal control and for the identification and management of business risk.

The Company's whistle-blowing policy, which is an extension of the Group-wide Code of Ethics, gives details of the international confidential telephone reporting hotlines which are operated on behalf of the Company by an independent third party. The hotlines are a confidential means for employees to notify any concerns about actual or potential breaches of law or company policy, including in relation to accounting, risk issues, internal controls, auditing issues and related matters. All matters reported are investigated and reported to the Committee. Statistics on the volume and general nature of all disclosures made are reported to the Committee on an annual basis. A copy of the Group's Code of Ethics is available on the Company's website at www.wolseley.com.

Meetings attendance

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

Number of meetings held during the year to 31 July 2009	Board	Meetings eligible to attend	Audit Committee	Meetings eligible to attend	Remuneration Committee	Meetings eligible to attend	Nominations Committee	Meetings eligible to attend
G Davis	11	(12)	4	(5)	5	(5)	6	(6)
A J Duff	9	(12)			5 ^a	(5)	6	(6)
C A S Hornsby	11	(11)						
R H Marchbank	12	(12)						
I K Meakins	1	(1)						
J I K Murray	11	(12)	5 ^a	(5)			5	(6)
F W Roach	12	(12)						
N M Stein	10	(12)	5	(5)	5	(5)	5	(6)
S P Webster	12	(12)						
J W Whybrow	12 ^a	(12)			2 ^b	(2)	6 ^a	(6)

a Chairman.

b Mr Whybrow stepped down from the Remuneration Committee in March 2009.

This table only shows those meetings which each Director attended as a member rather than as an invitee. Additional meetings were convened during the year at relatively short notice in relation to the share placing and rights issue. Owing to prior overseas business commitments which could not be re-scheduled at short notice, some Directors were not able to attend certain of those meetings.

Each year the Committee critically reviews its own performance and considers where improvements can be made. This year, the performance of the Committee was also evaluated in detail as part of the independent performance review, as referred to on page 53. The Committee's terms of reference were reviewed and updated during the year.

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 in addition to 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, including reputational risk, and this has been in place for the full financial year and up to the date on which the financial statements were approved and is regularly reviewed by the Board.

These systems are designed to manage rather than eliminate business risk; safeguard the Group's assets against material misstatement or 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 reviewed by the Board regularly to deal with changing circumstances.

Summaries of the key financial risks inherent in the Group's business are given in the Performance review on pages 37 to 38 and in note 29 on pages 110 to 114. Risk assessment and evaluation is an integral part of the Group's annual planning cycle. Each business documents the strategic objectives and the effectiveness of the Group's systems of internal control and, 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 actions taken.

Group operating companies also submit risk management and internal control representation letters biannually 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. These processes have been in place throughout the year ended 31 July 2009 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 the principal control structures and processes in place across the Group are described in more detail below.

Control processes

The Board reviews its strategic plans and objectives annually 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, acquisition and disposal projects, with designated levels of authority, supported by post-investment review processes for major acquisitions or disposals 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.

Risk management

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 process and internal control programme to the Chief Financial Officer. The detailed review of the risk management process and internal control has been delegated to the Audit Committee. During the financial year, the risk management programme was improved throughout the Group, with the introduction of an upgraded risk assessment and reporting process. This provides a more consistent analysis of risks, a more effective means of ensuring accountability, and a more rigorous means of measuring responses, identifying key risks and reviewing risk mitigation plans. The management team 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 and the improvements made have also been taken into account so as to reinforce the Company's internal control procedures. More information on the Group's approach to risk management is set out on pages 29 to 33.

Compliance statement

The Company applied all of the principles set out in section 1 of the Code for the period under review and has, throughout the year, complied with the detailed provisions set out therein. 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 their 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.

Substantial share interests

At the date of this report the Company had received notification of the following material shareholdings pursuant to the Disclosure Rules and Transparency Rules:

Name	Number of shares held (millions)	Percentage of issued voting share capital
Axa S.A.	37.41	13.182
UBS Global Asset Management – Traditional	15.67	5.522
Legal & General Group Plc (L&G)	11.42	4.023

Communication with shareholders

The Company places considerable importance on communication with its shareholders, including its employee shareholders. The Company has regular dialogue with institutional shareholders and meetings with shareholder representatives and promotes communication with private shareholders through attendance at the Annual General Meeting. 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 are discussed at its meetings. A key topic of discussion during the year was the Company's capital raising transaction, which was successfully completed in April 2009, following approval by shareholders at a General Meeting held on 1 April 2009.

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 Chairman also ensures that the Board as a whole 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 Full and Half Year Results is encouraged.

The Group's Half Year and Annual Final Results, as well as all announcements issued to the London Stock Exchange, are published on the Company's website, www.wolseley.com. During the year, the Company issued regular 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 Annual Report and Accounts are available to all shareholders either in paper form or electronically and can be accessed via the Company's website at www.wolseley.com or via Shareview, an internet service offered by the Company's Registrars, as detailed in Shareholder information on page 146.

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 Senior Independent Director and the chairmen of the Audit, Nominations and Remuneration Committees available to answer questions. Some questions may not be answered at the meeting, should they not be in the interests of the Company, involve the disclosure of confidential information or would not be to the good order of the meeting. The Chairman may also nominate a Company representative to answer a specific question after the Annual General Meeting or refer the response to the Company's website. The proxy votes received for and against 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 Stock Exchange and are published on the Company's website shortly after the meeting.

Annual General Meeting resolutions

The resolutions to be proposed at the Annual General Meeting to be held on 18 November 2009, together with explanatory notes, appear in the Notice of Annual General Meeting which has been posted to each shareholder. This document is also available on the Company's website at www.wolseley.com.

Directors' responsibility statement

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration report and the financial statements in accordance with applicable law and regulations.

UK company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs"), as adopted by the European Union, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP") (United Kingdom Accounting Standards and applicable law). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Company and Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs, as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and parent company financial statements respectively; and
- prepare the Group and parent company financial statements on the going concern basis.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Each of the Directors, whose names and functions are listed on pages 50 and 51, confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and loss of the Group; and
- the Performance review contained in the Report of the Directors includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

Other statutory information

Auditors and audit information

PricewaterhouseCoopers LLP are willing to continue as auditors of the Company and Resolution 10 in the Notice of Meeting concerning their reappointment, and Resolution 11 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, in respect of the consolidated financial statements for the financial year ended 31 July 2009, 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, in respect of the consolidated financial statements for the financial year ended 31 July 2009, of any relevant audit information and to establish that PricewaterhouseCoopers LLP are aware of that information.

Share capital and voting rights

Following the completion of the corporate transaction in April 2009, as detailed on pages 5 and 146, there were 283,839,366 fully paid ordinary shares of 10 pence each in issue and listed on the London Stock Exchange as at 31 July 2009. In addition, there were 886,988,540 deferred 24 pence shares outstanding at the year-end; such shares have no voting or dividend rights and are not able to be traded.

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.

The Company also has a Level 1 American Depositary Receipt ("ADR") programme in the USA for which the Bank of New York Mellon acts as Depositary. The ADRs are traded on the US over-the-counter market, where each ADR now represents one-tenth of a Wolseley plc ordinary share. Further details are given on page 146.

Restrictions on transfer of shares

There are no restrictions on the voting rights attached 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. The Company's Articles of Association may be amended by a special resolution of the Company's shareholders.

CREST

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

Share options

During the financial year ended 31 July 2009, options were exercised pursuant to the Company's share option schemes resulting in the allotment of 5,649 ordinary 25 pence shares (prior to the capital reorganisation) and 3,034 ordinary 10 pence shares. A further five ordinary 10 pence shares have been allotted under these schemes since the end of the financial year to the date of this report. Details of shares issued during the year are set out in note 33 to the financial statements.

Employee Benefit Trusts

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 69 to 71. The trustees of each of the trusts have waived their rights to receive dividends on any shares held by them. As part of the corporate transaction in April 2009, as detailed on pages 5 and 146, the Wolseley plc Employee Benefit Trust, which held over six million ordinary shares of 25 pence each, accepted in full the rights available. Consequently, at the date of this report, the Trust now holds 1,975,046 ordinary shares of 10 pence each.

Authority to issue shares

At the Annual General Meeting held in 2008, authority was given to the Directors to allot new 25 pence ordinary shares up to a nominal value of £34,503,353, equivalent to the authorised but unissued ordinary share capital at 22 September 2008. At the General Meeting held in April 2009 to approve the corporate transaction, further authority was given to the Directors to allot new 10 pence ordinary shares up to a nominal value of £20,604,321, in connection with one or more issues of relevant securities under the rights issue and, in addition, £8,700,000, equivalent to 87 million 10 pence ordinary shares. The Directors will propose (Resolution 13 in the Notice of Meeting) to seek authority to allot and grant rights to subscribe for or to converting securities into shares up to an aggregate nominal amount of £18,922,625, representing approximately two-thirds of the Company's issued share capital as at 28 September 2009, of which 94,613,125 shares (representing approximately one-third of the Company's issued ordinary share capital) may only be allotted pursuant to a fully pre-emptive rights issue. If approved at the forthcoming Annual General Meeting, the authority will expire at the conclusion of the Annual General Meeting to be held in 2010.

The limited power granted to the Directors at the Annual General Meeting in 2008 to allot equity shares for cash other than pro rata to existing shareholders will expire at the 2009 Annual General Meeting. Subject to the terms of the authority noted above, the Directors recommend (Resolution 14 in the Notice of Meeting) that they be empowered to allot equity securities, until the Annual General Meeting to be held in 2010. This authority shall be limited to the allotment of equity securities for cash, in connection with an open offer to existing shareholders in proportion to their existing holdings up to an aggregate nominal amount of £1,419,196, being 5 per cent of the ordinary share capital issued at the date of this report.

The Directors currently have no 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 13 and 14 to maintain the Company's flexibility in relation to future share issues, including any issues to finance business opportunities should appropriate circumstances arise.

Authority to purchase shares

In certain circumstances, it may be advantageous for the Company to purchase its own ordinary shares and a special resolution will be proposed at the Annual General Meeting (Resolution 15 in the Notice of Meeting) to renew the Directors' limited authority, last granted in 2008, to repurchase the Company's ordinary shares in the market. The authority will be limited to a maximum of 28,300,000 ordinary shares (being approximately 10 per cent of the Company's issued share capital at the date of this report) and sets the minimum and maximum prices which may be paid. The Directors will use this authority to purchase shares only after careful consideration, taking into account market conditions, other investment opportunities, appropriate gearing levels and the overall financial position of the Company. The authority will enable the Directors to continue to be able 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 purchased 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 purchased will be held in treasury. The authorities to be sought by each of Resolutions 14 and 15 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 authorities to be available to provide flexibility in the management of the Company's capital resources.

Change of control

The Company does not have agreements with any Director or Officer that would provide compensation for loss of office or employment resulting from a change of control following a takeover bid, except that provisions of the Company's share plans may cause options and awards granted under such schemes to vest on a takeover. 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 for a limited period of time upon a change of control following a takeover, reconstruction or winding-up of the Company (not being an internal organisation), subject at that time to rules concerning the satisfaction of any performance conditions.

Donations

The Group's charitable donations in 2009 totalled £1,555,000 (2008: £1,591,000).

At each of the Annual General Meetings held since 2002, shareholders have passed a resolution, on a precautionary basis, to approve donations to political organisations and to incur political expenditure (as such terms are defined in sections 362 to 379 of the Companies Act 2006). 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 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 Meeting in amounts not exceeding £125,000 in a total aggregate, 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 2009, the Company had no trade creditors (2008: nil). The amount of trade creditors for the Group as at 31 July 2009 was equivalent to 65 days (2008: 58 days) of trade purchases.

Employee communication and involvement

The Group places particular importance on involving its employees; keeping them regularly informed through informal bulletins, such as its management magazine "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 ("EWC") has been operating since 1996 to provide a forum for informing and consulting Europe-based employees on such matters as significant developments in the Group's operations, management's plans and expectations, organisational changes within the Group and also for employee representatives to consult Group management about concerns over any aspect of the Group's operations. At the date of this report, there were 27 EWC representatives of which 21 were employee representatives and six were management representatives. Employee representatives are appointed from each European country in which Wolseley operates, with more than one employee representative appointed from the UK, France and Denmark. All employees are offered a range of benefits depending on their local environment and are encouraged to become shareholders in the Company, where possible, through participation in the Company's share schemes.

UK pension schemes

During the year the Company consulted employees on changes to its pension arrangements. The following changes have been made to the Wolseley Group pension arrangements for future pension built up from 1 June 2009:

- with effect from 31 May 2009, the defined benefit schemes of the Wolseley Group Retirement Benefits Plan and the William Wilson Group Pension Scheme were closed to new members;
- Final Pensionable Salary for the Wolseley Group Retirement Benefits Plan and the William Wilson Group Pension Scheme for service from 1 June 2009 will be based on the average of the last five years' pensionable salary prior to retirement. Pension entitlement built up to 31 May 2009 will remain based on pensionable salary in the final year of employment. The same changes to final pensionable salary will be made to the Brooks Belfast Retirement Benefits Scheme, however, the effective date will be 1 July 2009. The benefits accrued prior to the effective date are not affected;
- the pension payable to a member's spouse for the Wolseley Group Retirement Benefits Plan will be 50 per cent of the member's pension. Pension accrued to 31 May 2009 is not affected by this change; and
- the Wolseley Group Defined Contribution Plan has been created for Wolseley employees based in the UK. All employees recruited from 1 June 2009 will be offered participation in this plan. In addition, employees who were in existing defined contribution arrangements within the Wolseley Group, transferred to the Wolseley Group Defined Contribution Plan from this date.

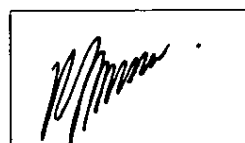
The Wolseley Group Defined Contribution Plan is a trust-based defined contribution pension scheme with three Company nominated trustees, one of whom is an independent trustee and two who are UK-based employees of the Group. In addition, there are three member nominated trustees, which are in the process of being selected. The chairman of the trustees is Wayne Phelan of PS Independent Trustees Limited.

The principal UK defined benefit scheme, which is now closed to new entrants, 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 and trustee directors are UK-based employees or former employees of the Group. The other main UK defined benefit scheme provides benefits for employees of the William Wilson Group, which has, with effect from July 2008, three member nominated trustees and three Company-nominated 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.

Employment policies

The Group remains committed to equality of opportunity in all of its employment practices. It is Group policy that the selection of employees for training, development and promotion should be determined solely on their skills, attributes and other requirements which are relevant to the job and which are in accordance with the laws of the country concerned. 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 management is responsible for maintaining high standards of health and safety and for ensuring that there is appropriate employee involvement in decision-making.

On behalf of the Board



Richard Shoytekov Group Company Secretary and General Counsel
28 September 2009

Remuneration report

For the year ended 31 July 2009

Dear Shareholder

The Remuneration Committee (the "Committee") reviewed the packages of the senior executives during the year, taking account of the current economic environment. To ensure the appropriateness of reward in the current challenging trading environment, the Committee recommended, and it was agreed, that there would be no increase in the base salaries for the current Executive Directors in the August 2009 review, and that, despite meeting some of the targets set at the start of the year, no bonuses would be paid in respect of 2008/9. Non Executive Directors' fees will also remain unchanged.

In addition, the Committee has made the following changes to remuneration:

- the face value of executive share options and long-term share incentive awards has been scaled back to reflect current share price volatility;
- a minimum standard of Company financial performance will be required for each Executive to be considered eligible for payment for strategic personal objectives; and
- in order to publicly demonstrate confidence in the long-term performance of the Company, every member of the Board will contribute between 10–15 per cent of their base salary or fees to invest in Wolseley plc shares during the course of this forthcoming financial year.

The Committee believes that these changes will further strengthen the link between performance and reward.

The Committee continues to appreciate the dialogue and feedback it receives from investors and it hopes to receive your support at the AGM on 18 November 2009.

Andrew J Duff Chairman of the Remuneration Committee

Introduction

This report, approved by the Board, has been prepared in accordance with the requirements of the Companies Act 2006 (the "Act") and the Listing Rules of the Financial Services Authority. Furthermore, the Board has applied the principles of good governance relating to Directors' remuneration contained within the Combined Code.

The Act requires the auditors to report to the Company's shareholders on the audited information within this report and to state whether, in their opinion, those parts of the report have been prepared in accordance with the Act. The auditors' opinion is set out on page 129 and those aspects of the report which have been subject to audit are clearly marked.

Remuneration Committee

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 of the Board, specific remuneration packages for each of the Executive Directors, the Chairman, the Company Secretary and members of the Executive Committee. 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 all employees.

The current members of the Committee, as detailed on page 53, consist of three Non Executive Directors, all of whom are independent within the definition set out in the Code. During the year, the Chairman stepped down as a member of the Committee. The Committee continues to consider Mr Whybrow as independent. The Company Secretary acts as its secretary. 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 remuneration. To inform decisions on executive remuneration, the Committee sources detailed external research on market data and trends from experienced independent consultants. Since 2003, the Committee has sought external advice from Hewitt New Bridge Street, who provide no other services to the Company.

The Committee met five times during the year, at which all eligible Committee members were in attendance. At these meetings, amongst other items, the Committee considered:

- review of remuneration policy, for both Executive Directors and Executive Committee members;
- determination of bonus performance criteria and a review of performance;
- operation and award levels under the long-term incentive plan and executive share option scheme;
- the suitability and appropriateness of the executive share option scheme five years after its approval by shareholders and awards in relation to all employee share plans; and
- Mr Hornsby's severance terms from the Company and the terms of the service agreement and remuneration and benefits for Mr Meakins as his successor as Group Chief Executive.

The Remuneration report 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 18 November 2009.

Policy on Directors' remuneration

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, taking into account 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 fully into account all of these individual elements in adopting a total approach to remuneration.

The Company's policy is that each of the packages should incorporate components linking individual and company performance, short- and long-term returns, as well as absolute and relative financial performance. None of the variable elements of remuneration are pensionable. 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 Committee believes that the choice of performance measures for the Company's incentive plans continues to be suitable and provides an appropriate mix and balance. The measures are earnings per share ("EPS") for executive share options and total shareholder return ("TSR") for long-term incentive awards. The targets are felt to be demanding for the next three years and align executives' interests with those of shareholders over this period.

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 total remuneration (salary, target and maximum amounts relating to bonus and the value of long-term incentive awards and executive share options granted during the financial year) for Executive Directors in office during financial year 2008/9.



Non Executive Directors

The remuneration of Non Executive Directors is made up of a basic fee plus an additional fee where a Non Executive Director acts as Chairman of either the Audit or Remuneration Committees or has been nominated as Senior Independent Director; details of these additional fees are listed below. 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.

Additional fees

Audit Committee Chairman	£16,000
Remuneration Committee Chairman	£12,000
Senior Independent Director	£10,000

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 be terminated upon six months' notice by either party. 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.

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 date of each service agreement and the year in which each Executive Director was last 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 for payable compensation.

Name of Director	Date of service agreement	Year of (re-)election
I K Meakins	13 July 2009	will stand in 2009
R H Marchbank	18 March 2005	2008
F W Roach	27 February 2006	2006
S P Webster	25 September 2002	2008

Remuneration report continued

Key elements of Executive Directors' remuneration in 2008/09:

Element	Objective	Performance period	Description	Policy
Base salary	To provide competitive base salary compensation to executives allowing the Company to attract and retain talented leaders.	Annual	Reviewed annually with effect from 1 August. Market-competitive base salaries are reviewed against suitable comparator companies based on size and sector and take into account business and personal performance, and local market conditions.	The target salary is set at mid-market, with the opportunity to go above this level, if there is sustained individual high performance. Compensation provided should be commensurate with the executive's contribution to the Company. The Committee intends to pay appropriately, based on skill, experience and performance achieved by the executive.
Annual bonus	To ensure market competitive package and link total cash reward to achievement of Company business objectives.	Annual	Maximum target ranges from 100% to 140% of base salary (differs by individual and geographical location).	The achievement of budgeted and stretching financial goals linked to corporate profitability metrics and the delivery of personal goals linked to the Company's overall strategic aims.
Pension	To aid retention and reward long service.	Ongoing	Maximum two-thirds of final salary based on service for Defined Benefit Scheme or up to 32% for Defined Contribution arrangements (differs by individual and geographical location).	For UK remunerated Executives, the provision of a market competitive benefit for retirement. For US remunerated Executives, the vesting criteria for the Senior Executive Retirement Plan is related to age and service.
Long Term Incentive Scheme and 2003 Executive Option Plan	To incentivise executives to achieve superior long-term performance and commitment to the goals of the Group; to align shareholder interests with executives'; retention of key individuals.	3 years	Maximum LTIS grant reduced from 150% to 125% of salary for financial year 2009/10. Maximum option grant reduced from 300% to 230% of salary for financial year 2009/10.	LTIS share awards are made annually to senior executives, other management and high performers. Vesting is conditional on Group TSR over the three year performance period, relative to a comparator group of principally FTSE 100 companies, excluding banks, telecommunications, IT and utility companies. Executive options are based on earnings per share growth targets over the same three-year performance period.

Executive Board changes

Prior to the annual review of remuneration, the Company announced on 30 June 2009 the appointment of Ian Meakins as Group Chief Executive with effect from 13 July 2009. The Committee agreed a package for Mr Meakins, which is considered to be competitive and appropriate to incentivise him to deliver the next phase of the Company's strategy. This comprised an annual base salary of £775,000, a maximum annual bonus for 2009/10 of 120 per cent of base salary, total awards in 2009/10 of executive share options and long-term incentive awards of 230 per cent and 125 per cent of base salary respectively, and a cash allowance of 32 per cent of base salary in lieu of joining the Company pension scheme.

The outgoing Group Chief Executive, Chip Hornsby, received the contractual severance terms of 12 months' salary and benefits. Under the respective share plan rules, all of his share options and long-term incentives lapsed. No bonus payment was made either for the financial year 2008/9 or his 12 month notice period.

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 mid-market, with the opportunity to go above this level, subject to sustained individual high performance.

The approach on basic salary for new appointments, in particular internal promotions, is to progress towards the mid-market, once expertise and performance has been proven and sustained. The payment of salaries at this level is considered appropriate for the motivation and retention of the calibre of executive required to ensure the successful management of the Company in the challenging international business environment in which it operates.

The Committee reviews the fees of the Chairman and the salaries of the Executive Directors annually, having sought the views of both the Chairman and the Group Chief Executive (other than in the case of their own remuneration). In recognition of the financial circumstances currently being faced by the Company, the Committee has agreed that base salaries for each Executive Director and the Executive Committee for the financial year commencing 1 August 2009 should remain unchanged from the amounts paid from 1 August 2008. The Board also agreed that the fees payable to the Non Executive Directors should also remain unchanged for the forthcoming financial year. The fees payable to the Chairman and Non Executive Directors and base salaries in respect of the Executive Directors for the financial year commencing on 1 August 2009 are therefore as follows: J W Whybrow £360,500; R H Marchbank \$964,100; F W Roach \$957,900; S P Webster £556,200 and, for each of the Non Executive Directors, £61,800 (exclusive of Committee fees).

Emoluments (audited)

The emoluments for 2008/9 payable from 1 August 2008 for the Directors who served during the financial year are set out below. The totals received by Messrs Hornsby, Marchbank and Roach were paid in US dollars and have been translated into sterling at the exchange rate \$1.5708:£1 (2008: \$2:£1):

Directors' remuneration	Salary and fees £000	Bonuses £000	Benefits £000	2009 Total £000	2008 Total £000
Chairman					
J W Whybrow	360.5	-	-	360.5	350
Executive Directors					
R H Marchbank ¹	613.8	-	247.7	861.5	900
I K Meakins ²	44.8	-	15.2	60.0	-
F W Roach ³	609.8	-	30.9	640.7	685
S P Webster ⁴	556.2	-	232.0	784.2	906
Non Executive Directors					
G Davis	71.8	-	-	71.8	70
A J Duff	73.8	-	-	73.8	72
J I K Murray	77.8	-	-	77.8	76
N M Stein	61.8	-	-	61.8	60
Former Director					
C A S Hornsby ⁵	871.6	-	108.2	979.8	1,222
Total	3,341.9	-	634	3,971.9	4,341
Pensions to former Directors	-	-	-	195	320
Pension contributions to money purchase plans	-	-	-	467	359
Total	-	-	-	662	679

1 Mr Marchbank elected to repay the 3 per cent increase received for financial year 2008/9 of \$28,100 (£17,891). The actual salary paid during the year in \$ is therefore unchanged from the figure reported in the 2007/8 Report and Accounts, but is subject to exchange rate variances. £155,547 (2008: £187,050) of the figure for benefits relates to his relocation from the USA to the UK.

2 Mr Meakins was appointed to the Board with effect from 13 July 2009. £14,708 of the figure for benefits relates to a cash supplement in lieu of payments into the Company pension scheme.

3 The actual salary paid during the year in \$ is unchanged from the figure reported in the 2007/8 Report and Accounts, but is subject to exchange rate variances.

4 £196,339 (2008: £190,620) of the figure for benefits relates to a cash supplement in lieu of payments into the Funded Unapproved Retirement Benefit Scheme.

5 Mr Hornsby stepped down from the Board with effect from 29 June 2009. This figure represents his emoluments to that date. Payments of salary and benefits to which he is entitled in connection with the cessation of his employment amount to \$1,932,934, which will be paid during the course of financial year 2009/10, which includes the \$298,700 pension contributions noted on page 67.

Remuneration report continued

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 2008/9, financial performance was measured equally by trading profit and cash flow metrics. These elements accounted for 80 per cent of the potential bonus with the balance depending on specific strategic personal objectives set for each Executive Director and member of the Executive Committee. Depending on their particular responsibilities and their performance, Executive Directors were eligible to receive up to 70 per cent for UK-based Directors and up to 110 per cent for US-based Directors, for on-target performance.

The performance of the Executive Directors and other non-Board members of the Executive Committee during the year would normally have allowed for them to receive a bonus payment relating to performance against both financial and personal targets. However, in order to ensure the appropriateness of reward in the current challenging trading environment, the Committee determined that no bonuses should be paid for financial year 2008/9 to any Executive Director or member of the Executive Committee. The total bonus "earned", but not paid, by the Executive Directors and the Executive Committee during the 2008/9 financial year, was an average of 56.1 per cent of salary.

For the year ending 31 July 2010, performance bonuses will be measured principally by trading profit and supported by cash flow and formally linked to the achievement of strategic personal goals. The financial components will continue to account for 80 per cent of the bonus with the balance depending on specific strategic personal objectives set for each Executive Director. A minimum standard of Company trading profit performance will be required for each executive to be considered eligible for payment for strategic personal objectives.

The Committee has determined that the following percentages of base salary will be paid as bonus, 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:		
	Minimum target	On-target	Maximum target
I K Meakins	80	100	120
R H Marchbank	40	70	100
F W Roach*	80	110	140
S P Webster	40	70	100

*US-based.

Share purchases from salary

For financial year commencing 1 August 2009, it was agreed, following recommendation by the Remuneration Committee, that the Group Chief Executive, the Chairman and the Non Executive Directors will have 15 per cent of base salary or fees withheld each month after tax has been paid in order to buy the equivalent value in the Company's shares. Each Executive Director will be required to commit 10 per cent of his salary on the same basis. Share purchases will take place on a quarterly basis, on pre-determined dates during 2009/10. All shares purchased will count towards the share ownership requirements as noted on page 68.

Benefits in kind

Benefits in kind consist of car benefits, healthcare insurance and, in the case of Mr Marchbank, expatriate living allowances following his relocation from the USA to the UK. 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.

Other senior executives

The non-Board members of the Executive Committee are senior executives whose roles are considered able to significantly influence the ability of the Group to meet its strategic objectives. The Committee determines the level of remuneration for this group, based on proposals from the Group Chief Executive. Their total remuneration including salary and benefits, actual bonus (which for the financial year 2008/9 was not paid) and the fair value of long-term incentives granted/awarded during the year ended 31 July 2009 is summarised below:

Total remuneration 2008/9 £000	Number in band (2007/8 in brackets*)
401–500	2 (4)
501–600	1 (1)
601–700	1 (2)

*These figures reflect changes made to the composition of the Executive Committee during financial year 2007/8.

Pensions (audited)

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 salary. 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.

Mr Webster is subject to the plan specific earnings cap on his benefits accrual, which for the Plan year 2008/9 was £117,600. 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 Benefit 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.

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 £1,800 (2008: £1,513).

The changes to the UK pension schemes outlined on page 61 have also been applied to Mr Webster's benefits.

The table below shows for Mr Webster, the amount of benefit accrued at the end of the year under the Group's defined benefit scheme as if he had left service on 31 July 2009, 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 Companies Act 2006. 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 table

Directors' Remuneration Report Regulations 2002						Listing Rules			
Age as at 31 July 2009	Pension accumulated 2009 £	Increase in pension 2009 £	Transfer value 2009 £	Transfer value 2008 £	Increase in transfer value 2009 net of contributions £	Pension accumulated 2009 £	Increase in pension 2009 net of revaluation £	Transfer value of the net of revaluation pension increase 2009 net of contributions £	
S P Webster	56	61,727	6,847	1,199,033	916,883	272,621	61,727	4,103	70,235

Notes: Mr Webster is building up benefits at the rate of 1/30ths of the earnings cap, payable from age 60. Mr Webster also has a FURBS to which no further contributions are payable and a cash allowance is paid.

Messrs Hornsby, Marchbank and Roach, who are US citizens, participated 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 until he left the Company on 29 June 2009. Bonus is not included in the calculation of Company pension contributions.

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

Group contributions to defined contribution plans for Executive Directors	2009 \$000*	2009 £000	2008 £000
C A S Hornsby (to 29 June 2009)	299	190	145
R H Marchbank	215	137	107
F W Roach	220	140	107

*Exchange rate used to convert the \$ to £ over the year to 31 July 2009 is 1.5708.

During his 30 year career, Mr Hornsby participated in Ferguson Enterprise, Inc.'s Executive Retirement Plans, which included the Supplemental Executive Retirement Plan ("SERP"), pursuant to which the Company contributed funding for certain pension benefits. In the accounts for the 2006/7 and 2007/8 financial years, this funding was disclosed as £126,000 and £145,000 respectively. As at the date of his cessation of employment, the value of Mr Hornsby's accumulated benefit under the SERP stood at \$2,801,803 (the "SERP retirement fund"). The SERP retirement fund had not vested at the date of cessation of employment. Recognising the longevity of Mr Hornsby's service of in excess of 30 years, the Remuneration Committee determined to pay Mr Hornsby a lump sum pension payment equivalent to the accumulated SERP retirement fund that had accrued. A further contribution of \$298,700 will be paid in the financial year 2009/10, representing the regular contribution to the SERP for his contractual notice period. After those payments have been made, the Company will not be liable to make any further payments in relation to Mr Hornsby's pension.

Brossette, a French subsidiary undertaking, has a commitment to a former Director, who is a French citizen, to pay an annual pension of €231,123 (2008: €228,891), 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 2009 was approximately £2.7 million (2008: £2.3 million).

Remuneration report continued

Capital reorganisation and share issue

Following the capital reorganisation and share issue which was completed during April 2009, the Committee reviewed, in accordance with the rules of each of the Company's share schemes, the appropriate adjustments to be made to reflect the dilutive effect of both transactions. The calculations were made in accordance with HM Revenue and Customs recommendations ("HMRC"). Such calculations were reviewed by the Company's auditors, who performed specific procedures to recalculate the adjustments made to outstanding awards, on the basis that the Directors of the Company deemed the adjustments to be fair and reasonable.

After adjustments had been made to outstanding awards to reflect the capital reorganisation, a further adjustment was made using the theoretical ex-rights price calculation ("TERP") as agreed with HMRC. All outstanding awards made under the Company's share plans were multiplied by a TERP factor of 2.398177677 and the respective option prices and market prices at allocation were multiplied by a factor of 0.416983283.

These formulae were designed to minimise the effect of the capital reorganisation and the share issue upon outstanding awards and, subject to roundings, ensured that the overall value of outstanding awards was the same after adjustment.

The adjustments made to the share incentive awards granted to employees across the Group during the 2008/09 financial year, allowing for lapses of awards in accordance with the scheme rules, which occurred after the relevant dates of grant and prior to the capital reorganisation and share issue, are shown below:

Scheme	Date of grant/ award	Original number of share awards/ options granted	Original award/ option price (pence)	Number of adjusted awards /options (outstanding in April 2009)	Adjusted award/ option price (pence)
Wolseley plc 2002 Long Term Incentive Scheme	October 2008	3,315,432	287.25	782,014	1197.78
Wolseley Share Option Plan 2003	October 2008	23,796,393	320	5,693,384	1334
Savings Related Share Option Schemes (UK and Ireland)	April 2009	9,492,134	168	2,252,630	701
Employee Share Purchase Plan	April 2009	3,269,857	178	718,450	743
Wolseley European Sharesave Plan	April 2009	1,916,272	178	458,473	743

Directors' interests in shares (audited)

The interests of the Directors in office at 31 July 2009, and of their connected persons, in the ordinary shares of the Company at the following dates were:

	Ordinary shares of 25 pence each held at 1 August 2008	Ordinary shares of 10 pence each held at 21 April 2009 following the capital reorganisation and share issue adjustments	Ordinary shares of 10 pence each held at 31 July 2009 and at the date of this report
G Davis	10,664	3,411	3,411
A J Duff	7,006	2,240	2,240
R H Marchbank	29,101	9,308	9,874
I K Meakins	–	–	–
J I K Murray	10,000	3,200	3,200
F W Roach	42,420	13,570	13,570
N M Stein	10,500	3,360	3,360
S P Webster	60,784	19,449	19,449
J W Whybrow	85,284	27,289	27,289

As a result of the capital reorganisation which was completed on 2 April 2009, each of the Directors noted above now holds a number of deferred shares of 24 pence each. These deferred shares hold no value or voting rights and accordingly, have not been disclosed in the table above.

Director 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 in value equivalent to the following levels:

Group Chief Executive	1.5 times basic salary
Other Executive Directors	1 times basic salary
Chairman and Non Executive Directors	1 times annual fees
Executive Committee members	0.5 times basic salary

For Executive Directors and members of the Executive Committee, share ownership may be achieved by retaining shares received as a result of participating in a Company share plan, after taking into account any 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. In addition, shares purchased from salary as detailed on page 66, will count towards the necessary targets. The Committee has reviewed and noted the progress which has been made towards meeting these targets during the year. Directors' current interest in shares are set out opposite.

Long-term incentives (audited)

The Company currently operates a long-term incentive plan under the Wolseley plc 2002 Long Term Incentive Scheme ("LTIS"), which was approved by shareholders in December 2002 and amended at the 2004 Annual General Meeting. The purpose of the LTIS is to reward executives for relative outperformance of the Company against a defined list of comparator companies. The LTIS (as amended) provides for awards of ordinary shares in the capital of the Company, subject to the Company meeting 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 align more closely the interests of the Executive Directors and senior executives with those of the Company's shareholders over the long term. Calculations of TSR are independently carried out and verified before being approved by the Committee.

The following performance conditions apply for awards made under the LTIS:

Wolseley's TSR position in the comparator group	Percentage of award which will vest
Top decile	100%
Between median and top decile	26-99%
At median	25%
Below median	0%

The lists of comparator companies for awards made under the LTIS 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 2009 awards under the LTIS.

The LTIS 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 may be 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. A total of 782,014 shares (as adjusted following the capital reorganisation and rights issue) were conditionally granted under the LTIS in October 2008 to 104 employees (2008: 127).

The maximum amount that can be granted under the amended LTIS for each award is 200 per cent of base salary per annum; however, awards made to date have not exceeded 125 per cent, or in the case of the Group Chief Executive 150 per cent, of base salary. Each year the Committee assesses the relevant proportion of awards arising from both share options and long-term incentive awards. Extant awards remain subject to the achievement of performance conditions following a participant's agreed retirement and vesting is only 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 2009:

Year of award	Percentage vested on maturity or indicative vesting percentage based on performance as at 31 July 2009
2004	0% (vested 31 July 2007)
2005	0% (vested 31 July 2008)
2006	0% (at 31 July 2009)
2007	0% (performance after 24 months)
2008	0% (performance after 12 months)

Details of the awards conditionally made under the LTIS to the Executive Directors in office during the year, the adjustments made as a result of the capital reorganisation and share issue, and the number of awards outstanding at 31 July 2009 are shown in the table below:

Name of Director	Interests in shares held at 1 August 2008	Interests awarded during the year ¹	Interests lapsed during the year ²	Interests in shares held following adjustments made in April 2009	Interests in shares held at 31 July 09 ³
C A S Hornsby	262,797	477,847	50,406	165,526	0 ⁴
R H Marchbank	121,068	205,643	27,817	71,676	71,676
F W Roach	110,829	204,321	19,409	70,920	70,920
S P Webster	151,133	193,629	42,147	72,568	72,568

¹ The share price on the date of the award was 287.25 pence per share. For comparison, this figure would be equivalent to 1197.8 pence after taking into account the adjustments required following the capital reorganisation and share issue (using the TERP factor of 0.416983283).

² Awards granted in 2005 did not pass their TSR performance conditions and all awards lapsed in October 2008 (before the capital reorganisation and rights issue).

³ The performance periods range from 1 August 2006 to 31 July 2011.

⁴ In accordance with the rules of the LTIS, all awards lapsed on 29 June 2009 as a consequence of Mr Hornsby's cessation of employment.

Executive share options (audited)

The Wolseley Share Option Plan 2003 ("2003 Option Plan") received shareholder approval at the Annual General Meeting held in November 2003. Consequently, no further options have been 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.

The purpose of the 2003 Option Plan is to reward executives for absolute EPS growth of the Company above UK inflation. All employees and Executive Directors of the Company and its subsidiaries are eligible to participate in the 2003 Option Plan. Participants are selected by the Committee at its discretion. The Committee considers annually the levels of grant, which are phased over time and determines 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 salary for UK and other Europe based executives, although the Committee may, if it so determines, also use the five times salary limit in exceptional circumstances.

No options may be granted more than ten years after the date on which the 2003 Option Plan was approved by the Company's shareholders. The Committee formally reviewed the 2003 Option Plan at its meeting held in October 2008 and concluded that it remained suitable and appropriate as part of the senior executive remuneration package.

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 Option 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 ten 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 Option 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 ten years. In addition, for US-based participants, the 2003 Option Plan is restricted such that the aggregate number of shares for which options may be granted to such participants during the life of the 2003 Option 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 2009, allowing for the requisite adjustments required following the capital reorganisation and share issue, awards had been granted resulting in shares being issued or capable of being issued during the preceding ten years under all of the Company's employee share plans representing 9.94 per cent of the issued ordinary share capital at that date

and 4.36 per cent of the issued ordinary share capital under the Company's discretionary share plans. These percentages remain high because the adjustment factors noted on page 68 are not applied to shares which have already been issued under the Company's share option schemes in the last ten years, the period used for this calculation.

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, measured from the year ended immediately prior to grant. The performance condition for options now granted under the 2003 Option Plan operates on the following sliding scale:

Multiple of salary worth of shares under option	Total margin of growth 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 Option 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 unvested options will lapse. Provided the performance condition has been satisfied, an option may be exercised at any time until it lapses, ten 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. Any 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.

In November 2008, 5,693,384 options (as adjusted following the capital reorganisation and rights issue) were granted under the 2003 Option Plan to 1,279 employees (2007: 1,370) across the Group at an adjusted option price of 1334 pence. The table on page 71 shows the number of share options awarded to Executive Directors in office during the year, the adjustments made to the executive share option schemes as a result of the capital reorganisation and share issue, and the number of awards outstanding as at 31 July 2009.

Directors' interests in share options (audited)

Name of Director	Options held at 1 August 2008	Options granted during the year	Options lapsed during the year	Adjusted number of options held following capital reorganisation and share issue at April 2009 ⁵	Options held at 31 July 2009	Original option price (p)	Adjusted option price (p)	Dates options normally exercisable
C A S Hornsby								
Executive Options	40,528			9,717	0 ⁴	949.00	3957.00	04.11.07 - 03.11.14
	117,179		117,179 ²	-	0 ⁴	1185.00	-	03.11.08 - 02.11.15
	165,402 ¹			39,662	0 ⁴	1201.00	5008.00	02.11.09 - 01.11.16
	264,983 ¹			63,546	0 ⁴	805.50	3359.00	02.11.10 - 01.11.17
		851,935 ¹		204,307	0 ⁴	320.00	1334.00	01.11.11 - 31.10.18
UK Sharesave	2,370		2,370	-	0	405.00	-	01.06.11 - 30.11.11
	-	5,446		1,304	0 ⁴	168.00	701.00	01.06.12 - 30.11.12
ESPP	554		554	-	0	431.00	-	01.05.09 - 18.05.09
	-	1,711		410	0 ⁴	178.00	743.00	01.05.10 - 19.05.10
R H Marchbank								
Executive Options	30,000			7,194	7,194	467.00	1947.00	12.11.04 - 11.11.11
	30,000			7,192	7,192	543.00	2264.00	04.11.05 - 03.11.12
	30,000			7,191	7,191	743.00	3098.00	27.11.06 - 26.11.13
	27,356			6,558	6,558	949.00	3957.00	04.11.07 - 03.11.14
	32,335			7,753	7,753	1100.00	4587.00	21.03.08 - 20.03.15
	62,869		62,869 ²	-	-	1185.00	-	03.11.08 - 02.11.15
	75,117 ¹			18,012	18,012	1201.00	5008.00	02.11.09 - 01.11.16
	114,034 ¹			27,346	27,346	805.50	3359.00	01.11.10 - 31.10.17
		366,633 ¹		87,923	87,923	320.00	1334.00	01.11.11 - 31.10.18
UK Sharesave	2,370		2,370	-	0	405.00	-	01.06.11 - 30.11.11
	-	5,446		1,304	1,304	168.00	701.00	01.06.12 - 30.11.12
ESPP	554		554	-	0	431.00	-	01.05.09 - 18.05.09
	-	1,711		410	410	178.00	743.00	01.05.10 - 19.05.10
F W Roach								
Executive Options	13,161			3,156	3,156	543.00	2264.00	04.11.05 - 03.11.12
	30,000			7,191	7,191	743.00	3098.00	27.11.06 - 26.11.13
	17,369			4,162	4,162	949.00	3957.00	04.11.07 - 03.11.14
	27,341		27,341 ²	-	-	1185.00	-	03.11.08 - 02.11.15
	50,000		50,000 ²	-	-	1281.00	-	18.01.09 - 17.01.16
	72,012 ¹			17,269	17,269	1201.00	5008.00	02.11.09 - 01.11.16
	113,303 ¹			27,171	27,171	805.50	3359.00	01.11.10 - 31.10.17
		364,275 ¹		87,357	87,357	320.00	1334.00	01.11.11 - 31.10.18
ESPP	-	1,711		410	410	178.00	743.00	01.05.10 - 19.05.10
S P Webster								
Executive Options	3,250		3,250 ³	-	-	381.00	-	13.11.01 - 12.11.08
	10,000			2,398	2,398	397.00	1655.00	21.10.02 - 20.10.09
	50,000			11,990	11,990	349.75	1458.00	23.10.03 - 22.10.10
	75,000			17,986	17,986	467.00	1947.00	13.11.04 - 12.11.11
	80,000			19,185	19,185	543.00	2264.00	05.11.05 - 04.11.12
	90,679			21,744	21,744	743.00	3098.00	28.11.06 - 27.11.13
	45,310			10,862	10,863	949.00	3957.00	05.11.07 - 04.11.14
	90,189		90,189 ²	-	-	1185.00	-	04.11.08 - 03.11.15
	94,233 ¹			22,594	22,594	1201.00	5008.00	03.11.09 - 02.11.16
	150,837 ¹			36,171	36,171	805.50	3359.00	02.11.10 - 01.11.17
		391,078 ¹		93,782	93,782	320.00	1334.00	01.11.11 - 31.10.18
UK Sharesave	2,370		2,370	-	-	405.00	-	01.06.11 - 30.11.11
	-	5,446		1,304	1,304	168.00	701.00	01.06.12 - 30.11.12

1 Options exercisable subject to meeting performance targets.

2 These options lapsed on 4 November 2008 as the 2005 grant did not pass the relevant EPS performance conditions.

3 Performance targets not passed prior to options reaching ten-year limit from date of grant.

4 In accordance with the rules of the Wolseley Executive Share Option Plan 2003, all options lapsed on 29 June 2009 as a consequence of Mr Hornsby's cessation of employment.

5 Outstanding options were subject to an adjustment following the capital reorganisation and share issue to reflect the dilutive effect of these transactions.

The total number of shares held under option outstanding at 21 April 2009, following the capital reorganisation adjustment, was multiplied by a TERP factor of 2.398177677. The respective option prices were multiplied by a TERP factor of 0.416983283.

No options under either the executive or savings related share option schemes were exercised during the year ended 31 July 2009. The highest mid-market price of the Company's ordinary 25 pence shares (prior to the capital reorganisation and share issue) was 494 pence and the lowest was 140.4 pence. After the capital reorganisation and share issue, the highest mid-market price of the Company's ordinary 10 pence shares was 2632 pence and the lowest was 980 pence. The price of the Company's ordinary 10 pence shares on 31 July 2009 was 1339 pence.

Savings related share option schemes (audited)

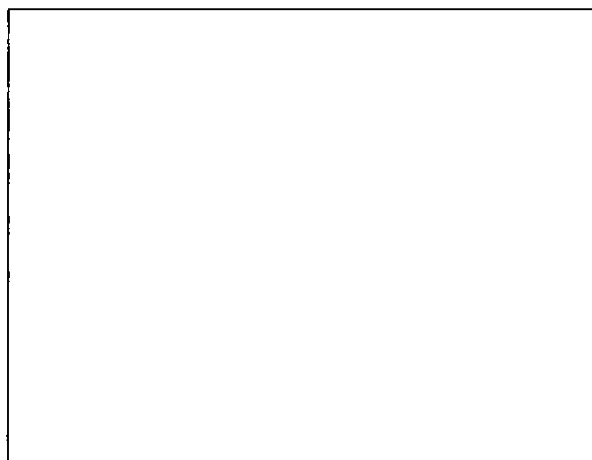
The UK- and US-based Executive Directors may, along with all eligible employees, also participate in the UK Savings Related Share Option Scheme ("UK sharesave") and the Employee Share Purchase Plan ("ESPP") respectively. Under the UK sharesave, participants can enter into a savings contract for three, five or seven years, up to a maximum level of £250 per month (over all contracts) and are granted options to subscribe for shares in the Company. Under the ESPP, a US Code 423 Plan, US participants may enter into a one-year savings contract to a maximum level of no more than \$400 per month (the savings amount is linked to the £250 UK savings amount and is therefore adjusted for exchange rate purposes). The Board may determine that the options granted under either scheme may be awarded at a discount. The maximum discount, which was applied to the 2009 awards, is for the UK sharesave scheme 20 per cent and for the ESPP 15 per cent of the average market prices used to determine the price of the award. Similar schemes are also offered to employees across Europe under the Wolseley European Sharesave Plan ("WESP") and in Ireland under the Wolseley Irish Sharesave Scheme.

Following the adjustments made for the capital reorganisation and share issue, and allowing for lapses completed after the date of grant, a total of 1,176,923 options were granted in April 2009 to 4,068 employees in North America under the ESPP and 614 employees across Europe under the WESP, at an adjusted option price of 743 pence per share. In the UK and Ireland, a total of 2,252,630 options were granted at an adjusted option price of 701 pence per share to 3,588 employees in the UK and 89 employees in Ireland.

The table on page 71 sets out the number of share options granted to Executive Directors during the year under the UK sharesave and ESPP, the adjustments made as a result of the capital reorganisation and share issue, and the number of options outstanding as at 31 July 2009.

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 2009. The FTSE 100 Index has been chosen as being a broad equity market index consisting of companies comparable in size and complexity to Wolseley.

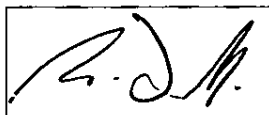


External directorships

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 for 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 Webster was, until November 2008, a non executive director of Bradford & Bingley plc, for which the annual rate of his fees was £70,000. The amount received during the financial year prior to his stepping down as a director of this company was £17,500.

This report has been approved by the Board for submission to shareholders at the Annual General Meeting to be held on 18 November 2009 and is signed on its behalf by the Chairman of the Committee.

On behalf of the Board



Andrew J Duff Chairman of the Remuneration Committee
28 September 2009

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Group income statement

Year ended 31 July 2009

	Notes	2009 Before exceptional items £m	2009 Exceptional items (note 4) £m	2009 Total £m	2008 Before exceptional items (restated) £m	2008 Exceptional items (restated) (note 4) £m	2008 Total (restated) £m
<i>Continuing operations</i>							
Revenue	2	14,441	–	14,441	14,814	–	14,814
Cost of sales		(10,436)	(28)	(10,464)	(10,632)	(1)	(10,633)
Gross profit		4,005	(28)	3,977	4,182	(1)	4,181
Distribution costs		(2,831)	(266)	(3,097)	(2,738)	(61)	(2,799)
Administrative expenses:							
amortisation of acquired intangibles		(105)	–	(105)	(105)	–	(105)
impairment of acquired intangibles		(490)	–	(490)	(57)	–	(57)
other		(743)	(164)	(907)	(693)	(8)	(701)
Administrative expenses: total		(1,338)	(164)	(1,502)	(855)	(8)	(863)
Other income		16	–	16	36	–	36
Operating (loss)/profit	2, 3	(148)	(458)	(606)	625	(70)	555
Finance revenue	5	72	–	72	72	–	72
Finance costs	6	(217)	–	(217)	(228)	–	(228)
Share of after tax loss of associate	7	(9)	(6)	(15)	–	–	–
(Loss)/profit before tax		(302)	(464)	(766)	469	(70)	399
Tax income/(expense)	8	(72)	106	34	(182)	25	(157)
(Loss)/profit from continuing operations		(374)	(358)	(732)	287	(45)	242
Loss from discontinued operations	9	(265)	(176)	(441)	(164)	(4)	(168)
(Loss)/profit for the year attributable to equity shareholders		(639)	(534)	(1,173)	123	(49)	74
(Loss)/earnings per share	11						
<i>Continuing operations and discontinued operations</i>							
Basic (loss)/earnings per share				(558.0)p			41.0p
Diluted (loss)/earnings per share				(558.0)p			40.9p
<i>Continuing operations only</i>							
Basic (loss)/earnings per share				(348.2)p			134.0p
Diluted (loss)/earnings per share				(348.2)p			133.8p
<i>Non-GAAP measures of performance</i>							
	11, 12						
<i>Continuing operations only</i>							
Trading profit		447			787		
Profit before tax, exceptional items and the amortisation and impairment of acquired intangibles		293			631		
Basic earnings per share before exceptional items and the amortisation and impairment of acquired intangibles		95.6p			240.3p		
Diluted earnings per share before exceptional items and the amortisation and impairment of acquired intangibles		95.5p			239.9p		

The income statement for 2008 has been restated to present Stock Building Supply as a discontinued operation.

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

Group statement of recognised income and expense

Year ended 31 July 2009

	Notes	2009 £m	2008 £m
(Loss)/profit for the financial year		(1,173)	74
Net exchange adjustments offset in reserves	35	280	129
Actuarial losses on retirement benefits	32	(115)	(135)
Available-for-sale investments reclassified and reported in net profit for the year		-	13
Valuation loss on interest rate swaps (less amounts reclassified and reported in net income)		(20)	-
Tax credit not recognised in the income statement	8	42	33
Net gains not recognised in the income statement		187	40
Total recognised (expense)/income for the year attributable to shareholders		(986)	114

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

Directors' report - Business review

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Financial statements

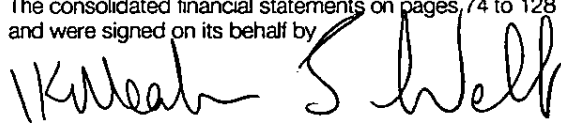
Other information

Group balance sheet

As at 31 July 2009

	Notes	2009 £m	2008 £m
Assets			
Non-current assets			
Intangible assets: goodwill	14	1,514	1,995
Intangible assets: other	15	709	841
Property, plant and equipment	16	1,593	1,842
Investment in associate	17	53	–
Financial assets: available-for-sale investments	18	3	4
Deferred tax assets	19	244	52
Trade and other receivables	21	116	96
Derivative financial assets	23	34	–
		4,266	4,830
Current assets			
Inventories	20	1,624	2,025
Trade and other receivables	21	1,983	2,804
Current tax receivable		124	18
Financial assets: trading investments	22	155	5
Derivative financial assets	23	23	16
Financial receivables: construction loans (secured)	24	163	237
Cash and cash equivalents	25	635	321
		4,707	5,426
Assets held for sale	26	88	43
Total assets		9,061	10,299
Liabilities			
Current liabilities			
Trade and other payables	27	2,586	2,956
Current tax payable		173	219
Borrowings: construction loans (unsecured)	24	163	237
Bank loans and overdrafts	28	42	276
Obligations under finance leases	30	12	19
Derivative financial liabilities	23	25	8
Provisions	31	122	60
Retirement benefit obligations	32	33	22
		3,156	3,797
Non-current liabilities			
Trade and other payables	27	59	68
Bank loans	28	1,657	2,440
Obligations under finance leases	30	59	68
Derivative financial liabilities	23	11	–
Deferred tax liabilities	19	176	235
Provisions	31	244	118
Retirement benefit obligations	32	308	214
		2,514	3,143
Liabilities of disposal groups held for sale	26	15	–
Total liabilities		5,685	6,940
Net assets		3,376	3,359
Shareholders' equity			
Called up share capital	33	241	165
Share premium account	35	1,152	949
Foreign currency translation reserve	35	228	(52)
Retained earnings	35	1,755	2,297
Equity shareholders' funds		3,376	3,359

The consolidated financial statements on pages 74 to 128 were approved by the Board of Directors on 28 September 2009 and were signed on its behalf by



Ian K Meakins
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 2009

	Notes	2009 £m	2008 £m
Cash flows from operating activities			
Cash generated from operations	36	1,200	1,262
Interest received		66	70
Interest paid		(231)	(205)
Tax paid		(27)	(99)
Net cash generated from operating activities		1,008	1,028
Cash flows from investing activities			
Acquisition of businesses (net of cash acquired)	37	(18)	(199)
Disposals of businesses (net of cash disposed of)		(15)	16
Purchases of property, plant and equipment		(91)	(219)
Proceeds from sale of property, plant and equipment		172	84
Purchases of intangible assets		(66)	(98)
Purchases of investments		(155)	–
Disposals of investments		5	–
Net cash used in investing activities		(168)	(416)
Cash flows from financing activities			
Proceeds from the issue of shares to shareholders	35	999	4
Purchases of shares by Employee Benefit Trusts	35	(5)	–
Proceeds from new borrowings		–	283
Repayments of borrowings and derivatives		(1,437)	(529)
Finance lease capital payments		(26)	(19)
Dividends paid to shareholders		–	(215)
Net cash used by financing activities		(469)	(476)
Net cash generated		371	136
Effects of exchange rate changes		24	7
Net increase in cash, cash equivalents and bank overdrafts		395	143
Cash, cash equivalents and bank overdrafts at the beginning of the year	39	203	60
Cash, cash equivalents and bank overdrafts at the end of the year	39	598	203

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

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Group accounting policies

Year ended 31 July 2009

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 2006 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.

Accounting standards and interpretations adopted during the year

During the year the following interpretation of published standards was adopted by the Group:

IFRIC 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"

The adoption of this interpretation has not had a significant impact on the Group's financial position or results of operations.

Exceptional items

Exceptional items are those material items which, by virtue of their size or incidence, are presented separately in the income statement to enable a full understanding of the Group's financial performance. These exclude impairments of acquired intangibles which are also presented separately in the income statement. Transactions which may give rise to exceptional items include restructurings of business activities and gains or losses on the disposal of businesses.

Consolidation

The consolidated financial information includes the results of the parent company and its subsidiary undertakings drawn up to 31 July 2009.

The trading results of businesses other than discontinued operations acquired or sold during the year are included in profit on ordinary activities from continuing operations from the date of acquisition or up to the date of sale.

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

Discontinued operations

When the Group has disposed of or intends to dispose of a business component that represents a separate major line of business or geographical area of operations it classifies such operations as discontinued. The post-tax profit or loss of the discontinued operations is shown as a single line on the face of the income statement, separate from the other results of the Group. The income statement for the comparative periods is restated to show the discontinued operations separate from the continuing operations.

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.

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 collectability 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.

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.

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 reporting segments determined in accordance with IFRS 8 "Operating Segments".

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 and disposal groups 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. Where a group of assets and their directly associated liabilities are to be disposed of in a single transaction, such disposal groups are also classified as held for sale. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition, and management must be committed to and have initiated a plan to sell the asset or disposal group 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. Assets or disposal groups that are classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 per cent and 50 per cent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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 substantively 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.

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. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity. 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. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

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 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 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 plan 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 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 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. Examples of such evidence include significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the loss is recognised in the income statement. Trade receivables are written off against the provision when recoverability is assessed as being remote. Subsequent recoveries of amounts previously written off are credited to the income statement.

Construction loans

Construction loan receivables are secured loans made to builders to finance the construction of properties or the purchase of land. These receivables are financed from bank facilities which have a purpose clause under which the Group can borrow to finance construction loan receivables, but only to the extent that it has sufficient receivables to offset these borrowings. This clause has the consequence that any borrowings designated for this purpose are repayable when the corresponding receivables are either collected or go into default. In the latter case, amounts not expected to be recoverable have to be funded from the Group's normal facilities.

Accordingly, the Group restricts the amount designated as construction loan borrowings to the recoverable amount of the loan portfolio. This amount is then disclosed separately in the financial statements as it is not considered part of the Group's net debt. The construction loan borrowings are classified as a current liability since the amounts are repayable when the corresponding receivables are collected, and the receivables are classified as current assets.

Construction loan 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 construction loan 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. Examples of such evidence include significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows collectible from the debtor or recoverable from the disposal of the asset on which the receivable is secured, discounted at the original effective interest rate. The amount of the loss is recognised in the income statement. Construction loan receivables are written off against the provision when recoverability is assessed as being remote. Subsequent recoveries of amounts previously written off are credited to the income statement.

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 only has two classes of shares, ordinary and deferred shares, which are both 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.

Financial assets

The Group classifies its financial assets 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 financial assets were acquired. Management determines the classification of its financial assets 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 financial asset within 12 months of the balance sheet date.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets 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.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a Group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in the income statement.

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 on certain risks retained by the Group.

Share-based payments

Share-based incentives are provided to employees under the Group's executive share option, long-term incentive and employee 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 re-measured 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 re-measured 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.

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 2009

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, onerous lease provisions, 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. The amount relating to continuing operations charged to the income statement in 2009 in respect of doubtful accounts represented 0.9 per cent of revenue (2008: 0.5 per cent).

Wolseley held a provision for impairment of receivables at 31 July 2009 amounting to £81 million (2008: £79 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 2009 amounting to £151 million (2008: £160 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 value in use 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.

As disclosed in notes 14, 15 and 16, the Group has charged £879 million in respect of the impairment of long-lived assets during the year ended 31 July 2009 (2008: £186 million).

The results of these tests for impairment are sensitive to the assumptions made in the value in use calculations. The Group has estimated the effect of increasing the discount rate by one percentage point, and of decreasing the trading margin for each asset group by one percentage point in the final year of the cash flow forecast. The additional impairment charge that would arise under either of these alternative assumptions is less than 5 per cent of the carrying amount of goodwill and acquired intangible assets of £2,057 million at 31 July 2009.

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 global 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 the estimates 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 2009, the provision for claims arising from this insurance was £57 million (2008: £51 million).

1. Critical accounting estimates and judgements continued

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 half way through the financial year. The Group has agreements with numerous and geographically dispersed suppliers, but a slow down 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.

Onerous lease provisions

When the present value of the future cash flows receivable from the operation of leased assets is less than the present value of the rental payments to which the Group is committed, the Group applies the shortfall firstly against the carrying amount of the assets, and then provides for any further onerous element of the contract. Determining the amount of such provision requires estimating the future net cash flows receivable in respect of these assets, and in the particular case where the leased properties are vacant this requires assessing the likely period for which the property will remain vacant, the cost of any works required to enhance its marketability and the rental income receivable when the property is sublet. To the extent that actual cash flows received differ from those estimated, the amount of provision recognised could differ materially. During the year ended 31 July 2009 the number of vacant properties has increased significantly due to branch closures. At 31 July 2009, the provision for onerous leases was £124 million.

Impairment of construction loan receivables and foreclosed properties held for sale

A provision for impairment of construction loan receivables is made when management estimates that the present value of future cash flows recoverable in respect of these receivables is less than the carrying amount. Determining the amount of such provision requires estimating the amount and timing of such future cash flows, which requires an assessment of

- the financial condition of the debtor;
- the ability of the debtor to meet contractual payments; and
- in the event that the Group forecloses on the property on which the receivable is secured, the likely cost of enhancing the marketability of the property, the likely disposal proceeds, and the likely period for which the property will be held to maximise such proceeds.

To the extent that actual amounts recovered differ from those estimated, the amount of provision recognised could differ materially. At 31 July 2009, the provision for impairment of construction loans receivables was £39 million (2008: £18 million) and the provision against foreclosed properties held for sale was £18 million (2008: £4 million).

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 32.

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 life expectancy. The Group has estimated the sensitivity of the financial statements to changes in these assumptions as follows:

	(Increase)/ decrease in liability 2009 £m
Effect of a change in discount rate	
Increase of 0.5%	92
Decrease of 0.5%	(104)
Effect of an increase in life expectancy	
Increase of one year	(34)

2. Segmental analysis

Wolseley's reportable segments, which are those reported to the Board, are the operating businesses overseen by distinct continental and divisional management teams responsible for their performance. All reportable segments derive their revenue from a single business activity, the distribution and supply of construction materials and services.

In 2009 management responsibility for heavy-side businesses in Eastern Europe was transferred from Central and Eastern Europe to the Nordic management team. These businesses are therefore now included in the Nordic segment results. The comparative figures for 2008 have been restated to reflect the transfer of £93 million of revenue and £3 million of operating loss from Central and Eastern Europe to Nordic. The effect on trading profit is not material. The amounts reported in 2008 for the US building materials segment have also been restated. The part of the business sold is presented as discontinued operations and the construction loan business retained is shown as North America loan services.

The Group's business is not highly seasonal but revenue and trading profit are normally slightly higher in the second half. The Group's customer base is highly diversified, with no individually significant customer.

The revenue, trading profit and operating (loss)/profit of the Group's reportable segments are detailed in the following three tables.

	2009 £m	2008 (restated) £m
Revenue by reportable segment for continuing operations		
UK and Ireland	2,699	3,203
France	2,144	2,116
Nordic	2,113	2,290
Central and Eastern Europe	965	908
Europe	7,921	8,517
US plumbing and heating	5,820	5,613
Canada	700	684
North America	6,520	6,297
Group	14,441	14,814

	2009 £m	2008 (restated) £m
Trading profit by reportable segment for continuing operations (note 12)		
UK and Ireland	55	176
France	32	103
Nordic	96	159
Central and Eastern Europe	-	-
European central costs	(4)	(10)
Europe	179	428
US plumbing and heating	317	397
Canada	32	39
North America plumbing and heating	349	436
North America loan services	(24)	(19)
North American central costs	(8)	(8)
North America	317	409
Group central costs	(49)	(50)
Group	447	787

2. Segmental analysis continued

	2009 £m	2008 (restated) £m
Operating (loss)/profit by reportable segment and reconciliation to (loss)/profit before tax for continuing operations		
UK and Ireland	(251)	99
France	9	80
Nordic	(329)	103
Central and Eastern Europe	(108)	(15)
European central costs	(7)	(14)
Europe	(686)	253
US plumbing and heating	206	349
Canada	25	32
North America plumbing and heating	231	381
North America loan services	(55)	(19)
North American central costs	(8)	(8)
North America	168	354
Group central costs	(88)	(52)
Group operating (loss)/profit	(606)	555
Finance revenue	72	72
Finance costs	(217)	(228)
Share of after tax loss of associate	(15)	-
(Loss)/profit before tax	(766)	399

The change in revenue and trading profit between the years ended 31 July 2008 and 31 July 2009 can be analysed into the effects of changes in exchange rates, the effects of disposals 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.

	2008 (restated) £m	Exchange £m	Disposals £m	Increment on 2008 acquisitions £m	Organic change £m	Organic change %	2009 £m
Analysis of change in revenue							
UK and Ireland	3,203	46	-	1	(551)	(17.0)	2,699
France	2,116	342	(20)	22	(316)	(12.9)	2,144
Nordic	2,290	299	-	-	(476)	(18.4)	2,113
Central and Eastern Europe	908	158	(15)	9	(95)	(8.9)	965
Europe	8,517	845	(35)	32	(1,438)	(15.4)	7,921
US plumbing and heating	5,613	1,533	-	12	(1,338)	(18.7)	5,820
Canada	684	61	-	-	(45)	(6.0)	700
North America	6,297	1,594	-	12	(1,383)	(17.5)	6,520
Group	14,814	2,439	(35)	44	(2,821)	(16.4)	14,441

2. Segmental analysis continued

Analysis of change in trading profit (note 12)	2008 £m	Exchange £m	Disposals £m	Increment on 2008 acquisitions £m	Organic change £m	Organic change %	2009 £m
UK and Ireland	176	–	–	–	(121)	(68.7)	55
France	103	17	(1)	1	(88)	(73.0)	32
Nordic	159	22	–	–	(85)	(47.1)	96
Central and Eastern Europe	–	3	1	–	(4)	(127.4)	–
European central costs	(10)	–	–	–	6		(4)
Europe	428	42	–	1	(292)	(62.0)	179
US plumbing and heating	397	108	–	2	(190)	(37.6)	317
Canada	39	4	–	–	(11)	(25.6)	32
North America plumbing and heating	436	112	–	2	(201)	(36.7)	349
North America loan services	(19)	(5)	–	–	–	3.1	(24)
North American central costs	(8)	(3)	–	–	3		(8)
North America	409	104	–	2	(198)	(38.4)	317
Group central costs	(50)	1	–	–	–		(49)
Group	787	147	–	3	(490)	(52.3)	447

2. Segmental analysis continued

Other segmental information:

For the year ended 31 July 2009	UK and Ireland £m	France £m	Nordic £m	Central and Eastern Europe £m	US plumbing and heating £m	Canada £m	North America loan services £m	Group centre £m	Discontinued operations £m	Total £m
Depreciation of property, plant and equipment	52	35	24	12	85	4	-	1	15	228
Impairment of property plant and equipment	34	-	-	8	-	-	-	-	16	58
Amortisation of non-acquired intangibles	1	-	1	2	3	-	-	12	-	19
Impairment of non-acquired intangibles	-	-	-	3	-	-	-	40	-	43
Amortisation of acquired intangibles	14	3	55	1	31	1	-	-	12	117
Impairment of acquired intangibles	109	-	359	22	-	-	-	-	288	778
	210	38	439	48	119	5	-	53	331	1,243
Additions to property, plant and equipment	19	30	25	5	10	2	-	-	3	94
Additions to non-acquired intangible assets	-	1	-	-	2	-	-	74	-	77
	19	31	25	5	12	2	-	74	3	171
Segment assets	1,394	1,188	1,847	417	2,237	305	207	195	-	7,790
Reconciliation to total assets as reported in the Group balance sheet:										
Investment in associate										53
Deferred tax assets										244
Financial assets – current and non-current										158
Current tax receivable										124
Derivative financial assets										57
Cash and cash equivalents										635
Total assets as reported in the Group balance sheet										9,061
Segment liabilities	927	565	546	220	856	106	165	145	-	3,530
Reconciliation to total liabilities as reported in the Group balance sheet:										
Current tax payable										173
Bank loans and overdrafts										1,699
Obligations under finance leases										71
Derivative financial liabilities										36
Deferred tax liabilities										176
Total liabilities as reported in the Group balance sheet										5,685

Notes to the consolidated financial statements continued
Year ended 31 July 2009

2. Segmental analysis continued

For the year ended 31 July 2008	UK and Ireland £m	France £m	Nordic £m	Central and Eastern Europe £m	US plumbing and heating £m	Canada £m	North America loan services £m	Group centre £m	Discontinued operations £m	Total £m
Depreciation of property, plant and equipment	52	30	20	10	68	4	-	1	27	212
Amortisation of non-acquired intangibles	1	-	1	2	2	-	-	9	-	15
Impairment of non-acquired intangibles	-	-	-	12	-	-	-	3	-	15
Amortisation of acquired intangibles	19	2	52	3	27	2	-	-	30	135
Impairment of acquired intangibles	46	-	-	11	-	-	-	-	114	171
	118	32	73	38	97	6	-	13	171	548
Additions to property, plant and equipment	50	33	30	14	92	4	-	1	11	235
Additions to non-acquired intangible assets	-	-	-	17	2	-	-	80	-	99
	50	33	30	31	94	4	-	81	11	334
Additions to goodwill	10	37	-	4	22	-	-	-	11	84
Additions to acquired intangible assets	3	10	-	-	36	-	-	-	15	64
Segment assets	1,857	1,315	2,222	522	2,427	326	264	156	794	9,883
Reconciliation to total assets as reported in the Group balance sheet:										
Deferred tax assets										52
Financial assets – current and non-current										9
Current tax receivable										18
Derivative financial assets										16
Cash and cash equivalents										321
Total assets as reported in the Group balance sheet										10,299
Segment liabilities	833	666	553	201	767	111	240	98	206	3,675
Reconciliation to total liabilities as reported in the Group balance sheet:										
Current tax payable										219
Bank loans and overdrafts										2,716
Obligations under finance leases										87
Derivative financial liabilities										8
Deferred tax liabilities										235
Total liabilities as reported in the Group balance sheet										6,940

3. Amounts charged in arriving at operating (loss)/profit

	2009 £m	2008 (restated) £m
Depreciation of property, plant and equipment	213	185
Impairment of property, plant and equipment	42	–
Amortisation of non-acquired intangible assets	19	15
Impairment of non-acquired intangible assets	43	15
Loss/(profit) on disposal of businesses and revaluations of disposal groups	40	(6)
Loss/(profit) on disposal of property, plant and equipment and assets available-for-sale	6	(15)
Staff costs (note 13)	2,131	1,984
Amortisation of acquired intangible assets	105	105
Impairment of acquired intangible assets	490	57
Operating lease rentals: land and buildings	222	195
Operating lease rentals: plant and machinery	35	34
Amounts included in costs of goods sold with respect to inventory	9,438	10,219
Amounts credited to reverse write downs of inventory	(13)	(21)
Trade receivables impairment	90	60
Construction loan receivables impairment	38	16
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	0.6	0.6
Other services		
– Fees for the audit of the Company's subsidiaries pursuant to legislation	4.3	3.6
– Fees for other services pursuant to legislation	2.8	0.8
– Taxation	5.4	4.1
– Other services	0.3	0.1
Total fees payable to the auditors	13.4	9.2

The increase in the fees for the audit of the Company's subsidiaries is due to foreign currency movements. The fees for other services pursuant to legislation of £2.8 million relate to the share placing and rights issue. These costs have been recognised in equity as part of the net proceeds of the share placing and rights issue.

Operating lease rentals: land and buildings shown above excludes exceptional charges of £153 million relating to future lease rentals on vacant properties (2008: £17 million).

4. Exceptional items

Exceptional items are those material items which, by virtue of their size or incidence, are presented separately in the income statement to enable a full understanding of the Group's financial performance.

Exceptional items included in operating profit from continuing operations are analysed by segment as follows:

	2009 £m	2008 (restated) £m
UK and Ireland	(183)	(12)
France	(20)	(21)
Nordic	(11)	(3)
Central and Eastern Europe	(85)	(2)
European central costs	(3)	(4)
Europe	(302)	(42)
US plumbing and heating	(80)	(21)
Canada	(6)	(5)
North America plumbing and heating	(86)	(26)
North America loan services	(31)	–
North America	(117)	(26)
Group central costs	(39)	(2)
Group	(458)	(70)

4. Exceptional items continued

Exceptional items included in operating profit from continuing operations are analysed by purpose as follows:

	2009 £m	2008 (restated) £m
Staff redundancy costs	(75)	(29)
Provisions for future lease rentals on closed branches and asset write-downs	(271)	(41)
Restructuring costs	(346)	(70)
Write-down of construction loan portfolio arising from the separation from Stock Building Supply	(31)	–
Impairment of software assets under construction	(41)	–
Loss on disposal of businesses and revaluations of disposal groups	(40)	–
Group	(458)	(70)

In addition the Group's associate undertaking also incurred restructuring costs during the year. The Group's share of the after tax cost of these restructuring actions of £6 million has been disclosed as an exceptional item.

Exceptional items relating to discontinued operations are detailed in note 9.

5. Finance revenue

	2009 £m	2008 (restated) £m
Interest receivable	72	69
Net pension finance income (note 32)	–	3
Total finance revenue – continuing operations	72	72

Net income receivable on construction loans included in finance revenue and finance costs amounted to £8 million (2008: £12 million).

6. Finance costs

	2009 £m	2008 (restated) £m
Interest payable		
– Bank loans and overdrafts	193	200
– Finance lease charges	5	5
Discount charge on receivables funding arrangements	12	–
Net pension finance cost (note 32)	10	–
Valuation (gains)/losses on financial instruments		
– Derivatives held at fair value through profit and loss	(43)	(22)
– Loans in a fair value hedging relationship	37	23
– Ineffectiveness recognised in respect of cash flow hedges	1	–
– Change in fair value of available-for-sale investment	2	9
– Available-for-sale investment losses recycled from equity	–	13
Total finance costs – continuing operations	217	228

In 2008, the Group determined that an equity holding in Building Materials Holding Corporation categorised as an available-for-sale investment was impaired. The cumulative loss as at 31 July 2007 of £13 million that had been recognised in equity was accordingly recycled from equity and recognised in finance costs in 2008 along with the £9 million fair value reduction experienced in the year. A further £2 million impairment has been charged in 2009.

7. Share of after tax loss of associate

	2009 £m	2008 £m
Share of after tax loss of Saturn Acquisition Holdings LLC before exceptional items	(9)	–
Share of after tax exceptional items of Saturn Acquisition Holdings LLC	(6)	–
Share of after tax loss of Saturn Acquisition Holdings LLC	(15)	–

On 6 May 2009 the Group sold 100 per cent of the shares of its subsidiary Stock Building Supply Holdings LLC to Saturn Acquisition Holdings LLC in exchange for 49 per cent of the voting rights and common equity of Saturn Acquisition Holdings LLC and nominal consideration. Since 6 May 2009 additional non-voting equity has been issued by Saturn Acquisition Holdings LLC such that as at 31 July 2009 the Group had a 44.43 per cent interest in its common equity.

Summarised income statement information in respect of Saturn Acquisition Holdings LLC for the period from 6 May 2009 to 31 July 2009 is set out below:

	Period ended 31 July 2009 £m
Revenue	110
Loss after tax	(33)

The loss after tax includes an after tax exceptional charge of £14 million relating to further restructuring actions taken by Saturn Acquisition Holdings LLC of £60 million, offset by the release of liabilities as part of its Chapter 11 administration process of £46 million. The Group's share of this after tax exceptional charge of £6 million has been recorded as an exceptional item.

8. Taxation

	2009 £m	2008 (restated) £m
The tax (credit)/charge for the year comprises:		
Current year tax charge	139	211
Adjustments to tax charge in respect of prior years	(9)	15
Total current tax charge	130	226
Deferred tax credit: origination and reversal of temporary differences	(164)	(69)
Total tax (credit)/charge – continuing operations	(34)	157

	2009 £m	2008 (restated) £m
Tax on items credited/(charged) to equity		
Deferred and current tax credit on actuarial loss on retirement benefits	36	37
Deferred tax credit on available-for-sale investments	6	2
Deferred tax charge on available-for-sale investments reclassified and reported in net profit	–	(6)
Total tax on items credited to equity	42	33

	2009 %	2008 (restated) %
Tax reconciliation:		
Statutory UK corporation tax rate	28	29
Prior year amounts	2	(5)
Non-deductible amortisation and impairment of acquired intangibles	(19)	8
Other non deductible and non-taxable items	(9)	1
Higher average tax rates in overseas companies	2	6
Effective tax rate on (loss)/profit before tax – continuing operations	4	39

The standard rate of Corporation Tax in the UK changed from 30 per cent to 28 per cent with effect from 1 April 2008. Accordingly, the Company's profits were taxed at an effective rate of 29.3 per cent in 2008 and were taxed at an effective rate of 28 per cent in 2009.

8. Taxation continued

	2009 £m	2008 (restated) £m
The tax expense can be analysed as follows:		
UK	(26)	78
Overseas	156	148
Current tax – continuing operations	130	226
UK	(49)	(38)
Overseas	(115)	(31)
Deferred tax – continuing operations	(164)	(69)

9. Discontinued operations

On 6 May 2009, the Group completed the sale of Stock Building Supply Holdings LLC which comprised the majority of its US Building Materials segment. In accordance with IFRS 5, “Non-current assets held for sale and discontinued operations”, this business has been classified as discontinued and prior periods have been restated on a consistent basis.

(a) The results of the discontinued operations, which have been included in the consolidated income statement, are as follows:

	2009 Before exceptional items £m	2009 Exceptional items £m	2009 Total £m	2008 Before exceptional items £m	2008 Exceptional items £m	2008 Total £m
Revenue	1,140	–	1,140	1,735	–	1,735
Cost of sales	(896)	–	(896)	(1,330)	–	(1,330)
Gross profit	244	–	244	405	–	405
Operating expenses:						
amortisation of acquired intangibles	(12)	–	(12)	(30)	–	(30)
impairment of acquired intangibles	(288)	–	(288)	(114)	–	(114)
other	(361)	(156)	(517)	(509)	(6)	(515)
Operating expenses: total	(661)	(156)	(817)	(653)	(6)	(659)
Operating loss before tax	(417)	(156)	(573)	(248)	(6)	(254)
Tax credit	152	61	213	84	2	86
Loss on disposal of Stock	–	(159)	(159)	–	–	–
Tax credit on loss on disposal of Stock	–	78	78	–	–	–
Loss from discontinued operations	(265)	(176)	(441)	(164)	(4)	(168)

Earnings per share

Discontinued operations

Basic loss per share	(209.8)p	(93.0)p
Diluted loss per share	(209.8)p	(93.0)p

The exceptional items included in operating loss before tax from discontinued operations relate to restructuring actions before the disposal and comprise staff redundancy costs of £9 million and provisions for future lease rentals on closed branches and asset write-downs of £147 million.

The loss on disposal of Stock is a provisional figure and may be adjusted when final working capital balances have been agreed with the purchaser. Any adjustments that may be required will be recorded in discontinued operations in future.

9. Discontinued operations continued

(b) Taxation

	2009 £m	2008 £m
Current year tax credit	(75)	(54)
Adjustments to tax charge in respect of prior years	–	–
Total current tax credit	(75)	(54)
Deferred tax credit: origination and reversal of temporary differences	(138)	(32)
Total tax credit from discontinued operations excluding tax on loss on disposal of Stock	(213)	(86)

(c) Cash flows from discontinued operations included in the cash flow statement are as follows:

	2009 £m	2008 £m
Net cash (used in)/generated from operating activities	(64)	39
Net cash used in investing activities	(12)	(46)
Net cash used in financing activities	–	–
Net cash used in discontinued operations	(76)	(7)

10. Dividends

	2009 £m	2008 £m
Final paid for the year ended 31 July 2008 of nil (year ended 31 July 2007: 21.55 pence)	–	141
Interim paid for the year ended 31 July 2009 of nil (year ended 31 July 2008: 11.25 pence)	–	74
Total nil (2008: 32.80 pence per share)	–	215
Proposed final for the year ended 31 July 2009 of nil (year ended 31 July 2008: nil)	–	–

11. (Loss)/earnings per share

Basic loss per share from continuing and discontinued operations of 558.0 pence (2008: earnings per share of 41.0 pence) is calculated on the loss for the year attributable to shareholders of £1,173 million (2008: profit of £74 million) on a weighted average number of ordinary shares in issue during the year.

Basic loss per share from continuing operations of 348.2 pence (2008: earnings per share of 134.0 pence) is calculated on the loss after tax from continuing operations of £732 million (2008: profit of £242 million) on a weighted average number of ordinary shares in issue during the year, excluding those held by Employee Benefit Trusts, of 210 million (2008: restated number of 181 million). As detailed in note 12 below, the Group believes that profit measures before exceptional items and the amortisation and impairment of acquired intangibles provide valuable additional information for users of the financial statements. Basic earnings per share from continuing operations, before exceptional items and the amortisation and impairment of acquired intangibles, has, therefore, been presented in the following table:

	2009	2008 (restated)
Continuing operations		
Before exceptional items and the amortisation and impairment of acquired intangibles	95.6p	240.3p
Add back: exceptional items (net of tax)	(170.3)p	(24.9)p
Add back: amortisation and impairment of acquired intangibles (net of deferred tax)	(273.5)p	(81.4)p
Basic (loss)/earnings per share	(348.2)p	134.0p

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 211 million (2008: restated number of 181 million). The diluted loss per share from continuing operations is also 348.2 pence (2008: earnings per share of 133.8 pence). Diluted earnings per share from continuing operations before exceptional items and the amortisation and impairment of acquired intangibles is 95.5 pence (2008: 239.9 pence).

12. Non-GAAP measures of performance

Trading profit is defined as operating profit before exceptional items and the amortisation and impairment of acquired intangibles. It is a non-GAAP measure. Exceptional items are material non-recurring items which are excluded from trading profit to enable a clear and consistent presentation of the Group's underlying financial performance. In addition, 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 or impairment of acquired intangibles was recognised), businesses that have developed organically (where no intangibles are attributed) and those businesses more recently acquired (where amortisation and impairment 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.

	2009 £m	2008 (restated) £m
Continuing operations		
Operating (loss)/profit	(606)	555
Add back: amortisation and impairment of acquired intangibles	595	162
Add back: exceptional items	458	70
Trading profit	447	787
Loss/(profit) before tax	(766)	399
Add back: amortisation and impairment of acquired intangibles	595	162
Add back: exceptional items	464	70
Profit before tax and exceptional items and the amortisation and impairment of acquired intangibles	293	631

13. Employee information and Directors' remuneration

	2009 £m	2008 (restated) £m
Employee benefit costs		
Wages and salaries	1,765	1,654
Social security costs	282	261
Pension costs – Defined contribution schemes (note 32)	43	37
Pension costs – Defined benefit schemes (note 32)	32	27
Share options granted to Directors and employees	9	5
Total employee benefit costs – continuing operations	2,131	1,984

Details of Directors' remuneration and share options are set out in the Remuneration report on pages 62 to 72, which form part of these financial statements. The aggregate emoluments for all key management are set out in note 40.

	2009	2008 (restated)
Average weekly number of employees		
UK and Ireland	13,731	15,372
France	9,666	10,725
Nordic	7,036	7,643
Central and Eastern Europe	2,904	3,965
Europe	33,337	37,705
US plumbing and heating	19,054	22,153
Canada	2,691	2,857
North America plumbing and heating	21,745	25,010
North America loan services	50	59
North America	21,795	25,069
Group – continuing operations	55,132	62,774

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

14. Intangible assets – goodwill

	£m
Cost	
At 1 August 2008	2,155
Exchange rate adjustment	250
Disposals and transfers	(356)
At 31 July 2009	2,049
Accumulated impairment losses	
At 1 August 2008	160
Exchange rate adjustment	55
Impairment charge for the year	669
Disposals and transfers	(349)
At 31 July 2009	535
Net book amount at 31 July 2009	1,514

	£m
Cost	
At 1 August 2007	1,892
Exchange rate adjustment	185
Additions	84
Disposals	(6)
At 31 July 2008	2,155
Accumulated impairment losses	
At 1 August 2007	2
Exchange rate adjustment	5
Impairment charge for the year	153
At 31 July 2008	160
Net book amount at 31 July 2008	1,995

The carrying value of goodwill by segment is as follows:

	2009 £m	2008 £m
UK and Ireland	299	408
France	245	226
Nordic	475	760
Central and Eastern Europe	45	76
Europe	1,064	1,470
US plumbing and heating	365	305
Canada	85	79
North America plumbing and heating	450	384
North America loan services	–	–
North America	450	384
Discontinued operations	–	141
Group	1,514	1,995

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14. Intangible assets – goodwill continued

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 per cent to 4 per cent), and discounted back to present value. The discount rate assumptions use an estimate of the Group's weighted average cost of capital, based on the five year 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 per cent to 14 per cent.

Impairment tests were performed for all CGUs during the year ended 31 July 2009. These impairment reviews have resulted in the recording of an impairment charge of £490 million in respect of continuing operations and £288 million in respect of discontinued operations relating to goodwill and acquired intangible assets held by the following businesses:

DT Group (Nordic)

DT Group has experienced a significant downturn in its markets and is forecasting this to continue over the short and medium terms, with a gradual recovery to levels of activity below those it experienced in recent years. As a result of reflecting these reduced expectations in its value in use calculations, the Group has recognised a goodwill impairment charge of £359 million in respect of the Stark, Silvan and Starkki divisions of DT Group.

UK

Wolseley UK has experienced a significant deterioration in its markets in the year and is forecasting this to continue over the short and medium term. As a result of reflecting these reduced expectations in its value-in-use calculations, the Group has recognised a goodwill impairment charge of £109 million in respect of the Electric Center, Build Center, Brandon Hire and Encon divisions of UK and Ireland.

Benelux (Central and Eastern Europe)

The Group's business in Benelux has performed below expectations at the time of the acquisition of the Centrtec business in Belgium, and the Group has reappraised the likely levels of revenue and margin that can be achieved in the long term. An impairment loss of £22 million (goodwill £21 million and other intangible assets £1 million) has been calculated on a value-in-use basis.

Stock (discontinued operations)

Prior to its disposal, the Group announced its intention to exit the US Building Materials sector and performed an impairment review at that time. Accordingly, the Group regarded Stock as a single CGU and considered it appropriate to write off all the remaining goodwill and intangible assets of the business, resulting in an impairment charge of £288 million (goodwill £180 million and other intangible assets £108 million).

15. Intangible assets – other

	Software £m	Trade names and brands £m	Customer relationships £m	Other £m	Total £m
Cost					
At 1 August 2008	205	323	657	43	1,228
Exchange rate adjustment	4	22	103	5	134
Additions	77	–	–	–	77
Disposals and transfers	(3)	(4)	(234)	(7)	(248)
At 31 July 2009	283	341	526	41	1,191
Accumulated amortisation and impairment losses					
At 1 August 2008	50	61	257	19	387
Exchange rate adjustment	2	5	46	–	53
Amortisation charge for the year	19	25	84	8	136
Impairment charge for the year	43	1	106	2	152
Disposals and transfers	(3)	(4)	(233)	(6)	(246)
At 31 July 2009	111	88	260	23	482
Net book amount at 31 July 2009	172	253	266	18	709

	Software £m	Trade names and brands £m	Customer relationships £m	Other £m	Total £m
Cost					
At 1 August 2007	107	281	570	23	981
Exchange rate adjustment	2	40	37	8	87
Additions	99	2	50	12	163
Disposals	(3)	–	–	–	(3)
At 31 July 2008	205	323	657	43	1,228
Accumulated amortisation and impairment losses					
At 1 August 2007	23	24	136	8	191
Exchange rate adjustment	–	4	10	2	16
Amortisation charge for the year	15	24	102	9	150
Impairment charge for the year	15	9	9	–	33
Disposals	(3)	–	–	–	(3)
At 31 July 2008	50	61	257	19	387
Net book amount at 31 July 2008	155	262	400	24	841

Software assets are generally either purchases from third parties or internally generated. Other intangible assets arise on business combinations. Included in the amounts above are £134 million (2008: £132 million) relating to assets under construction.

The Group continues to restrict capital expenditure on its Business Change Programme and as a consequence, certain software assets under development with a book value of £41 million will not be implemented and used as was originally intended and have therefore been impaired. In addition a further £2 million of software assets have been impaired as a result of restructuring actions.

More details on the impairment charge for the year in respect of trade names and brands and customer relationships is provided in note 14.

16. Property, plant and equipment

	Land and buildings			Plant machinery equipment £m	Total £m
	Freehold £m	Finance lease £m	Operating leasehold improvements £m		
Cost					
At 1 August 2008	1,329	79	270	1,157	2,835
Exchange rate adjustment	133	8	37	169	347
Disposal of businesses	(73)	–	(21)	(209)	(303)
Additions	28	1	9	56	94
Disposals and transfers	(78)	(5)	(33)	(167)	(283)
Property reclassified as held for sale	(35)	–	–	(20)	(55)
At 31 July 2009	1,304	83	262	986	2,635
Accumulated depreciation					
At 1 August 2008	191	17	127	658	993
Exchange rate adjustment	20	2	15	110	147
Disposal of businesses	(22)	–	(13)	(168)	(203)
Depreciation charge for the year					
– owned assets	40	–	–	139	179
– leased assets	–	3	31	15	49
Impairment charge for the year					
– owned assets	19	–	–	27	46
– leased assets	–	9	3	–	12
Disposals and transfers	(14)	(5)	(16)	(125)	(160)
Property reclassified as held for sale	(6)	–	–	(15)	(21)
At 31 July 2009	228	26	147	641	1,042
Owned assets	1,076	–	115	311	1,502
Assets under finance leases	–	57	–	34	91
Net book amount – 31 July 2009	1,076	57	115	345	1,593
Net book amount – 1 August 2008	1,138	62	143	499	1,842

16. Property, plant and equipment continued

	Land and buildings			Plant machinery equipment	Total
	Freehold £m	Finance lease £m	Operating leasehold improvements £m	£m	£m
Cost					
At 1 August 2007	1,155	66	273	1,033	2,527
Exchange rate adjustment	118	10	7	56	191
New businesses	14	5	1	3	23
Additions	74	–	28	133	235
Disposals and transfers	(14)	(2)	(39)	(68)	(123)
Property reclassified as held for sale	(18)	–	–	–	(18)
At 31 July 2008	1,329	79	270	1,157	2,835
Accumulated depreciation					
At 1 August 2007	152	14	104	539	809
Exchange rate adjustment	16	1	2	27	46
Charge for the year					
– owned assets	31	–	28	136	195
– leased assets	–	2	–	15	17
Disposals and transfers	(7)	–	(7)	(59)	(73)
Property reclassified as held for sale	(1)	–	–	–	(1)
At 31 July 2008	191	17	127	658	993
Owned assets	1,138	–	143	454	1,735
Assets under finance leases	–	62	–	45	107
Net book amount – 31 July 2008	1,138	62	143	499	1,842
Net book amount – 1 August 2007	1,003	52	169	494	1,718

Included in the amounts above are £8 million (2008: £39 million) relating to assets under construction. At 31 July 2009, £307 million of property, plant and equipment had been pledged as security for liabilities (2008: £318 million).

The impairment charge recorded in the year is primarily comprised of the impairment of assets in branches that have been closed in the year due to restructuring actions.

17. Investment in associate

	£m
At 1 August 2008	–
Additions	71
Exchange rate adjustment	(3)
Share of retained loss for the period	(15)
At 31 July 2009	53

On 6 May 2009 the Group sold 100 per cent of the shares of its subsidiary Stock Building Supply Holdings LLC to Saturn Acquisition Holdings LLC, a company incorporated in the USA, in exchange for 49 per cent of the voting rights and common equity of Saturn Acquisition Holdings LLC and nominal consideration. Since 6 May 2009 additional non-voting equity has been issued by Saturn Acquisition Holdings LLC such that as at 31 July 2009 the Group had a 44.43 per cent interest in its common equity.

The associate has a financial year ending 31 December. Summarised balance sheet information in respect of the Group's associate as at 31 July 2009 is set out below:

	2009 £m
Total assets	397
Total liabilities	(278)
Net assets	119
Group's share of associate's net assets	53

18. Financial assets – available-for-sale investments

	2009 £m	2008 £m
Financial assets	3	4

These assets comprise tradeable government securities and equity investments in unlisted companies. They are mainly denominated in euros.

19. Deferred tax assets and liabilities

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

	2009 £m	2008 £m
Deferred tax		
Deferred tax assets	244	52
Deferred tax liabilities	(176)	(235)
	68	(183)
Current	(19)	(31)
Non-current	87	(152)
	68	(183)

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	Tax assets £m	Other £m	Total £m
At 1 August 2007	(161)	10	(128)	40	(62)	17	18	(266)
Credit/(charge) to income	59	(18)	33	(2)	1	12	16	101
Credit/(charge) to equity	-	-	-	33	-	-	(4)	29
Acquisition of subsidiaries	(20)	-	(1)	-	-	-	1	(20)
Currency translation adjustment	(18)	1	(15)	2	1	1	1	(27)
At 31 July 2008	(140)	(7)	(111)	73	(60)	30	32	(183)
Credit to income	111	9	40	4	31	17	90	302
Credit to equity	-	1	-	30	-	-	6	37
Disposal of subsidiaries	(111)	(1)	3	(1)	(6)	112	(51)	(55)
Currency translation adjustment	(10)	-	(9)	5	(14)	(8)	3	(33)
At 31 July 2009	(150)	2	(77)	111	(49)	151	80	68

Tax losses in the USA, UK and France have been recognised on the basis that following restructuring in the current period they are forecast to return to taxable profit in the future.

There are other potential deferred tax assets in relation to tax losses totalling £96 million (2008: £93 million) that have not been recognised on the basis that their future economic benefit is uncertain. The tax losses in Italy of £13 million and the Czech Republic of £14 million expire after five years. The remaining tax losses of £69 million can be carried forward indefinitely.

No deferred tax liability has been recognised in respect of a further £567 million (2008: £679 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. It is likely that the majority of the overseas earnings would qualify for the UK dividend exemption and therefore no tax liability is expected to arise.

20. Inventories

	2009 £m	2008 £m
Goods purchased for resale	1,624	2,025

£9,438 million has been charged to operating profit in relation to inventories recognised as an expense in the year (2008: £10,219 million). In addition an amount of £13 million has been credited to the income statement to reverse write downs of inventories to net realisable value (2008: credit of £21 million) following the reduction in inventory levels since 31 July 2008.

21. Trade and other receivables

	2009 £m	2008 £m
Current		
Trade receivables	1,722	2,479
Less: provision for impairment	(81)	(79)
Net trade receivables	1,641	2,400
Other receivables	111	97
Prepayments and accrued income	231	307
	1,983	2,804

Non-current		
Other receivables	116	96

Movements in the provision for impairment of trade receivables are as follows:

	2009 £m	2008 £m
At 1 August	79	55
Disposals	(24)	–
Charge for the year	119	85
Utilised in the year	(100)	(67)
Exchange	7	6
At 31 July	81	79

Provisions for impairment of receivables are made locally, and have two components:

- a provision for amounts that have been individually determined not to be collectible in full, because of known financial difficulties of the debtor or evidence of default or delinquency in payment, amounting to £66 million at 31 July 2009 (2008: £57 million); and
- a provision based on historic experience of non-collectability of receivables, amounting to £15 million at 31 July 2009 (2008: £22 million).

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.

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

	2009 £m	2008 £m
Amounts not yet due	876	1,269
Past due not more than one month	530	763
Past due more than one month and less than three months	211	316
Past due more than three months and less than six months	25	40
Past due more than six months	14	34
Amounts individually determined to be impaired	66	57
	1,722	2,479

Other receivables include an amount of £42 million (2008: £36 million) which has been discounted at a rate of 4.3 per cent (2008: 4.6 per cent) 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.

21. Trade and other receivables continued

The currency analysis of current trade and other receivables is as follows:

	2009 £m	2008 £m
Sterling	475	598
US dollar	668	1,091
Euro	475	729
Other	365	386
Total	1,983	2,804

The currency analysis of non-current trade and other receivables is as follows:

	2009 £m	2008 £m
Sterling	1	2
US dollar	93	82
Euro	15	4
Other	7	8
Total	116	96

22. Financial assets: trading investments

	2009 £m	2008 £m
US Life Assurance policies (denominated in US dollars)	–	5
Short-term securities (denominated in Danish Krone)	155	–
Total	155	5

The short-term securities, which are stated at market value, have an effective interest rate of 3.9 per cent and fall due by January 2010.

23. Derivative financial instruments

Non-current assets	2009 £m	2008 £m
Interest rate swaps: fair value hedges	34	–
Derivative financial assets	34	–

Current assets	2009 £m	2008 £m
Interest rate swaps: fair value hedges	4	5
Interest rate swaps: cash flow hedges	–	10
Currency swaps: at fair value through profit and loss	7	–
Currency swaps: net investment hedges	12	1
Derivative financial assets	23	16

Current liabilities	2009 £m	2008 £m
Interest rate swaps: cash flow hedges	(14)	(8)
Currency swaps: net investment hedges	(11)	–
Derivative financial liabilities	(25)	(8)

Non-current liabilities	2009 £m	2008 £m
Interest rate swaps: cash flow hedges	(11)	–
Derivative financial liabilities	(11)	–

23. Derivative financial instruments continued

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. Interest rate swap contracts comprising fixed interest payable on notional principal of €900 million (2008: \$300 million and €1,000 million) and basis point swaps with notional principal of €900 million (2008: \$300 million and €400 million) are designated and effective as cash flow hedges, with the valuation gains being deferred in equity until realised. The contracts expire between August 2009 and August 2011 (2008: September 2008 and August 2011), and the fixed interest rates range between 2.59 per cent and 4.59 per cent (2008: 2.49 per cent and 5.42 per cent).

	2009 £m	2008 £m
Hedge of interest rate cash flows		
At 1 August	2	9
Valuation losses on effective hedges charged to equity	(20)	-
Valuation losses charged to income statement	(1)	-
Cash settlements in the period	(5)	(8)
Exchange	(1)	1
At 31 July	(25)	2

The Group's private placement borrowings are at fixed rates. Interest rate swaps contracts comprising fixed interest receivable on notional principal of \$729 million (2008: \$729 million) 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 (see note 6). The contracts expire between November 2012 and November 2020 and the fixed interest rates range between 4.93 per cent and 5.32 per cent (2008: 4.93 per cent and 5.32 per cent).

	2009 £m	2008 £m
Hedge of fair value of fixed interest borrowings		
At 1 August	5	(17)
Valuation gains credited to income statement	36	22
Exchange	(3)	-
At 31 July	38	5

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.

	2009 £m	2008 £m
At fair value through income statement		
At 1 August	-	-
Valuation gains credited to income statement	7	-
At 31 July	7	-

At the balance sheet date the Group had entered into certain short-term currency swaps as follows:

	2009		2008	
	Currency million	£m	Currency million	£m
Bought forward	DKK 1,716	196	DKK 1,508	159
Sold forward	SEK 1,464	(122)	SEK 1,274	(106)
	EUR 70	(60)	EUR 57	(45)
	NOK 41	(4)	NOK 65	(6)
	USD 5	(3)	USD 4	(2)
		7		-

23. Derivative financial instruments continued

	2009 £m	2008 £m
Hedge of net investment in overseas operations		
At 1 August	1	–
Valuation (losses)/gains on effective hedges credited to equity	(36)	1
Cash settlements in the period	36	–
At 31 July	1	1

At the balance sheet date the Group had entered into certain short-term currency swaps and forward contracts which were designated and effective as hedges of overseas operations as follows:

	2009		2008	
	Currency million	£m	Currency million	£m
Bought forward	EUR 585	500	DKK 1,784	188
	DKK 720	82	GBP 119	119
	CZK 95	3	USD 178	90
			Other	10
Sold forward	GBP 251	(251)	EUR 459	(361)
	USD 380	(227)	CAD 91	(45)
	CAD 135	(75)		
	CHF 56	(31)		
		1		1

Valuation gains or losses have been deferred in equity.

24. Construction loans

	2009 £m	2008 £m
Construction loan receivables (secured)	202	255
Less: provision for impairment	(39)	(18)
Net construction loan receivables	163	237
Borrowings to finance construction loan receivables (unsecured)	(163)	(237)
	–	–

Construction loan receivables are secured principally against homes in the course of construction or completed homes awaiting sale and are all denominated in US dollars. These loans are generally settled when completed homes are sold, rather than at a fixed term. The average age since origination is 20 months (2008: 14 months). As the contractual maturity of these loans, which did not exceed 12 months from the reporting date, was set at origination to correspond to the normal operating cycle of the construction business, and the Group expects to realise the loans within their contractual maturity, these loans have all been classified as current assets.

As at 31 July 2009, the effective rate of interest thereon was 8 per cent (2008: 9 per cent). The fair value of construction loan receivables and borrowings to finance construction loans approximates to book value.

Movements in the provision for impairment of construction loan receivables are as follows:

	2009 £m	2008 £m
At 1 August	18	5
Charge for the year – before exceptional items	13	20
Charge for the year – exceptional	25	–
Utilised in the year	(17)	(7)
At 31 July	39	18

24. Construction loans continued

Construction loan receivables on which payments are delinquent are subject to foreclosure of the property on which the loan is secured, such that the disposal proceeds of the property can be applied in settlement of the outstanding liability. After foreclosure, the balance of receivables net of provisions for impairment is transferred to assets held for sale. Provisions for impairments of receivables comprise:

- a provision for amounts that have been individually determined not to be collectable in full, because of known financial difficulties of the debtor or evidence of default or delinquency in payment, amounting to £13 million at 31 July 2009 (2008: £6 million); and
- a provision based on historic experience of the shortfall of disposal proceeds of foreclosed properties to the outstanding balance due, amounting to £26 million at 31 July 2009 (2008: £12 million).

Management consider that there is no further credit risk provision required above the current provision for impairment.

In addition to the exceptional charge of £25 million for impairment of construction loan receivables shown above, an exceptional charge of £6 million was made to write down assets held for sale to their recoverable amount.

Construction loan receivables can be aged with respect to the payment terms specified in the terms and conditions established with customers as follows:

	2009 £m	2008 £m
Amounts not yet due	107	186
Past due not more than one month	20	22
Past due more than one month and less than three months	10	12
Past due more than three months and less than six months	10	6
Past due more than six months	42	23
Amounts individually determined to be impaired	13	6
	202	255

Construction loan receivables at 31 July 2009 includes £54 million in respect of loans on which foreclosure proceedings have been started (2008: £24 million). The fair value of collateral held in respect of construction loans receivable is sufficient to cover the net amount of construction loans receivable. During the year ended 31 July 2009 disposal proceeds of £36 million (2008: £10 million) were realised from the sale of foreclosed properties, in respect of loans with a carrying value of £46 million (2008: £12 million).

25. Cash and cash equivalents

	2009 £m	2008 £m
Cash and cash equivalents	277	216
Short-term bank deposits	358	105
Total cash and cash equivalents	635	321

The effective interest rate as at 31 July 2009 on cash and cash equivalents was 0.5 per cent (2008: 3.1 per cent). The average maturity of short-term bank deposits was three days (2008: 12 days). 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 £3 million held in escrow to settle deferred consideration on acquisitions (2008: £5 million).

As of 31 July 2008, cash deposits amounting to £65 million were charged in favour of Lloyds TSB Bank plc to secure letters of credit provided by that bank.

	2009 £m	2008 £m
The currency analysis of cash and cash equivalents is as follows:		
Sterling	218	54
US dollar	263	149
Euro	101	90
Other	53	28
Total	635	321

26. Assets and liabilities held for sale

	2009 £m	2008 £m
Properties awaiting disposal	73	43
Assets of disposal groups held for sale	15	–
Assets held for sale	88	43
Liabilities of disposal groups held for sale	15	–

Properties awaiting disposal at 31 July 2009 includes £43 million relating to properties obtained after foreclosing on construction loans (2008: £27 million).

On 27 July 2009 the Group announced that it had decided to sell its businesses in Belgium, Slovakia and the Czech Republic included in the Central and Eastern Europe segment. A sale process has commenced and accordingly these businesses have been classified as disposal groups held for sale.

27. Trade and other payables

	2009 £m	2008 £m
Current		
Amounts falling due within one year:		
Trade payables	1,847	2,053
Bills of exchange payable	166	264
Other tax and social security	92	115
Other payables	176	154
Accruals	302	360
Deferred income	3	10
Total trade and other payables	2,586	2,956
Non-current		
Other payables	59	68

The fair value of other payables falling due after more than one year is estimated at £59 million (2008: £68 million).

28. Bank loans and overdrafts

	2009 £m	2008 £m
Current		
Bank overdrafts	37	118
Bank loans	5	31
Senior unsecured loan notes	–	127
Total bank loans and overdrafts	42	276

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

The currency analysis of bank loans and overdrafts is as follows:

	2009 £m	2008 £m
US dollar	7	198
Euro	35	50
Other currencies	–	28
Total	42	276

	2009 £m	2008 £m
Non-current		
Bank loans	1,051	1,960
Senior unsecured notes	606	480
Total bank loans	1,657	2,440

£216 million of the bank loans are secured against the Group's freehold property (2008: £212 million).

The non-current loans are repayable as follows:

	£m	£m
Due in one to two years	125	2
Due in two to three years	830	106
Due in three to four years	51	1,625
Due in four to five years	1	159
Due in over five years	650	548
Total	1,657	2,440

At 31 July 2009, loans with a par value of £560 million carried a fixed interest rate (2008: £600 million). The weighted average interest rate paid on fixed interest borrowings is 5.1 per cent (2008: 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 is £613 million, compared to their carrying value of £606 million (2008: £602 million compared to their book value of £600 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 currency analysis of non-current loans is as follows:

	2009 £m	2008 £m
Sterling	–	–
US dollar	713	646
Euro	632	1,464
Other currencies	312	330
Total	1,657	2,440

28. Bank loans and overdrafts continued

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 North America and Europe. The value of these financial instruments at the balance sheet date was £1,551 million (2008: £2,833 million).

The loss on translation of the borrowings into sterling of £381 million (2008: gain of £283 million) has been taken to the translation reserve.

29. Financial instruments and financial risk management

(a) Financial instruments by category

The accounting policies for financial instruments have been applied to the following items:

	Cash and cash equivalents £m	Loans and receivables £m	Derivatives used for hedging £m	Fair value through profit or loss £m	Available-for-sale £m	Total £m
Assets at 31 July 2009						
Trade and other receivables – non-current	–	116	–	–	–	116
Available-for-sale investments	–	–	–	–	3	3
Trade and other receivables – current	–	1,752	–	–	–	1,752
Trading investments	–	–	–	155	–	155
Derivative financial assets – non-current	–	–	34	–	–	34
Derivative financial assets – current	–	–	23	–	–	23
Construction loan receivables	–	163	–	–	–	163
Cash	635	–	–	–	–	635
	635	2,031	57	155	3	2,881
Impairment losses in the year	–	157	–	–	–	157

	Derivatives used for hedging £m	Other financial liabilities £m	Total £m
Liabilities as at 31 July 2009			
Trade and other payables	–	2,248	2,248
Construction loans borrowings	–	163	163
Bank loans and overdrafts	–	1,699	1,699
Finance lease obligations	–	71	71
Derivative financial liabilities	36	–	36
	36	4,181	4,217

	Cash and cash equivalents £m	Loans and receivables £m	Derivatives used for hedging £m	Fair value through profit or loss £m	Available-for-sale £m	Total £m
Assets at 31 July 2008						
Trade and other receivables – non-current	–	96	–	–	–	96
Available-for-sale investments	–	–	–	–	4	4
Trade and other receivables – current	–	2,804	–	–	–	2,804
Trading investments	–	–	–	5	–	5
Derivative financial assets	–	–	16	–	–	16
Construction loan receivables	–	237	–	–	–	237
Cash	321	–	–	–	–	321
	321	3,137	16	5	4	3,483
Impairment losses in the year	–	116	–	–	22	138

29. Financial instruments and financial risk management continued

Liabilities as at 31 July 2008	Derivatives used for hedging £m	Other financial liabilities £m	Total £m
Trade and other payables	–	3,024	3,024
Construction loans borrowings	–	237	237
Bank loans and overdrafts	–	2,716	2,716
Finance lease obligations	–	87	87
Derivative financial liabilities	8	–	8
	8	6,064	6,072

(b) Financial risk management

The Group is exposed to market risks arising from its international operations, and the financial instruments which fund them. The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk and liquidity risk. The Group has well defined policies for the management of interest rate, liquidity, foreign exchange and counterparty exposures, which have been consistently applied during the financial years ended 31 July 2008 and 2009. By the nature of its business the Group also has trade credit and commodity price exposures, the management of which is delegated to operating businesses. There has been no change since the year end in the major financial risks faced by the Group.

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.

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 risk management

The Group's sources of funding currently comprise cash flows generated by operations, equity contributed by shareholders and borrowings from banks and other financial institutions. To assess the appropriateness of its capital structure to current and forecast trading, the Group's principal measure of financial gearing is the ratio of net debt to EBITDA (earnings before interest, taxes, depreciation and amortisation). The Group aims to maintain this ratio in the range of 1.50 to 2.25. The Group's main borrowing facilities all contain a financial covenant limiting the ratio of net debt to EBITDA to 3.5:1. As at 31 July 2009 the ratio was 1.4:1 (2008: 2.7:1). In addition, the Group monitors the ratio of net debt to shareholders' funds such that it is consistent with the Group's targeted ratio of net debt to EBITDA. At 31 July 2009 the ratio of net debt to shareholders' funds was 28.4 per cent (2008: 73.5 per cent).

In order to maintain or adjust the capital structure, the Group may adjust the amounts of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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 are funded shortly before the acquisition is made.

As at 31 July 2009, the Group had undrawn centrally managed facilities maturing as follows:

	2009 facility £m	2008 facility £m
Less than one year	100	200
Between two and three years	683	–
Between three and four years	43	759
Between four and five years	852	200

29. Financial instruments and financial risk management continued

The Group has estimated its anticipated contractual cash outflows including interest payable in respect of its bank and construction loan borrowings on an undiscounted basis. The principal assumptions are that floating rate interest is calculated using the prevailing interest rate at the balance sheet date, and cash flows in foreign currency are translated using spot rates at the balance sheet date. These cash flows can be analysed by maturity as follows:

As at 31 July 2009	Debt £m	Construction loan borrowings £m	Interest on debt £m	Interest rate and currency swaps £m	Total £m
Due in less than one year	5	163	61	29	258
Due in one to two years	125	–	56	6	187
Due in two to three years	830	–	33	1	864
Due in three to four years	49	–	30	–	79
Due in four to five years	1	–	29	–	30
Due in over five years	614	–	188	–	802
Total	1,624	163	397	36	2,220

As at 31 July 2008	Debt £m	Construction loan borrowings £m	Interest on debt £m	Interest rate swaps £m	Total £m
Due in less than one year	274	237	122	8	641
Due in one to two years	2	–	116	–	118
Due in two to three years	106	–	112	–	218
Due in three to four years	1,625	–	40	–	1,665
Due in four to five years	159	–	31	–	190
Due in over five years	548	–	166	–	714
Total	2,714	237	587	8	3,546

During the year ended 31 July 2009 facilities amounting to £1,017 million matured, were cancelled or were repaid early. A forward start multi-currency syndicated facility of €1 billion (£853 million) was arranged, which was a restatement and extension of the Group's existing €2.8 billion facility. This facility will commence when the existing facility matures on 1 August 2011 or is cancelled by the Group prior to this date, and will expire on 1 August 2013.

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 40 per cent of the Group's revenue is in US dollars and 24 per cent in euros. 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 for the year ended 31 July 2009 and subsequently is to adjust the currencies in which its debt is denominated to match the currencies in which its trading profits are generated, as this hedges the ratio of net debt to EBITDA in the covenant calculation. Net debt at 31 July 2009 can be analysed by currency as follows:

As at 31 July 2009	Trading investment £m	Interest rate swaps £m	Finance lease obligations £m	Cash, overdrafts and bank loans £m	Currency bought/(sold) forward £m	Total £m
Sterling	–	–	(4)	218	(251)	(37)
US dollars	–	38	(11)	(457)	(230)	(660)
Euros	–	(25)	(49)	(566)	440	(200)
Other	155	–	(7)	(259)	49	(62)
Total	155	13	(71)	(1,064)	8	(959)

29. Financial instruments and financial risk management continued

The Group's policy for the year ended 31 July 2008 and earlier was to maintain the majority of its debt in the currencies of its operating companies as this hedged both the net assets and cash flows of the Group. Net debt at 31 July 2008 could be analysed by currency as follows:

As at 31 July 2008	Trading investment £m	Interest rate swaps £m	Finance lease obligations £m	Cash, overdrafts and bank loans £m	Currency bought/(sold) forward £m	Total £m
Sterling	–	–	(4)	54	119	169
US dollars	5	1	(21)	(695)	89	(621)
Euros	–	6	(52)	(1,424)	(361)	(1,831)
Other	–	–	(10)	(330)	154	(186)
Total	5	7	(87)	(2,395)	1	(2,469)

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 141. The net effect of currency translation was to increase revenue by £2,439 million (16.5 per cent) (2008: £324 million, or 2.0 per cent) and to increase trading profit by £147 million (18.7 per cent) (2008: £18 million, or 2.0 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:

	2009 (Strengthening) weakening of sterling	2008 (Strengthening) weakening of sterling
US dollar	27.3%	(2.6)%
Euros	16.2%	10.0%

Interest rate risk

To manage the Group's exposure to interest rate fluctuations, the Group's policy is that at least 20 per cent of bank borrowings required during the next two years should be at fixed rates. 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.

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.

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 profile of the Group's net debt at 31 July 2009 and 31 July 2008, after including the effect of interest rate swaps, is set out in the following tables.

As at 31 July 2009 – currency	Floating	Fixed	Total
Sterling	(33)	(4)	(37)
US dollars	(479)	(181)	(660)
Euros	471	(671)	(200)
Other currencies	(55)	(7)	(62)
Total	(96)	(863)	(959)

As at 31 July 2008 – currency	Floating	Fixed	Total
Sterling	173	(4)	169
US dollars	(226)	(395)	(621)
Euros	(984)	(847)	(1,831)
Other currencies	(176)	(10)	(186)
Total	(1,213)	(1,256)	(2,469)

29. Financial instruments and financial risk management continued

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. North American Loan Services 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. At 31 July 2009 the maximum exposure to credit risk was £2,031 million (2008: £2,830 million) of which £163 million (2008: £237 million) is secured against homes under construction or completed homes awaiting sale.

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. Historic write-off rates are low and appropriate provisions are made for debts that may be impaired on a timely basis.

North American Loan Services' 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.

The Group has cash balances deposited for short periods with financial institutions, and enters into certain contracts (such as interest rate swaps) which entitle the Group to receive future cash flows from financial institutions. These transactions give rise to credit risk on amounts due from counterparties with a maximum exposure of £850 million (2008: £346 million). This risk is managed by setting credit and settlement limits for a panel of approved counterparties, all of which have credit ratings equivalent to Standard & Poor's A or higher. The limits are approved by the Treasury Committee and ratings are monitored regularly.

Market price risk

The Group monitors its interest rate and currency risk by reviewing the effect on financial instruments 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 a charge to the income statement of £4 million (2008: £25 million) and a charge to equity of £4 million (2008: £9 million). Similarly, it is estimated that a weakening of sterling by 10 per cent against all the currencies in which the Group does business would result in a charge to the income statement of £2 million (2008: nil) and a charge to equity of £122 million (2008: £293 million).

The Group does not require operating businesses to adhere to a formalised risk management policy in respect of trade credit risk or commodity price risk, and does not consider that there is a useful way of quantifying the Group's exposure to any of the macro-economic variables that might affect the collectability of receivables or the prices of commodities.

30. Obligations under finance leases

	Gross 2009 £m	Gross 2008 £m	Net 2009 £m	Net 2008 £m
Due within one year	15	24	12	19
Due in one to five years	48	59	36	44
Due in over five years	34	34	23	24
	97	117	71	87
Less: future finance charges	(26)	(30)		
Present value of finance lease obligations	71	87		
Current			12	19
Non-current			59	68
Total obligations under finance leases			71	87

It is the Group's policy to lease certain of its property, plant and equipment under finance leases. The average lease term is nine years (2008: eight years). For the year ended 31 July 2009, the average effective borrowing rate was 5.6 per cent (2008: 5.5 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 2009 £m	Net 2008 £m
Sterling	4	4
US dollars	11	21
Euros	49	52
Other currencies	7	10
	71	87

31. Provisions

	Environmental and legal £m	Wolseley Insurance £m	Restructuring £m	Other provisions £m	Total £m
At 1 August 2007	42	48	15	25	130
Utilised in the year	(1)	(15)	(16)	(3)	(35)
Charge for the year	–	17	49	11	77
New businesses	–	–	–	–	–
Exchange differences	1	1	2	2	6
At 31 July 2008	42	51	50	35	178
Utilised in the year	(6)	(22)	(100)	(15)	(143)
Charge for the year	16	20	354	25	415
Disposal of businesses	(1)	–	(106)	(1)	(108)
Exchange differences	7	8	4	5	24
At 31 July 2009	58	57	202	49	366

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

	Environmental and legal £m	Wolseley Insurance £m	Restructuring £m	Other provisions £m	Total £m
At 31 July 2009					
Current	6	16	79	21	122
Non-current	52	41	123	28	244
Total provisions	58	57	202	49	366

	Environmental and legal £m	Wolseley Insurance £m	Restructuring £m	Other provisions £m	Total £m
At 31 July 2008					
Current	3	15	36	6	60
Non-current	39	36	14	29	118
Total provisions	42	51	50	35	178

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).

The environmental and legal provision includes 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 £42 million (2008: £36 million) related to asbestos litigation involving certain Group companies. This amount has been actuarially determined as at 31 July 2009 based on advice from independent professional advisers. Asbestos related litigation is covered by insurance and accordingly an equivalent insurance receivable has been recorded in other receivables (note 21). The provision and the related receivable have been stated on a discounted basis using a long-term discount rate of 4.3 per cent (2008: 4.6 per cent). The level of insurance cover available significantly exceeds the expected level of future claims and no material profit or cash flow impact is expected to arise in the foreseeable future. There were 273 claims outstanding at 31 July 2009 (2008: 293).

Restructuring provisions include provisions for staff redundancy costs, future lease rentals on closed branches and asset write-downs. In determining the provision for onerous leases, the cash flows have been discounted on a pre-tax basis using appropriate government bond rates. The weighted average maturity of these obligations is approximately five years.

Other provisions mainly consist of separation costs relating to the disposal of Stock, rental commitments on vacant properties other than those arising from restructuring actions, dilapidations on leased properties and warranties. The weighted average maturity of these obligations is approximately four years.

32. Retirement benefit obligations

(i) Description of plans

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 salary sacrifice arrangement from employees with the balance being paid by Group companies. Employees salary sacrifice either 5 per cent or 8 per cent of earnings depending on the level of benefits accruing. The Group contribution rate is calculated on the Projected Unit Method and agreed with an independent consulting actuary. During the year, this scheme was closed to new members and a defined contribution plan was established. However employees in the eligibility period on 31 May 2009 are still able to join when they reach the end of their eligibility period.

Outside the United Kingdom

North America

The principal schemes 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 plans. Contributions are charged to the income statement in the period in which they fall due. In the year to 31 July 2009 the cost of defined contribution plans of continuing operations charged to the income statement was £21 million (2008: £17 million).

In addition, the Group operates two defined benefit schemes in the United States. In Canada, a defined benefit scheme and a defined contribution scheme are operated. One of the US schemes and the Canadian scheme are funded; two plans are closed to new entrants. The majority of assets are held in trustee administered funds independent of the assets of the companies. The closed plans 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. In the year to 31 July 2009 the cost of defined contribution schemes charged to the income statement was £22 million (2008: £20 million).

Post-retirement healthcare

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

The Group expects to contribute £40 million to the UK defined benefit schemes in the year ending 31 July 2010 and £11 million to the non-UK defined benefit schemes.

(ii) Financial impact of plans

As disclosed in the balance sheet	2009 £m	2008 £m
Current liability	(33)	(22)
Non-current liability	(308)	(214)
Total liability	(341)	(236)

Analysis of balance sheet liability	2009 £m	2009 £m	2008 £m	2008 £m
Fair value of plan assets:				
UK	511		542	
Non-UK	129		130	
		640		672
Present value of defined benefit obligation:				
UK	(737)		(693)	
Non-UK	(244)		(215)	
		(981)		(908)
Net deficit recognised in balance sheet		(341)		(236)

32. Retirement benefit obligations continued

	2009 £m	2008 £m
Analysis of total expense recognised in income statement		
Current service cost	34	27
Curtailment	(2)	-
Charged to administrative expenses	32	27
Interest on pension liabilities	57	47
Expected return on scheme assets	(47)	(50)
Charged/(credited) to finance costs	10	(3)
Total expense recognised in income statement	42	24

	2009 £m	2008 £m
Analysis of amount recognised in the statement of recognised income and expense		
Actuarial loss	(115)	(140)
Unrecognised surplus	-	5
	(115)	(135)
Deferred tax thereon	36	37
Total amount recognised in the statement of recognised income and expense	(79)	(98)

The cumulative amount of actuarial losses recognised in the statement of recognised income and expense was a loss of £177 million (2008: loss of £62 million).

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

	2009 UK		2008 UK	
	Long-term rate of return expected at 31 July 2009	Value at 31 July 2009 £m	Long-term rate of return expected at 31 July 2008	Value at 31 July 2008 £m
Equities	8.0%	350	8.2%	348
Bonds	5.0%	141	5.2%	174
Other	4.7%	20	4.6%	20
Total market value of assets	7.1%	511	7.1%	542

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

	2009 Non-UK		2008 Non-UK	
	Long-term rate of return expected at 31 July 2009	Value at 31 July 2009 £m	Long-term rate of return expected at 31 July 2008	Value at 31 July 2008 £m
Equities	7.6%	59	7.6%	63
Bonds	4.6%	52	5.0%	53
Property	4.7%	6	5.3%	12
Other	3.9%	12	2.1%	2
Total market value of assets	6.0%	129	6.2%	130

32. Retirement benefit obligations continued

	UK 2009 £m	Non-UK 2009 £m	Total 2009 £m	UK 2008 £m	Non-UK 2008 £m	Total 2008 £m
Fair value of plan assets						
At 1 August	542	130	672	588	123	711
Expected return on plan assets	38	9	47	41	9	50
Actuarial loss	(87)	(26)	(113)	(103)	(14)	(117)
Employer's contributions	42	5	47	30	4	34
Participants' contributions	1	2	3	8	5	13
Transfers	-	2	2	-	-	-
Settlements	-	(1)	(1)	-	(1)	(1)
Benefits paid	(25)	(10)	(35)	(22)	(7)	(29)
Currency translation	-	18	18	-	11	11
At 31 July	511	129	640	542	130	672
Actual return on plan assets	(48)	(17)	(65)	(62)	(5)	(67)

The expected long-term rates of return for equities are long-term assumptions and were set after taking actuarial advice. The expected equity returns can be considered as a risk free rate of return (determined by reference to government bond rates in the countries in which the plans are based) plus a risk premium to reflect the additional risks associated with equities. For the UK scheme the expected return implies a premium of 3.2 per cent per year as at 31 July 2009 (2008: 3.4 per cent) over 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 plans is decided locally by the Group and, if relevant, the trustees of the plan, and takes account of the relevant statutory requirements. The Group's objective for the investment strategy is to achieve a target rate of return in excess of the increase in the liabilities, while taking an acceptable amount of investment risk relative to the 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 that this will result in the ongoing cost to the Group of the post-employment plans being lower over the long term and within acceptable boundaries of risk.

For the 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.

	UK 2009 £m	Non-UK 2009 £m	Total 2009 £m	UK 2008 £m	Non-UK 2008 £m	Total 2008 £m
Present value of defined benefit obligation						
At 1 August	693	215	908	630	188	818
Current service cost	28	6	34	22	5	27
Curtailment and settlement	(2)	(1)	(3)	-	(2)	(2)
Interest cost	44	13	57	36	11	47
Participants' contributions	1	2	3	8	4	12
Benefits paid	(26)	(20)	(46)	(22)	(14)	(36)
Transfers	-	2	2	-	-	-
Actuarial (gain)/loss	(1)	3	2	19	4	23
Currency translation	-	24	24	-	19	19
At 31 July	737	244	981	693	215	908

	2009 £m	2008 £m
Analysis of present value of defined benefit obligation		
Amounts arising from wholly unfunded plans	61	63
Amounts arising from plans that are wholly or partly funded	920	845
	981	908

32. Retirement benefit obligations continued

(iii) Valuation assumptions

The financial assumptions used to estimate defined benefit obligations are:

	2009		2008	
	UK	Non-UK	UK	Non-UK
Discount rate	6.0%	5.3%	6.3%	5.4%
Inflation rate	3.7%	1.6%	4.0%	2.1%
Increase to deferred benefits during deferment	3.7%	0.5%	4.0%	2.4%
Increases to pensions in payment	3.6%	1.0%	3.9%	2.3%
Salary increases	4.7%	1.9%	5.0%	3.0%

The life expectancy assumptions used to estimate defined benefit obligations at 31 July 2009 are:

	2009		2008	
	UK	Non-UK	UK	Non-UK
Current pensioners (at age 65) – male	20.0	19.6	20.1	19.3
Current pensioners (at age 65) – female	23.0	22.0	22.8	21.7
Future pensioners (at age 65) – male	21.1	19.8	20.8	19.3
Future pensioners (at age 65) – female	24.1	22.1	23.5	21.9

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
History of experience gains and losses – UK schemes					
Fair value of plan assets	511	542	588	501	404
Present value of defined benefit obligation	(737)	(693)	(630)	(619)	(527)
Deficit in the plan	(226)	(151)	(42)	(118)	(123)
Experience adjustments to scheme assets					
Amount	(87)	(103)	40	36	46
Percentage of scheme assets	(17)%	(19)%	7%	7%	11%
Experience adjustments on scheme liabilities					
Amount	–	–	(8)	–	–
Percentage of the present value of scheme liabilities	–	–	1%	–	–

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
History of experience gains and losses – non-UK schemes					
Fair value of plan assets	129	130	123	112	105
Present value of defined benefit obligation	(244)	(215)	(188)	(182)	(180)
Deficit in the plan	(115)	(85)	(65)	(70)	(75)
Experience adjustments to scheme assets					
Amount	(26)	(14)	5	–	4
Percentage of scheme assets	(20)%	(11)%	4%	–	4%
Experience adjustments on scheme liabilities					
Amount	1	6	3	(2)	–
Percentage of the present value of scheme liabilities	0%	3%	2%	1%	–

33. Share capital

	Authorised		Allotted and issued	
	2009	2008	2009	2008
Number of ordinary 25 pence shares (million)	–	800	–	662
Number of deferred 24 pence shares (million)	890	–	887	–
Number of ordinary 10 pence shares (million)	364	–	284	–
Total number of shares (million)	1,254	800	1,171	662
Nominal value of ordinary 25 pence shares (£ million)	–	200	–	165
Nominal value of deferred 24 pence shares (£million)	214	–	213	–
Nominal value of ordinary 10 pence shares (£ million)	36	–	28	–
Total nominal value of shares (£ million)	250	200	241	165

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

Allotment of shares during the year

On 1 April 2009 the Company issued 225 million ordinary 25 pence shares by way of a share placing at 120 pence per share.

On 2 April 2009 the Company reorganised its share capital. The 886,988,540 ordinary 25 pence shares then in issue were split into 886,988,540 ordinary 1 penny shares and 886,988,540 deferred 24 pence shares. The 1 penny shares were then consolidated into 88,698,854 ordinary 10 pence shares.

On 21 April 2009 the Company issued 195,137,478 ordinary 10 pence shares by way of an 11 for 5 rights issue at a price of 400 pence per share.

The share placing and rights issue generated net proceeds to the Group of £994 million after costs of £52 million and excluding shares purchased by the Employee Benefit Trusts.

In addition, from 1 August 2008 to 31 July 2009, shares in the Company were issued to satisfy options exercised under the Company's share schemes. A summary of the movements in the year is detailed in the following table:

	2009	2008
Number of 25 pence ordinary shares in issue at 1 August	661,982,888	661,165,224
Exercise of savings related share options	5,652	394,962
Exercise of executive share options	–	422,702
Share placing (April 2009)	225,000,000	–
Capital reorganisation	(886,988,540)	–
Number of 25 pence ordinary shares in issue at 31 July	–	661,982,888
Number of 10 pence ordinary shares in issue after capital reorganisation in which ordinary 1 penny shares converted to ordinary 10 pence shares (April 2009)	88,698,854	–
Rights issue of 10 pence ordinary shares (April 2009)	195,137,478	–
Exercise of savings related share options	3,034	–
Number of 10 pence ordinary shares in issue at 31 July	283,839,366	–
Number of 24 pence deferred shares in issue after capital reorganisation	886,988,540	–
Number of 24 pence deferred shares in issue at 31 July	886,988,540	–

The deferred shares have no voting rights, no entitlement to a dividend and cannot be traded.

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 the trusts participated in the rights issue and consequently purchased 1,361,760 shares for £5.4 million. The market value of the 1,978,037 shares held by the Employee Benefit Trusts at 31 July 2009, which have a nominal value of £0.25 million, was £26 million (2008: £21 million). During the year, 6,413 shares have been allocated from the Employee Benefit Trust to employees under the Restricted Share Plan. Dividends due on shares held by the Employee Benefit Trusts are waived in accordance with the provisions of the trust deeds.

34. 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").

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 ESPP vest over a one-year period.

The Group also operates a Long Term Incentive Scheme ("LTIS") and the Wolseley Restricted Share Plan ("RSP") for senior executives. Under the LTIS, executives are 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 (excluding Directors) are granted free shares. The vesting period is three years and there are no performance measures other than retained employment.

Following the capital reorganisation and share issue which was completed during April 2009, appropriate adjustments were made to reflect the dilutive effect of both transactions on outstanding awards. The calculations were made in accordance with HM Revenue and Customs recommendations ("HMRC"). Such calculations were reviewed by the Company's auditors, who performed specific procedures to recalculate the adjustments made to outstanding awards, on the basis that the Directors of the Company deemed the adjustments to be fair and reasonable.

After adjustments had been made to outstanding awards to reflect the capital reorganisation, a further adjustment was made using the theoretical ex-rights price calculation ("TERP") as agreed with HMRC. All outstanding awards made under the Company's share plans were multiplied by a TERP factor of 2.398177677 and the respective option prices and market prices at allocation were multiplied by a factor of 0.416983283.

These formulae were designed to minimise the effect of the capital reorganisation and the share issue upon outstanding awards and, subject to roundings, ensured that the overall value of outstanding awards was the same after adjustment.

34. Share-based payments continued

The tables below show the effect of the converted share volume and values following the share capital restructuring and the rights issue. For further details of the capital restructuring and the rights issue refer to note 33.

Share options outstanding during the year

	Year ended 31 July			
	2009 Shares 000's	2009 Weighted average exercise price £	2008 Shares 000's	2008 Weighted average exercise price £
Executive Option Schemes				
Outstanding as at 1 August	23,796	9.51	16,672	10.23
Granted	23,796	3.21	9,154	8.06
Exercised	-	-	(422)	4.84
Surrendered or expired pre rights issue	(4,418)	11.21	(1,608)	9.93
Outstanding as at 30 April	43,174	5.85		
Converted following rights issue	10,332	24.41		
Surrendered or expired post rights issue	(345)	23.12		
Outstanding as at 31 July	9,987	24.46	23,796	9.51
Exercisable as at 31 July	1,220	33.31	5,681	7.95
Weighted average fair value of options granted during the year		5.02		2.30
Employees Savings Option Schemes and ESPP				
Outstanding as at 1 August	7,934	4.94	3,833	9.10
Granted	14,678	1.67	6,831	4.15
Exercised	(6)	4.03	(395)	4.75
Surrendered or expired pre rights issue	(5,738)	4.55	(2,335)	9.50
Outstanding as at 30 April	16,868	2.23		
Converted following rights issue	4,007	9.23		
Exercised following rights issue	(3)	17.97		
Surrendered or expired post rights issue	(161)	14.52		
Outstanding as at 31 July	3,843	9.01	7,934	4.94
Exercisable as at 31 July	52	34.72	257	7.90
Weighted average fair value of options granted during the year		3.91		0.93

The weighted average share price at the date of exercise for share options exercised during the period was £14.95 (2008: £5.82). The total intrinsic value of options exercised during the period was nil (2008: £1 million). The aggregate intrinsic value of options outstanding and exercisable at 31 July 2009 was £21 million and nil respectively (2008: nil and nil).

Details of shares outstanding and exercisable under the LTIS and RSP

	Year ended 31 July			
	2009 Shares 000's	2009 Weighted average exercise price £	2008 Shares 000's	2008 Weighted average exercise price £
Outstanding as at 1 August	2,612	10.26	2,189	11.38
Granted	3,315	2.87	1,226	7.86
Vested	(4)	13.49	(6)	13.49
Surrendered or expired pre rights issue	(860)	10.47	(797)	9.60
Outstanding as at 30 April	5,063	5.39		
Converted following rights issue	1,213	22.45		
Vested post rights issue	(3)	56.25		
Surrendered or expired post rights issue	(239)	20.90		
Outstanding as at 31 July	971	22.74	2,612	10.26
Exercisable as at 31 July	-	-	-	-
Weighted average fair value of shares awarded		4.96		0.78

34. Share-based payments continued

Details of options exercisable

Options outstanding and exercisable at 31 July 2009 under the Executive Option Schemes, the Employees Saving Option Schemes and ESPP can be analysed as follows:

Range of exercise prices	Options outstanding			Options exercisable		
	Shares 000's	Weighted average remaining contractual life Years	Weighted average exercise price £	Shares 000's	Weighted average remaining contractual life Years	Weighted average exercise price £
£0.01 – £5.00	–	–	–	–	–	–
£5.01 – £10.00	3,351	3	7.15	–	–	–
£10.01 – £15.00	5,497	9	13.39	22	1	14.58
£15.01 – £20.00	426	2	17.46	65	2	19.06
£20.01 – £25.00	187	3	22.67	187	3	22.67
£25.01 – £30.00	29	–	27.40	25	–	27.40
£30.01 – £35.00	2,417	8	33.24	322	4	30.98
£35.01 – £40.00	636	5	39.52	624	5	39.57
£40.01 – £45.00	53	2	41.91	–	–	–
£45.01 – £50.00	38	2	48.00	27	2	47.78
£50.01 – £55.00	1,196	7	50.08	–	–	–
	13,830	7	20.21	1,272	4	33.37

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	
	2009	2008	2009	2008	2009	2008
Risk free interest rate	4.09%	4.93%	2.17%	4.19%	3.66%	4.93%
Expected annual increase in dividends*	n/a	10.00%	n/a	10.00%	n/a	n/a
Expected dividend yield	n/a	n/a	n/a	n/a	1.04%	2.94%
Expected volatility	35.82%	26.15%	47.86%	31.03%	45.00%	25.00%
Expected life	5.8 years	5.7 years	1–7 years	1–7 years	3 years	3 years

* The initial assumption was a dividend yield of zero up to 31 July 2010 (2008: 11.94 pence and 23.71 pence for interim and final dividends respectively).

Expected volatility has been estimated on the basis of historic volatility over the expected term, excluding the effect of extraordinary volatility due to the capital reorganisation and rights issue. Expected life has been estimated on the basis of historical data on the exercise pattern.

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

For the year ended 31 July 2009	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Retained earnings		Total £m
					Own shares £m	Profit and loss account £m	
Profit for the year attributable to equity shareholders	-	-	-	-	-	(1,173)	(1,173)
Exchange gain on translation of overseas operations	-	-	661	-	-	-	661
Exchange loss on translation of borrowings designated as hedges of overseas operations	-	-	(381)	-	-	-	(381)
Actuarial loss on retirement benefits	-	-	-	-	-	(115)	(115)
Valuation loss on interest rate swaps (less amounts reclassified and reported in net income)	-	-	-	(20)	-	-	(20)
Tax on gains/(losses) not recognised in the income statement	-	-	-	6	-	36	42
Total recognised income and expense	-	-	280	(14)	-	(1,252)	(986)
New share capital subscribed	76	203	-	-	-	720	999
Purchase of own shares by Employee Benefit Trust	-	-	-	-	(5)	-	(5)
Credit to equity for share-based payments	-	-	-	-	-	9	9
Dividends	-	-	-	-	-	-	-
Net additions to shareholders' funds	76	203	280	(14)	(5)	(523)	17
Opening shareholders' funds	165	949	(52)	3	(73)	2,367	3,359
Closing shareholders' funds	241	1,152	228	(11)	(78)	1,844	3,376

Ordinarily, the excess of the net proceeds over the nominal value of the share capital issued would be credited to a non-distributable share premium account. However, the rights issue was effected through a structure which resulted in the excess of the net proceeds over the nominal value of the share capital issued being recognised within retained earnings under Section 131 of the Companies Act 1985.

35. Shareholders' funds and statement of changes in shareholders' equity continued

For the year ended 31 July 2008	Share capital £m	Share premium £m	Translation reserve £m	Retained earnings			Total £m
				Hedging reserve £m	Own shares £m	Profit and loss account £m	
Profit for the year attributable to equity shareholders	-	-	-	-	-	74	74
Exchange loss on translation of overseas operations	-	-	412	-	-	-	412
Exchange gain on translation of borrowings designated as hedges of overseas operations	-	-	(283)	-	-	-	(283)
Actuarial loss on retirement benefits	-	-	-	-	-	(135)	(135)
Available-for-sale-investments reclassified and reported in net profit for the year	-	-	-	-	-	13	13
Tax on gains/(losses) not recognised in the income statement	-	-	-	-	-	33	33
Total recognised income and expense	-	-	129	-	-	(15)	114
New share capital subscribed	-	4	-	-	-	-	4
Credit to equity for share-based payments	-	-	-	-	-	5	5
Dividends	-	-	-	-	-	(215)	(215)
Net additions to shareholders' funds	-	4	129	-	-	(225)	(92)
Opening shareholders' funds	165	945	(181)	3	(73)	2,592	3,451
Closing shareholders' funds	165	949	(52)	3	(73)	2,367	3,359

36. Reconciliation of (loss)/profit to net cash inflow from operating activities

	2009 £m	2008 £m
(Loss)/profit for the year	(1,173)	74
Net finance costs	145	156
Share of after tax loss of associate	15	-
Tax (income)/expense	(246)	71
Loss on disposal of businesses and revaluation of disposal groups	121	-
Depreciation and impairment of property, plant and equipment	286	212
Amortisation and impairment of non-acquired intangibles	62	30
Loss/(profit) on disposal of property, plant and equipment	3	(16)
Amortisation and impairment of acquired intangibles	894	306
Decrease in inventories	483	220
Decrease in trade and other receivables	928	247
Decrease in trade and other payables	(565)	(61)
Increase in provisions and other liabilities	238	18
Share-based payments and other non-cash items	9	5
Cash generated from operations	1,200	1,262

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

	2009 £m	2008 £m
Purchase consideration	–	187
Deferred and contingent consideration paid in the year	18	21
Cash consideration	18	208
Cash, cash equivalents and bank overdrafts acquired	–	(9)
Net cash outflow in respect of the purchase of businesses	18	199

38. Disposals

During the year ended 31 July 2009, the Group disposed of two businesses in the Central and Eastern Europe segment, Mart Kft and Wasco-Anbuma (NV) Belgium. On 6 May 2009 the Group disposed of Stock Building Supply Holdings LLC; further details are given in note 9.

	Stock £m	Other disposals £m	Total assets disposed of £m
Property, plant and equipment	97	5	102
Financial assets	1	–	1
Inventories	150	11	161
Receivables	214	12	226
Assets held for sale	19	–	19
Cash, cash equivalents and bank overdrafts	15	4	19
Finance leases	(4)	–	(4)
Payables and provisions	(202)	(5)	(207)
Deferred tax	–	2	2
Total	290	29	319
Cash consideration received	–	(17)	(17)
Shares in associate received (before deferred tax arising on transactions)	(128)	–	(128)
Disposal and operation costs	44	–	44
Cumulative translation recycled from reserves	(47)	–	(47)
Loss on disposal	159	12	171

During the year ended 31 July 2008, the Group disposed of three non-core businesses for a consideration of £18 million including debt disposed of £2 million.

	2008 Assets disposed of £m
Intangible fixed assets – goodwill	6
Property, plant and equipment	2
Inventories	1
Receivables	5
Borrowings	(2)
Payables	(2)
Total	10
Consideration received	(16)
Profit on disposal	(6)

39. Reconciliation of opening to closing net debt

For the year ended 31 July 2009	At 1 August £m	Cash flows £m	Acquisitions and disposals £m	New finance leases £m	Fair value and other adjustments £m	Exchange movement £m	At 31 July £m
Cash and cash equivalents	321						635
Bank overdrafts	(118)						(37)
	203	371	-	-	-	24	598
Financial assets: trading investments	5	150	(1)	-	-	1	155
Derivative financial instruments	8	31	-	-	(16)	(2)	21
Bank loans	(2,598)	1,406	-	-	(106)	(364)	(1,662)
Obligations under finance leases	(87)	26	4	(4)	-	(10)	(71)
	(2,469)	1,984	3	(4)	(122)	(351)	(959)

For the year ended 31 July 2008	At 1 August £m	Cash flows £m	Acquisitions and disposals £m	New finance leases £m	Fair value and other adjustments £m	Exchange movement £m	At 31 July £m
Cash and cash equivalents	244						321
Bank overdrafts	(184)						(118)
	60	136	-	-	-	7	203
Financial assets: trading investments	4	-	-	-	-	1	5
Derivative financial instruments	(8)	(8)	-	-	23	1	8
Bank loans	(2,443)	254	(39)	-	(49)	(321)	(2,598)
Obligations under finance leases	(80)	19	(4)	(13)	-	(9)	(87)
	(2,467)	401	(43)	(13)	(26)	(321)	(2,469)

40. 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 personnel compensation (including Directors)	2009 £m	2008 £m
Salaries, bonuses and other short-term employee benefits	5	6
Termination and post-employment benefits	2	2
Share-based payments	1	1
Total compensation	8	9

More detailed disclosures on the remuneration of the Directors are provided in the Remuneration report on pages 62 and 72.

41. Capital commitments

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

	2009 £m	2008 £m
Property, plant and equipment	2	18
Intangible assets: software	8	9
Total capital commitments	10	27

42. Operating lease commitments

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

	2009 £m	2008 £m
Within one year	258	267
Later than one year and less than five years	659	723
After five years	412	513
Total operating lease commitments	1,329	1,503

Operating lease payments mainly 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 2009 is £16 million (2008: £21 million).

The commitments shown above include commitments for onerous leases which have already been provided for. At 31 July 2009 provisions include an amount of £124 million in respect of minimum lease payments for such onerous leases net of sublease payments expected to be received (note 31).

43. Contingent liabilities

The Group has quantifiable contingent liabilities under sundry guarantees, performance bonds and indemnities of £13 million (2008: £13 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.

44. 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.

45. Accounting standards and interpretations that are not yet effective

Certain new standards, amendments to and interpretations of existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 August 2009 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:

Amendment to IFRS 2 Share-based Payment (applicable from 1 August 2009)

This amendment clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. Management is currently assessing the impact of this amendment on the Group's future financial statements.

IFRS 3 (revised) Business Combinations and amendment to IAS 27 Consolidated and Separate Financial Statements (applicable from 1 August 2009)

These amendments make a number of changes to the method of accounting for business combinations, including a requirement to expense acquisition costs and to measure contingent consideration at fair value at acquisition date, and then record subsequent changes to the estimate in the income statement. Management is currently assessing the impact of this amendment on the Group's future financial statements.

IAS 1 (revised) Presentation of financial statements (applicable 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 interpretation on the Group's future financial statements.

Amendment to IAS 23 Borrowing Costs (applicable 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 interpretation on the Group's future financial statements.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation (applicable from 1 August 2009)

IFRIC 16 provides guidance on identifying the foreign currency risks that qualify as a hedged risk in the hedge of a net investment in a foreign operation; where, within a group, hedging instruments that are hedges of a net investment in a foreign operation can be held to qualify for hedge accounting; and how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item. Management is currently assessing the impact of this interpretation on the Group's future financial statements.

Independent auditors' report to the members of Wolseley plc

We have audited the consolidated financial statements of Wolseley plc for the year ended 31 July 2009 which comprise the Group income statement, the Group statement of recognised income and expense, the Group balance sheet, the Group cash flow statement, the Group accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' responsibilities statement set out on page 58, the Directors are responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the consolidated financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Sections 495 and 496 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the consolidated financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 July 2009 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Remuneration report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of Directors' remuneration report specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 38, in relation to going concern; and
- the part of the Corporate Governance Report relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Other matter

We have reported separately on the parent company financial statements of Wolseley plc for the year ended 31 July 2009 and on the information in the Remuneration report that is described as having been audited.



Michael Phillips (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

28 September 2009

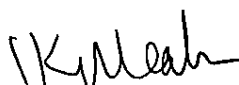
Company balance sheet

As at 31 July 2009

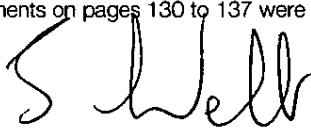
	Notes	2009 £m	2008 £m
Fixed assets			
Investments	2	5,702	4,806
		5,702	4,806
Current assets			
Debtors	3	3,380	2,771
Cash at bank and on hand		360	615
		3,740	3,386
Creditors: amounts falling due within one year	4	(4,791)	(4,953)
Net current liabilities		(1,051)	(1,567)
Total assets less current liabilities		4,651	3,239
Creditors: amounts falling due after one year	5	(279)	(664)
Net assets		4,372	2,575
Capital and reserves			
Called up share capital	6	241	165
Share premium	7	1,152	949
Profit and loss reserve	8	2,979	1,461
Total shareholders' funds	9	4,372	2,575

The accompanying notes are an integral part of these Company financial statements.

The Company financial statements on pages 130 to 137 were approved by the Board of Directors on 28 September 2009 and were signed on its behalf by



Ian K Meakins
Group Chief Executive



Stephen P Webster
Chief Financial Officer

Notes to the Company financial statements

Year ended 31 July 2009

1. Company accounting policies

Basis of accounting

These Companies Act 2006 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.

Note 10 on page 95, note 32 on pages 116 to 119 note 33 on page 120 and note 34 on pages 121 to 123 of the Wolseley plc consolidated financial statements form part of these financial statements.

Under section 408 of the Companies Act 2006 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.

Investments

Fixed asset investments are recorded at cost less provision for impairment. The Company assesses at each balance sheet date whether there is objective evidence that an investment or a group of investments is impaired.

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 profit and loss account where, to the extent that the hedge is effective, it will be offset by the change in the fair value of the hedging instrument. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity. 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 profit and loss account. When the hedged item is recognised in the financial statements, the accumulated gains and losses recognised in equity are either recycled to the profit and loss account or, if the hedged item results in a non-financial asset, are recognised as adjustments to its initial carrying amount. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit and loss account. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit and loss account.

1. Company accounting policies continued

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 and deposits held at call with banks. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet to the extent that there is no right of offset and practice of net settlement with cash balances.

Share capital

The Company has two classes of shares, ordinary and deferred shares, which are both 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 trust purchases 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 re-measured 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 re-measured 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.

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

	Cost £m	Provision £m	Total £m
As at 1 August 2008	4,832	(26)	4,806
Additions	896	-	896
As at 31 July 2009	5,728	(26)	5,702

During the year Wolseley Treasury (USD) was transferred to the Company by way of a dividend in specie of £896 million from Wolseley Group Holdings Limited. All of the above investments are in unlisted shares. Particulars of principal subsidiary undertakings are listed on pages 144 and 145 of the Annual Report. The Directors believe that the carrying value of the investments is supported by their underlying net assets.

3. Debtors

	2009 £m	2008 £m
Amounts falling due within one year		
Amounts due from Group companies	3,315	2,710
Corporation tax recoverable	52	50
Derivative financial assets (note 12)	12	11
Deferred tax	1	-
Total debtors	3,380	2,771

The fair value of amounts included in debtors approximates to book value. Amounts due from Group companies are payable on demand and interest is charged at interest rates that vary between LIBOR + 0.5 and LIBOR + 2.0 per cent.

4. Creditors: amounts falling due within one year

	2009 £m	2008 £m
Bank loans and overdrafts (note 13)	188	308
Deferred tax	-	16
Derivative financial liabilities (note 12)	25	8
Amounts due to Group companies	4,578	4,615
Other creditors	-	6
Total creditors: amounts falling due within one year	4,791	4,953

The fair value of amounts included in creditors approximates to book value. Amounts due to Group companies are payable on demand and interest is charged at interest rates that vary between LIBOR + 0.5 and LIBOR + 2.0 per cent.

5. Creditors: amounts falling due after one year

	2009 £m	2008 £m
Bank loans and overdrafts (note 13)	268	664
Derivative financial liabilities (note 12)	11	-
Total creditors: amounts falling due after one year	279	664

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 33, on page 120, to the Wolseley plc consolidated financial statements.

7. Share premium

	£m
At 1 August 2008	949
New share capital subscribed	203
At 31 July 2009	1,152

8. Profit and loss reserve

	£m
At 1 August 2008	1,461
New share capital subscribed	720
Purchase of own shares by employee benefit trust	(5)
Profit for the period	794
Equity-settled employee share options	9
At 31 July 2009	2,979

Included in the profit and loss reserve is an amount of £1,838 million which may not be distributable. The balance of £1,141 million is distributable.

9. Reconciliation of movements in equity shareholders' funds

	2009 £m	2008 £m
Opening shareholders' funds	2,575	2,842
Issue of share capital of £0.25 each	56	–
Issue of share capital of £0.10 each	20	–
Share premium on new share capital subscribed	203	4
New share capital subscribed	720	–
Purchase of own shares by employee benefit trust	(5)	–
Profit for the period	794	(61)
Dividends	–	(215)
Equity-settled employee share options	9	5
Closing shareholders' funds	4,372	2,575

On 1 April 2009 the Company issued 225 million ordinary 25 pence shares by way of a private placing at 120 pence per share.

On 2 April 2009 the Company reorganised its share capital. The 886,988,540 ordinary 25 pence shares then in issue were split into 886,988,540 ordinary 1 penny shares and 886,988,540 deferred 24 pence shares. The 1 penny shares were then consolidated into 88,698,854 ordinary 10 pence shares.

On 21 April 2009 the Company issued 195,137,478 ordinary 10 pence shares by way of an 11 for 5 rights issue at a price of 400 pence per share.

Ordinarily, the excess of the net proceeds over the nominal value of the share capital issued would be credited to a non-distributable share premium account. However, the rights issue was effected through a structure which resulted in the excess of the net proceeds over the nominal value of the share capital issued being recognised within retained earnings under Section 131 of the Companies Act 1985.

The share placing and rights issue generated net proceeds to the Company of £994 million after costs of £52 million and excluding shares purchased by the Employee Benefit Trusts.

10. Retirement benefit obligations

The Company participates in the Wolseley Group Retirement Benefits Plan. This is a defined benefit multi-employer plan, 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 plan and accordingly accounts for the plan as if it were a defined contribution plan. Information in respect of the plan is provided in note 32, on pages 116 to 119, to the Wolseley plc consolidated financial statements. The total contribution to the defined benefit plan in the year was £nil (2008: £nil).

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 34, on pages 121 to 123, to the Wolseley plc consolidated financial statements. The Company recognised an equity-settled share-based payment charge of £2 million in the year (2008: £1 million).

12. Derivative financial instruments

	2009 £m	2008 £m
Current assets		
Interest rate swaps	–	10
Currency swaps: at fair value through profit and loss	12	1
Derivative financial assets	12	11

	2009 £m	2008 £m
Creditors: amounts falling due within one year		
Interest rate swaps	(14)	(8)
Currency swaps: at fair value through profit and loss	(11)	–
Derivative financial liabilities	(25)	(8)

	2009 £m	2008 £m
Creditors: amounts falling due after one year		
Interest rate swaps	(11)	–
Derivative financial liabilities	(11)	–

Interest rate swaps

The Company uses interest rate swaps to manage its and the Group's exposure to interest rate movements on their 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. For Group purposes interest rate swap contracts comprising fixed interest payable on notional principal of €900 million (2008: \$300 million and €1,000 million) and basis point swaps with notional principal of €900 million (2008: \$300 million and €400 million) are designated and effective as cash flow hedges, and the valuation gains have been deferred in equity until realised. The Company has recognised the valuation gains through profit and loss. The contracts expire between August 2009 and August 2011 (2008: September 2008 and August 2011), and the fixed interest rates range between 2.59 and 4.59 per cent (2008: 2.49 and 5.42 per cent).

	2009 £m	2008 £m
At fair value through profit and loss		
At 1 August	2	9
Valuation losses charged to profit and loss	(21)	–
Cash settlements in the period	(5)	(8)
Exchange	(1)	1
At 31 July	(25)	2

Currency swaps

The Company uses currency swaps either to obtain the optimum return on its and the Group's surplus funds or to hedge the spot exchange rate risk of its and the Group's 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.

	2009 £m	2008 £m
At fair value through profit and loss		
At 1 August	1	–
Valuation (losses)/gains (charged)/credited to profit and loss	(36)	1
Cash settlements in the period	36	–
At 31 July	1	1

12. Derivative financial instruments continued

At the balance sheet date the Company had entered into certain short-term currency swaps and forward contracts as follows:

	2009		2008	
	Currency million	£m	Currency million	£m
Bought forward	EUR 585	500	DKK 1,784	188
	DKK 720	82	GBP 119	119
	CZK 95	3	USD 178	90
			Other	10
Sold forward	GBP 251	(251)	EUR 459	(361)
	USD 380	(227)	CAD 91	(45)
	CAD 135	(75)		
	CHF 56	(31)		
		1		1

13. Bank loans and overdrafts

	2009 £m	2008 £m
Creditors: amounts falling due within one year		
Bank overdrafts	188	308

The fair values of overdrafts and loans falling due within one year approximate to book value due to their short maturities.

The currency analysis of bank loans and overdrafts is as follows:

	2009 £m	2008 £m
Sterling	71	–
US dollar	11	101
Euro	59	147
Other	47	60
	188	308

	2009 £m	2008 £m
Creditors: amounts falling due after one year		
Bank loans	268	664

The loans falling due after one year are repayable as follows:

	2009 £m	2008 £m
Due in two to five years	268	664
	268	664

The fair values of loans falling due after one year approximate to book value due to being at floating rates. At 31 July 2009, no loans carried a fixed interest rate (2008: £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 loans falling due after one year is as follows:

	2009 £m	2008 £m
Sterling	–	–
US dollar	268	402
Euro	–	234
Other	–	28
	268	664

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 2009, the Company has a quantifiable contingent liability for value added tax of certain subsidiary undertakings of £11 million (2008: £16 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.

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, employee costs and auditors' remuneration

The average number of employees (including Directors) of the Company in the year ended 31 July 2009 was 17 (2008: 17). Total employee costs of the Company for the year were £5 million (2008: £5 million).

Fees payable to the auditors for the audit of the Company's financial statements are set out in note 3, on page 91, to the Wolseley plc consolidated financial statements.

16. Dividends

Details of the Company's dividends are set out in note 10, on page 95, to the Wolseley plc consolidated financial statements.

17. Related party transactions

The Company has taken advantage of the exemption available under the terms of paragraph 3 (a) of 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. Accounting standards and interpretations that are not yet effective

Certain new standards, amendments to and interpretations of existing standards have been published that are mandatory for the Company's accounting periods beginning on or after 1 August 2009 or later periods, but which the Company has not early adopted. The new standards which are expected to be relevant to the Company's operations are as follows:

Amendment to FRS 20 Share-based Payment (effective from 1 August 2009)

This amendment clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. Management is currently assessing the impact of this amendment on the Company's future financial statements.

Amendment to FRS 20 Share-based Payment (effective from 1 August 2010)

The amendment clarifies both the scope of the standard and the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when that entity has no obligation to settle the share-based payments transaction. Management is currently assessing the impact of this amendment on the Company's future financial statements.

Amendment to FRS 26 Financial Instruments: Recognition and Measurement (effective from 1 August 2009)

The amendment clarifies how the existing principles underlying hedge accounting should be applied in two particular situations, namely the designation of a one-sided risk in a hedged item and inflation in a financial hedged item. Management is currently assessing the impact of this amendment on the Company's future financial statements.

Amendment to FRS 29 Improving Disclosures about Financial Instruments (effective from 1 August 2009)

The amendments require enhanced disclosures about fair value measurements and liquidity risk and incorporate credit risk disclosures for loans and receivables. Management is currently assessing the impact of this amendment on the Company's future financial statements.

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 2009 which comprise the Company Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' responsibilities statement set out on page 58, the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Sections 495 to 497 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 July 2009;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' report for the financial year for which the parent company financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the consolidated financial statements of Wolseley plc for the year ended 31 July 2009.



Michael Phillips (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

28 September 2009

Five year summary

	2009 £m	2008 (restated) £m	2007 (restated) £m	2006 (restated) £m	2005 (restated) £m
Revenue from continuing operations					
UK and Ireland	2,699	3,203	3,171	2,690	2,351
France	2,144	2,116	1,872	1,725	1,644
Nordic	2,113	2,290	1,670	-	-
Central and Eastern Europe	965	908	846	735	642
Europe	7,921	8,517	7,559	5,150	4,637
US plumbing and heating	5,820	5,613	5,685	5,396	3,858
Canada	700	684	619	646	512
North America	6,520	6,297	6,304	6,042	4,370
	14,441	14,814	13,863	11,192	9,007
Trading profit from continuing operations					
UK and Ireland	55	176	211	201	183
France	32	103	101	91	98
Nordic	96	159	102	-	-
Central and Eastern Europe	-	-	32	31	30
Europe central costs	(4)	(10)	(13)	(7)	(4)
Europe	179	428	433	316	307
US plumbing and heating	317	397	411	378	260
Canada	32	39	42	44	36
North America plumbing and heating	349	436	453	422	296
North America loan services	(24)	(19)	(5)	(3)	(2)
North America central costs	(8)	(8)	(10)	(11)	(1)
North America	317	409	438	408	293
Group central costs	(49)	(50)	(43)	(37)	(25)
	447	787	828	687	575
Amortisation of acquired intangibles	(105)	(105)	(88)	(24)	(4)
Impairment of acquired intangibles	(490)	(57)	-	-	-
Exceptional items	(458)	(70)	-	-	-
Operating (loss)/profit from continuing operations	(606)	555	740	663	571
Net interest payable	(145)	(156)	(119)	(65)	(37)
Share of after tax loss of associate	(15)	-	-	-	-
(Loss)/profit on ordinary activities before tax from continuing operations	(766)	399	621	598	534
Tax credit/(charge)	34	(157)	(159)	(214)	(144)
(Loss)/profit on ordinary activities after tax from continuing operations	(732)	242	462	384	390
(Loss)/profit from discontinued operations	(441)	(168)	12	153	89
(Loss)/profit attributable to equity shareholders	(1,173)	74	474	537	479
Ordinary dividends	-	(74)	(211)	(186)	(155)

Directors' report – Business review

Directors' report – Corporate governance

Financial statements

Other information

Five year summary continued

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Net assets employed					
Intangible fixed assets	2,223	2,836	2,680	1,506	948
Property, plant and equipment	1,593	1,842	1,718	1,144	833
Other net assets, excluding liquid funds	519	1,150	1,520	1,892	1,691
	4,335	5,828	5,918	4,542	3,472
Financed by					
Share capital	241	165	165	149	148
Share premium	1,152	949	945	288	241
Foreign currency translation reserve	228	(52)	(181)	(49)	82
Profit and loss account	1,755	2,297	2,522	2,204	1,830
Shareholders' funds	3,376	3,359	3,451	2,592	2,301
Net debt	959	2,469	2,467	1,950	1,171
Net assets employed	4,335	5,828	5,918	4,542	3,472
Cumulative goodwill and acquired intangibles written off	1,992	1,097	791	667	619
Gross capital employed for continuing and discontinued operations	6,327	6,925	6,709	5,209	4,091

	2009	2008 (restated)	2007 (restated)	2006 (restated)	2005 (restated)
Trading margin from continuing operations	3.1%	5.3%	6.0%	6.1%	6.4%
Earnings per share from continuing operations before exceptional items and the amortisation and impairment of acquired intangibles (note 3)	95.6p	240.3p	309.8p	250.0p	243.5p
Basic earnings per share from continuing and discontinued operations (note 3)	(558.0)p	41.0p	266.7p	329.3p	296.1p
Dividends per share (in respect of the financial year) (note 3)	–	40.8p	117.5p	106.7p	95.8p
Cover for ordinary dividends	–	1.0	2.2	3.1	3.1
Gearing ratio (note 1)	28.4%	73.5%	71.5%	75.2%	50.9%
Net tangible assets per ordinary share (note 3)	406.2p	286.6p	423.2p	658.9p	829.2p
Return on gross capital employed for continuing operations (note 2)	6.9%	12.7%	15.2%	18.3%	19.2%
Average number of employees for continuing operations	55,132	62,774	63,136	47,058	42,732
Aggregate wages and salaries for continuing operations (£ million)	1,765	1,654	1,524	1,253	978
Number of shares in issue at year end (million) (note 3)	284	182	182	165	163
Number of branches at year end					
Europe	2,941	3,389	3,311	2,861	2,486
North America	1,453	1,636	1,677	1,483	1,179
Total continuing operations	4,394	5,025	4,988	4,344	3,665
Discontinued operations	–	285	308	314	255
Total branches	4,394	5,310	5,296	4,658	3,920
US dollar translation rate					
Income statement/profit and loss	1.5708	2.0000	1.9487	1.7885	1.8514
Balance sheet	1.6718	1.9835	2.0285	1.8673	1.7564
Canadian dollar translation rate					
Income statement/profit and loss	1.8471	2.0134	2.1932	2.0595	2.2997
Balance sheet	1.8017	2.0293	2.1644	2.1128	2.1464
Euro translation rate					
Income statement/profit and loss	1.1597	1.3470	1.4823	1.4577	1.4587
Balance sheet	1.1729	1.2715	1.4835	1.4628	1.4479

Note 1. The gearing ratio is the ratio of net debt, 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, exceptional items 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.

Note 3. Shares in issue and amounts per share for prior years have been restated to show the amount per equivalent new 10 pence share.

Pro forma information in United States dollars

	2009 \$m	2008 (restated) \$m	2007 (restated) \$m	2006 (restated) \$m	2005 (restated) \$m
Revenue from continuing operations					
UK and Ireland	4,240	6,406	6,179	4,811	4,353
France	3,368	4,232	3,648	3,085	3,044
Nordic	3,319	4,580	3,254	-	-
Central and Eastern Europe	1,516	1,816	1,649	1,315	1,188
Europe	12,443	17,034	14,730	9,211	8,585
US plumbing and heating	9,142	11,226	11,079	9,651	7,142
Canada	1,100	1,368	1,206	1,155	948
North America	10,242	12,594	12,285	10,806	8,090
	22,685	29,628	27,015	20,017	16,675
Trading profit from continuing operations					
UK and Ireland	86	352	411	359	339
France	50	206	197	163	181
Nordic	151	318	199	-	-
Central and Eastern Europe	-	-	62	55	55
Europe central costs	(6)	(20)	(25)	(12)	(7)
Europe	281	856	844	565	568
US plumbing and heating	498	794	800	676	481
Canada	50	78	82	79	67
North America plumbing and heating					
North America loan services	(38)	(38)	(10)	(5)	(4)
North America central costs	(13)	(16)	(19)	(20)	(2)
North America	497	818	853	730	542
Group central costs	(77)	(100)	(84)	(66)	(46)
	701	1,574	1,613	1,229	1,064
Amortisation and impairment of acquired intangibles (other than goodwill)	(165)	(210)	(171)	(43)	(7)
Goodwill amortisation and impairment	(770)	(114)	-	-	-
Exceptional items	(719)	(140)	-	-	-
Operating (loss)/profit from continuing operations	(953)	1,110	1,442	1,186	1,057
Net interest payable	(228)	(312)	(232)	(116)	(69)
Share of after tax loss of associate	(24)	-	-	-	-
(Loss)/profit on ordinary activities before tax from continuing operations	(1,205)	798	1,210	1,070	988
Tax credit/(charge)	53	(314)	(310)	(383)	(267)
(Loss)/profit on ordinary activities after tax from continuing operations	(1,152)	484	900	687	721
(Loss)/profit from discontinued operations	(693)	(336)	23	273	166
(Loss)/profit attributable to equity shareholders	(1,845)	148	923	960	887
Ordinary dividends	-	(148)	(411)	(333)	(288)

	2009 \$m	2008 \$m	2007 \$m	2006 \$m	2005 \$m
Net assets employed					
Intangible fixed assets	3,716	5,625	5,437	2,812	1,665
Property, plant and equipment	2,663	3,654	3,485	2,136	1,463
Other net assets, excluding liquid funds	868	2,281	3,083	3,533	2,970
	7,247	11,560	12,005	8,481	6,098
Financed by					
Share capital	403	327	335	278	260
Share premium	1,926	1,882	1,917	538	423
Foreign currency translation reserve	381	(103)	(367)	(91)	144
Profit and loss account	2,934	4,556	5,116	4,115	3,214
Shareholders' funds	5,644	6,663	7,001	4,840	4,041
Net debt	1,603	4,897	5,004	3,641	2,057
Net assets employed	7,247	11,560	12,005	8,481	6,098
Cumulative goodwill written off	3,330	2,176	1,605	1,245	1,087
Gross capital employed for continuing and discontinued operations	10,577	13,736	13,610	9,726	7,185

The above information has been extracted from the five year summary on pages 139 to 141. 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 141. Balance sheet figures have been translated at the relevant year's balance sheet US dollar translation rate as set out on page 141.

Principal subsidiary undertakings and their directors

Europe

United Kingdom

Wolseley UK Limited

Leamington Spa
Warwickshire CV31 3HH

(Incorporated and operational in the United Kingdom)

Directors

S Ashmore, R H Marchbank,
M J Neville

Ireland

Wolseley Ireland Limited

Athlone, Co. Westmeath

(Incorporated and operational in the Republic of Ireland)

Directors

S McBride, M J Neville,
P Roche, C Soden

Wolseley Ireland Holdings Limited

Athlone, Co. Westmeath

(Incorporated and operational in the Republic of Ireland)

Directors

S McBride, M Neville,
P Roche, C Soden

France

Brossette SAS

69007 Lyon

(Incorporated and operational in France)

Président-directeur général
P Gardies

PB & M SAS

92400 Courbevoie

(Incorporated and operational in France)

Président-directeur général
P Gardies

Denmark

DT Group A/S

Gladsaxe Mollevej, 5 DK-2860 Soborg

(Incorporated and operational in Denmark)

Directors

M Asim, K S Borregaard,
R H Marchbank, B W Mortensen,
R I Shoykov, S Weirsø

Electro-Oil International A/S

DK-2600 Glostrup

(Incorporated and operational in Denmark)

Directors

R Bailekoski, B Øestergaard,
D Rasmussen

Austria

OAG AG

A-1110 Wien

(Incorporated and operational in Austria)

Director

M Lanik

Supervisory Board

R Bailekoski, T Brophy, P Frank,
R H Marchbank, T Zwettler

Belgium

Wasco-Centrtec NV

3001 Heverlee

(Incorporated and operational in Belgium)

Directors

R B Bailekoski, T Brophy, M J R Verrier,
S P Webster

Czech Republic

Wolseley Czech Republic spol. s r.o.

619 00 Brno

(Incorporated and operational in the Czech Republic)

Managing Director

T C Voegesang

Statutory representatives

R B Bailekoski, M Dvoracek,
T C Voegesang

Wolseley Eastern Europe a.s.

Prague 8

(Incorporated and operational in the Czech Republic)

Directors

M Hlinecký, S Weirsø

Supervisory Board

T Brophy, N G Parry, J Clausen,
R I Shoykov

Italy

Manzardo SpA

39100 Bolzano

(Incorporated and operational in Italy)

Directors

R B Bailekoski, T Brophy, N Gasparoni

Luxembourg

Comptoir des Fers et Métaux SA

L-1882 Luxembourg

(Incorporated and operational in Luxembourg)

Directors

R B Bailekoski, P Bröcker, T Brophy

Netherlands

Wasco Holding B.V.

7391 AL Twello

(Incorporated and operational in the Netherlands)

Directors

R B Bailekoski, H A T van den Belt

Switzerland

Tobler Haustechnik AG

8902 Urdorf

(Incorporated and operational in Switzerland)

Directors

R B Bailekoski, E Ballmer, A Ronchetti,
H Wiedmer

North America

USA

Ferguson Enterprises Inc.

Newport News, Virginia 23602

(Incorporated and operational in the United States of America)

Directors

L A Byrd, J K Cross, J A Feltman,
S F Grosslight, M L Grunkemeyer,
T E Hall, W S Hargette, D L Keltner,
K M Murphy, S D Petock, J A Posey,
F W Roach, S M Roznowski,
W S Russell, D P Strup,
K D VanderVennet, J L Wilcox

Canada

Wolseley Canada Inc

Burlington, Ontario

(Incorporated and operational in Canada)

Directors

M D Lamontagne, F W Roach,
K D VanderVennet

Wolseley Industrial Products Group Inc

Burlington, Ontario

(Incorporated and operational in Canada)

Directors

M D Lamontagne, F W Roach,
K D VanderVennet

Service companies

Julie B1 Limited

(Incorporated Guernsey and operational in the United Kingdom)

Julie P Limited

(Incorporated and operational in Guernsey)

Julie 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 (Gibraltar) Limited

(Incorporated in Gibraltar and operational in the United Kingdom)

Wolseley Finance (Hawn) LLC

(Incorporated in the United States of America and operational in the United Kingdom)

Wolseley Finance (Isis) S.a.r.l.

(Incorporated and operational in Luxembourg)

Wolseley Finance (Isle of Man) Limited

(Incorporated in the Isle of Man and operational in the United Kingdom)

Wolseley Finance (Kennet) S.a.r.l.

(Incorporated and operational in Luxembourg)

Wolseley Finance (Loddon) S.a.r.l.

(Incorporated and operational in Luxembourg)

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 Investments North America, 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)

Associates

Saturn Acquisition Holdings, LLC

Los Angeles, California 90024

(Incorporated and operational in the United States of America)

Wolseley Directors

F W Roach, D Keltner

All subsidiary undertakings have been included in the consolidation.

Shareholdings in companies marked * are held by Wolseley plc. All other shareholdings in the above mentioned companies are held by intermediate subsidiary undertakings.

Details of Directors and officers are reported as at 28 September 2009.

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

Wolseley Finance (Isle of Man) Limited

100%

Wolseley Insurance Limited

100%

Wolseley Investments Inc.

100%

Wolseley Overseas Holdings Limited

100%

Wolseley UK Finance Limited

100%

Wolseley UK Holdings Limited

100%

Shareholder information

Shareview is a service offered by Equiniti, 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 and complete the simple on-screen registration process.

First-time users will need to enter certain information and choose a personal identification number before they are able to access their shareholding details. 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.

Share dealing

UK-based shareholders are also 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 0871 384 2020 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 0871 384 2934. Calls to these numbers are charged at 8 pence per minute from a BT landline. Other telephony providers' costs may vary.

2009 Capitalisation and share issue information

On 6 March 2009, Wolseley plc announced a capital reorganisation and share issue. Following receipt of shareholder approval, the 25 pence ordinary shares of the Company were split into 1 penny ordinary shares and 24 pence deferred shares on 2 April 2009; immediately following the share split, the 1 penny ordinary shares were then consolidated on a ten for one basis. This created the new 10 pence ordinary shares. On 3 April 2009, eligible shareholders were then given the opportunity to participate in a rights issue on the basis of 11 new shares for every five existing shares held on 1 April 2009, at a subscription price of 400 pence per share. The rights issue offer period ended on 21 April and dealing in the new fully paid 10 pence ordinary shares commenced on the London Stock Exchange on 22 April 2009. Information relating to the transaction, including the taxable treatment of the rights (or payment for rights not taken up), is available in the prospectus available at www.wolseley.com.

Stock Exchange Listings

The ordinary shares of 10 pence each of the Company are listed on the London Stock Exchange. The Company operates a Level 1 American Depositary Receipts ("ADR") programme. On 2 April 2009, following the capital reorganisation, the ADR ratio was changed from one ADR equalling one ordinary share to one ADR equalling one-tenth of an ordinary share. These ADRs are listed on the premier tier of the over-the-counter market "OTCQX". Further information can be found at www.pinksheets.com or www.otcqx.com.

Published information

Further copies of the Annual Report may be obtained from the Investor Relations Department/Corporate Communications Department, Wolseley plc, Parkview 1220, Arlington Business Park, Theale, Reading RG7 4GA, United Kingdom. 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 +44 (0)118 929 8700.

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

Deutsche Bank
UBS Limited

Solicitors

Freshfields Bruckhaus Deringer

UK Registrars

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6BN

Telephone:
within the UK: 0871 384 2934*
from overseas: +44 (0)121 415 7011
Website: www.equiniti.com

*Calls to this number are charged at 8 pence per minute from a BT landline.
Other telephony providers' costs may vary.

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: +1 212 495 1784
Website: <http://www.stockbny.com>

Principal committees of the Board

Audit Committee

James I K Murray – Chairman
Gareth Davis
Nigel M Stein
Michael P Wareing (with effect from 1 October 2009)

Remuneration Committee

Andrew J Duff – Chairman
Gareth Davis
Nigel M Stein

Nominations Committee

John W Whybrow – Chairman
Gareth Davis
Andrew J Duff
Alain Le Goff (with effect from 1 September 2009)
James I K Murray
Nigel M Stein
Michael P Wareing (with effect from 1 October 2009)

Treasury Committee

Stephen P Webster – Chairman
Derek J Harding (with effect from 1 October 2009)
Ian K Meakins
Michael J R Verrier
Michael P Wareing (with effect from 1 October 2009)

Corporate timetable

18 November 2009

Annual General Meeting. Interim Management
Statement released

22 March 2010*

Announcement of Half Year results for the period ending
31 January 2010

24 May 2010*

Interim Management Statement released

31 July 2010

End of financial year 2009/10

27 September 2010*

Final Year results for the year ending 31 July 2010 announced

*Dates are based on current expectations.

The Half Year and Final Year results announcements and the Interim Management Statements will be available on the Company's website at www.wolseley.com following their release.

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Directors' report – Corporate governance

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Forward-looking statement

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.

Credits

Designed and produced by Radley Yeldar www.ry.com
Board photography by Bill Robinson

Paper

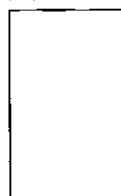
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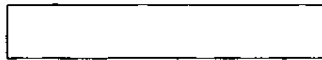


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Printed by St.Ives Westerham Press. The printing inks are made with non-hazardous vegetable oil from renewable sources. Over 90 per cent of solvents and developers are recycled for further use and recycling initiatives are in place for all other waste associated with this production. St.Ives Westerham Press is FSC and ISO 14001 certified with strict procedures in place to safeguard the environment through all processes.

The greenhouse gas emissions from the production and distribution of this Annual Report and Accounts have been neutralised through a hydro power project in China.





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United Kingdom

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Fax +44 (0)118 929 8701

Registration No. 29846 England

 **www.wolseley.com**