Graphic removed

Annual Report and Accounts 2010

Graphic removed

Returning to profitable growth

We are the largest specialist trade distributor of plumbing and heating products to professional contractors and a leading supplier of building materials to the professional market. We operate a number of well known businesses that hold leading positions in their local markets.

Online annual report

What you'll find online

Graphic removed

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 better for 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 Group Chief Executive Ian Meakins

There are 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 access to a simple and convenient telephone and internet share dealing service for UK-based shareholders

http://annualreport2010.wolseleyplc com

Highlights of the year

Wolseley has begun to emerge from the extremely difficult market environment of the last three years. Through tough actions and a new strategic approach, the business is well positioned to exploit the opportunities that lie ahead.

Markets stabilising

In 2010 revenue was down 9 per cent to £13,203 million There was a gradual stabilisation of our markets, with RMI segments generally holding up better than the more volatile new residential segments This led to a strong second half and like-for-like revenue growth in the fourth quarter

£13.2bn

Lower cost base

Since the start of the recession we have taken action to lower the cost base, as revenues decreased Operating costs in the year to 31 July 2010, were reduced by a further £353 million or 10 per cent

–£353m

Resource allocation completed

In March 2010 we announced our intention to focus future growth on those Wolseley businesses where we have built substantial scale, leading market positions and excellent customer franchises We have completed our plans for this year

Graphic removed

Improved trading profit[1]

Despite a decrease in revenue of 9 per cent, actions to protect gross margins and the benefit of a lower cost base enabled the Group to increase trading profit to £450 million (2009 £447 million)

£450m

Exited underperforming businesses

During the year the Group has exited from several businesses This included our businesses in Ireland, the French Public Works business and our plumbing and heating activities in the Czech Republic, Belgium and Slovakia

Graphic removed

Net debt reduced

The Group continues to place a high degree of emphasis on cash generation Continued working capital discipline and management actions to conserve cash and capital expenditure meant that our net debt at 31 July 2010, was reduced by £613 million to £346 million (2009 £959 million)

–£613m

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

Chairman's statement

The organisation looks to the future with increasing confidence and an enthusiasm to develop our strong local market positions working from the foundation of a low cost base and strong, focused leadership.

Graphic removed

In my last year as Chairman I am delighted to report that as we begin to emerge from the extremely difficult market environment of the last three years, your Company is well positioned to exploit the opportunities that lie ahead The organisation looks to the future with increasing confidence and an enthusiasm to develop our strong local market positions working from the foundation of a low cost base and strong, focused leadership Last year was again difficult, starting with a weak declining market which has only begun to show signs of stability, and in some cases recovery, in the last few months

Group results

This is clearly reflected in the results for the year with Group revenue for the 12 months to 31 July 2010, down 9 per cent to £13 2 billion, and earnings per share before exceptional items and amortisation and impairment of acquired intangibles down 22 per cent to 74 1 pence We have continued to manage the cost base actively to minimise the effects of the recession on the Group's results and during the year headcount was reduced by a further 3,400 and 220 branches were closed We have also taken firm action to exit those businesses where we do not see future value creation potential

We continue to place a high degree of emphasis on cash generation and, in particular, driving improvements in working capital This is reflected in a strong free cash flow performance of £660 million (2009 £851 million) Our net debt position at 31 July 2010 improved by £613 million to £346 million

Further, I am pleased to report that Wolseley exits the financial year in a strong position in terms of its balance sheet, its assets and its people That strength is in no small part due to the period of critical self-examination we have undergone as a business this year The resulting strategy crafted by our new Chief Executive, Ian Meakins and his team, endorsed by the Board, is already bearing fruit and has put us in a much stronger position to weather the remainder of the recession and look forward to the future with great optimism

Ian got to grips with the business very quickly He spent time reviewing the management structure and the future planning required to take the Company forward He has drive and energy and a passion for operational excellence and delivery It is through his leadership that I see a new confidence in our people The Board is fully supportive of Ian's approach of focusing future growth on those Wolseley businesses where we have built sufficient scale, leading market positions and an excellent product offering He has also introduced greater rigour in how we drive performance improvement and the execution of strategy at the business unit level, which will serve us well in the future This approach is set out by Ian in his review on pages 4 to 5

Redomicile to Switzerland

In September, we announced a proposal to change the corporate structure of the Group This will create a new holding company which is UK-listed, incorporated in Jersey with its tax residence in Switzerland I want to emphasise that this proposal will not make any substantive change to corporate governance or to any existing investor protection measures, nor will it have any adverse tax implications for shareholders It does not change Wolseley's business strategy, or the day-to-day conduct of our businesses, including in the UK In addition, the tax position of the UK businesses will remain unchanged

Revenue

£13.2bn
–9%

Trading profit

£450m

Net debt

£346m
–£613m

However, the proposed move is intended to provide a more stable tax regime for our international business and the Board feels strongly that it would be delinquent in its duty to shareholders if it ignored the strong business case for redomiciling and thereby keeping the Group's effective tax rate competitive As I write, I am conscious of the new coalition Government's publicly stated desire to simplify UK tax law as it applies to multinational corporations such as Wolseley, and naturally the Board will keep this under review

Governance

As we do each year, the Board reviewed its effectiveness and the overall strength of the governance and controls framework of the Company It took the opportunity to streamline and verify some of the Company's policies and procedures and to refocus its time and attention on material strategic and operational improvements designed to further improve the efficiency of decision-making

Dividend

The Board understands the importance of the dividend to investors and we have announced our intention to resume paying a dividend during the 2011 financial year

Board changes

In March, Steve Webster stepped down as Chief Financial Officer (CFO) and John Martin was appointed by the Board as his successor in April John brings a wealth of operational experience from Travelex Group and Hays plc and is already showing himself as a highly capable CFO I am confident his experience will be of great benefit to Wolseley

Rob Marchbank, Chief Executive Officer, Europe, left the Company in March following the reorganisation of our European businesses

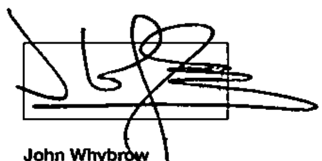
I would like to take this opportunity to wish both Steve and Rob well and thank them for their significant contribution to the success of the Company

As previously announced, Jim Murray, Non Executive Director and former Chairman of the Audit Committee will retire from the Board on 30 September I wish him well in his retirement

Now I come to my own retirement I do this with great sadness because it has been a privilege to be associated with this very special Company However, after nearly 13 years on the Board, including eight as Chairman, and now with a new Executive team in place with a clear strategy to deliver future profitable growth, it seems right to hand over to someone else I do so knowing that my successor, Gareth Davis, was an outstanding CEO of some 14 years' standing at Imperial Tobacco plc, is well respected in the City and has a strong track record of creating value

Wolseley today is now a very different Company to the one I first chaired, and is well placed to continue to enjoy an exciting and profitable future I wish everyone at the Company the very best and thank you all for your support during the last eight years as your Chairman

Finally I would, of course, like to pay tribute to Wolseley's 47,000 people who work in 25 countries around the world As a service business we are wholly dependent on their skills and imagination to service our customers every day



John Whybrow
Chairman

Chief Executive's review

Our objective is to maximise shareholder value through delivering profitable growth in our chosen markets.

Graphic removed

Operations, processes and people

A year ago I outlined in this review what I felt were the inherent strengths of the Wolseley business I had just joined During the past 12 months, I have undertaken a thorough evaluation of our operations and processes Everything I have seen has reinforced my view that this is essentially a great business with a fundamentally sound business model We have strong market leading positions in our core markets The quality of our front line people and their dedication to our customers is impressive We have built significant businesses over time and in many geographies, which have good records of serving our customers well, backed by strong relationships with key vendors, talented people and an efficient operating model These factors should enable us to leverage our scale and expertise to generate organic growth in the future It is also testament to the strength of the business model that over many years gross margins have remained broadly consistent, even during the recent deep recession

Business strategy

Between July 2009 and March 2010 the Company's Executive Committee developed an operating framework to deliver sustainable and profitable growth (see diagram opposite) Our approach is based on a top down resource allocation process, to allow us to choose which businesses will give us the best returns in the long term In addition, we have also developed bottom up detailed business unit strategies to make sure we invest in the right projects and plans to deliver our future growth at a local level To assist this I have dismantled the divisional structure around North America and Europe so that we have greater visibility of the underlying performance of local businesses New monthly reporting processes and regular business reviews with country management teams ensure that all of us are focused on the right priorities

Our objective for each business unit strategy is to grow profitably faster than our competition Our business is local in the sense that the majority of our 1 million customers travel less than 20 miles to reach a branch Our aim is therefore to gain a greater share of our existing customers' business in every branch and to gain new customers by providing them with the best local customer service, delivered by the best branch staff in the industry and by partnering with the key vendors in the industry Underpinning this we want to operate a low cost efficient operating model, which ensures we are competitive and can attract favourable terms from our vendors

We have now completed the top down resource allocation process, so we are clear which business units we want to drive for faster growth – in short, those where we believe we can win, versus the competition We're now building and executing the individual business unit strategies and three year plans I believe that the progress we have made this year, which you can read about on pages 6 to 9, represents a decent start and there is still much to be done

Overview of performance

During the year Wolseley experienced a gradual stabilisation in its markets The repair, maintenance and improvement ("RMI") segment has held up better than the new construction markets and many of our customers have changed their focus to the RMI markets However, the new construction markets remain weak, especially in the US, and commercial markets in particular remain depressed This relative stabilisation of our markets led to a decent second half performance and a return to modest like-for-like growth in the final quarter We also focused on protecting gross margins and carefully managing the cost base Revenue of £13,203 million was 9 per cent below last year, though the decline was restricted to 6 per cent on a like-for-like basis The gross margin at 27 7 per cent was consistent with last year and we continue to focus on improving customer and product mix

Change in like-for-like revenue

–6.0%

Gross margin

27.7%

Trading margin

3.4%

Operating cash flow

£705m

Trading profit of £450 million was £3 million ahead of last year, despite the revenue decline and was achieved as the result of the improved cost base Operating costs in the year excluding exceptional items were reduced by £353 million (or 10 per cent)

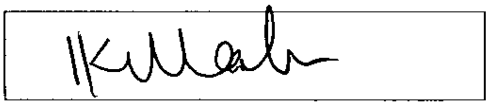
During the year we continued to manage the balance sheet conservatively Cash was tightly controlled, but not at the expense of damaging customer service, and capital expenditure was reduced to £84 million (2009 £157 million) We continue to place a great deal of emphasis on driving good cash generation, with a particular focus on working capital discipline Operating cash flow continued to be strong at £705 million As a result net debt, at 31 July 2010 was reduced to £346 million compared with £959 million at 31 July 2009 We are now placing a much greater emphasis on driving across-the-year improvements and we aim to deliver better month-on-month cash flow performance in the year ahead

Restructuring and disposals

In the year ended 31 July 2010, the Group continued to take restructuring actions to lower the cost base and incurred exceptional restructuring costs of £81 million During the year we disposed of Wolseley's activities in Ireland, the Czech, Belgian and Slovakian plumbing and heating businesses, Friosol (a small Swiss refrigerant distribution business) and the Public Works business in France In the year ended 31 July 2010 these businesses generated revenues of £95 million and £7 million of trading losses The businesses disposed in the year (and businesses held for sale) gave rise to an exceptional loss of £57 million in the period which has been recorded as an exceptional item Since the year end we have also disposed of Brandon Hire in the UK

Summary

2010 has been a challenging year for Wolseley, especially given the prevailing market conditions, against which we can benchmark our future performance Good progress was made on customer service, vendor management, improving the development of our people and driving a more efficient operating platform By stepping up the intensity with which we manage the performance of the businesses, especially the ones with strong growth potential and those which generate synergies, we are well placed to deliver profitable growth and ultimately create sustainable shareholder value Our shareholders, employees, customers and vendors have given strong support to Wolseley this year and I thank them for their trust, patience and loyalty We have started to deliver on our plans for the business and we have much to do, but I am confident that we are in much better shape for the future even in these volatile market conditions



Ian Meakins
Group Chief Executive

Value Creation model
►► See pages 6 – 9

In March, we introduced a value creation model which combines top down resource allocation with bottom up business unit strategies This is outlined in more detail in the following pages

Graphic removed

» See pages 6-7 for further details on Wolseley's resource allocation strategy

» See pages 8-9 for further details on driving operational performance

Graphic removed

« See page 5
for Value Creation model

We believe that a combination of targeted future capital allocation to those businesses capable of generating the highest return on investment and a greater emphasis on improved operational performance at the business unit level will underpin the Group's drive for long-term value creation.

Resource allocation

As part of the resource allocation review, the Group's business units were evaluated according to the following four criteria:

▸ Market characteristics

An assessment of the size and attractiveness of the market in which a business unit operates was made, as well as an evaluation of the potential for future growth in that market This included examining the potential profit pool available to constituent companies and the degree of cyclicality of the market

▸ Strategic position

The market share of each business unit was evaluated and an assessment of the potential growth opportunity was made, as well as the scale of the business

▸ Performance

A review of the track record of each business unit's performance over the last four years was undertaken, including an assessment of the performance of the management team, against key financial and operational performance metrics including return on capital employed, gross margin, cash performance and strength of customer relationships

▸ Synergies

An assessment was made of the synergies that exist with each business unit and others in the Group, eg distribution and cross selling opportunities

These four factors were then compared to obtain a clear classification for each business unit in the Group as follows:

Graphic removed

Growth engine

Invest to create profitable growth
Business units which currently generate or have the potential to generate the greatest return on investment over the medium to longer term Typically they are large businesses with a strong financial performance and a leading market position with clear growth potential

Our strategy will be to continue to drive operational improvements in these businesses while prioritising investment in growth through predominantly organic expansion and, where appropriate, bolt-on acquisitions

Graphic removed

Synergy driver

Take advantage of growth engine synergies
These business units play an important role in supporting and complementing the growth engine businesses through significant economic synergies

Our strategy will be to continue to drive operational improvements in these businesses while maximising the synergy benefits with the growth engine businesses

Graphic removed

Performance builder

Drive performance, then reclassify or exit
These business units are currently underperforming and/or have insufficient scale with no clear economic synergies with the growth engine businesses

Our strategy will be to drive operational improvements across these businesses with limited investment in expansionary capital in the near term Some of these businesses will have the potential to be reclassified as synergy drivers or growth engines over time However, if a satisfactory level of return is not achieved we will exit these businesses

Business unit strategies

Graphic removed

Graphic removed

In addition to top down resource allocation, we have also given a high degree of focus to bottom up detailed business unit strategies and three year plans to ensure that we invest in the right projects and plans to deliver profitable growth

Our objective is to deliver the best operational performance from each business unit and we strongly believe that all of the business units currently in the Group have the opportunity to improve their operating performance A detailed monthly performance review process has been established to ensure that every business unit is accountable

As part of the detailed performance review process, targets in areas such as financial performance, training and development of people, vendor management and operational efficiency are identified Actions are agreed and business unit management are held accountable for their delivery In addition, the performance review process facilitates the sharing of best practice across the Group which we believe, executed properly, is a source of competitive advantage for Wolseley

Value creation ▸ Operational performance

Graphic removed

◂◂ **See page 5**
for Value Creation model

We will focus on each business unit's strategy to ensure that we are our customers' distributor of choice, in our chosen markets, by delivering the best customer service and best vendor management through the best people in our industry.

Within business units

Graphic removed

Gain share of existing customers and gain new customers

Our objective for each business unit strategy is to grow profitably faster than our competition Our business is local in the sense that the majority of our 1 million customers travel less than 20 miles to reach a branch Our objective therefore in every branch is to gain a greater share of our existing customers' business and also gain new customers by providing the best local customer service, delivered by the best branch staff in the industry Underpinning this is a low cost, efficient operating model which ensures we are competitive and can attract favourable terms from our vendors

Our strategy is to drive improvements in customer service, branch staff and vendor relationships in every business This is explained in more detail opposite and some examples are outlined in the Our business section on pages 14 to 25

Graphic removed

Best customer service

Wolseley is a relationship business and there is a strong correlation in successful businesses between satisfied customers and profitable growth Our focus is to meet our customers' needs better than the competition ensuring we deliver the right products at the right price, at the right time, on every occasion they do business with us During the year we have implemented regular customer surveys in all of our business units so we can take actions to improve our performance

Graphic removed

Preferred vendor

Our vendors need distributors who can give them access to many smaller customers cost effectively We want to build strong relationships with our vendors, grow our business with them and benefit from improved terms and rebates

Graphic removed

Best branch staff

In order to achieve the best customer service in the industry we need to have the right talent with relevant training, skills and competence in our locations Within each of the business units there is a strong focus on ensuring that training programmes and tools are available for our people so they are equipped to give the best service in the industry

Cross-business unit

There are two primary areas where cross-business unit synergies can be achieved by being part of the Group

- Management synergies such as sharing best practice management development and corporate finance
- Operating synergies in the areas of joint sourcing, own label development and the sharing of costs and infrastructure

The performance review process is highlighting the key areas of best practice where we believe we can achieve the greatest benefits across the Group Some examples of current projects are outlined in the review of our operations on pages 14 to 25

Graphic removed

Most efficient operating model

Our objective is to operate the lowest cost, most efficient operating model in our industry This means ensuring that our distribution activities benefit from national scale and an efficient supply chain either through a network of distribution centres or direct deliveries from our vendors to the customer

Beat the best local competitor

Graphic removed

Graphic removed

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 2010. The Group gives prominence to different indicators as the economic environment changes.

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 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 that achieved by the remainder of the market	Group like-for-like revenue reduced by 6 0 per cent during the year, compared to a reduction of 13 9 per cent in the previous year	Graphic removed
Gross margin The ratio of gross profit excluding exceptional items to revenue	Gross margin was maintained at 27 7 per cent as a result of a continued focus on improving customer service and product mix despite competitive market conditions	Graphic removed
Trading margin The ratio of trading profit to revenue Over the cycle, the Group seeks to achieve a growth in trading profit higher than the growth in revenue as a result of increasing the efficiency of operations and benefiting from its economies of scale and strong market position	Group trading margin overall increased from 3 1 per cent to 3 4 per cent, as the reduction in gross profit was offset by the disposal of loss-making businesses and a reduced cost base	Graphic removed

Key performance indicator and definition	Review of performance	Performance table
Average cash-to-cash days Cash-to-cash days are defined as the average number of days from payment for items of inventory to receipt of cash from customers The Group uses the 12 month average number of cash-to-cash days excluding factored receivables to monitor working capital efficiency throughout the year	Average cash-to-cash days reduced by three days between 2009 and 2010 as the Group continued to improve its working capital efficiency	Graphic removed

Customer service

Different types of customer have different requirements, or different priorities in ranking their requirements Each business unit needs to understand what these requirements are and how its service performance is perceived relative to the competition During the year, management has implemented regular customer surveys in all business units to establish a base point from which progress can be measured

Other performance indicators

Employees, health and safety

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

The Group's health and safety performance is monitored using three standard KPIs medical injury frequency, lost workdays and vehicle collision frequency More information is provided in the Corporate responsibility report on page 36

As customer relationships are maintained by branch staff or sales people, staff turnover rates are an important indicator and are monitored regularly

There are numerous programmes around the Group to develop the skills of branch staff, either in specific product knowledge or more generally in sales or management These are monitored by logging training programmes attended and, where appropriate, the level of certification achieved, which often forms a part of the performance objectives on which individual bonuses are awarded

Supply chain

There are numerous supply chain initiatives around the Group Some can be monitored by financial measures, such as annualised savings in transportation costs, and others by non-financial measures, such as inventory turns and, for the Group's network of distribution centres, the fill rate achieved, which is the proportion of orders that can be fulfilled from inventory on hand at the time of the order

Own label

Most of the Group's businesses aim to increase the proportion of sales of own label products, as these generally command higher margins Initiatives are tailored to the opportunities and circumstances of each business

Environment

The Group's approach to environmental management is set out in the Corporate responsibility report on pages 37 and 38

Our business

Wolseley is the largest specialist trade distributor of plumbing and heating products to professional contractors and a leading supplier of building materials to the professional market.

Graphic removed

Graphic removed

Graphic removed

Activities

Wolseley 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 4,118 branches in 25 countries and employing 47,000 people

The Group's business falls into six geographic segments – the United States, Canada, United Kingdom, France, Nordic region and Central and Eastern Europe

The business model is 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 supply contracts which are managed centrally, or through orders that can be placed with branches, into call centres, or over the internet Products are either delivered directly to our customers or collected from our branches

Customers

The Group has a wide range of customers operating in different industry sectors, ranging from individual plumbers or builders through to national contractor chains and house builders, and including large publicly quoted businesses Wolseley's primary customer focus is on professional contractors, who constituted 87 per cent of the Group's customer base during the year ended 31 July 2010 These contractors work with households, governments, property developers and industrial companies in the repair and maintenance of properties and in the construction of new homes, offices and buildings

Suppliers

The Group has over 100,000 trade suppliers Key suppliers are manufacturers with market-leading brands, usually operating internationally but focused on the needs of local markets The Group works in partnership with key suppliers, offering market breadth and penetration and collaborating on promotions and incentive programmes The Group continues to work with low-cost, high-quality manufacturers to supply our own label product ranges

Products

The Group supplies plumbing and heating products and building materials The range of products is broad and the Group continually seeks opportunities to widen that choice for its customers The main product categories 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
- Installation of cabinets and fireplaces
- Pipe fabrication and valve actuation
- Bathroom layout and design
- Maintenance contracts

Markets

The markets for plumbing and heating and building materials are directly exposed to macroeconomic cycles At the start of the financial year to 31 July 2010, most of the countries in which the Group operates were in a recession with rising unemployment, restricted availability of commercial and consumer credit, falling property prices and low consumer confidence In the second half, like-for-like sales in most territories stopped falling although revenue for the full financial year is below last year's level

Although our markets are cyclical, the business model is strong and it is underpinned by demographic trends towards ageing populations in smaller households and by the ageing of housing stocks The construction industry can be expected to continue to account for a significant proportion of economic activity

While the Group does not operate in a regulated industry, the performance of the Group can be affected by government legislation Changes to building codes and regulations, particularly those promoting energy efficiency and reducing environmental harm, can provide new sources of growth but can also make certain product lines obsolete

Our six geographic segments sell to customers ranging across the RMI, commercial, industrial and construction sectors

Competition

The distribution of plumbing and heating and building materials is fundamentally a local business, in that the majority of our customers are serviced by a local branch a short distance from their workplace It is also highly fragmented, with no dominant, and few large, players Wolseley aims to have a leading market position in the territories in which it operates, with strong local and national brands

Using public and private sources of information, the management of each of our business units estimates its position in the markets it addresses relative to its competitors These estimates are presented for our larger business units in each geographic segment

USA

Graphic removed

9
Business units

1,241
Branches

16,900
Employees

Graphic removed

Graphic removed

Graphic removed

Business profile

Ferguson is the market leading distributor of plumbing supplies in the US and has a history of very strong financial performance The blended branches business sells to customers that range across the residential, commercial and industrial sectors for new construction, repair, maintenance and improvement projects In smaller markets that may not justify a stand-alone presence for heating, ventilation and air conditioning ("HVAC") and Waterworks, a blended location can also provide the products and services for these customers The business is served by 11 distribution centres across the country which enables purchasing benefits from scale and next day product availability which is a competitive advantage

The Waterworks business distributes pipes, valves, hydrants, fittings and meters to residential, commercial and municipal contractors This is a strong business which has been diversifying its customer base into private water companies and treatment plants, and expanding its product range into new areas such as metering technologies

The HVAC business distributes heating, ventilation, air conditioning and refrigeration equipment to specialist contractors, predominantly in the residential and commercial sectors Vendors have a strong position in this market, and branded dealerships of high-end equipment are the most important parts of the business The majority of revenues are generated by providing parts for repair and replacement

The Industrial PVF/HDPE business distributes pipes, valves and fittings, including specialist high-density polyethylene pipes, to industrial customers, primarily in the oil and gas, mining and power generation sectors Although project driven, the business has historically performed strongly over the cycle

The other smaller business units specialise in

- off-site integrated supply with centralised procurement, storeroom management, and commodity management, ("integrated services"),
- the supply and fabrication of fire protection systems ("Fire and Fabrication"),
- maintenance, repair and operations services ("MRO"),
- websites and platforms to support ebusiness ("B2C"), and

- master distribution of plumbing, heating and pipe supplies to retailers and small wholesalers ("Master distribution")

These business units have synergies with the distribution and branch network of the larger units, and frequently share suppliers

Performance

Ferguson's revenue was 11 per cent below last year though the like-for-like revenue decline was restricted to 9 per cent During the fourth quarter of the year the business generated like-for-like revenue growth for the first time in three years as New Residential and RMI markets continued to recover Overall, the recovery in new construction has been modest as factors such as high unemployment, low availability of credit, high levels of unsold housing inventory and the recent expiry of tax incentives have continued to hold back demand The less volatile RMI segment has been relatively more resilient The Commercial sector, in particular, remained weak throughout the year and continued to be restricted by the lack of availability of finance for construction projects Industrial markets were generally better With the exception of Fire and Fabrication, which is particularly exposed to the commercial market, we believe all Ferguson businesses continued to gain market share during the year

The gross margin was slightly lower than the prior year, with pricing pressure largely mitigated by a focus on improvements in the business mix towards showrooms, counter sales and own label products Trading profit of £239 million was £70 million below last year with the gross profit shortfall partly offset by the improved cost base Second half profit was ahead of last year The trading profit benefited from a much lower bad debt expense than last year and this was £10 million to £15 million lower than the expected rate in a normal year

In the Blended Branches business, while Commercial revenue was weak, New Residential and RMI markets showed modest improvements in the period The Industrial PVF, Waterworks and HVAC businesses made good progress in the period HVAC, in particular, performed strongly benefiting from a change in strategy to fewer key vendors, improved product availability to drive service and a lower cost base The USA trading margin was 4 6 per cent (2009 5 3 per cent)

Graphic removed

100 per cent fill is the key to Ferguson's attitude change

Ferguson has recently developed a goal of providing 100 per cent availability of the company's top 2,000 Stock Keeping Units ("SKUs") by Distribution Centre service area

As a first step, Ferguson collaborated with their suppliers to ensure proper planning and production for the 5,400 unique SKUs that make up the regional top 2,000 SKUs Next, they increased inventory and visibility of the top 2,000 SKUs in their distribution centres to improve fill rates Top 2,000 SKUs information is incorporated into daily purchasing reports for immediate visibility and action

In branches, the feedback has been positive from customers and branches have generated improved sales

Graphic removed

Canada

Graphic removed

4
Business units

220
Branches

2,600
Employees

Graphic removed

Graphic removed

Graphic removed

Business profile

Canada has product groups and customer segments similar to our US businesses and they are managed together For example, initiatives such as the development of private label products are applied across both regions Canada also benefits from IT platforms developed in the US for managing customer discounts and transactional ecommerce

As in the US, the blended branches mainly supply plumbing equipment to residential and commercial contractors and DIY customers, and have historically delivered a strong performance A significant competitive advantage is the regional distribution centre, where throughput has grown from C$15 million in 2007 to almost C$160 million in 2010

The Waterworks business serves residential, commercial and municipal contractors Its market leadership is based on strong relationships both with national and continental vendors, and with a base of core contractors

The customers of the HVAC/R business are 60 per cent residential contractors and 40 per cent commercial contractors Currently the customer base is weighted towards small and medium-sized contractors and to counter sales, and there are growth opportunities particularly with property managers and public sector customers

The PVF/HDPE business derives three-quarters of its revenue from industrial customers and a quarter from municipal contractors Growth opportunities are in gaining share of existing and new customers through technically knowledgeable sales staff and on time in full delivery

Performance

In Canada, revenue for the year was 3 per cent behind last year in constant currency though the business returned to growth in the second half The growth trends were broadly similar across the business with some benefit from tax incentives and government stimulus spending

The Canadian economy emerged from the downturn strongly and interest rates have now begun to rise Trading profit of £41 million was £9 million ahead of the prior year, of which £4 million relates to currency translation and the remainder relates to an improvement in the gross margin and a reduction in the cost base Blended Branches, Waterworks and HVAC all generated growth during the year and improved market share The business is expanding its Regional Distribution Centre to increase capacity and improve customer delivery times and fill rates The trading margin was higher at 5 4 per cent (2009 4 6 per cent)

Graphic removed

Wolseley Canada makes it easier for their customers to do business 24/7

In January Wolseley Canada relaunched its ecommerce site "Wolseley Express", which is based on the existing Ferguson ecommerce platform developed in the USA With additional features and a new look, the platform was launched in a bid to boost Canada's online sales The new platform has been designed to enhance and complement existing customer relationships, whilst offering an alternative way to do business with the company

Wolseley Express gives customers 24/7 access to pricing information and product availability, their account information, order history and status of both online and offline orders, and of course the ability to place orders

Doing more business online means Wolseley Canada can make gains in efficiency, provide a lower cost to serve and fulfil orders, offer extended hours for customer service and increase growth opportunities across the business

Graphic removed

United Kingdom

Graphic removed

10
Business units

1,486
Branches

10,100
Employees

Graphic removed

Graphic removed

Graphic removed

Business profile

Plumb and Parts Center, the country's leading plumbing and heating brand, represents 43 per cent of the UK's revenues, and has delivered a resilient financial performance in a tough trading environment The business also provides spares and replacements for much of the product range and efficiencies arise from purchasing volumes, from opportunities to cross-sell and to share sites, and from use of the distribution centre network More than half of its revenue comes from the RMI market

Build Center is a national builders' merchant, supplying contractors with bricks and blocks, aggregates and cement, insulation and plasterboard, timber, tools, and drainage materials There are also specialist timber, ironmongery and landscape branches About half its revenue comes from the new build market (30 per cent residential, 20 per cent non-residential) The business has been restructured over the last two years by closing underperforming branches and reducing fixed costs

Pipe and Climate Centers distribute pipes, valves, fittings, air conditioning and refrigeration products The business has a sound track record of profitability, though volumes are particularly dependent on non-residential new build projects

During the year the Irish business was disposed of, and Brandon Hire, the tool hire business was sold after the end of the financial year, in line with the Group's strategy of focusing on businesses with significant scale and leading market positions

The smaller business units include

- Encon, a specialist distributor of insulation, drywall, ceilings, partitioning and fire protection products,
- Electric Center, which distributes lighting, cabling, controls, switchgear and wiring accessories,
- Bathstore, a retail bathroom specialist, whose product range includes baths, basins, showers, toilets, taps and bathroom furniture,

- BCG, which supplies kitchens, bathrooms and associated fittings to other builders merchants and to retailers,
- Drain Center, a specialist in above-ground drainage, and
- William Wilson, which distributes plumbing and heating products in Scotland

Performance

Revenue in the UK declined by 9 per cent in the year, due to the impact of disposals and branch closures with like-for-like revenue broadly flat The business generated 5 per cent like-for-like revenue growth in the second half as markets started to recover We expect the overall recovery to remain weak as activity levels are held back by fragile consumer confidence, and low availability of credit In addition, public sector activity, which represents around 25 per cent of our UK revenue, may come under pressure later in the year, following the UK Government's spending review in October 2010 We have seen a continuation of the gradual recovery in the more resilient RMI sector, which represents about 65 per cent of our revenue Commercial and industrial markets have remained relatively weak throughout the year

Trading profit in the year of £91 million was £36 million ahead of the prior year, of which £23 million arose from the exit of the business in Ireland A significant decline in gross margins as a result of competitive pressure was substantially offset by reductions in the cost base arising from restructuring actions taken in the prior year Plumb and Parts Center performed well and ahead of the prior year In addition, Build Center, which was loss making in 2009, strongly improved its trading performance and returned to profit in the year benefiting from a lower cost base The UK businesses maintained market share in the year The trading margin for the UK was higher at 3 7 per cent (2009 2 0 per cent)

Graphic removed

Reaping the benefits of branch manager training

A major training programme designed and delivered in-house for branch managers in the UK has supported a business turnaround in the last 12 months

The Addvance Branch Manager training programme has trained more than 1,880 branch managers who have participated in over 146 training sessions since January 2009 Plumb and Parts Center completed the roll-out of the programme in September 2010

The programme is designed to give branch managers the knowledge and skills they need to add increased value to the business Addvance focuses on six key modules Employee and Customer Care, Performance Management, Recruitment and Selection, Operational Management, Trading and Metrics and Developing Sales

Graphic removed

Nordic region

Graphic removed

7
Business units

285
Branches

6,600
Employees

Graphic removed

Graphic removed

Graphic removed

Business profile

Stark is the leading Danish distributor of heavy building materials, tools, hardware, timber and panels Local building contractors generate more than half its revenue, and approximately a quarter comes from do-it-yourself ("DIY") and retail consumers The market is driven more by RMI than new construction Stark's market leadership and its efficiencies of scale have historically delivered strong results

Beijer is a leading Swedish distributor of building materials About half its revenue comes from local building contractors and another third from retail consumers As the Swedish market is very fragmented, Beijer's reach is valuable to suppliers, and by maintaining efficiencies of scale and working capital management it has delivered good results over time

Starkki is a Finnish chain of builders' merchants with a business model based on large stores and well-trained specialist staff While local building contractors are the largest single customer segment, consumers and small retail stores generate nearly 50 per cent of its revenue Starkki has a strong record of profitability based on efficiency and a flexible cost base

Silvan is a DIY and retail chain in Denmark Its specialist DIY market, focused on tools and hardware, is driven by RMI Silvan has historically performed strongly on the basis of good local coverage, high gross margins and efficient supply chain management The majority of its sourcing overlaps with other businesses in the Nordic region and therefore the business delivers significant economies of scale

Neumann Bygg is a Norwegian distributor of building materials

Performance

In the Nordic region revenue declined by 8 per cent in constant currency although the second half performance was stronger The market in Denmark, our largest revenue generator, continued to decline as a result of low levels of construction activity and poor consumer confidence In contrast our building materials businesses in Sweden, Finland and Norway all generated like-for-like revenue growth with Sweden performing strongest Overall, the business held market share in Denmark and improved market share in Sweden, Finland and Norway

Trading profit in the year of £100 million was £4 million higher than last year The results included a one-off credit of £4 million and the business also benefited from a lower cost base offsetting revenue decline and a slight reduction in gross margins The trading margin was higher at 5 0 per cent (2009 4 6 per cent)

Graphic removed

Starkki makes it simple

One of the branches at Starkki, the Nordic region's Finnish chain of builders' merchants, came up with a simple concept to improve their performance The downturn in the market was having an impact on their sales as they were selling to fewer customers than before Branch staff and management decided to work together to find a solution to improve their performance through increasing the value of each sale per customer

The team focused on listening hard to the customers developing a methodology to find out what else they needed to complete the project that they were working on The initiative was very successful and the branch managed to increase the average sale per customer by 30 per cent exceeding their original targets This approach is now being used across all of the Starkki branches

Graphic removed

France

Graphic removed

9
business units

697
Branches

8,300
Employees

Graphic removed

Graphic removed

Graphic removed

Business profile

The building materials division comprises Reseau Pro, the number two integrated distributor of building materials in France, selling heavy building materials, roofing, insulation, timber and flooring, and Panofrance, focused on timber, panels and interior design The businesses have efficiencies in both sourcing and shared services

The import and wood solutions division includes Softwood, the market leader in specialist sawn and processed woods The structural wood business derives the majority of its revenue from trusses and other carpentry systems In addition, the Group owns Cerland, a garden furniture specialist

The plumbing, heating and pipes business mostly trades through the national branch network branded as Brossette Bâtiment Its customer base is mainly small plumbing and heating contractors, though it also services some larger contractors and regional accounts, and has limited consumer sales The other business units are specialists in heating, ventilation and air conditioning, electricals, drains and industrial pipes

During the year the underperforming Public Works business was disposed of

Performance

Revenue in France declined by 11 per cent in constant currency The French economy was late into recession, compared with other European economies Construction markets continue to recover slowly with weak consumer confidence also affecting RMI markets Like-for-like revenue growth in the fourth quarter of the year remained negative although the overall trend continues to improve As a result of a sustained focus on achieving a good mix of customers and vendors, the business improved its gross margin over the prior year Trading profit in the year of £30 million was £2 million lower than the prior year and included a one-off gain of £5 million relating to the release of a bad debt provision The trading margin was held at 1 5 per cent (2009 1 5 per cent)

Réseau Pro performed in line with the market with some improvement in its trading performance The Import and Wood Solutions business benefited from commodity price inflation, higher gross margins and productivity improvements The Brossette plumbing and heating business continues to marginally underperform the market although the trend has improved throughout the year The new management team has focused on further reductions in the cost base, removing unnecessary management layers and improving customer service levels through training and better stock availability Consequently, following a poor first half performance the trend improved in the second half

Graphic removed

Wolseley France on the front line

Wolseley France reviewed the results from customer surveys for each of their divisions to identify areas where they need to focus in order to further improve their customer service performance These include product availability, respecting commitments such as delivery times and frequency of sales representative visits to customers

All three divisions have implemented customer service programmes to engage their employees in achieving this objective "Client plus", for the plumbing and heating division "Le client Roi" (customer is king) and "100 per cent client" for the building materials division

Each of the programmes focuses on simple behaviours, for example, the time it takes to greet a customer or reducing the waiting time at the counter All employees commit to these and, in some cases sign a pledge which is displayed in each branch location

Graphic removed

Central and Eastern Europe

Graphic removed

6
Business units

189
Branches

2,400
Employees

Graphic removed

Graphic removed

Graphic removed

Business profile

The most profitable business in Central and Eastern Europe is in Switzerland, where Tobler is the leading distributor of heating and air conditioning and sanitaryware Historically it has delivered high trading margins and generated strong cash flows During the year Tobler rationalised its distribution network by centralising five regional distribution centres into one national distribution centre Increased market share will be achieved by continued investment in ebusiness and extending the geographical coverage of the current branch network

The main brand in Austria is OAG, which distributes a diversified product range (heating, sanitaryware and pipes, valves and fittings ("PVF")) to a range of customer segments (local plumbing and heating contractors represent about a third, industrial another third)

The main brand in the Netherlands is Wasco-Kopex, a distributor of heating, plumbing and ventilation equipment Boilers and spares account for about half of its revenue, and the customer base is weighted to larger regional and national contractors

Manzardo in Italy distributes plumbing, heating, sanitary and air conditioning products into a highly fragmented market

During the year the underperforming plumbing and heating businesses in Belgium, the Czech Republic and Slovakia were disposed of

Performance

In Central and Eastern Europe revenue was 13 per cent lower than last year on a constant currency basis, the decline arising from the exit of a number of underperforming businesses, along with deteriorating market conditions The gross margin was well ahead of last year and trading profit improved to £10 million (2009 £nil), £4 million of which was the impact of the disposal of the Belgian, Czech and Slovakian plumbing and heating businesses The remainder was the result of restructuring actions in the prior year

In Italy, we have closed seven loss-making branches since the end of the year and further restructuring will be undertaken to bring the business back to profitability

The Swiss plumbing and heating business made good progress in the period

Graphic removed

Tobler drives efficiencies

To improve efficiency and to reduce the level of inventory required, Tobler, our Swiss plumbing and heating business, recently rationalised its distribution network by centralising five regional distribution centres into one national distribution centre in Daniken (North Switzerland)

Owing to Tobler's success and continued growth over the last few years, the business' logistics capabilities had reached their limit The new distribution centre will ensure that the entire Tobler range of products can be reliably supplied to customers or to their building site within 24 hours of receipt of the order

As well as reducing operating costs and working capital, Tobler has the opportunity to expand its product ranges and, more importantly, improve service to its customers

Graphic removed

Financial review

The Group has responded to lower revenues arising from the challenging market conditions by defending gross margins and reducing costs to generate modest profit growth. Disciplined management of working capital and capital investment led to strong cash flow and deleveraging is now substantially complete.

Summary of results

	2010 £m	2009 £m
Revenue	**13,203**	14,441
Cost of sales	**(9,548)**	(10,436)
Gross profit	**3,655**	4,005
Operatıng expenses	**(3,205)**	(3,558)
Tradıng profit	**450**	447
Exceptıonal ıtems	**(332)**	(458)
Amortısatıon of acquıred ıntangıbles	**(92)**	(105)
Impaırment of acquıred ıntangıbles	**(223)**	(490)
Net finance costs	**(77)**	(145)
Associate – share of after tax loss	**(13)**	(15)
Associate – ımpaırment of ınvestment	**(41)**	–
Loss before tax	**(328)**	(766)
Tax (expense)/income	**(38)**	34
Gaın/(loss) from dıscontınued operatıons	**26**	(441)
Loss attrıbutable to equıty shareholders	**(340)**	(1,173)
Adjusted earnıngs per share	**74.1p**	95 6p
Basıc loss per share	**(129.8)p**	(348 2)p
Gross margın	**27 7%**	27 7%
Tradıng margın	**3 4%**	3 1%

Revenue and trading profit

Group revenue of £13,203 mıllıon (2009 £14,441 mıllıon) was 10 per cent below last year on a constant currency basıs Despıte contınuıng pressure, the Group's gross margın was maıntaıned at 27 7 per cent Operatıng expenses, before exceptıonal ıtems, were reduced by £353 mıllıon (10 per cent) prıncıpally as a result of restructurıng actıons taken last year, though the Group remaıns vıgılant ın the control of costs gıven the uncertaın economıc outlook The lower cost base compensated for the reductıon ın revenue and tradıng profit was slıghtly ahead at £450 mıllıon (2009 £447 mıllıon) Thıs represents a tradıng margın of 3 4 per cent (2009 3 1 per cent)

Exceptional items

Exceptıonal charges of £332 mıllıon were ıncurred durıng the year Over the last two years the Group has undertaken substantıal restructurıng ın order to restore and maıntaın profitabılıty of the Group's operatıons and to ensure that the Group ıs well equıpped to take advantage of ımproved economıc condıtıons when they arıse Restructurıng costs, whıch predomınantly relate to redundancy and property costs, amounted to £81 mıllıon ın the perıod These costs were ıncurred on a range of restructurıng ınıtıatıves across all jurısdıctıons

Software assets ın the course of constructıon wıthın the Busıness Change Programme were ımpaıred ın the first half of the year and these and other assocıated costs amounted to £170 mıllıon Losses on dısposal of busınesses (and busınesses held for sale) of £57 mıllıon were ıncurred, the large majorıty of whıch was generated on the dısposal of the Group's busınesses ın Ireland

Graphic removed

John Martin Chief Financial Officer

Graphic removed

The Group made additional provisions in the year in relation to the construction loans business of £24 million as the Group will now seek to accelerate its exit from this business Balance sheet assets employed in the business at the end of the year amounted to £117 million, net of provisions This included construction loans receivable of £80 million and foreclosed properties classified within "assets held for sale" of £37 million

	£m
Redundancy costs	30
Onerous lease provisions and asset write-downs	51
Restructuring costs	81
Impairment of software assets under construction and associated costs	170
Loss on disposal of businesses and revaluations of disposal groups	57
Construction loan provisions	24
	332

Amortisation and impairment of acquired intangibles

Amortisation of £92 million represents the normal charge relating to the Group's acquired intangible assets In accordance with accounting standards, the Group has, in addition, reviewed the carrying value of goodwill and other acquired intangibles and concluded that an impairment charge of £223 million is appropriate £50 million of this charge relates to Brandon Hire, which was sold after the end of the year, and a further £42 million relates to Encon, reflecting the continued difficult trading conditions in the UK A £111 million impairment charge has been made in relation to France following the implementation of payment legislation and continued challenging market conditions

	£m
Brandon Hire	50
Encon	42
France	111
Other	20
Impairment of acquired intangibles	223
Amortisation of acquired intangibles	92
	315

Finance costs

Net finance charges in the year amounted to £77 million (2009 £145 million) The reduction reflects lower net debt levels combined with lower interest rates £16 million of the charge relates to unwind of discounts on pensions and provisions

Associate

The Group retains a 44 per cent interest in Stock Building Supply, a former subsidiary disposed of in 2009 The Group's share of the after-tax losses of the business in the year amounted to £13 million In light of the level of ongoing losses generated by the business, the Group has concluded that its investment is impaired and has written off the whole of the carrying value of £41 million The Group has no requirement to fund any investment in future

Tax

The Group incurred a tax charge on profit before exceptional items and acquired intangibles of £140 million After adjusting for tax and deferred tax credits in relation to impairment and exceptional items, the net charge was reduced to £38 million

The effective tax rate on profits before exceptional items and acquired intangibles was 38 per cent However, after adjusting for non-recurring tax items and share option charges, the underlying tax rate is calculated at 34 per cent

	£m
Tax charge on profit before exceptional items and acquired intangibles	140
Tax credit relating to exceptional items	(74)
Tax credit relating to amortisation and impairment of acquired intangibles	(28)
Tax charge in the year	38

Discontinued operations

£26 million credited to discontinued operations was generated from movements in tax, provisions and other items arising from the disposal of Stock Building Supply in 2009

Earnings per share

Earnings Per Share ("EPS") before exceptional items and the amortisation and impairment of acquired intangibles amounted to 74 1 pence (2009 95 6 pence) The fall arises because the weighted average number of shares in the year reflects the full year impact of last year's rights issue and placing

Dividends

The Group suspended dividend payments in 2008 at the onset of the economic downturn in order to preserve cash Substantial progress has been made towards the deleveraging of the Group and the Board intends to resume dividend payments in the 2011 financial year

Cash flow

	2010 £m	2009 £m
Trading profit	**450**	447
Depreciation and amortisation before exceptionals	**185**	241
EBITDA	**635**	688
Exceptionals, losses on sale and share options	**(119)**	(330)
Discontinued operations	**-**	(242)
Working capital and provision movements	**189**	1,084
Capex	**(84)**	(157)
Proceeds of asset disposals	**96**	172
Operating cash flow less net capex	**717**	1,215
Net interest	**(51)**	(165)
Tax received/(paid)	**90**	(27)
Acquisitions and disposals, net of debt acquired	**(21)**	(33)
FX and other items	**(126)**	(474)
Capital raising	**4**	994
Decrease in net debt	**613**	1,510
Opening net debt	**(959)**	(2,469)
Closing net debt	**(346)**	(959)

The Group continued to generate strong cash flow during the year Working capital management remained a key focus across the Group and a modest improvement was made in average cash-to-cash days, the most relevant KPI Capital investment was tightly controlled and amounted to £84 million in the year It is expected that capital investment will return to more normal levels in the year ahead, likely to be in the range £150 million to £170 million

The Group reclaimed tax in the year of £150 million against which payments of £60 million were made, leaving a net receipt of £90 million The Group expects to return to a normal cash tax outflow in the year ahead

Overall, net debt was £613 million lower at the end of the year

Net debt

Reported net debt at 31 July 2010 was £346 million (2009 £959 million) After adjusting for the estimated impact of year end working capital measures, receivables factoring and borrowings funding the construction loans business, adjusted net debt amounted to £1,195 million compared to £1,690 million last year

In due course, management will target the reduction of average net debt throughout the year and we expect the impact of year end working capital measures to decline

	2010 £m	2009 £m
Reported net debt	**346**	959
	495	400
Estimated average net debt*	**841**	1,359
Receivables factoring	**274**	168
Construction loan financing	**80**	163
Adjusted net debt	**1,195**	1,690

* Based on June and August

Liquidity

The Group maintains sufficient borrowing headroom to finance all investment and capital expenditure for the following year, with an additional margin for contingencies The maturity profile of the Group's borrowings and committed undrawn facilities at 31 July 2010 can be set out as follows

Maturity date	Drawn on all facilities £m	Undrawn £m	Capacity £m
Less than one year	226	100	326
1–2 years	1	1,394	1,395
2–3 years	56	188	244
3–4 years	34	832	866
4–5 years	73	–	73
After 5 years	614	–	614
	1,004	2,514	3,518
Amounts drawn on uncommitted facilities			(98)
Committed facilities at 31 July 2010			3,420

The Group has operated in compliance with its covenant obligations throughout the year

During the year the Group also maintained receivables factoring facilities in the UK and France of which £274 million was utilised at 31 July 2010 (2009 £168 million) These facilities are kept under review to ensure that they remain an attractive form of financing

Pensions

The Group's net pension obligations under IAS 19 at 31 July 2010 amounted to £432 million (2009 £341 million) with the increase principally arising as a result of the adoption of the latest actuarial assumptions on mortality rates which have effectively added two years to the life expectancy of a 65 year old male Following the triennial valuation of the UK defined benefit schemes, the Group has agreed with the trustees of the Group's UK pension scheme to make additional cash contributions of £25 million per year in order to fund the past service deficit

Operating lease commitments

As at 31 July 2010 the Group had total operating leases commitments of £1,292 million (2009 1,329 million) There is substantial capacity for revenue growth utilising the existing infrastructure and management will remain cautious when considering new lease commitments in the foreseeable future

Other financial matters

Financial risk management

The Group is exposed to risks arising from the international nature of its operations and the financial instruments which fund them These instruments include cash, liquid investments and borrowings, and also items such as trade receivables and trade payables which arise directly from operations The Group also enters into derivative transactions – principally interest rate swaps and forward foreign currency contracts – to reduce uncertainty about the amount of future committed or forecast cash flows The policies to manage these risks are set by the Treasury Committee and have been applied consistently throughout the year It is Group policy not to undertake trading in financial instruments or speculative transactions

Capital structure

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 whether the capital structure is appropriate for current and forecast trading, the Group's principal measure is the ratio of net debt, including factoring, to EBITDA The Group aims to operate within the range 1 0 to 2 0, consistent with an investment grade credit rating

Foreign currency

The Group has significant overseas businesses whose revenue is 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 is to adjust the currencies in which its debt is denominated to materially match the currencies in which its trading profits are generated

Interest rates

The Group manages its exposure to changes in interest rates by ensuring that at least 20 per cent of bank borrowings required during the next two years are at fixed rates The Group generally borrows at floating rates of interest, and then uses interest rate swaps to get the desired rate profile

Other financial risks

The nature of the Group's business exposes it to risks which are partly financial in nature Counterparty risk is the risk that banks and other financial institutions which are contractually committed to make payments to the Group may fail to do so Credit risk is the risk that customers who have made purchases on credit may fail to pay in full Commodity risk is the risk that, in order to satisfy its contractual commitments to customers, the Group may have to purchase commodities at unfavourable prices The Group manages counterparty risk by setting credit and settlement limits for a panel of approved counterparties, which are approved by the Treasury Committee and monitored regularly The management of credit and commodity risk is considered to be the responsibility of operational management, and the Group does not prescribe a uniform risk management policy across the Group

Financial reporting

These financial statements have been prepared under IFRS The Group's accounting policies set out on pages 72 to 77 are broadly unchanged from those disclosed last year and the minor changes made have not had a significant effect on the Group's financial position or results of operations

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 covenants 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

John Martin
Chief Financial Officer

Risk management

The Company continues to maintain and improve its comprehensive risk management programme, which is designed to ensure that significant and emerging risks are identified, assessed and managed effectively.

Risk management processes

During the year, the risk management programme was further strengthened through a revised process for reviewing risk with the executive team and the appointment of a Group Head of Risk Key features of the Group's risk management framework include

- ownership of the programme by the Group Executive, facilitated by the Group Company Secretary and General Counsel with sponsorship from the Chief Financial Officer,
- a dedicated Group Head of Risk to lead and continuously improve risk management,
- a network of risk directors across the Group's businesses,
- a Group risk management policy, reviewed annually,
- a six-monthly risk assessment, action planning and reporting cycle, including a review by senior management and the Audit committee of key risks and their mitigation,
- a standard set of risk categories and risk definitions, which are refined with each reporting cycle,
- a standardised and automated risk assessment and reporting tool, including standard risk assessment criteria and evaluation of "gross" and "net" risks,
- consolidation of risk assessments for each business at Group level to identify organisation-wide impacts and trends, and
- periodic reviews of operating companies' risk mitigation actions by the Group Head of Risk and Group Internal Audit

However, many risk factors remain beyond the direct control of the Company and this programme can only provide reasonable but not absolute assurance that key risks are managed to an acceptable level

Significant risks to the Company's performance

The nature of the industry in which we operate and our chosen strategy inherently exposes the Company to a number of risks Various mitigation strategies are employed to reduce these inherent risks to an acceptable level

Listed within pages 31 to 33 are risks which senior management have identified as the most significant, which have action plans for their mitigation and which are subject to regular review The materialisation of these risks could have a material adverse effect on the Group's results or financial condition The Company faces many other risks which, though important and still subject to regular review, are not listed here as they have been reduced through mitigation or assessed as less significant These include some risks (such as those relating to international operations, liquidity, credit exposures and product prices), which were reported in last year's Annual Report

The trend from 2009 indicates, in general terms, whether there has been an increase or decrease, or no change, to the Group's assessment of the risks 12 months ago, taking into account any mitigation plans

Risk	Trend from 2009	Definition	Mitigation
Market conditions	No change	The Group's results depend on the levels of activity in the new construction and property repair and remodelling markets These have decreased markedly over the last three years and remain suppressed There continues to be a risk that markets may fluctuate rapidly or experience a second downturn Factors influencing this risk include • 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, and • demographic trends These factors are out of the Group's control and are difficult to forecast	Mitigation actions remain focused on expense reductions, working capital, margin and cash flow optimisation, and the close monitoring of business performance 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 Measures introduced in the last 12 months include the completion of a Group resource allocation programme, a number of dedicated cost reduction and pricing initiatives and reviews of aspects of the Company's property estate All the Group's businesses have active programmes, monitored from the corporate centre, to reduce their cost base in line with expected levels of sales, to identify and exploit counter-cyclical opportunities, and to diversify into the sectors, particularly RMI and commercial and industrial, that have proved more robust Programmes remain well managed to improve cash flow and reduce debt Businesses have also been asked to consider what steps they would take in the event of a further economic downturn
Competitive pressures and margin erosion	No change	Current market conditions have further increased competition during the period under review which, if not mitigated, could lead to downward pressure on sales prices and profit margins There is a significant risk that such competitive pressures will continue and could be exacerbated by factors such as levels of economic activity, customer or supplier consolidation, manufacturers shipping directly to customers, other changes in the route to market, and changes in technology	The Company believes high levels of customer service play a fundamental role in maintaining competitive advantage During the year under review, the Group has launched a programme to improve levels of customer service, including improved monitoring of and response to customer feedback The Group continues to broaden its offering of private label products which attract a higher margin and the product mix is subject to frequent review by each local business A number of local initiatives have been undertaken by Wolseley businesses in the last 12 months Examples include the introduction of a major pricing programme in France, a National Pricing Centre in Canada to monitor margin approvals on local sites, dedicated training and review of pricing authorisations in the US, supply chain enhancements across the UK businesses and an increased focus on long-term customer relationships in the Nordic region
Capital expenditure and return on investment	Decrease	A core element of the Company's strategy is a focus on organic growth with "bolt on" acquisitions only where significant benefits and synergies are available In light of this strategy, the ability of the Company's management to control organic capital expenditure, to accurately judge the economic cycle and to identify, value and integrate any such acquisitions can have a significant impact on the return on investment obtained by investors in the Company	Following completion of the resource allocation review the Company has closely aligned its strategic plans with the associated allocation of capital The Company regularly reviews its capital expenditure policy which includes clearly defined approval limits A new capital application procedure was implemented in August 2010 and existing business acquisition and disposal policies will be more rigorously monitored in the financial year The Company also undertakes post-implementation reviews

Risk management continued

Risk	Trend from 2009	Definition	Mitigation
Financial flexibility	Decrease	Wolseley's current bank facilities include covenants that its net debt should not exceed 3 5 times its annualised earnings before interest, taxes, depreciation and amortisation ("EBITDA") and that EBITDA should be at least four times net interest A breach of our banking covenant could result in a significant proportion of the Group's borrowings becoming payable immediately 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	2009 saw the successful share placing and rights issue, and the signing of a two-year forward start debt facility which comes into effect in 2011 Along with the extension of other facilities these two items have significantly improved the Group's financial flexibility, and in light of the decreased risk, further mitigation is not planned beyond the current monitoring activity summarised below The Group continues to re-forecast its future covenant positions on a monthly basis, 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
People	Increase	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, could increase staff turnover and may demotivate remaining staff	The Company continues to monitor staff turnover, trends in open positions and other metrics closely and has increased the frequency of its review of, and communication with, the most talented individuals within the Group A comprehensive succession planning exercise has also been undertaken in the last 12 months and further employment engagement surveys across the Group are planned for the coming year In some markets, new branch manager rewards and compensation plans have been implemented and the Company is reviewing its long-term incentive schemes The Group continues to invest in development programmes for senior management, managers and other staff
Systems and infrastructure capabilities and resilience	No change	The Group can only carry on business as long as it has the people, the information technology and the physical infrastructure to do so The safe and continued operation of such systems and infrastructure is threatened by natural and man-made perils and is affected by the level of investment available to improve them For example • some of the Company's physical assets are located in areas exposed to natural catastrophe risks, • in light of the current economic environment, the Company has decided to postpone the deployment of its shared and upgraded technology systems across the Group The Group therefore remains reliant on a variety of different technology systems across the Group, some of which have been operating for many years, and • to optimise costs and supply chain efficiency, some companies within the Group have centralised their distribution network and are therefore reliant on a reduced number of larger distribution centres	The Company's exposure to the loss of any individual physical location is mitigated by virtue of the large number of locations, customers and suppliers that it has In many cases, the loss of one site or system can be compensated for by moving operations to another nearby location For certain sites and technology systems where the risk exposure is greater, business continuity and disaster recovery plans are maintained and tested regularly These are supplemented by specific business interruption studies, such as those undertaken in North America in the summer of 2010 Selected technology systems are also supported by access to pre-prepared "hot sites", allowing rapid resumption of transaction processing The Company maintains a comprehensive insurance programme and purchases additional property damage and business interruption insurances for those parts of the business which are particularly exposed to natural catastrophe risks A limited amount of insurance cover is also purchased for technology risks

Risk	Trend from 2009	Definition	Mitigation
Governmental regulations	Increase	The Group's operations are affected by various statutes, regulations and laws in the countries and markets in which it operates In general, the amount of such regulation and the penalties for non-compliance continue to increase While the Group is not engaged in a highly regulated industry, it is subject to the laws governing businesses generally, including among others, laws relating to competition, international trade, corruption and fraud, land usage, zoning, the environment, health and safety, transportation, labour and employment practices (including pensions), data protection and payment terms In addition, building codes or particular tax treatments may affect the products Wolseley's customers are allowed to use and, consequently, changes in these may affect the saleability of some Wolseley products	The Group monitors regulations across its markets to ensure that the effects of changes are minimised and that compliance with all applicable regulation is continually sought During the course of the year, a number of initiatives have been undertaken to respond to new or updated laws and regulations These include, for instance, the launch in August 2010 of an updated compliance programme for the prevention of fraud, bribery and corruption It is expected that, among other regulation, it will meet the requirements of the UK Bribery Act, which is expected to come into force in April 2011 The Company continued to deploy online competition law training throughout Wolseley's European operations
Restructuring actions	No change	During the course of the year and in response to the depressed levels of activity in its markets, the Group continued its 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 At the date of this report, the Group believes that a large majority of the restructuring actions needed to address current market conditions are complete However, the continued economic uncertainty and the ability of its businesses to meet their performance targets are factors that may drive further restructuring over the coming months and years	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 closures or disposals which are consistent with its overall view on the direction of the Company's markets and its longer term strategic objectives Each business reports monthly on the costs incurred, the benefits realised to date and forecast to be realised in the current and subsequent financial year These reports are reviewed by central management
Litigation	No change	The international nature of Wolseley's operations exposes it to the potential for litigation from third parties and exposure is considered to be greater in the US than in Europe Litigation can arise in areas such as product liability, workers' compensation, general employer liability and environmental and asbestos litigation There is a risk that the number of claims made against the Company may increase as a result of the changes in economic conditions, changes in purchasing practices or other factors Although the number of claims made against the Company has increased slightly during the year as an expected consequence of the environment in which it has operated, there has been no material change in the level of litigation in which the Group is involved	Wolseley's preferred approach is 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 claims related to exposure to asbestos, Wolseley employs independent professional advisers to actuarially determine its potential gross liability 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 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 For more information on the Company's exposure to asbestos-related litigation, see page 109

Further information of financial and related risks can be found on page 29 under Other financial matters

Corporate responsibility

This year, the Company redefined its strategic focus through the resource allocation process and by driving strategy execution primarily through its business units. Our Corporate Responsibility programme was also reviewed to ensure that it still provided the right framework to support our businesses' improvement plans.

Renewed focus on people, integrity and performance

Our Group remains decentralised, with accountability given firmly to our individual business units When we established the Corporate Responsibility ("CR") framework in 2008, it was designed to be flexible to accommodate the different priorities that each business unit would have and the different speeds at which they would be able to develop the various elements of their programmes In the two years since the launch of the CR framework, the Group has changed significantly in size and focus The continuing effects of the economic downturn kept pressure on our businesses to persevere with their disciplined working capital management and cost reduction programmes Our financial results in 2009/10 show that they were effective in doing so This cost pressure had an impact on the number and speed of implementation of some of the CR-related programmes that were planned a year ago Despite these constraints, we have broadly met our targets for the year, principally because, wherever possible, the activities in our CR programme are integrated into our business practices We also considered whether the overall CR framework remained appropriate for our businesses and concluded that it was robust enough to remain in its current form

Wolseley's framework for Corporate Responsibility

The five key themes of Wolseley's CR strategy are set out in the table opposite Alongside each theme, the table summarises the minimum standard to which any member of the Group must adhere It also identifies the aspirational goals for each theme and explains their principal benefits to our business In each case, our businesses have or will have detailed programmes, targets and measures which are aligned with their own operational priorities and with the strategic objectives of the Group as a whole

Values

During the year, following discussions with management and employees around the Group, the Executive Committee agreed a common set of values and behaviours appropriate to all Wolseley employees that are central to our business and to the way we do business During the financial year 2010/11 we intend to engage all employees in these values, which can be broadly categorised into three common themes

Integrity – we expect all our people to act with honesty and integrity in everything they do

Performance – we are never satisfied with our current level of performance and have a constant desire to improve

People – we value all our employees, their development is important to us and essential in maintaining our competitive strength

These values underpin our new Code of Conduct and ethics programme, relaunched during the year, and the way we do business generally

Risk management

An explanation of the Group's risk management programme is set out on pages 30 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 the relevant sections of this CR report

Governance

The Board has oversight of the Group's CR programme and conducts an annual review of the programme and its objectives The Executive Committee discusses the programme in detail and decides on the degree of emphasis that should be placed on each of the themes Each business unit is then tasked with developing and implementing CR plans that are integral to its operations so that they are aligned with local objectives, market conditions and available resources The Group Company Secretary and General Counsel is responsible for the overall delivery of the programme and regularly discusses progress with business unit representatives

Wolseley's commitment to responsible and reliable business practices includes a broad-ranging internal audit programme and the regular review of the effectiveness of internal controls and of the suitability of the policies and procedures that apply throughout the Group The Board and members of the Executive Committee also conduct an annual review of the authorities delegated to senior members of staff and the commitments that they may enter into on behalf of the Company

Key themes

	Group minimum standard	Group goal	Benefits to our business
Health and safety » See page 36	Compliance with legal requirements, monitoring Group and operating company Key performance indicators ("KPIs")	Proactive safety culture, recognised industry leader	Protecting the health and safety of our people and maintaining our physical assets helps us to preserve the integrity of our operations, improves efficiency and strengthens customer service
Environment » See page 37	Compliance with legal requirements, establish KPIs to support business improvement programmes	Sharing and informing industry best practices	Measuring our environmental performance in chosen areas will enable us to become more efficient, reduce operational costs and reduce our impact on the environment
People » See page 39	All employees are provided with required training, a high standard of management and with development opportunities, and are rewarded competitively	A culture made up of high-performing, highly engaged employees with a strong customer service orientation	Highly satisfied customers, engaged stakeholders and motivated employees
Responsible business » See page 39	Adherence to the Group Code of Conduct	Group Code of Conduct and ethics compliance programmes evidence best practice	Conducting business responsibly and with integrity minimises risks related to fraud and corruption and strengthens our reputation Compliance programmes should further strengthen internal controls
Community engagement » See page 41	Participating in, or donating to, a number of community projects	Public recognition of Wolseley's contribution and value	Building closer relationships with the communities in which we operate helps us to promote our business and its objectives, attract new talent and gain a greater understanding of our customers, suppliers and employees

Progress against goals to date

Action	Progress/Status
Governance	
Development of local CR plans	Individual business units have worked on their own specific development plans, which are monitored regularly by local management
Environment	
Development of Group environment and sustainability objectives	Consistent with the strategic realignment of the Group's businesses, it was decided that it would be more effective for targets to be set at a regional or local level in order to ensure they are aligned with local business priorities Accordingly, no new Group targets have been set, though existing measures continue to be reported and reviewed
Responsible business/People	
Refresh and relaunch Group Code of Ethics and supporting policies	A new Group-wide Ethics and Fraud Programme comprising a new Code of Conduct and a new whistleblowing line ("Speak Up!") was developed and communicated by the year end Online training is being implemented
Delivery of anti-fraud and anti-corruption policies and training	Anti-fraud and anti-corruption policies were updated, developed and completed Company-specific online training was developed and is being implemented in order to embed each element across the Group

2011 targets and priorities

	Deadline
More detailed and consistent gathering and reporting of environmental data	**Ongoing**
All employees trained on the Code of Conduct	**End 2011**
Relevant employees trained on anti-corruption policies	**End 2011**
Risk assessments implemented on areas most vulnerable to fraud and corruption	**End 2011**
Targets set in each geographic region for improvement in health and safety management and achievement of those targets	**Ongoing**

Health and safety

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

During the year, the work on improvement of health and safety performance continued and the enhanced quality and accuracy of reported data allowed each business to focus on those areas where there was greatest need for improvement The three KPIs that are reported and reviewed consistently across the Group remain the most appropriate (shown below), whilst individual businesses use additional KPIs for their specific improvement targets We have not provided a comparison with performance last year, as such a comparison would not be meaningful this has been another year of significant change in the scope and size of our Company, involving branch closures, redundancies and reorganisations In addition, the disposal of Stock Building Supply resulted in the retention of a minority interest in that business through a joint venture arrangement The figures for that business have been excluded from this report However, this year's data is more complete and accurate, with over 98 per cent of the Group's businesses by turnover now providing data against which it will be possible to provide a comparison in next year's report

Our Group health and safety policy was re-issued this year, with a reinforcement of the Company's commitment to improve our management of health and safety In addition, each business has its own health and safety programme adapted to its particular needs and risks We deeply regret the sad loss of three of our colleagues in fatal accidents in the workplace this year Each of these incidents was thoroughly investigated both internally and by the relevant authorities We are now even more determined to ensure that all of our employees remain appropriately trained and aware of occupational health and safety risks and we will take every possible measure to prevent similar tragedies from happening in the future

In financial year 2010/11, we will continue to use our Group-wide KPIs as a basis for improvement The leadership teams of our businesses have been set improvement targets which, together with their continuing management programmes, will be regularly monitored and reviewed

	FY 2010
Medical injury rate Number of at-work injuries requiring medical treatment per 100 employees	3 5
Lost workday rate Number of workdays lost per 100 employees	62 8
Fleet collision rate Number of third-party vehicle collisions per 100 vehicles	17 3

Graphic removed

Wolseley Canada – developing health and safety initiatives

Recent local legislation has defined a set of occupational health and safety management system requirements (OHSMS 18001) which provides standardisation across each of the provinces of Canada Following this process, Wolseley Canada has now been identified as a leader in the industry through customer service and safety

Wolseley Canada is in the process of introducing a risk management system designed to eliminate hazards in the workplace During the year, it will continue to pursue its aim of eliminating workplace injuries by ensuring that the risks associated with its unique business lines have the necessary control measures In addition, the development of e-learning training modules for Wolseley Canada employees will ensure that appropriate training is available for everyone

Wolseley Canada's initiatives promote harmonisation, giving full consideration to the need for uninterrupted and efficient operations for all business lines, with the ultimate goal of a risk-free workplace

Environment

We will run efficient operations that minimise waste and reduce any negative effect on our business activities on the environment We will promote sustainable development

Around the Group, our businesses have introduced programmes that have helped us to reduce the impact of our operations on the environment whilst improving efficiency and saving costs Those programmes are integral to the way we work In some of our markets there is increasing demand from our customers for products which are more energy-efficient or otherwise contribute to reducing the impact of construction on the environment In many cases, we work with our customers to identify the most suitable materials for their projects

Overall, the Group has reduced its environmental footprint this year (greenhouse gas emissions down by 5 per cent, non-hazardous waste by 30 per cent and hazardous waste by 14 per cent) compared with last year, although to a large extent, reductions can be attributed to changes in the business in the year, including a decrease in the size of the portfolio and reduced distribution and sale of products

Greenhouse gas emissions ("tCO_2e emissions")

The vast majority of the Group's greenhouse gas emissions derive from electricity use at our facilities (44 per cent) and the transportation of our goods (30 per cent) Fuel use in operations and the transportation of people account for a smaller proportion of the total tonnes of CO_2-equivalent emissions (13 per cent and 12 per cent respectively)

To help us to reduce our emissions, as well as reducing fuel consumption, our businesses have continued to develop various measures throughout the year, including the introduction of, or improvements to, environmental management systems, resource efficiency plans, fleet management systems and fleet backhauling programmes For example, Ferguson in the US has continued to replace inefficient lighting with more efficient alternatives, which has made a significant contribution to reducing the Group's total electricity use More information on these activities can be found online at **http://www.wolseley.com/corporate-responsibility.aspx**

As in previous years, tCO_2e emissions have been reported in accordance with the principles of the World Business Council for Sustainable Development and the World Resources Institute's Greenhouse Gas Protocol ("GHG Protocol") The GHG Protocol categorises emissions as follows

- **Scope 1 – Direct emissions.**
  These are emissions for which businesses are directly responsible
- **Scope 2 – Electricity Indirect emissions**
  These are emissions from the electricity that a company buys to use in its equipment or operations
- **Scope 3 – Other Indirect emissions.**
  These are emissions from activities that are relevant to a company, but not within its direct control For example, transport in vehicles not owned by the company

Wolseley reports on its Scope 1 and 2 emissions, as defined in the GHG Protocol However, given the nature of our operations and the degree of control we exercise over certain activities, we will aim to report on the emissions from third-party provided transportation, as well as from our employees' business travel Accordingly, these Scope 3 emissions, together with our Scope 1 and 2 emissions, are included in the data reported below Approximately 65 per cent of the emissions data provided is derived, or partly derived, from estimates

Source	FY 2010 emissions (tCO_2e)[1]	FY 2009 emissions (tCO_2e)[1]
Electricity use	**360,069**	393,930
Fuel use operations[2]	**104,623**	118,270
Fuel use transportation of goods	**245,468**	246,518
Business travel vehicles	**96,567**	87,647
Business travel air and rail	**5,215**	8,189
Refrigerant leakage	**490**	1,594
Total[3]	**812,767**	856,148
Emissions per £m of revenue	**61.7**	59 3

1 Greenhouse gas emissions are reported as tonnes of CO_2 equivalent (abbreviated as tCO_2e), 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 CO_2 is 1 (1 tonne CO_2 = 1 tonne CO_2e) For other greenhouse gases in the "basket of six" including refrigerants, the GWP is relative to CO_2 over a 100 year time horizon (eg one tonne of the refrigerant R407C is equivalent to 1,526 tonnes of CO_2 in terms of the potential climate change impact)

2 Includes supplied heat (district heating)

3 Based on a combination of actual and estimated data

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 minimise the waste generated by its business activities to reduce our environmental impact, at the same time as lowering waste removal costs Where possible we re-use or recycle waste In FY2009/10, 7 per cent of hazardous waste and 29 per cent of non-hazardous waste was recycled The remaining waste was either sent to landfill or incinerated Of the total waste generated by the Group in 2010 (noted below), approximately 79 per cent is based on actual data The remaining 21 per cent of data was partly or entirely estimated We aim to increase the proportion of actual data reported next year in order to improve data quality

Final waste destinations	FY 2010 Hazardous waste (tonnes)	FY 2010 Non-hazardous waste (tonnes)	FY 2009 Hazardous waste (tonnes)	FY 2009 Non-hazardous waste (tonnes)
Incinerated	**1,098**	**10,120**	1,283	6,599
Landfilled	**190**	**45,623**	250	85,003
Recycled	**96**	**23,266**	77	22,617
Total[1]	**1,384**	**79,010**	1,610	114,219
Waste per £m of revenue	**0.1**	**6.0**	0.1	7.9

1 Based on a combination of actual and estimated data

Water use

The Group is not a large consumer of water, compared to manufacturers The majority of the Group's water consumption is related to normal operational and sanitary water use We have, however, continued to measure water consumption throughout the Group in an effort to improve our water efficiency This year, our reported water use has increased by 2 per cent overall We believe that this increased figure is predominantly due to improved data quality, rather than other business-related factors The Group's water is almost exclusively supplied by local utility providers

	FY 2010 (cubic metres)	FY 2009 (cubic metres)
Total water consumption[1]	**1,001,515**	984,102
Average water consumption per employee	**21.2**	19.4

1 89 per cent of the figure is based on estimated or partly estimated data

Graphic removed

Starkki – working towards lowering energy requirements

During the financial year, Starkki in Finland joined a pilot group of companies and organisations taking part in a Finnish initiative which has been set up by think tank "Demos Helsinki" and the Finnish Innovation Fund, "Sitra" This new organisation, Peloton, aims over the next three years to bring together companies and consumers in all matters relating to climate change Finland is currently one of the highest energy use consumers in Europe and has significant carbon emissions per capita

Through this project, Peloton is helping this pilot group to create products, services and social innovations that can systematically lower the energy requirements of the Finnish lifestyle The aim of this pilot is for groups to work together with representatives from different companies, such as Starkki, to develop innovative ideas on how to lower the energy usage of their customers, to offer sustainable solutions, and to introduce a new way of thinking into their own business models

People

We value our employees and their diversity. We will develop our people and reward them fairly

As a result of poor market conditions, the Group experienced another challenging year for its businesses During the year employee numbers remained stable at approximately 47,000 as most of the major redundancy and restructuring programmes were completed last year We have invested in a number of development programmes this year These include leadership development programmes in Europe, the US and Scandinavia, and local training programmes, focusing on the knowledge and skills needed to add increased value to the business An example of this is described further on page 19

Online training modules continue to be developed and used across the Group At ÖAG in Austria an e-learning concept has been introduced, specifically to train apprentices In Canada, a new e-learning site has been launched to provide employees with access to vendor product and service training which develops employees' expertise in the products and services sold in order to enhance the customer experience

We have also improved our succession planning process, which allowed for a rigorous and thorough review of our top talent and future leaders The Executive Committee and the Board now review the senior leadership team and their successors twice per year

For a number of years we have been steadily improving our employees' awareness of the value of diversity to our business and to our customers A particularly successful example is that of Ferguson in the US, which has been operating a diversity and inclusion programme since 2006 Relying on the commitment and accountability of the Ferguson executive management team, a Diversity Council has recently been established, comprising a cross-section of individuals from different business units This ensures that leadership and management teams are engaged in diversity initiatives and that there is collaboration across department lines and business units Raising awareness of diversity and inclusion throughout Ferguson has been achieved though employee resource groups, mentoring programmes, online training and the introduction of a quarterly newsletter In addition, Ferguson is continuing to develop its supplier diversity programme to support the interests of suppliers operated by minority groups and to foster inclusive environments to allow their business partners to grow strategically in a competitive market

In the financial year 2010/11, we will be continuing employee engagement surveys in each business around the Group The results will be individually assessed and will form the basis of improvement programmes based on the most important concerns and opportunities identified by our employees

Responsible business

We are committed to observing both the spirit and the letter of the laws and regulations of all jurisdictions in which we operate and to comply with our Code of Conduct. We expect our suppliers, contractors and agents to adhere to our Code to adopt similar ethical standards

During the year, in consultation with representatives from our main businesses, we developed and introduced a revised Code of Conduct as part of an integrated ethics and anti-fraud programme to maintain the Group's high ethical standards This has been improved so that it can be adopted by each business for easier communication and wider employee engagement Copies will be available at all our locations and it can also be viewed at **www.wolseley com** In addition, we developed a detailed programme to combat fraud and corruption, which includes clear policy statements emphasising our zero tolerance of any form of fraud, bribery or corruption These policies are supported by a manual containing case studies relevant to our operations, standard forms, guidelines and procedures to ensure that risks can be minimised All employees will receive briefings and training on the Code of Conduct, those exposed to fraud and corruption risks will also take part in a bespoke online training programme and will receive face-to-face briefings as needed in each business Given the number of employees that this training will reach, we expect this to continue throughout financial year 2010/11 The training programme on combating corruption will recognise the requirements of the new UK Bribery Act 2010, which is expected to come into force in April 2011, the provisions of which will have Group-wide effect

As part of the relaunch of our ethics programme, we introduced a new confidential reporting system which replaced our existing whistleblowing hotline The new system, called "Speak Up!", was launched with a coordinated communication campaign to ensure that we could maximise employees' awareness of this secure facility for reporting any concerns about the integrity of our business All reports that are registered through Speak Up! (either by telephone or online) are investigated and appropriate corrective action is taken The concerns raised, and the opportunities for improvement, are discussed by the Audit Committee as part of its regular review of suspected fraud and corruption

Timber sourcing

In July 2010, the European Parliament voted in favour of new legislation which will make it a criminal offence to place illegal timber or timber products into the market in an EU member state Member states will have up to two years to implement this legislation into their own laws, which will require companies to exercise due diligence when they purchase timber from producer countries The legislation is similar to that already in force in the United States The Company procures timber from a number of countries around the world and already has a well-established and robust procedure in place with the aim of ensuring that the timber is legal and from forests certified as well-managed The system is designed to identify and track timber from origin to the eventual customer and to ensure that there is integrity at every stage of the chain of custody Despite these safeguards, it remains difficult to ensure that all timber that is purchased by the Company is from appropriate sources

This is because, in some cases, the timber passes through a number of intermediate stages before it is transferred to us It is the Company's target to eliminate all "risk timber" from its operations as soon as practicable and in any event in advance of the date on which the new EU legislation comes into force

Other product sourcing

As part of the Group's continuing commitment to responsible business, a Group-wide product safety policy has been developed and will be introduced this year This confirms Wolseley's commitment to source and sell safe products, comply with legislation concerning product safety and take quick and decisive action to resolve any product safety issues which may arise To that end, a Corrective Action Procedure has been established to provide general guidance on the standards and systems that each business must have in place

Wolseley UK introduced an Ethical Sourcing Policy in February 2010, which details the minimum standards expected from suppliers and the commitments that have been made to ensure that suppliers operate in accordance with those standards Offering a range of over 400,000 product lines, supplied by over 10,000 suppliers, Wolseley UK's first commitment is to understand its supply chains, many of which are complex and involve a number of stages in the manufacture and distribution of the products and their component parts In addition, these various stages in the supply chain may take place in countries that have significant social and cultural differences, as well as different local laws and systems of governance

Wolseley UK has recently embarked on a programme to engage with a selected number of its suppliers which operate in a number of countries and supply a range of products The initial phases of this programme have identified the current levels of declared compliance and the most successful methods of collecting and verifying the types of evidence that is required in order to support these declarations The next phases will see further development of the verification process and a strategy to roll out the programme across a wider supply base

Graphic removed

Wolseley France – timber certification obtained

This year, Silverwood and Sinbpla again received PEFC certification and in February 2010, Forest Stewardship Council certification was also granted for most of their panel products In addition, in March 2010, all Panofrance branches and those branches of Réseau Pro which specialise in wood products, also obtained PEFC certification

The Wolseley France commitment to purchase, produce and sell products in a sustainable way was further rewarded by a "Three Leaf" label (the highest level), given by the "Le Commerce du Bois" in France in November 2009 As a result, Silverwood was recognised this year by the main business magazine in France as "Best Contributor to Sustainable Development"

These achievements in sustainable development aim to give the business a competitive advantage over our competitors and ensure that our customers are able to identify those products which are from sustainably managed forests

Community engagement

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

Despite the severe impact of the recession on our operations and our employees, our businesses have continued to support the communities in which they work, usually through continuation of established partnerships with charitable organisations and often through the outstanding enthusiasm of individuals Most of these efforts are determined by individual businesses' concerns for their local communities They are all motivated by the desire to make a positive impact in areas that have a connection to our sector and the products we supply For example, we aim to reduce homelessness and improve the quality of housing and the built environment, and we aim to improve the social conditions and the employability of people who may be at risk of being marginalised In addition, this year, Wolseley plc became a member of the group of construction sector companies supporting the "Raising the Roof" campaign, whose target is to raise £3 million to help fund a new centre for neurosciences, as part of the major redevelopment programme at Great Ormond Street children's hospital in London

Graphic removed

We also decided to partner with Impetus Trust (**www impetus.org.uk**), an organisation which targets small charities and social enterprises that help the economically and socially disadvantaged to build their capacity to achieve their aims of social improvement Impetus has pioneered an effective model of charity support their tri-partite investment model provides a distinctive combination of strategic funding, hands-on support to management and specialist expertise (often provided by the private sector), which enables these small charities to grow rapidly and effectively over a period of three to five years In the UK, among the charities included in Impetus' portfolio, Wolseley has contributed to the objectives of Blue Sky Development & Regeneration, whose principal activity is the employment of recently released ex-offenders on six-month contracts to fulfil grounds maintenance contracts for local authorities Blue Sky's mission is to help break the cycle of reoffending and to achieve long-term benefits for society, with the aim of enabling ex-offenders to move successfully into long-term employment

It is important to our businesses to build and develop strong relationships with their local communities and to encourage charitable initiatives As a result, many of our employees and their businesses support a wide range of charities and community projects which are relevant to the countries and locations in which they operate, as well as charities for which our employees have a particular passion

Graphic removed

Ferguson and Christopher Newport University

Ferguson's relationship with this University, which is based in the same city as its corporate office in Newport News, Virginia, began in 2004, with an investment in the Ferguson Center for the Arts The partnership was expanded in 2007 when Ferguson began supporting the Center for Service and Learning and Social Entrepreneurship The Center provides lessons to students in leadership, civic responsibility and character development gained through community engagement During 2010, two new projects offered by the Center were funded by Ferguson Youth Services Survey and Ferguson Fellowship Funding The Youth Services Survey will result in a website that will connect citizens to all youth support systems in the community The Youth Service initiative will also provide action plans for increased future student involvement in the Newport News community The Ferguson Fellowship will fund up to 15 "Ferguson Fellows" – students who will plan and implement socially innovative projects during 2010, resulting in initiatives that will have practical applications to produce sustainable benefits for partner organisations locally, nationally or globally

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 **http://www.wolseley com/corporate-responsibility.aspx**

Board of Directors

Graphic removed

John W Whybrow
Chairman

Appointment
Appointed to the Board on 1 August 1997 and became Chairman on 13 December 2002

Experience
Mr Whybrow was a non executive director of DSG International plc from June 2003 until April 2010 and 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 Age 63

Committee membership
Chairman of Nominations Committee and member of Disclosure Committee

External appointments
Chairman of Petworth Cottage Nursing Home
Director of AZ Electronic Materials

Graphic removed

Ian K Meakins
Group Chief Executive

Appointment
Appointed to the Board on 13 July 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, between 2000 and 2004, was President, European Major Markets and Global Supply for Diageo plc, spending over 12 years with that company in a variety of international management positions Age 54

Committee membership
Chairman of the Executive Committee and member of Treasury and Disclosure Committees

External appointments
Director of the Impetus Trust
Non executive director of Centrica plc (with effect from 1 October 2010)

Graphic removed

John W Martin
Chief Financial Officer

Appointment
Appointed to the Board on 1 April 2010

Experience
Mr Martin, a chartered accountant, joined the Company in February 2010 He was previously a partner at Alchemy Partners and prior to that was Chief Financial Officer with Travelex Holdings Ltd and Hays Plc, the business services group Mr Martin started his career at Arthur Andersen before joining The Stationery Office Group on its privatisation, where he was Group Controller Age 44

Committee membership
Chairman of the Disclosure and Treasury Committees and a member of the Executive Committee

External appointments
Member of the Advisory Board of Alchemy Partners

Graphic removed

Andrew J Duff
Non Executive Director

Appointment
Appointed to the Board on 1 July 2004

Experience
Mr Duff spent 16 years at BP plc working in Europe, the USA, Far East and Africa in marketing, strategy and oil trading He joined National Power in 1998, becoming Chief Executive of its successor company, npower, in 2003 until stepping down from this position in 2009 Age 51

Committee membership
Chairman of the Remuneration Committee and a member of the Nominations Committee

External appointments
Chairman of RWE npower plc Chairman of Severn Trent Plc and Severn Trent Water Ltd

Member of the CBI President's committee and the CBI Climate Change board A fellow of the Energy Institute

Graphic removed

Alain Le Goff
Non Executive Director

Appointment
Appointed to the Board on 1 September 2009

Experience
Mr Le Goff retired as Executive Vice President, Supply of Reckitt Benckiser Group plc in March 2009, a position he had held for 10 years He joined Benckiser in 1986 as industrial director in France before moving to Germany in 1992 later becoming global logistics director Age 58

Committee membership
Member of the Remuneration and Nominations Committees

External appointments
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

Graphic removed

James I K Murray
Non Executive Director

Appointment
Appointed to the Board on 12 April 2002
Mr Murray will retire from the Board on 30 September 2010

Experience
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 Age 64

Committee membership
Member of the Audit and Nominations Committees

External appointments
Chairman of Trustees of the Land Securities Pension Fund

Graphic removed

Frank W Roach
Chief Executive Officer,
North America

Appointment
Appointed to the Board on 16 December 2005

Experience
Mr Roach is responsible for all the North American businesses He first joined Ferguson Enterprises Inc in 1976 and has since 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 59

Committee membership
Member of the Executive Committee

External appointments
None

Graphic removed

Gareth Davis
Non Executive Director

Appointment
Appointed to the Board on 1 July 2003

Experience
Senior Independent Director, Mr Davis, spent 38 years in the tobacco industry and was Chief Executive of Imperial Tobacco Group plc from its incorporation in 1996 until May 2010 Age 60

Committee membership
Member of the Audit, Remuneration and Nominations Committees

External appointments
Became a non executive director of DS Smith Plc, the international packaging manufacturer and office products wholesaler, in June 2010 and Chairman of William Hill PLC in September 2010

Graphic removed

Richard Shoylekov
Group Company Secretary
and General Counsel

Appointment
Appointed in November 2007

Responsibilities
Mr Shoylekov, a solicitor, has responsibility for the Group's governance, legal affairs risk management and corporate responsibility Age 45

Committee membership
Secretary to the Board and all Committees of the Board

Member of the Disclosure and Executive Committees

External appointments
None

Graphic removed

Nigel M Stein
Non Executive Director

Appointment
Appointed to the Board on 1 December 2003

Experience
Mr Stein, a chartered accountant, has been a director of GKN plc for the last nine years, initially as Finance Director and, since 2007, as Chief Executive, Automotive Prior to that, he held senior financial positions with GKN, Laird Security Systems and Hestair Duple Limited Age 54

Committee membership
Member of the Audit, Remuneration and Nominations Committees

External appointments
Chief Executive, Automotive of GKN plc
Director of the Society of Motor Manufacturers and Traders and a member of the Automotive Council

Graphic removed

Michael Wareing CMG
Non Executive Director

Appointment
Appointed to the Board on 1 October 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 EMEA region Throughout his career he 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. Aged 56

Committee membership
Chairman of the Audit Committee and member of the Treasury and Nominations Committees

External appointments
Board member of Business in the Community and Chairman of Business in the Community International

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

At the date of this report, 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 (the "FRC") in 2008 (**www frc.org uk/corporate**) In May 2010, following lengthy review and consultation, the FRC published a new code, the UK Corporate Governance Code (the "Governance Code") which will replace the Code for financial years beginning on or after 29 June 2010 The FRC has stated that changes have been made to help company boards to become more effective and more accountable to shareholders This report, including the report from the Audit Committee 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 during the year under review Where applicable, the Company has already adopted principles from the Governance Code

Board organisation and structure

Board composition, constitution and independence

As at 31 July 2010, the Board of Directors was made up of 10 members consisting of the Chairman, three Executive Directors and six Non Executive Directors During the year, two new Non Executive Directors were appointed to the Board Alain Le Goff was appointed with effect from 1 September 2009 and Michael Wareing with effect from 1 October 2009 In addition, Robert Marchbank stepped down from the Board on 1 March 2010 and Stephen Webster stepped down on 31 March 2010 and was replaced by John Martin who was appointed to the Board as Chief Financial Officer on 1 April 2010 As noted on page 3, Mr Whybrow will step down from the Board at the end of the Annual General Meeting to be held on 20 January 2011 and will be succeeded by Mr Davis as Chairman Biographical details of each of the Directors currently in office are shown on pages 42 to 43

The Board meets regularly during the year, as well as on an ad hoc basis as required by time-critical business needs 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

Each of the Non Executive Directors brings his own senior level of experience and expertise to the Board 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 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

Director re-election

It has been 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 The Company's Articles of Association also provide that one-third of the Directors should 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

In accordance with a new provision included in the Governance Code, all Directors will seek re-election at the next Annual General Meeting Although this provision of the Governance Code would not apply to the Company until the financial year ending 31 July 2011, the Board has decided to comply this year Mr Martin will seek election having been appointed to the Board during the year

Division of responsibilities

The distinct roles of Chairman and Group Chief Executive are acknowledged, set out in writing and agreed by the Board The Chairman is responsible for the overall leadership and governance of the Board and for ensuring that the Directors have an understanding of the views of the Company's major shareholders The Group Chief Executive is responsible for the effective leadership of the Company, management and development of the Group and for delivery of the Company's agreed objectives and strategy

Although 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

Board effectiveness

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 eight times during the year and Director attendance is shown in the table on page 45 Together with the Group Chief Executive and the Group Company Secretary, the Chairman ensures that the Board is kept properly informed and is consulted on all matters reserved to it In accordance with the Code, 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

Meeting attendance (eligibility) at Board meetings held during the year ended 31 July 2010·

J W Whybrow	Chairman	8(8)
G Davis	Non Executive Director	8(8)
A J Duff	Non Executive Director	8(8)
A Le Goff[a]	Non Executive Director	8(8)
R H Marchbank[b]	Chief Executive, Europe	5(5)
J W Martin[c]	Chief Financial Officer	2(2)
I K Meakins	Group Chief Executive	8(8)
J I K Murray	Non Executive Director	8(8)
F W Roach	Chief Executive, North America	8(8)
N M Stein	Non Executive Director	8(8)
M P Wareing[d]	Non Executive Director	7(7)
S P Webster[e]	Chief Financial Officer	6(6)

a Appointed to the Board with effect from 1 September 2009
b Left the Company on 1 March 2010
c Appointed to the Board with effect from 1 April 2010
d Appointed to the Board with effect from 1 October 2009
e Left the Company on 31 March 2010

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 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 endeavours 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

Each of the Directors continues to be considered by the Board to be effective and to demonstrate commitment to his respective role A recommendation from recent UK governance reports, including the Walker Report and the Governance Code, was that external Board performance evaluation be completed every three years Consistent with this recommendation, a full evaluation of the Board's own performance and that of the individual Directors was completed with the assistance of an external facilitator during 2009 Using the results of that review, this year the Board further analysed its performance and effectiveness and focused, in particular, on the areas for improvement that had been previously identified The changes to the composition of the Board, improved succession planning and the increased focus on customer service, have contributed to the effectiveness of the Board's performance

During 2010, the Audit and Remuneration Committees each conducted a detailed assessment of their own effectiveness, using a set of questions which had been adapted to address the activities and concerns of each Committee The questions were in the form of online surveys which encouraged comment and qualitative evaluation of each Committee's effectiveness, its individual members and the contributions received from advisers The results of the surveys formed the basis of discussion of areas for further improvement by each Committee and actions were then taken to change the scope, content and timing of items to be considered by each Committee

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 wish to raise, these should be notified to him directly or to the Group Company Secretary

External directorships

As part of their continuing development, the Executive Directors are encouraged to take on not more than one external non executive directorship on the board of a non-competitor company, for which they may retain payments received in respect of such appointment, as the Board 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 The Board monitors the extent of Directors' other interests to ensure that the effectiveness of the Board is not compromised Details of such external appointments are shown in the biographical details of the Directors currently in office on page 42 to 43

Succession planning

The Nominations Committee has specific responsibilities for succession planning to ensure that the Board has the correct balance of individuals to discharge its duties effectively In addition, during the year, the Board as a whole took a more active involvement in the development of the Company's succession processes The senior leadership team was reviewed in more depth, both individually and as a whole, and it was agreed that this more detailed process would be completed annually Action plans have already been implemented following the identification of succession weaknesses and clear communication plans are also in place The overall aim of this year's review was to ensure that employees with the required skills, experience and knowledge are being suitably developed for the future and that adequate procedures are in place to encourage the development of talent across the Group

Indemnities

In accordance with the Company's Articles of Association, the Company has always indemnified its Directors in respect of liabilities incurred as a result of their office to the maximum extent permitted by law 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 Group 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

Committees

The Committees of the Board consist of the Audit, Remuneration, Nominations, Disclosure and Treasury Committees In addition, executive and management matters are addressed by the Executive Committee and other committees to whom specific authority has been delegated to implement Board strategy or policy The formal terms of reference for the Board Committees, which have been approved by the Board and comply with the Code, are available from the Group 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 and General Counsel, whose appointment and removal is a matter for the Board as a whole, acts as Secretary to all Board Committees

Audit Committee

Members and attendance (eligibility) at meetings held during the year ended 31 July 2010

Chairman	M P Wareing	3(3)
Members	G Davis	4(4)
	J I K Murray	4(4)
	N M Stein	4(4)

The Committee is made up of four Non Executive Directors and the Board considers that each member of the Committee is independent within the definition set out in the Code The Committee's membership is reviewed by the Nominations Committee and by the Chair of the Audit Committee at regular intervals Members of the Committee are appointed by the Board following recommendations by the Nominations Committee 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 Each member of the Committee brings relevant experience at a senior executive level In addition to the existing members of the Audit Committee, Mr Wareing, who was International Chief Executive of KPMG until his retirement in September 2009, provides the Board with further assurance that the Audit Committee has the appropriate skills and experience and that it meets the Code requirements that at least one member of the Committee has significant, recent and relevant financial experience The expertise and experience of each of the members of the Committee are summarised on pages 42 to 43

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 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

Nominations Committee

Members and attendance (eligibility) at meetings held during the year ended 31 July 2010

Chairman	J Whybrow	5(5)
Members	G Davis	5(5)
	A J Duff	4(5)
	A Le Goff	5(5)
	J I K Murray	5(5)
	N M Stein	5(5)
	M P Wareing	3(4)

Owing to attendance at another Committee meeting and to a prior overseas business commitment two Directors were each unable to attend a Nominations Committee meeting, which had been scheduled at relatively short notice

The Committee reviews the structure, size and composition of the Board and its Committees It 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 There is a formal procedure in place for selecting and recruiting Directors The Committee evaluates the balance of skills, knowledge and experience on the Board and, in light of that evaluation, it prepares the description of the relevant role and capabilities required of prospective candidates After a rigorous interview process of shortlisted candidates, the Committee makes its recommendations to the Board The Committee retains external search consultants for appointments to the Board Mr Whybrow would not chair the Committee or attend if it were to consider the appointment of a successor Chairman 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 the matters discussed during the financial year ended 31 July 2010 primarily related to the changes of Executive Board members and the resulting succession plans

Remuneration Committee

Members and attendance (eligibility) at meetings held during the year ended 31 July 2010:

Chairman	A J Duff	6(6)
Members	G Davis	6(6)
	A Le Goff	1(1)
	N M Stein	6(6)

All the members of the Remuneration Committee are considered independent within the definition set out in the Code During the year, the Committee reviewed and updated its terms of reference to take into account developments in governance relating to remuneration and comments made in public consultation documents or reports on the subject of good practice regarding executive remuneration The Committee has also conducted a detailed effectiveness survey to address its activities and to raise any concerns from both members and attendees of the Committee The results of the survey showed that the Committee had been performing effectively, however, it highlighted some areas for improvement which the Committee has undertaken to adopt

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 As part of the review of its terms of reference, the increased scope of the Committee's role in setting the overarching principles and parameters of remuneration policy for the Group as a whole were updated The Committee prepares, for the Board's approval, the Remuneration report, which is presented to shareholders at each Annual General Meeting The chairman of the Committee attends the Annual General Meeting to respond to any questions shareholders may raise on the Committee's activities

Disclosure Committee

Chairman	J W Martin	Chief Financial Officer
Members	M J Fearon	Group Communications and Investor Relations Director
	I K Meakins	Group Chief Executive
	R I Shoylekov	Group Company Secretary and General Counsel
	J W Whybrow	Chairman

The Disclosure 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

Treasury Committee

Chairman	J W Martin	Chief Financial Officer
Members	I K Meakins	Group Chief Executive
	M J R Verrier	Group Treasurer
	M P Wareing	Non Executive Director
	M J Webb	Group Financial Controller

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 On 1 October 2009, Derek Harding (Director of Group Strategy and Investor Relations) joined the Committee, he then resigned his position in May 2010 following his appointment to a different role within the Group, as Finance Director of Wolseley UK Mr Martin replaced Mr Webster on the Committee on his appointment as Chief Financial Officer on 1 April 2010 and Mr Webb, Group Financial Controller, joined the Committee with effect from 1 August 2010

Executive Committee

Chairman	I K Meakins	Group Chief Executive
Members	S Ashmore	Managing Director, UK
	P Gardies	Managing Director, France
	J W Martin	Chief Financial Officer
	C R Morrison	Group HR Director
	F W Roach	Chief Executive Officer, North America
	R I Shoylekov	Group Company Secretary and General Counsel
	S Weirsøe	Managing Director, Nordic Region

The Executive Committee meets at least 10 times each year and these meetings usually take place prior to Board meetings The Committee addresses operational business issues and is responsible for implementing Group strategy and policies, day-to-day management and monitoring business performance

Graphic removed

Report from the Audit Committee

The composition, attendance and responsibilities of the Audit Committee are set out on page 46

Structure

The Committee meets regularly throughout the year and its agenda is linked to events in the Company's financial calendar The Committee reviews the Company's policies and procedures relating to governance, risk and control and, in addition to the regular items, each member of the Committee may request reports on matters of interest

The Committee invites the Chairman, Group Chief Executive, Chief Financial Officer, Group Financial Controller 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 those invitees present Other senior executives are also invited to certain meetings to present such reports as are required for the Committee to discharge its duties The Committee members periodically meet the Head of Internal Audit and the external auditors without the presence of executive management

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

Audit Committee effectiveness

Each year the Committee critically reviews its own performance and considers where improvements can be made This year, the performance of the Committee was evaluated as part of a committee effectiveness review, as highlighted on page 45 The Committee's terms of reference were reviewed and updated during the year

Financial reporting

The Committee assists the Board to fulfil its responsibilities relating to external financial reporting and associated announcements During the year, the matters considered, either by the Committee or subsequently by the Board, included

- the Half Year and Full Year financial statements, including the requirements for financial reporting,
- the Half Year and Annual Final results announcements made to the London Stock Exchange,
- the Company's Interim Management Statements and all proposed announcements to be made by the Company to the extent that they contained material financial information,
- documentation relating to tax-related matters associated with the Group's corporate structure,
- accounting and auditing issues,
- review of the effectiveness of the internal audit function and the review of the effectiveness and continued independence of the external auditor,
- litigation, contingent liabilities and tax matters, including compliance with statutory tax obligations,
- fraud reports and the operation of the Company's whistleblowing policy,
- the effectiveness of the Company's internal control and risk management procedures,
- the updated Company policies and procedures relating to fraud and the prevention of corruption and the Company's new Code of Conduct, and
- the evaluation of the Committee's own effectiveness

External audit and external auditors

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 with their effectiveness and independence and has not considered it necessary this year to conduct a tender process for the appointment of its auditors In 2009, the Committee carried out a review of its auditors, which included cost comparisons This provided the Committee with the assurance that the auditors continued 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 to be performed by the external auditors for the Company, to ensure that the provision of those non-audit services falls within the agreed policy regarding such services and does not impair the objectivity or independence of the external auditors 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 audit work

The policy requires pre-approval by the chairman of the Committee for any non-audit work, subject to maximum budget levels The external auditors provide audit related services such as regulatory and statutory reporting, and reviewing 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 the APB Ethical Standards on Auditing, the external auditors undertake certain due diligence reviews and provide assistance on tax matters The provision of non-audit services within such constraints of 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' rigour and the degree to which the external auditors were able to assess key accounting and audit judgements 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 2010 were £10 4 million (2009 £13 4 million), of which £6 7 million (2009 £8 5 million) related to non-audit work £1 million of the non-audit work fees were pursuant to work required in relation to the Group's proposed change in corporate structure and domicile Further disclosure of the non-audit fees paid during the year ended 31 July 2010 can be found in note 3 to the financial statements

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 which restricts 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 the Committee The Committee reviews key performance indicators relating to the activity of the department These reviews occur either at each Committee meeting, or annually when KPIs are reviewed against the audit plan

The Committee reviews the effectiveness of the Group's internal audit function, including its terms of reference, its audit plans, its 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 those 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

Internal control

The Board retains overall responsibility for internal control, for establishing the systems of internal control and reviewing their effectiveness and for the identification and management of business risk

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

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 and depends on regular evaluation on the extent of the risks to which the Company is exposed 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 the effective internal controls required to maintain such effectiveness

The Group's internal control systems are designed to manage rather than eliminate business risk They facilitate the effectiveness and efficiency of our operations, safeguard the Group's assets against material misstatement or loss, contribute to the safeguarding of assets, including the prevention and detection of fraud, fairly report the Group's performance and position, maintain the reliability of both internal and external reporting and ensure compliance with relevant legislation, regulation and best practice, including that related to social, environmental and ethical matters These systems and their effectiveness have been in place for the full financial year and up to the date on which the financial statements were approved, and are reviewed by the Board regularly to deal with any changing circumstances

Effective financial controls, including the maintenance of proper accounting records, are an important element of internal control They help ensure that the Company is not unnecessarily exposed to avoidable financial risks and that published financial information is reliable Summaries of the key financial risks inherent in the Group's business are given in the Financial review on pages 26 to 29 and in note 29 of the consolidated financial statements

The Company's whistleblowing policy, which supports the Group-wide Code of Conduct, gives details of the international confidential telephone reporting lines and secure website reporting facility, which are operated on behalf of the Group by an independent third party The reporting channels 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, where appropriate, reported to the Committee Statistics on the volume and general nature of all disclosures made are reported to the Committee quarterly A copy of the Group's Code of Conduct is available on the Company's website at **www wolseley com** Information on the improvements that the Company has made to its ethics programme (including its Code of Conduct and policies on prevention of fraud and corruption) is included in the Corporate Responsibility report on page 39

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 and business unit 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 Managing Directors of our main geographical units
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

The detailed review of risk management is carried out by the Committee, with responsibility for the risk management process, as well as the internal control programme, delegated to the Chief Financial Officer The risk management programme is owned by the Group Executive, facilitated by the Group Company Secretary and General Counsel, while a dedicated Group Head of Risk has responsibility for the day-to-day management of the programme During the financial year, the risk management programme was further improved throughout the Group, following the introduction during 2009 of an upgraded risk assessment and reporting tool

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

Risk assessment and evaluation is an integral part of the Group's annual planning cycle 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 or business unit has also appointed a risk director whose primary role in such capacity is to ensure compliance by local management with the Group's risk management programme and to document the strategic objectives and the effectiveness of the Group's systems of both internal control and risk management activities

Group operating companies and Head Office functions are required to submit risk management reports bi-annually to the Chief Financial Officer which identify and document each significant risk, together with the mitigating actions taken, and to be taken, to manage, monitor or reduce those risks The Executive Committee and senior management review these submissions and the Chief Financial Officer presents them to the Committee The chairman of the 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 and on any breakdowns in, or exceptions to, these processes These processes have been in place throughout the year ended 31 July 2010 and have continued to the date of this report

The internal 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 is set out in Risk Management on pages 30 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

Michael Wareing CMG
on behalf of the Audit Committee

Directors' responsibility statement

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

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors have prepared 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) In preparing the Group financial statements, the Directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board ("IASB") 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 IFRSs issued by IASB 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 financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business

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 42 to 43, confirms that, to the best of his 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 Financial review contained in the Directors' report 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

Share capital and voting rights

As at 31 July 2010 there were 284,399,824 fully paid ordinary shares of 10 pence each in issue and listed on the London Stock Exchange 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 Group Company Secretary

The Company also has a Level I American Depositary Receipt ("ADR") programme in the US for which Deutsche Bank Trust Company Americas acts as Depositary The American Depositary Shares ("ADS") which are evidenced by ADRs are traded on the US over-the-counter market, where each ADS represents one-tenth of a Wolseley plc ordinary share

Substantial share interests

As at the date of this report, the Company had received notification of the following material shareholdings pursuant to the Disclosure and Transparency Rules of the UK Listing Authority

Name	Number of shares held (millions)	Percentage of issued voting share capital
Blackrock, Inc	28,258,566	9 94%
Cevian Capital Limited	14,690,088	5 165%
Fidelity, FMR Corp, Fidelity International Ltd, Fidelity Pensions Mgt Ltd	14,070,947	4 957%
Axa S A	13,065,225	4 603%
Legal & General Group Plc	11,234,843	3 958%
Silchester International Investors Limited	8,632,769	3 040%

CREST

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

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

Share options

During the financial year ended 31 July 2010, options were exercised pursuant to the Company's share option schemes resulting in the allotment of 560,458 ordinary 10 pence shares A further 7,605 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 34 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 in 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 The trustees of each of the Trusts have waived their rights to receive dividends on any shares held by them At the date of this report, the Trust holds 1,948,919 ordinary shares of 10 pence each

Authority to issue shares

At the Annual General Meeting held in 2009, authority was given to the Directors to allot new 10 pence ordinary shares up to a nominal value of £18,922,625 The Directors intend to propose at the next Annual General Meeting to seek authority to allot and grant rights to subscribe for or to convert securities into shares up to an aggregate nominal amount of £18,958,599, representing approximately two-thirds of the Company's issued share capital as at 27 September 2010, of which 94,792,996 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, this authority will expire at the conclusion of the Annual General Meeting to be held in December 2011

Subject to the terms of the authority noted above, the Directors will also recommend that they be empowered to allot equity securities for cash other than pro rata to existing shareholders, until the Annual General Meeting to be held in December 2011 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 £1,422,037, 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 these resolutions 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 next Annual General Meeting to renew the Directors' limited authority, last granted in 2009, to purchase the Company's ordinary shares in the market The authority will be limited to a maximum of 28,440,742 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 that 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 the resolutions noted above 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

Auditors and audit information

PricewaterhouseCoopers LLP are willing to continue as auditors of the Company and resolutions concerning their reappointment and the determination of their remuneration will be proposed at the next 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 2010, 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 2010, of any relevant audit information and to establish that PricewaterhouseCoopers LLP are aware of that information

Change of control

The Company does not have agreements with any Director 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 schemes may cause options and awards granted under such schemes to vest in those circumstances 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 reorganisation), subject at that time to rules concerning the satisfaction of any performance conditions

Creditor payment policy

All Group companies are responsible for establishing terms and conditions of trading with their suppliers It is the Company's policy that payments to suppliers are made within agreed terms and are, where applicable, consistent with The Prompt Payment Code, which is sponsored by the UK Department for Business Innovation & Skills ("BIS") Copies of this Code can be obtained from BIS At 31 July 2010, the Company had no trade creditors (2009 nil) The amount of trade creditors for the Group as at 31 July 2010 was equivalent to 67 days (2009 65 days) of trade purchases

Donations

The Group's charitable donations in 2010 totalled £1,521,000 (2009 £1,555,000)

At each of the Annual General Meetings held since 2002, shareholders have passed a resolution, as a precaution, to approve donations to political organisations and to incur political expenditure (as such terms are now defined in sections 362 to 379 of the Companies Act 2006) Each year, the Board has 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 for 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 This authority would last until the Company's next Annual General Meeting

Employees

We believe that our employees are central to our future success The Group actively encourages employee involvement and places particular importance on keeping employees regularly informed on the Company's activities and financial performance and on matters affecting them individually and the business generally This can be through informal bulletins, in-house publications and briefings, as well as via the Company's intranet sites The Group operates on a largely decentralised basis with a rigorous control framework exercised by a small head office team This allows for greater autonomy and accountability at a local level and provides encouragement for the development of entrepreneurial flair Local management is responsible for maintaining high standards of health and safety and for ensuring that there is appropriate employee involvement in decision making

A European Works Council ("EWC") has been operating since 1996 to provide a forum for informing and consulting employees in Europe 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 24 EWC representatives of which 18 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 They are also encouraged to build a stake in the Company through the ownership of shares, where possible, through participation in the Company's employee share schemes

Employment policies

Our employment policies aim to attract the very best people and we believe that a diverse and inclusive culture is a key factor in being a successful business The Group remains committed to equality of opportunity in all of its employment practices It is the Group's policy that the selection of employees for appointment, career development and promotion be determined solely on the skills and attributes which are relevant to the job and which are in accordance with the laws of the country concerned, without having regard to an employee's gender, race, religion, age or disability Ongoing training of employees and the continued development of their skills is of prime importance to the Group These policies also cover the continuation of employment and appropriate retraining for employees who become disabled during their employment

UK pension schemes

Wolseley currently has two pension schemes in respect of UK employees

Defined Benefit Scheme – the Wolseley Group Retirement Benefits Plan and the William Wilson Group Pension Scheme merged on 1 January 2010 Both have been closed to new entrants since 31 May 2009 The merged plan is known as the Wolseley Group Retirement Benefits Plan and has three trustees consisting of an independent trustee, a member-nominated trustee and a corporate trustee The corporate trustee consists of nine trustee directors and, save for Mr David Tucker, chairman of the trustees and Ian Percy, CBE, a trustee director, all of the other trustees and trustee directors are UK-based employees or former employees of the Group

Defined Contribution Scheme – 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 potentially three member-nominated trustees In July 2009 only one member was nominated, a further selection process was run in August 2010 The chairman of the trustees is Wayne Phelan of PS Independent Trustees Limited

Communication with shareholders

The Company places considerable importance on communication with its shareholders, including its employee shareholders Our investor relations policy reflects our commitment to our shareholders It includes

- regular dialogue with institutional shareholders,
- meetings with shareholder representatives,
- promotion of communication with private shareholders through their attendance at the Annual General Meeting,
- close involvement in investor relations by the Group Chief Executive and Chief Financial Officer,
- ensuring that 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, and
- the maintenance of contact, when appropriate, with shareholders to discuss overall remuneration plans and policies

The Chairman 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 Final and Half Year Results is encouraged A senior executive has day-to-day responsibility for all investor relations matters and for contact with institutional shareholders, as well as with financial analysts, brokers and the media Investor relations are controlled by written guidelines to ensure the protection and appropriate disclosure 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

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 142 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

Annual General Meeting ("AGM")

The AGM will take place on 20 January 2011

AGM procedure

The Notice of the AGM 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 AGM, 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 (whether in person or by video link) 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 if it 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 AGM or may refer to a response on 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 AGM and the results are made available shortly after the meeting The results are also announced to the London Stock Exchange via Regulatory News Service and are published on the Company's website

AGM resolutions

The resolutions to be proposed at the AGM to be held on 20 January 2011, together with explanatory notes, will be detailed in full in the Notice of Annual General Meeting issued to each shareholder in advance of the meeting This document will be available on the Company's website at **www.wolseley com**

The location of the AGM and the details of some of the resolutions to be put to the meeting may change if the Company's proposals to change its corporate holding structure are approved The Company, and if the proposals are approved, the new holding company for the Group, will keep shareholders informed

On behalf of the Board

Richard Shoylekov
Group Company Secretary and General Counsel
27 September 2010

Remuneration report

For the year ended 31 July 2010

Graphic removed

Dear Shareholder

The Remuneration Committee (the "Committee") has continued its approach of reviewing the packages of the senior executives and wider remuneration policies in general, taking into account the challenging business conditions in a global economy balanced by the need to ensure that executives are fully incentivised to deliver shareholder value In so doing, the Committee has agreed the following key policy decisions for 2010/11

- the approach to Executive Directors' base salaries would be the same as that for the whole of the UK workforce, or in the case of our US-based director, the US equivalent Non Executive Directors' fees have been reviewed using the same policy and will not be increased for the 2010/11 year, and
- at the start of the financial year 2009/10, a key focus for the Company was the continued generation of cash flow This was reflected in its equal weighting with trading profit on bonus plans Significant strides have been made in reducing Group debt, to the extent that greater focus is now concentrated on trading profit Accordingly, the weightings in the Directors' bonus plans have been modified to reflect this

2009/10 was a very challenging year for the Company Despite falling sales the Committee set financial objectives aiming to exceed the previous year's trading profit while delivering further reductions in net debt By the second half of the year the Company was again delivering like-for-like sales growth, underperforming businesses were either restructured or disposed and trading profit exceeded the previous year Having delivered against challenging financial objectives, set against the backdrop of continuing market declines, the Committee has approved bonuses at the upper end of the range

In 2009, share options and long term incentive plan awards were scaled back to reflect the greater expected value arising from share price volatility Award ranges will remain broadly the same for 2010, recognising the improved outlook for future performance improvements 2010 earnings per share fell from 2009 levels but the Committee has decided to retain the higher 2009 EPS as the base from which future performance targets are set Consequently, vesting will require 2011 earnings in excess of consensus and 2012 and 2013 earnings at historical levels

The Committee appreciates the dialogue and feedback it receives from investors and it hopes to receive your support at the AGM on 20 January 2011

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"), the Listing Rules of the UK Listing Authority and Statutory Instrument 2008/410 The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the "Regulations") Furthermore, the Board has applied the principles of good governance relating to Directors' remuneration contained within the UK Combined Code (the "Code") and, where applicable, has already adopted principles from the UK Corporate Governance Code (the "Governance Code") which will come into effect from financial years beginning or after 29 June 2010 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 125 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 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 determines, with the agreement of the Board, specific remuneration packages for each of the Executive Directors, the Chairman and the Group Company Secretary It also determines the remuneration, based on proposals from the Group Chief Executive, for the members of the Executive Committee The Chairman and the Executive Directors determine the remuneration of the Non Executive Directors The Committee is also responsible for the Company's share incentive schemes for all employees Following a review of its terms of reference during the financial year, the Committee broadened the scope of its work to include the review of overall remuneration policy for employees below executive level

The current members of the Committee, as detailed on page 47, consist of four Non Executive Directors, all of whom are independent within the definition set out in the Code The Group Chief Executive, Mr Meakins, the Chairman, Mr Whybrow and the Group HR Director, Mr Morrison, are usually invited to attend the meetings 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 reach informed 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 A review of the service provided by Hewitt New Bridge Street took place in September 2009 and in October 2009 it was agreed that their contract would be renewed for a further year The Committee met six times during the year, at which all eligible Committee members were in attendance Mr Le Goff attended one meeting, in July 2010, after his appointment to the Committee in May 2010 The Committee has scheduled meetings throughout the year, as well as ad hoc meetings to consider additional items as they arise For example, an ad hoc meeting was called in January 2010 to review and approve the severance packages for the outgoing Directors and the service agreement and remuneration for the new Executive Director

At the scheduled meetings, among other items, the Committee considered

Date	Key agenda Items
September 2009	Executive Committee bonus targets for 2009/10
	Executive bonus scheme rules
	Procedure for approval of severance packages
October 2009	Approval of awards under the Long Term Incentive and Executive Share Option Schemes for 2009/10
	Review of advisers
	Agreement to offer Group all-employee share plans to various jurisdictions in early 2010
November 2009	Adjustment of earnings per share ("EPS")
May 2010	Review of remuneration packages for two new appointments to the Executive Committee
	Remuneration policy and bonus structure reviews
	Total shareholder return ("TSR") review
	Governance in remuneration following the results of the Walker Review
	Terms of reference
July 2010	FY11 Bonus Plan and Targets
	EPS measurement review
	Review of Committee effectiveness
	Directors' shareholding guidelines review

Policy on Directors' remuneration

Executive Directors

The Company's remuneration 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 into account all of these individual elements in adopting a comprehensive 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 have been designed by the Company 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 Following a review completed during the year, it is felt that the choice of EPS growth as a performance measurement for executive share options continues to be appropriate The Committee reviewed the EPS targets in respect of the 2009 executive share option awards and adjustments were made in order to increase the targets so as to ensure that they remained demanding for the next three years During the year the Committee also completed a thorough review of alternative comparator groups for measurement of TSR under the Long Term Incentive Scheme It concluded that the existing TSR comparator group remained the most appropriate The policy is designed such that a significant proportion of total remuneration is performance-related to incentivise the Executive Directors to meet the Company's financial and strategic objectives 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, and that the targets align executives' interests with those of the shareholders The contribution of financial bonus targets based on trading profit and cash flow, personal targets linked to customer service, health and safety and other strategic objectives, and longer term incentives provide strong alignment with the Group's strategy

The following chart shows total remuneration (base 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 the Executive Directors in office during financial year 2009/10

Graphic removed

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 fees are listed below The Non Executive Directors' fees are reviewed from time to time by the Chairman and the Executive Directors of the Board

Fees	Additional fees
Senior Independent Director	£10,000
Remuneration Committee chairman	£12,000
Audit Committee chairman	£16,000

The Non Executive Directors have letters of engagement rather than service agreements and do not participate in any incentive plan, nor is any pension payable in respect of their services as Non Executive Directors

The Board's policy is that Non Executive Directors are normally appointed for an initial term of three years, which is then reviewed and extended for a further three-year period Appointments may 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

Key elements of Executive Directors' remuneration in 2009/10

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 a market competitive package and link total cash reward to achievement of the Company's financial and strategic business objectives	Annual	The maximum target ranges from 100% to 140% of base salary (varying by individual and geographical location)	To reward achievement of budgeted and stretching financial and operational goals within year and, applying profitability metrics and personal goals, which are linked to overall strategic aims and shareholder expectations
Pension	To aid retention and reward long service	Ongoing	Up to 32% of salary is contributed for Defined Contribution arrangements (varying by individual and geographical location)	For remunerated executives in the UK the aim is to provide market-competitive benefit for retirement For remunerated executives in the US, the vesting criteria for the Senior Executive Retirement Plan are related to age and service
Long Term Incentive Scheme and Executive Share Option Plan	To incentivise executives to deliver superior long term performance in absolute terms and also relative to peers, To align executives' interests with those of shareholders and to retain key individuals	Three years	A maximum grant of 125% of salary for financial year 2010/11 may be made under the LTIS A maximum grant 230% of salary for financial year 2010/11 may be made under the ESOP	Awards under the LTIS are made annually to senior executives and other high-performing key leaders Vesting is conditional on Group TSR meeting certain targets over a three-year performance period, relative to a comparator group of principally FTSE 100 companies, excluding banks, telecommunications, IT and utility companies but including CRH plc and Travis Perkins plc Awards under the ESOP are made annually to senior management Vesting is conditional on certain EPS growth targets being achieved over a three-year performance period

Salaries

The Committee intends that base salary reflects the level of responsibility of the Director, the relevant market in which he operates and individual performance Independent external advice is taken to benchmark salaries with market data, derived from a group of companies selected on the basis of comparable size, geographic spread and business focus It is the Committee's objective to set basic salaries around the market median, with the opportunity to go above this level in the event of sustained individual high performance In accordance with the core principles of the Governance Code, consideration has also been given to general pay and employment conditions across the Group The Committee will continue to assess these and other matters, such as the prevailing market conditions, when determining levels of remuneration for Executive Directors and the Executive Committee

For new appointments, in particular internal promotions, the policy is for base salary 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 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 faced by the Company during 2009, the Committee agreed that base salaries for each Executive Director and the Executive Committee for the financial year commencing 1 August 2009 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 financial year 2009/10

Following receipt of external market data, consideration of the performance of each Executive Director, and increases for the wider employee population, the Committee agreed that base salaries for each Executive Director and the Executive Committee for the financial year commencing 1 August 2010 should be reviewed It was agreed that the fees payable to the Chairman and Non Executive Directors should 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 1 August 2010 are therefore as follows J W Whybrow £360,500, I K Meakins £794,375, J Martin £492,000, F W Roach $986,637, and, for each of the Non Executive Directors, £61,800 (exclusive of Committee fees) In the case of the Executive Directors, this represents an increase of 2 5 per cent with the exception of F W Roach, which represents an increase of 3 per cent

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 annual long-term strategic business plan and annual budget, as well as market expectations

For financial year 2009/10, 80 per cent of potential bonus was driven by financial performance, with the balance depending on specific strategic personal objectives set for each Executive Director and member of the Executive Committee The financial performance measure was targeted equally at trading profit and cash flow, with tough trading profit and cash stretch targets set for each market and at the overall Company level to drive the turnaround in business performance that the Board identified was necessary Depending on their particular responsibilities and their performance, Executive Directors were eligible to receive up to 100 per cent of salary for UK-based directors and up to 110 per cent of salary for US-based directors, for on-target performance No Director fully achieved the stretch levels for their personal objectives in the year

For the forthcoming financial year, the financial components will continue to account for 80 per cent of the total potential bonus, with increased weighting on trading profit The remaining 20 per cent will again target specific strategic personal objectives for each Executive Director The Committee believes that setting such stretching targets is appropriate and will report on achievement against them in similar terms in next year's report The Committee has determined that the following percentages of base salary will be payable 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
J W Martin	40	70	100
I K Meakins	80	100	120
F W Roach*	80	110	140

*US-based

Benefits in kind

Benefits in kind consist of the provision of car benefits at the Company's expense and healthcare insurance In addition, to ensure that Mr Roach as a senior executive and US citizen is not disadvantaged as a result of paying both UK and US taxes on his income, the Company meets the cost of any additional tax he would be obliged to pay through the operation of a tax equalisation mechanism

Emoluments (audited)

The emoluments for 2009/10 payable from 1 August 2009 for the Directors who served during the financial year are set out below The totals received by Messrs Marchbank and Roach were paid in US dollars and have been translated into sterling at the exchange rate $1 5699 £1 (2009 $1 5708 £1)

Directors	Salary and fees £000	Additional fees £000	Bonuses £000	Benefits £000	Compensation for loss of office £000	2010 Total £000	2009 Total £000
Chairman							
J W Whybrow	360 5	–	–	–	–	**360 5**	360 5
Executive Directors							
J W Martin[1]	240 0	–	226 5	64 6	–	**531 1**	–
I K Meakins[2]	775 0	–	892 8	275 6	–	**1,943 4**	60 0
F W Roach[3]	610 2	–	769 3	27 4	–	**1,406.9**	640 7
Non Executive Directors							
G Davis	61 8	10 0	–	–	–	**71.8**	71 8
A J Duff	61 8	12 0	–	–	–	**73.8**	73 8
A Le Goff[4]	56 6	–	–	–	–	**56.6**	–
J I K Murray[5]	61 8	6 7	–	–	–	**68.5**	77 8
N M Stein	61 8	–	–	–	–	**61.8**	61 8
M P Wareing[6]	51 5	9 3	–	–	–	**60.8**	–
Former Directors							
R H Marchbank[7]	358 2	–	302 0	143 0	321 8	**1,125 0**	861 5
S P Webster[8]	370 8	–	344 4	19 2	870 5	**1,604.9**	784 2
Total	3,070 0	38 0	2,535 0	529 8	1,192 3	**7,365 1**	2,992 1
Pensions to former Directors	–	–	–	–	–	**193**	195
Pension contributions to money purchase plans	–	–	–	–	–	**220**	467
Aggregate gains on exercise of share options	–	–	–	–	–	**17**	–
Total	–	–	–	–	–	**430**	662

1 Appointed to the Board with effect from 1 April 2010 £57,000 of the figure for benefits relates to a cash supplement in lieu of payments to the Company's pension scheme

2 Mr Meakins was appointed to the Board with effect from 13 July 2009, accordingly the amount shown for 2009 reflects the amount paid for the financial year 2008/09 £248,000 of the figure for benefits relates to a cash supplement in lieu of payments to the Company's pension scheme

3 The actual salary paid during the year in US dollars is unchanged from the figure reported in the 2008/09 Report and Accounts but is subject to exchange rate variances

4 Appointed to the Board with effect from 1 September 2009

5 Mr Murray stepped down as Audit Committee chairman with effect from 1 January 2010

6 Appointed to the Board with effect from 1 October 2009 and became Audit Committee chairman with effect from 1 January 2010

7 Mr Marchbank stepped down from the Board on 1 March 2010 A further payment of £685,466 relating to salary and benefits to which he was entitled in connection with the cessation of his employment will be paid during the course of financial year 2010/11 This excludes the $1,478,030 pension contribution noted on page 61

8 Mr Webster stepped down from the Board on 31 March 2010 A further payment of £144,612 was made to compensate for the balance of underfunding of the Funded Unapproved Retirements Benefits Scheme at 6 April 2006

Executive Board changes

On 25 January 2010, the Company announced that Mr Robert Marchbank, Chief Executive Officer for Europe and Managing Director of Wolseley UK Limited, would step down from the Board on 1 March 2010 as the European role was no longer appropriate following a review of the overall business structure It was also announced that Mr Stephen Webster would step down as Chief Financial Officer of the Company from 31 March 2010 with Mr John W Martin succeeding him from 1 April 2010

The Committee agreed a package for Mr Martin, which is considered to be competitive, appropriately incentivising and in alignment with the interests of the Company's shareholders This comprised an annual base salary of £480,000, a maximum annual bonus for 2009/10 of 100 per cent of base salary and total awards in 2009/10 of executive share options and long term incentive awards of 125 per cent and 90 per cent of base salary respectively A cash allowance of 25 per cent of base salary in lieu of joining the Company pension scheme was also made to Mr Martin

Mr Marchbank received a termination payment and benefits consistent with his entitlements upon his redundancy

The outgoing Chief Financial Officer, Mr Webster, received the contractual severance entitlement of 12 months' salary and benefits Under the respective share plan rules, all of his share options and long term incentives, to the extent not already exercised, lapsed on 31 March 2010 Mr Webster continued to be eligible for a bonus payment for the financial year 2009/10 to be pro rated for completed months' service

Service agreements

The Executive Directors have service agreements with Wolseley plc In each case, the notice period is 12 months if given by the Company and six months if given by the executive This reflects current market practice and the balance that should be struck between providing contractual protection to the Directors that is fair and promoting the interests of shareholders Typically, upon termination by the Company, a payment would be made equal to the aggregate of base salary, any pension contributions made and the cost to the Company of providing other benefits to the executive The Company would also seek to ensure that any termination payment is mitigated in the event that the executive finds alternative employment during the notice period

Director	Date of service agreement
J W Martin	25 January 2010
I K Meakins	13 July 2009
F W Roach	27 February 2006

Other senior executives

The members of the Executive Committee, who are not on the Board, 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, and the fair value of long term incentives granted or awarded during the year ended 31 July 2010 is summarised below

Total remuneration 2009/10 (£000)	Number in band* (2008/09 in brackets*)
401–500	0 (2)
501–600	1 (1)
601–700	2 (1)
701–800	2 (0)
801–900	1 (0)
1,201–1,300	1 (0)

*These figures reflect changes made to the composition of the Executive Committee during financial years 2008/09 and 2009/10 and for 2009/10 include payments of annual bonus

Director share ownership

A share ownership programme (the "programme") was introduced with effect from 1 August 2004 Following the capital reorganisation and share issue in 2009, the targets were reset to take into account the changes resulting from those actions The programme 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 The Committee has reviewed and noted the progress which has been made towards meeting these targets during the year Directors' current interests in shares are set out below

Directors' interests in shares (audited)

The interests of the Directors in office at 31 July 2010, and of their connected persons, in the ordinary shares of the Company at the following dates were

	Ordinary shares of 10 pence each held at 31 July 2010 and at the date of this report	Ordinary shares of 10 pence each held at 1 August 2009
G Davis*	**3,679**	3,411
A J Duff*	**3,508**	2,240
A Le Goff	**3,234**	–
J W Martin	**–**	–
I K Meakins	**34,533**	–
J I K Murray*	**3,468**	3,200
F W Roach*	**15,824**	13,570
N M Stein*	**3,628**	3,360
M P Wareing	**3,199**	–
J W Whybrow*	**28,844**	27,289

*As a result of the capital reorganisation which was completed on 2 April 2009, each of the Directors noted above also 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

Pensions (audited)

Mr Webster participated in the Wolseley Group Retirement Benefits Plan (the "Plan") until the termination of his employment on 31 March 2010 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 While he was an employee, Mr Webster contributed eight per cent per annum of his pensionable salary to the Plan

Mr Webster was subject to the Plan specific earnings cap on his benefits accrual, which for the Plan year 2009/10 was £123,600 The Company had previously agreed to provide Mr Webster with benefits which were 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 were provided through the Plan and through a cash supplement which, together, were broadly comparable to those to which he would previously have been entitled

The table below shows, for Mr Webster, the amount of benefit accrued under the Group's defined benefit pension scheme as at his date of leaving on 31 March 2010

In accordance with the terms of the termination of his employment, Mr Webster received a payment equivalent to 12 months' benefits in relation to his pension contributions An amount of £84,619 was paid to the Plan to provide this benefit, of which £9,888 was paid by Mr Webster In addition to this, his life assurance cover was extended to 31 March 2011 A premium of £2,981 was paid to the insurers for this cover

Messrs Marchbank and Roach, who are US citizens, participated in the defined contribution pension arrangements of Ferguson Enterprises, Inc , receiving contributions at the level of 23 per cent of their base salary Bonus is not included in the calculation of Company pension contributions The following table shows the cost of the Group's contributions during the financial year for these Executive Directors

Defined contributions pensions (US)	2010 $000*	2010 £000	2009 £000
R H Marchbank	**124 9**	**79 6**	137
F W Roach	**220.3**	**140 4**	140

*Exchange rate used to convert the $ to £ over the year to 31 July 2010 is 1 5699

During his career with the Company, Mr Marchbank 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 2007/08 and 2008/09 financial years, this funding was disclosed as £107,000 and £137,000 respectively As at the date of cessation of his employment, the value of Mr Marchbank's accumulated benefit under the SERP stood at $1,478,030 (the "SERP retirement fund") and this had not vested at that date In recognition of Mr Marchbank's service to the Company, the Remuneration Committee agreed to pay Mr Marchbank the amount that had accumulated in the SERP retirement fund, together with a further contribution of $119,716 in respect of his notice period After these payments have been made, the Company will not be liable to make any further payments in relation to Mr Marchbank'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 €232,701 (2009 €231,123), 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 2010 was estimated at approximately £2 7 million (2009 £2 7 million)

Defined benefits pension

		Directors' Remuneration Report Regulations 2002					Listing Rules		
	Age as at 31 March 2010	Pension accumulated 2010 £	Increase in pension 2010 £	Transfer value 2010 £	Transfer value 2009 £	Increase in transfer value 2010 net of contributions £	Pension accumulated 2010 £	Increase in pension 2010 net of revaluation £	Transfer value of the net of revaluation pension increase 2010 net of contributions £
S P Webster	57	68,043	6,316	1,383,577	1,199,033	168,073	68,043	6,316	107,741

Notes Until his termination on 31 March 2010, Mr Webster built up benefits at the rate of 1/30ths of the earnings cap, payable from age 60 On leaving he was granted one additional year of pension by the Company in lieu of notice of which he contributed an additional £9 888 Mr Webster also had a FURBS into which no contributions were paid during the year while he was employed

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 separate three-year periods All awards are made subject to the achievement of stretching performance conditions
The measure of TSR has been selected as the appropriate performance measure to ensure that the interests of the Executive Directors and senior executives are more closely aligned with those of the Company's shareholders over the long term (as further detailed on page 56) 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 including 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 2010 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 498,269 shares were conditionally granted under the LTIS in October 2009 to 87 employees (2008 104) Under the same plan, 27,135 shares were conditionally granted to Mr Martin on 1 April 2010 following his appointment to the Board as Chief Financial Officer

The maximum amount that can be granted under the 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 2010

Year of award	Percentage vested on maturity or indicative vesting percentage base on performance as at 31 July 2010
2005	0% (vested 31 July 2008)
2006	0% (vested 31 July 2009)
2007	0% (at 31 July 2010)
2008	0% (performance after 24 months)
2009	0% (performance after 12 months)

Details of the awards conditionally made under the LTIS to the Executive Directors in office during the year and the number of awards outstanding at 31 July 2010 are shown in the table below

Name of Director	Interests in shares held at 1 August 2009	Interests awarded during the year[1]	Interests lapsed during the year[2]	Interests lapsed at date of termination[3]	**Interests in shares held at 31 July 2010 or at date of termination[4]**
R H Marchbank	71,676	30,339	8,465	93,550	**0**
J W Martin	–	27,135	–	–	**27,135**
I K Meakins	–	67,555	–	–	**67,555**
F W Roach	70,920	34,163	8,115	–	**96,968**
S P Webster	72,568	32,968	9,650	95,886	**0**

1 The share price for awards made on 23 October 2009 was 1434 pence per share The share price for Mr Martin's award, made on 1 April 2010, was 1592 pence per share

2 Awards granted in 2006 did not pass their TSR performance conditions and all such awards lapsed in October 2009

3 In accordance with the rules of the LTIS as a consequence of cessation of employment all of Mr Marchbank s awards which did not pass their respective performance conditions, lapsed on 1 March 2010 All of Mr Webster's awards lapsed as a consequence of his cessation of employment on 31 March 2010

4 The outstanding three year performance periods range from 1 August 2007 to 31 July 2012

Directors' interests in share options (audited)

Name of Director/scheme	Date of grant	Options held at 31 July 2009	Options granted during year	Options lapsed during year	Options exercised during year	**Options held at 31 July 2010 or at date of termination**	Option price (p)	Dates options normally exercisable
R H Marchbank[1]								
Executive options	12 11 01	7,194		7,194		–	1947	12 11 04 – 11 11 11
	04 11 02	7,192		7,192		–	2264	04 11 05 – 03 11 12
	27 11 03	7,191		7,191		–	3098	27 11 06 – 26 11 13
	04 11 04	6,558				**6,558**	3957	04 11 07 – 03 11 14
	21 03 05	7,753				**7,753**	4587	21 03 08 – 20 03 15
	02 11 06	18,012		18,012[2]		–	5008	02 11 09 – 01 11 16
	01 11 07	27,346				**27,346**	3359	01 11 10 – 31 10 17
	31 10 08	87,923				**87,923**	1334	31 10 11 – 30 10 18
	06 11 09	–	57,243			**57,243**	1269	06 11 12 – 05 11 19
UK Sharesave	17 04 09	1,304				**1,304**	701	01 06 12 – 30 11 12
ESPP	18 03 09	410		410		–	743	01 05 10 – 19 05 10
J W Martin								
Executive options	01 04 10	–	37,688			**37,688**	1592	01 04 13 – 31 03 20
I K Meakins								
Executive options	06 11 09	–	152,679			**152,679**	1269	06 11 12 – 05 11 19
UK Sharesave	22 04 10	–	1,277			**1,277**	1276	01 06 17 – 01 12 17
F W Roach								
Executive options	04 11 02	3,156				**3,156**	2264	04 11 05 – 03 11 12
	27 11 03	7,191				**7,191**	3098	27 11 06 – 26 11 13
	04 11 04	4,162				**4,162**	3957	04 11 07 – 03 11 14
	02 11 06	17,269		17,269[2]		–	5008	02 11 09 – 01 11 16
	01 11 07	27,171				**27,171**	3359	01 11 10 – 31 10 17
	31 10 08	87,357				**87,357**	1334	31 10 11 – 30 10 18
	06 11 09	–	72,800			**72,800**	1269	05 11 12 – 05 11 19
ESPP	18 03 09	410		43[3]	367	–	743	01 05 10 – 19 05 10
	22 03 10	–	236			**236**	1355	01 05 11 – 21 05 11
S P Webster[4]								
Executive options	20 10 99	2,398		2,398[5]		–	1655	20 10 02 – 19 10 09
	20 10 00	11,990		–	11,990[6]	–	1458	20 10 03 – 19 10 10
	12 11 01	17,986		17,986		–	1947	12 11 04 – 11 11 11
	05 11 02	19,185		19,185		–	2264	05 11 05 – 04 11 12
	28 11 03	21,744		21,744		–	3098	28 11 06 – 27 11 13
	05 11 04	10,863		10,863		–	3957	05 11 07 – 04 11 14
	03 11 06	22,594		22,594[2]		–	5008	03 11 09 – 02 11 16
	02 11 07	36,171		36,171		–	3359	02 11 10 – 01 11 17
	31 10 08	93,782		93,782		–	1334	31 10 11 – 30 10 18
	06 11 09	–	54,787	54,787		–	1269	06 11 12 – 05 11 19
UK Sharesave	17 04 09	1,304		1,304		–	701	01 06 12 – 30 11 12

1 In accordance with the rules of the 1989 Scheme and the Employee Share Purchase Plan ("ESPP"), all options lapsed on 1 March 2010 as a consequence of Mr Marchbank's cessation of employment All options granted under the rules of the 2003 Option Plan prior to October 2006 have an exercise period of six months following the date of cessation of employment, accordingly the options granted in 2004 and 2005 lapsed on 1 September 2010 For awards granted after October 2006 the six-month period commences from the date that the option would ordinarily have vested (the third anniversary of the date of grant) and is subject to the satisfaction of the relevant performance conditions These options will therefore be subject to their performance tests in 2010, 2011 and 2012 respectively The UK Sharesave options were exercised on 26 August 2010, in accordance with the termination provisions set out in the rules of this scheme A total of 429 options were exercised, the remaining 875 lapsed

2 Options lapsed on 2 November 2009 as the 2006 grant did not pass the relevant EPS performance conditions

3 Under the ESPP, a total of 410 options were granted in April 2009 However, the exchange rate increased between the date of grant and the date of maturity in May 2010, which led to a lower number of options equating to total contributions being exercised Accordingly the balance of options lapsed

4 In accordance with the rules of the 1989 Scheme and the 2003 Option Plan, all options lapsed on 31 March 2010 as a consequence of Mr Webster's cessation of employment

5 Performance targets were not passed prior to the options reaching the 10-year limit from the date of grant

6 Mr Webster exercised executive share options on 25 March 2010 in respect of 11,990 ordinary shares at an option price of 1458 pence (the closing mid market price was 1604 pence) Of these, Mr Webster sold 425 ordinary shares at 1603 pence in order to cover tax and NIC withholdings

The highest mid-market price of the Company's ordinary 10 pence shares during the year was 1724 pence and the lowest was 1160 pence The price of the Company's ordinary 10 pence shares on 31 July 2010 was 1438 pence

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 of these schemes have been 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 and upon the recommendation of the Group Chief Executive The Committee considers annually the levels of grant, which are phased over time It also 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 European-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 10 years after the date on which the 2003 Option Plan was approved by the Company's shareholders In October 2008, the Committee formally reviewed the 2003 Option Plan and concluded that it remained suitable and appropriate as part of the senior executive remuneration package

Satisfaction of options

The Company continually monitors the effect that awards made under the various employee and discretionary share plans may have 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 10-year period 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 five per cent of the issued ordinary share capital of the Company over any 10-year period The Company adheres to these requirements In addition, for US-based participants, the Company ensures that 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 2010, awards had been granted resulting in shares being issued or capable of being issued during the preceding 10 years under all of the Company's employee share plans representing 9 01 per cent of the issued ordinary share capital at that date and 4 24 per cent of the issued ordinary share capital under the Company's discretionary share plans

These percentages remain high, as the adjustment factors used during the capital reorganisation and share issue in 2009 cannot be applied to shares which have already been issued under the Company's share option schemes in the last 10 years, the period used for this calculation It is not expected that the granting of new options in 2010 will breach these limits

The extent to which the options will be capable of exercise depends on the satisfaction of a performance condition, its operation is explained below

Performance conditions

The extent to which 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 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 under the 2003 Option Plan made 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, 10 years from the date of grant No amount is payable on the grant of an option

The Committee may set different EPS targets from those described below, provided that the new conditions are no less challenging at the time of resetting than when the initial targets were agreed As noted on page 56, during the financial year 2009/10 the Committee decided to revise the EPS targets in advance of grants made in November 2009 The Committee has decided to retain these higher targets for grants made in 2010 Additionally, the Committee has decided to index the base EPS at the 2009 achieved EPS which is higher than that achieved in 2010 In order for grants made in 2010 to vest EPS must again be at historic levels by 2012 and 2013 and exceed concensus expectations for 2011 It is the Committee's opinion that these revised targets fulfil the requirement that any adjustments be more challenging than those previously set

The performance conditions are currently as follows

	Sliding scale for options granted under the 2003 Option Plan in 2003–2008	Sliding scale for options granted under the 2003 Option Plan from 2009/10
Multiple of salary worth of shares under option	Total margin of growth over UK inflation after three years	
First 100% of salary	9%	9%
Second 100% of salary	12%	15%
Next 50% of salary	15%	21%
Greater than 250% of salary	15% to 21%	21%

The Committee can also vary the terms of existing options to take account of any 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 2009, 4,003,386 options were granted under the 2003 Option Plan to 1,121 employees (2008 1,279) at an option price of 1269 pence An award of 37,688 options under the 2003 Option Plan was made to Mr Martin at an option price of 1592 pence on 1 April 2010 upon his appointment to the Board The table on page 63 shows the number of share options awarded to Executive Directors in office during the year and the number of awards outstanding as at 31 July 2010

Savings related share option schemes
(audited)

The UK-based Executive Directors may also participate in the UK Savings Related Share Option Scheme ("UK Sharesave") and the US-based Executive Directors may participate in the Employee Share Purchase Plan ("ESPP") 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 annually 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 2010 awards, is 20 per cent for the UK Sharesave, and 15 per cent for the ESPP, of the average market prices used to determine the price of the award A similar scheme is also offered to employees across Europe under the Wolseley European Sharesave Plan ("WESP")

Allowing for lapses completed after the date of grant, a total of 385,326 options were granted in April 2010 to 3,537 employees in the United States and Canada under the ESPP and 385 employees across Europe under the WESP, at an option price of 1355 pence per share In the UK, a total of 179,130 options were granted at an option price of 1276 pence per share to 1,003 employees

The table on page 64 sets out the number of share options granted to Executive Directors during the year under the UK sharesave and ESPP and the number of options outstanding as at 31 July 2010

Performance graph

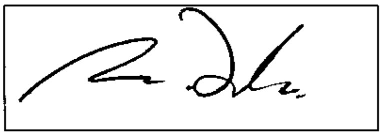
The following graph shows the Company's TSR performance against the performance of the FTSE 100 Index over the five-year period to 31 July 2010 The FTSE 100 Index has been chosen as being a broad equity market index consisting of companies comparable in size and complexity to Wolseley

Graphic removed

The Remuneration report has been received and adopted by shareholders at each of the Annual General Meetings held since 2003 Shareholders will again be invited to receive and adopt this report at the Annual General Meeting to be held on 20 January 2011

This report has been approved by the Board and is signed on its behalf by the chairman of the Committee

On behalf of the Board



Andrew Duff
Chairman of the Remuneration Committee

27 September 2010

Index to financial statements

Consolidated financial statements

Company financial statements

Group income statement

Year ended 31 July 2010

	Notes	2010 Before exceptional items £m	2010 Exceptional items (note 4) £m	2010 Total £m	2009 Before exceptional items £m	2009 Exceptional items (note 4) £m	2009 Total £m
Continuing operations							
Revenue	2	**13,203**	**–**	**13,203**	14,441	–	14,441
Cost of sales		**(9,548)**	**(8)**	**(9,556)**	(10,436)	(28)	(10,464)
Gross profit		**3,655**	**(8)**	**3,647**	4,005	(28)	3,977
Distribution costs		**(2,624)**	**(57)**	**(2,681)**	(2,831)	(266)	(3,097)
Administrative expenses							
amortisation of acquired intangibles		**(92)**	**–**	**(92)**	(105)	–	(105)
impairment of acquired intangibles		**(223)**	**–**	**(223)**	(490)	–	(490)
other		**(592)**	**(270)**	**(862)**	(743)	(164)	(907)
Administrative expenses total		**(907)**	**(270)**	**(1,177)**	(1,338)	(164)	(1,502)
Other income		**11**	**3**	**14**	16	–	16
Operating profit/(loss)	2, 3	**135**	**(332)**	**(197)**	(148)	(458)	(606)
Finance revenue	5	**14**	**–**	**14**	72	–	72
Finance costs	6	**(91)**	**–**	**(91)**	(217)	–	(217)
Associate – share of after tax loss	7	**(24)**	**11**	**(13)**	(9)	(6)	(15)
Associate – impairment	7	**–**	**(41)**	**(41)**	–	–	–
Profit/(loss) before tax		**34**	**(362)**	**(328)**	(302)	(464)	(766)
Tax (expense)/income	8	**(112)**	**74**	**(38)**	(72)	106	34
Loss from continuing operations		**(78)**	**(288)**	**(366)**	(374)	(358)	(732)
Profit/(loss) from discontinued operations	9	**–**	**26**	**26**	(265)	(176)	(441)
Loss for the year attributable to equity shareholders		**(78)**	**(262)**	**(340)**	(639)	(534)	(1,173)
Earnings per share	11						
Continuing operations and discontinued operations							
Basic loss per share				**(120 6)p**			(558 0)p
Diluted loss per share				**(120 6)p**			(558 0)p
Continuing operations only							
Basic loss per share				**(129 8)p**			(348 2)p
Diluted loss per share				**(129 8)p**			(348 2)p
Non-GAAP measures of performance	12						
Continuing operations only							
Trading profit		**450**			447		
EBITDA before exceptional items		**635**			688		
Profit before tax, exceptional items and the amortisation and impairment of acquired intangibles		**349**			293		
Basic earnings per share before exceptional items and the amortisation and impairment of acquired intangibles		**74 1p**			95 6p		
Diluted earnings per share before exceptional items and the amortisation and impairment of acquired intangibles		**73 9p**			95 5p		

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

Group statement of comprehensive income

Year ended 31 July 2010

	2010 £m	2009 £m
Loss for the year	**(340)**	(1,173)
Other comprehensive income		
Exchange gain on translation of overseas operations	**156**	708
Exchange loss on translation of borrowings and derivatives designated as hedges of overseas operations	**(71)**	(381)
Cumulative currency translation differences on disposals recycled to income statement	**(13)**	(47)
Actuarial loss on retirement benefits	**(93)**	(115)
Valuation gains on interest rate swaps	**5**	–
Valuation losses on cash flow hedges reclassified to income statement	**4**	–
Available-for-sale investments reclassified and reported in net profit for the year	**–**	(20)
Tax on gains and losses not recognised in the income statement	**23**	42
Other comprehensive income for the year	**11**	187
Total comprehensive income for the year attributable to shareholders	**(329)**	(986)

Group statement of changes in equity

Year ended 31 July 2010	Share capital £m	Share premium £m	Translation reserve £m	Retained earnings: Hedging reserve £m	Retained earnings: Own shares £m	Retained earnings: Profit and loss account £m	Total £m
Total comprehensive income	–	–	72	6	–	(407)	(329)
New share capital subscribed	–	4	–	–	–	–	4
Credit to equity for share-based payments	–	–	–	–	–	8	8
Net addition to/(reduction in) shareholders' funds	–	4	72	6	–	(399)	(317)
Opening shareholders' funds	241	1,152	228	(11)	(78)	1,844	3,376
Closing shareholders' funds	241	1,156	300	(5)	(78)	1,445	3,059

Year ended 31 July 2009	Share capital £m	Share premium £m	Translation reserve £m	Retained earnings: Hedging reserve £m	Retained earnings: Own shares £m	Retained earnings: Profit and loss account £m	Total £m
Total comprehensive income	–	–	280	(14)	–	(1,252)	(986)
New share capital subscribed	76	203	–	–	–	720	999
Purchase of own shares by Employee Benefit Trusts	–	–	–	–	(5)	–	(5)
Credit to equity for share-based payments	–	–	–	–	–	9	9
Net addition to/(reduction in) 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

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

Group balance sheet

As at 31 July 2010

	Notes	2010 £m	2009 £m
Assets			
Non-current assets			
Intangible assets goodwill	14	**1,347**	1,514
Intangible assets other	15	**465**	709
Property, plant and equipment	16	**1,409**	1,593
Investment in associate	17	**–**	53
Financial assets available-for-sale investments	18	**3**	3
Deferred tax assets	19	**284**	244
Trade and other receivables	21	**182**	116
Derivative financial assets	23	**66**	34
		3,756	4,266
Current assets			
Inventories	20	**1,611**	1,624
Trade and other receivables	21	**1,850**	1,983
Current tax receivable		**1**	124
Financial assets trading investments	22	**–**	155
Derivative financial assets	23	**10**	23
Financial receivables construction loans (secured)	24	**80**	163
Cash and cash equivalents	25	**665**	635
		4,217	4,707
Assets held for sale	26	**111**	88
Total assets		**8,084**	9,061
Liabilities			
Current liabilities			
Trade and other payables	27	**2,673**	2,586
Current tax payable		**177**	173
Borrowings construction loans (unsecured)	24	**80**	163
Bank loans and overdrafts	28	**226**	42
Obligations under finance leases	30	**14**	12
Derivative financial liabilities	23	**5**	25
Provisions	31	**123**	122
Retirement benefit obligations	32	**23**	33
		3,321	3,156
Non-current liabilities			
Trade and other payables	27	**83**	59
Bank loans	28	**778**	1,657
Obligations under finance leases	30	**61**	59
Derivative financial liabilities	23	**3**	11
Deferred tax liabilities	19	**136**	176
Provisions	31	**223**	244
Retirement benefit obligations	32	**409**	308
		1,693	2,514
Liabilities of disposal groups held for sale	26	**11**	15
Total liabilities		**5,025**	5,685
Net assets		**3,059**	3,376
Shareholders' equity			
Called up share capital	33	**241**	241
Share premium account	35	**1,156**	1,152
Foreign currency translation reserve	35	**300**	228
Retained earnings	35	**1,362**	1,755
Equity shareholders' funds		**3,059**	3,376

The consolidated financial statements on pages 68 to 124 were approved by the Board of Directors on 27 September 2010 and were signed on its behalf by

Ian K Meakins
Group Chief Executive

John W Martin
Chief Financial Officer

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

Group cash flow statement

Year ended 31 July 2010

	Notes	2010 £m	2009 £m
Cash flows from operating activities			
Cash generated from operations	36	**705**	1,200
Interest received		**18**	66
Interest paid		**(69)**	(231)
Tax received/(paid)		**90**	(27)
Net cash generated from operating activities		**744**	1,008
Cash flows from investing activities			
Acquisition of businesses (net of cash acquired)	37	**(11)**	(18)
Disposals of businesses (net of cash disposed of)		**(10)**	(15)
Purchases of property, plant and equipment		**(54)**	(91)
Proceeds from sale of property, plant and equipment and assets held for sale		**96**	172
Purchases of intangible assets		**(30)**	(66)
Purchases of investments		**–**	(155)
Disposals of investments		**159**	5
Net cash generated from/(used by) investing activities		**150**	(168)
Cash flows from financing activities			
Proceeds from the issue of shares to shareholders	35	**4**	999
Purchases of shares by Employee Benefit Trusts	35	**–**	(5)
Repayments of borrowings and derivatives		**(992)**	(1,437)
Finance lease capital payments		**(17)**	(26)
Net cash used by financing activities		**(1,005)**	(469)
Net cash (used)/generated		**(111)**	371
Effects of exchange rate changes		**88**	24
Net (decrease)/ increase in cash, cash equivalents and bank overdrafts		**(23)**	395
Cash, cash equivalents and bank overdrafts at the beginning of the year	40	**598**	203
Cash, cash equivalents and bank overdrafts at the end of the year	40	**575**	598

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

Group accounting policies

Year ended 31 July 2010

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

The Group has adopted IAS 1 "Presentation of Financial Statements" (revised 2007) in the year This requires changes in equity to be shown in a primary statement As a result, changes in equity are disclosed in these consolidated financial statements in a primary statement rather than in the notes

The Group has also adopted IFRS 7 (amendment) Improving Disclosures about Financial Instruments The amendment requires enhanced disclosures about fair value measurement and liquidity risk including the disclosure of fair value measurements by level of a fair value measurement hierarchy

The Group has also adopted the following new financial reporting standards, interpretations and amendments to published standards in the year which have not had a material effect on the results or the financial position of the Group for the year ended 31 July 2010

IFRS 2 (amendment) Share-based Payment

IAS 23 (revised) Borrowing Costs

IFRIC 13 Customer Loyalty Programmes

IFRS 3 (revised) Business Combinations

IAS 27 (revised) Consolidated and Separate Financial Statements

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

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 2010

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

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 is recognised when the service provided to the customer has been completed

Customer loyalty credits are accounted for as a separate component of the sales transaction in which they are granted A portion of the fair value of the consideration received is allocated to the loyalty credits and deferred over the period that loyalty credits are redeemed

Revenue from the provision of goods and 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 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 Acquisition related costs are expensed

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 or groups of cash-generating units ("CGUs") for the purpose of impairment testing Each of those CGUs 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 as follows

Computer software	3 – 5 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
Computer hardware	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 directly attributable to the long-term construction or production of an asset are capitalised as part of the cost of the asset

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 circumstances 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

Inventories

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

Taxation

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

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

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

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

Derivative financial instruments

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

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

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

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 comprehensive income 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 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 Construction loans are shown separately on the balance sheet Other 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, product and service warranties 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 (including the impact of any non-vesting conditions such as a requirement for employees to save) 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)

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 set out below

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 2010 in respect of doubtful accounts represented 0 32 per cent of revenue (2009 0 62 per cent)

Wolseley held a provision for impairment of receivables at 31 July 2010 amounting to £60 million (2009 £81 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 require such inventory to be fully written off The Group held allowances in respect of inventory balances at 31 July 2010 amounting to £140 million (2009 £151 million)

Impairment of long-lived assets

Wolseley periodically evaluates the net realisable value of long-lived assets, including goodwill, other intangible assets, property, plant and equipment and investments in associates, 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 for impairment annually 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, 16 and 17, the Group has charged £402 million in respect of the impairment of long-lived assets during the year ended 31 July 2010 (2009 £879 million)

The results of 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 half a percentage point in the final year of the cash flow forecast The additional impairment charges that would arise from applying either of these alternative assumptions to those cash-generating units impaired in the year is £109 million The impact on the Group's other cash-generating units of the alternative assumptions would be a charge of less than 2 per cent of the carrying amount of their goodwill and acquired intangible assets of £1,585 million at 31 July 2010

Captive 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 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 2010, the provision for claims arising from this insurance was £55 million (2009 £57 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

Legal, environmental and other provisions

The Group makes provisions for known and potential legal claims and environmental and other matters, including asbestos related litigation and product liability claims, where an outflow of resources is considered probable and a reasonable estimate may be made of the likely outcome of the dispute or matter In establishing such provisions the Group takes into account the relevant facts and circumstances of each matter and considers the advice of its legal and other professional advisers The ultimate liability for potential legal claims and other matters may vary from the amounts provided and may be dependent upon the discovery of facts that are currently uncertain, the outcome of litigation proceedings and possible settlement negotiations There can, therefore, be no assurance that any losses that result from the final outcome of these matters will not exceed the amount of the provisions reported in the Group's financial statements At 31 July 2010 legal, environmental and other provisions amounted to £152 million (2009 £107 million)

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 (in the case of finance leases) and then provides for any further onerous element of the contract (for all leases) 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 At 31 July 2010, the provision for onerous leases was £88 million (2009 £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 before a sale can be achieved

To the extent that actual amounts recovered differ from those estimated, the amount of provision recognised could differ materially At 31 July 2010, the provision for impairment of construction loans receivables was £36 million (2009 £39 million) and the provision against foreclosed properties held for sale was £24 million (2009 £18 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 any 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

1. Critical accounting estimates and judgements continued

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

Effect of a change in discount rate	(Increase)/ decrease in liability 2010 £m
Increase of 0 5%	**107**
Decrease of 0 5%	**(120)**

Effect of an increase in life expectancy	
Increase of one year	**(33)**

2. Segmental analysis

Wolseley's reportable segments, which are those reported to the Group's Executive Committee, are the operating businesses overseen by distinct divisional management teams responsible for their performance All reportable segments derive their revenue from a single business activity, the distribution of plumbing and heating products and building materials The UK segment, which was formerly named "UK and Ireland", includes the results of the Irish business up to the date of disposal

The Group's business is not highly seasonal but revenue and trading profit are normally somewhat 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 tables

Revenue by reportable segment for continuing operations	2010 £m	2009 £m
USA	**5,174**	5,820
Canada	**765**	700
UK	**2,466**	2,699
Nordic	**2,001**	2,113
France	**1,937**	2,144
Central and Eastern Europe	**860**	965
Group	**13,203**	14,441

Trading profit (note 12) and operating profit/(loss) by reportable segment for continuing operations for the year ended 31 July 2010	Trading profit/(loss) £m	Exceptional items £m	Amortisation and impairment of acquired intangibles £m	Operating profit/(loss) £m
USA	**239**	**(16)**	**(27)**	**196**
Canada	**41**	**(3)**	**–**	**38**
UK	**91**	**(87)**	**(105)**	**(101)**
Nordic	**100**	**(8)**	**(69)**	**23**
France	**30**	**(3)**	**(114)**	**(87)**
Central and Eastern Europe	**10**	**(20)**	**–**	**(10)**
Construction loans	**(4)**	**(24)**	**–**	**(28)**
Corporate	**(57)**	**(171)**	**–**	**(228)**
Group	**450**	**(332)**	**(315)**	**(197)**
Finance revenue				**14**
Finance costs				**(91)**
Associate – share of after tax loss				**(13)**
Associate – impairment				**(41)**
Loss before tax				**(328)**

2. Segmental analysis continued

Trading profit (note 12) and operating profit/(loss) by reportable segment for continuing operations for the year ended 31 July 2009	Trading profit/(loss) £m	Exceptional items £m	Amortisation and impairment of acquired intangibles £m	Operating profit/(loss) £m
USA	309	(80)	(31)	198
Canada	32	(6)	(1)	25
UK	55	(183)	(123)	(251)
Nordic	96	(11)	(414)	(329)
France	32	(20)	(3)	9
Central and Eastern Europe	–	(85)	(23)	(108)
Construction loans	(24)	(31)	–	(55)
Corporate	(53)	(42)	–	(95)
Group	447	(458)	(595)	(606)
Finance revenue				72
Finance costs				(217)
Share of after tax loss of associates				(15)
Loss before tax				(766)

The change in revenue and trading profit between the years ended 31 July 2009 and 31 July 2010 can be analysed into the effects of changes in exchange rates, disposals and acquisitions with the remainder being organic change

Analysis of change in revenue	2009 £m	Exchange £m	Disposals £m	Acquisitions £m	Organic change £m	**2010 £m**
USA	5,820	3	–	20	(669)	**5,174**
Canada	700	86	–	–	(21)	**765**
UK	2,699	2	(103)	–	(132)	**2,466**
Nordic	2,113	67	–	–	(179)	**2,001**
France	2,144	38	(14)	–	(231)	**1,937**
Central and Eastern Europe	965	27	(90)	–	(42)	**860**
Group	14,441	223	(207)	20	(1,274)	**13,203**

When entities are disposed in the year, the difference between the revenue in the current year up to the date of disposal and the revenue in the equivalent portion of the prior year is included in organic change

Analysis of change in trading profit (note 12)	2009 £m	Exchange £m	Disposals £m	Acquisitions £m	Organic change £m	**2010 £m**
USA	309	–	–	1	(71)	**239**
Canada	32	4	–	–	5	**41**
UK	55	–	23	–	13	**91**
Nordic	96	3	–	–	1	**100**
France	32	1	–	–	(3)	**30**
Central and Eastern Europe	–	1	4	–	5	**10**
Construction loans	(24)	–	–	–	20	**(4)**
Corporate	(53)	–	–	–	(4)	**(57)**
Group	447	9	27	1	(34)	**450**

2. Segmental analysis continued

Other segmental information

For the year ended 31 July 2010	USA £m	Canada £m	UK £m	Nordic £m	France £m	Central and Eastern Europe £m	Construction loans £m	Corporate £m	Total £m
Depreciation of property, plant and equipment	68	4	33	23	33	11	–	–	172
Amortisation of non-acquired intangibles	2	–	–	1	–	2	–	11	16
Impairment of non-acquired intangibles	–	–	–	–	–	–	–	138	138
Amortisation of acquired intangibles	27	–	10	52	3	–	–	–	92
Impairment of acquired intangibles	–	–	95	17	111	–	–	–	223
	97	4	138	93	147	13	–	149	641
Additions to property, plant and equipment	8	2	12	11	23	26	–	–	82
Additions to non-acquired intangible assets	2	–	–	–	–	1	–	12	15
	10	2	12	11	23	27	–	12	97
Additions to goodwill	4	–	–	–	–	–	–	–	4
Additions to acquired intangible assets	2	–	–	–	–	–	–	–	2
Segment assets	2,304	357	1,166	1,753	902	392	117	64	7,055
Reconciliation to total assets as reported in the Group balance sheet									
Deferred tax assets									284
Financial assets – current and non-current									3
Current tax receivable									1
Derivative financial assets									76
Cash and cash equivalents									665
Total assets as reported in the Group balance sheet									8,084
Segment liabilities	929	136	1,042	608	458	214	82	156	3,625
Reconciliation to total liabilities as reported in the Group balance sheet									
Current tax payable									177
Bank loans and overdrafts									1,004
Obligations under finance leases									75
Derivative financial liabilities									8
Deferred tax liabilities									136
Total liabilities as reported in the Group balance sheet									5,025

2. Segmental analysis continued

For the year ended 31 July 2009	USA £m	Canada £m	UK £m	Nordic £m	France £m	Central and Eastern Europe £m	Construction loans £m	Corporate £m	Discontinued operations £m	Total £m
Depreciation of property, plant and equipment	85	4	52	24	35	12	–	1	15	228
Impairment of property plant and equipment	–	–	34	–	–	8	–	–	16	58
Amortisation of non-acquired intangibles	3	–	1	1	–	2	–	12	–	19
Impairment of non-acquired intangibles	–	–	–	–	–	3	–	40	–	43
Amortisation of acquired intangibles	31	1	14	55	3	1	–	–	12	117
Impairment of acquired intangibles	–	–	109	359	–	22	–	–	288	778
	119	5	210	439	38	48	–	53	331	1,243
Additions to property, plant and equipment	10	2	19	25	30	5	–	–	3	94
Additions to non-acquired intangible assets	2	–	–	–	1	–	–	74	–	77
	12	2	19	25	31	5	–	74	3	171
Segment assets	2,237	305	1,394	1,847	1,188	417	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	856	106	927	546	565	220	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

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

	2010 £m	2009 £m
Depreciation of property, plant and equipment	**172**	213
Impairment of property, plant and equipment	**–**	42
Amortisation of non-acquired intangible assets	**16**	19
Impairment of non-acquired intangible assets	**138**	43
Loss on disposal of businesses and revaluations of disposal groups	**57**	40
Loss on disposal of property, plant and equipment and assets held for sale	**7**	6
Staff costs (note 13)	**1,925**	2,131
Amortisation of acquired intangible assets	**92**	105
Impairment of acquired intangible assets	**223**	490
Operating lease rentals land and buildings	**244**	222
Operating lease rentals plant and machinery	**41**	35
Amounts included in costs of goods sold with respect to inventory (note 20)	**9,126**	10,339
Amounts credited to reverse write downs of inventory	**(9)**	(13)
Trade receivables impairment	**43**	90
Construction loan receivables impairment	**20**	38
During the year the Group obtained the following services from the Company's auditor and its associates		
Fees for the audit of parent company and consolidated financial statements	**0 7**	0 6
Other services		
– Fees for the audit of the Company's subsidiaries pursuant to legislation	**3 0**	4 3
– Fees for other services pursuant to legislation	**1 2**	2 8
– Taxation	**4 5**	5 4
– Other services	**1 0**	0 3
Total fees payable to the auditors	**10 4**	13 4

Operating lease rentals land and buildings shown above excludes exceptional charges of £25 million relating to future lease rentals on vacant properties (2009 £153 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

	2010 £m	2009 £m
USA	**(16)**	(80)
Canada	**(3)**	(6)
UK	**(87)**	(183)
Nordic	**(8)**	(11)
France	**(3)**	(20)
Central and Eastern Europe	**(20)**	(85)
Construction loans	**(24)**	(31)
Corporate	**(171)**	(42)
Group	**(332)**	(458)

4. Exceptional items continued

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

	2010 £m	2009 £m
Staff redundancy costs	**(30)**	(75)
Provisions for future lease rentals on closed branches and asset write-downs	**(51)**	(271)
Restructuring costs	**(81)**	(346)
Write-down of construction loan portfolio	**(24)**	(31)
Impairment of software assets under construction (note 15)	**(138)**	(41)
Other costs arising from revised approach to the Group's Business Change Programme (note 15)	**(32)**	–
Loss on disposal of businesses and revaluations of disposal groups	**(57)**	(40)
Group	**(332)**	(458)

The Group's associated undertaking released certain restructuring provisions during the year The Group's share of the after tax credit to income of £11 million has been disclosed as an exceptional item (2009 restructuring costs of £6 million) In addition the Group has recorded a £41 million impairment of the associate as an exceptional item (note 7)

Exceptional items relating to discontinued operations are detailed in note 9

5. Finance revenue

	2010 £m	2009 £m
Interest receivable – continuing operations	**14**	72

Net income receivable on construction loans included in finance revenue and finance costs amounted to £5 million (2009 £8 million)

6. Finance costs

	2010 £m	2009 £m
Interest payable		
– Bank loans and overdrafts	**61**	193
– Finance lease charges	**5**	5
Discount charge on receivables funding arrangements	**6**	12
Net pension finance cost (note 32)	**13**	10
Unwind of discount on provisions	**3**	–
Valuation (gains)/losses on financial instruments		
– Derivatives held at fair value through profit and loss	**(30)**	(43)
– Loans in a fair value hedging relationship	**29**	37
– Ineffectiveness recognised in respect of cash flow hedges	**–**	1
– Valuation losses on cash flow hedges reclassified from equity	**4**	–
– Impairment of available-for-sale investment	**–**	2
Total finance costs – continuing operations	**91**	217

7. Results of associate

a) Share of after tax loss

	2010 £m	2009 £m
Share of after tax loss of associate before exceptional items	**(24)**	(9)
Share of after tax exceptional items of associate	**11**	(6)
At 31 July 2010	**(13)**	(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 ("Saturn") in exchange for 49 per cent of the voting rights and common equity of Saturn and nominal consideration Since 6 May 2009 additional non-voting equity has been issued by Saturn such that as at 31 July 2010 the Group had a 44 per cent interest in its common equity

The associate released certain restructuring provisions during the year The Group's share of the after tax credit to income of £11 million has been disclosed as an exceptional item (2009 net restructuring costs of £6 million)

In the year ended 31 July 2010, Saturn recorded revenue of £605 million and a loss after tax of £29 million In the period from 6 May 2009 to 31 July 2009 Saturn recorded revenue of £110 million and a loss after tax of £33 million

b) Impairment

During the year ended 31 July 2010 Saturn continued to be loss making due to challenging conditions in its markets Consequently there is significant uncertainty as to whether the Group will receive dividends or other returns from its investment in the future and therefore the Group has fully impaired the carrying value of its investment at year end

8. Taxation

The tax charge/(credit) for the year comprises	2010 £m	2009 £m
Current year tax charge	**81**	139
Adjustments to tax charge in respect of prior years	**(32)**	(9)
Total current tax charge	**49**	130
Deferred tax credit origination and reversal of temporary differences	**(11)**	(164)
Total tax charge/(credit) – continuing operations	**38**	(34)

The current tax prior year credit is £32 million The overall prior year tax charge taking into account prior year movements in deferred tax is £15 million

Tax on items credited to the statement of other comprehensive income	2010 £m	2009 £m
Deferred and current tax credit on actuarial loss on retirement benefits	**26**	36
Deferred tax charge on change in fair value of cash flow hedges	**(3)**	–
Deferred tax credit on available-for-sale investments	**–**	6
Total tax on items credited to other comprehensive income	**23**	42

Tax reconciliation	2010 %	2009 %
Statutory UK corporation tax rate	**28**	28
Prior year amounts	**(5)**	2
Non-deductible amortisation and impairment of acquired intangibles	**(18)**	(19)
Other non deductible and non-taxable items	**(12)**	(7)
Share of loss of associate disclosed net of tax	**(4)**	(2)
Higher average tax rates in overseas companies	**–**	2
Effective tax rate on loss before tax – continuing operations	**(11)**	4

8. Taxation continued

The tax expense can be analysed as follows	2010 £m	2009 £m
UK	**12**	(26)
Overseas	**37**	156
Current tax – continuing operations	**49**	130
UK	**(37)**	(49)
Overseas	**26**	(115)
Deferred tax – continuing operations	**(11)**	(164)

9. Discontinued operations

On 6 May 2009, the Group completed the sale of Stock Building Supply Holdings LLC In accordance with IFRS 5, "Non-current assets held for sale and discontinued operations", this business was classified as discontinued

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

	2010 Before exceptional items £m	2010 Exceptional items £m	2010 Total £m	2009 Before exceptional items £m	2009 Exceptional items £m	2009 Total £m
Revenue	–	–	–	1,140	–	1,140
Cost of sales	–	–	–	(896)	–	(896)
Gross profit	–	–	–	244	–	244
Operating expenses	–	–	–			
amortisation of acquired intangibles	–	–	–	(12)	–	(12)
impairment of acquired intangibles	–	–	–	(288)	–	(288)
other	–	–	–	(361)	(156)	(517)
Operating expenses total	–	–	–	(661)	(156)	(817)
Operating loss before tax	–	–	–	(417)	(156)	(573)
Tax credit	–	–	–	152	61	213
Loss on disposal of Stock	–	**(19)**	**(19)**	–	(159)	(159)
Tax credit on loss on disposal of Stock	–	**45**	**45**	–	78	78
Profit/(loss) from discontinued operations	–	**26**	**26**	(265)	(176)	(441)

Earnings per share		
Discontinued operations		
Basic earnings/(loss) per share	**9 2p**	(209 8)p
Diluted earnings/(loss) per share	**9 2p**	(209 8)p

The £26 million credited to discontinued operations in 2010 was generated from movements in tax, provisions and other items arising from the sale of Stock Building Supply in 2009

The exceptional items included in operating loss before tax from discontinued operations in 2009 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

9. Discontinued operations continued

(b) Taxation

	2010 £m	2009 £m
Current year tax credit	–	(75)
Adjustments to tax charge in respect of prior years	–	–
Total current tax credit	–	(75)
Deferred tax credit origination and reversal of temporary differences	–	(138)
Total tax credit from discontinued operations excluding tax on loss on disposal of Stock	–	(213)

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

	2010 £m	2009 £m
Net cash generated from/(used in) operating activities	**130**	(64)
Net cash used in investing activities	**(7)**	(12)
Net cash used in financing activities	–	–
Net cash generated from/(used in) discontinued operations	**123**	(76)

A tax loss arising on the disposal of Stock Building Supply Holdings LLC was carried back against taxable US profits of earlier years resulting in a £130 million tax refund in the year

10. Dividends

No dividends were approved or paid in 2009 or 2010 and no dividend is proposed for the year ended 31 July 2010

11. (Loss)/earnings per share

Basic loss per share from continuing and discontinued operations of 120 6 pence (2009 loss per share of 558 0 pence) is calculated on the loss for the year attributable to shareholders of £340 million (2009 loss of £1,173 million) on a weighted average number of ordinary shares in issue during the year

Basic loss per share from continuing operations of 129 8 pence (2009 loss per share of 348 2 pence) is calculated on the loss after tax from continuing operations of £366 million (2009 loss of £732 million) on a weighted average number of ordinary shares in issue during the year, excluding those held by Employee Benefit Trusts, of 282 million (2009 210 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

Continuing operations	2010	2009
Before exceptional items and the amortisation and impairment of acquired intangibles	**74 1p**	95 6p
Add back exceptional items (net of tax)	**(102 1)p**	(170 3)p
Add back amortisation and impairment of acquired intangibles (net of deferred tax)	**(101 8)p**	(273 5)p
Basic loss per share	**(129.8)p**	(348 2)p

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 283 million (2009 211 million) The diluted loss per share from continuing operations is also 129 8 pence (2009 loss per share of 348 2 pence) Diluted earnings per share from continuing operations before exceptional items and the amortisation and impairment of acquired intangibles is 73 9 pence (2009 95 5 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

Continuing operations	2010 £m	2009 £m
Operating loss	(197)	(606)
Add back amortisation and impairment of acquired intangibles	315	595
Add back exceptional items	332	458
Trading profit	450	447
Depreciation, amortisation and impairment of property, plant and equipment and software excluding exceptional items	185	241
EBITDA before exceptional items	635	688
Loss before tax	(328)	(766)
Add back amortisation and impairment of acquired intangibles	315	595
Add back exceptional items	362	464
Profit before tax and exceptional items and the amortisation and impairment of acquired intangibles	349	293
Tax (expense)/income	(38)	34
Add back deferred tax credit on the amortisation and impairment of acquired intangibles	(28)	(20)
Add back tax credit on exceptional items	(74)	(106)
Tax charge before exceptional items and the amortisation and impairment of acquired intangibles	(140)	(92)

13. Employee information and Directors' remuneration

Employee benefit costs	2010 £m	2009 £m
Wages and salaries	1,607	1,765
Social security costs	248	282
Pension costs – Defined contribution schemes	35	43
Pension costs – Defined benefit schemes (note 32)	27	32
Share options granted to Directors and employees	8	9
Total employee benefit costs – continuing operations	1,925	2,131

Details of Directors' remuneration and share options are set out in the Remuneration report on pages 55 to 65, which form part of these financial statements The aggregate emoluments for all key management are set out in note 41

Average weekly number of employees	2010	2009
USA	17,108	19,054
Canada	2,503	2,691
UK	10,678	13,731
Nordic	6,444	7,036
France	8,831	9,666
Central and Eastern Europe	2,615	2,904
Construction loans	47	50
Group	48,226	55,132

The average weekly number of Corporate head office employees is included in UK in the above table

14. Intangible assets – goodwill

	£m
Cost	
At 1 August 2009	**2,049**
Exchange rate adjustment	**32**
Acquisitions	**4**
Disposals and transfers	**(116)**
At 31 July 2010	**1,969**
Accumulated impairment losses	
At 1 August 2009	**535**
Exchange rate adjustment	**(6)**
Impairment charge for the year	**205**
Disposals and transfers	**(112)**
At 31 July 2010	**622**
Net book amount at 31 July 2010	**1,347**

	£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

The carrying value of goodwill by segment is as follows

	2010 £m	2009 £m
USA	**392**	365
Canada	**95**	85
UK	**219**	299
Nordic	**461**	475
France	**134**	245
Central and Eastern Europe	**46**	45
Group	**1,347**	1,514

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 and groups of 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, trading margin and the level of working capital required to support trading, which management estimates based on past experience, reflecting the cyclicality of earnings, 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 4 per cent to 2 5 per cent), and discounted back to present value The discount rate assumptions use an estimate of the Group's post-tax weighted average cost of capital of 8 3 per cent, based on the five year historic volatility of Wolseley shares and on benchmark interest rates The pre-tax discount rate which ranges from 10 per cent to 12 per cent has been applied to the risk adjusted cash flows of each CGU

Impairment tests were performed for all CGUs during the year ended 31 July 2010 These impairment reviews have resulted in the recording of the following impairment charges

	Impairment charge				
CGU	Goodwill £m	Other acquired intangibles £m	Total £m	Pre-tax discount rate used	Long-term growth rate used
Brandon Hire	38	12	50	11%	2 5%
Encon	42	–	42	11%	2 5%
Electric Center	–	3	3	11%	2 5%
UK segment	80	15	95		
PBM	102	–	102	11%	2 5%
Brossette	8	1	9	11%	2 5%
France segment	110	1	111		
Woodcote	15	2	17	12%	2 5%
Nordic segment	15	2	17		
Total	205	18	223		

Market conditions have been more challenging than expected in France and a more gradual recovery in profit is now expected In addition the implementation of unfavourable supplier payment legislation has affected the level of working capital required to support the business As a result of reflecting these changed expectations in the value in use calculations of Brossette and PBM, all of the goodwill and other acquired intangible assets relating to Brossette have been impaired and an impairment charge has been recorded against the goodwill relating to PBM The carrying value of the remaining goodwill and other acquired intangibles relating to PBM was £144 million at 31 July 2010

The UK segment has continued to experience challenging market conditions and this has been reflected in reduced expectations in its value in use calculations for certain businesses Goodwill and acquired intangibles relating to the Brandon Hire and Electric Center businesses have been fully impaired The carrying value of the remaining goodwill and other acquired intangibles relating to the Encon business was £50 million at 31 July 2010

The Woodcote business in the Nordic segment has continued to perform below expectations as a result of difficult market conditions and its long-term outlook has been downgraded Consequently its goodwill and other acquired intangibles have been fully impaired

15. Intangible assets – other

	Software £m	Trade names and brands £m	Customer relationships £m	Other £m	Total £m
Cost					
At 1 August 2009	**283**	**341**	**526**	**41**	**1,191**
Exchange rate adjustment	**1**	**–**	**11**	**2**	**14**
Additions	**15**	**–**	**–**	**2**	**17**
Disposals and transfers	**(4)**	**(27)**	**(29)**	**–**	**(60)**
At 31 July 2010	**295**	**314**	**508**	**45**	**1,162**
Accumulated amortisation and impairment losses					
At 1 August 2009	**111**	**88**	**260**	**23**	**482**
Exchange rate adjustment	**1**	**–**	**5**	**–**	**6**
Amortisation charge for the year	**16**	**25**	**61**	**6**	**108**
Impairment charge for the year	**138**	**9**	**8**	**1**	**156**
Disposals and transfers	**(4)**	**(25)**	**(26)**	**–**	**(55)**
At 31 July 2010	**262**	**97**	**308**	**30**	**697**
Net book amount at 31 July 2010	**33**	**217**	**200**	**15**	**465**

	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	(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	(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 assets are generally either purchases from third parties or internally generated Other intangible assets arise on business combinations Included in the amounts above are £8 million (2009 £134 million) relating to assets under construction

In December 2009 the Board determined that the branch deployment of the supply chain management part of the Group's Business Change Programme, that was intended to commence in 2010, would be deferred for a period of at least 24 months after which time the future migration plan would be reconsidered Given the uncertainty surrounding future deployment, the Board currently believes that it cannot conclude that it is probable that deployment will recommence and therefore certain software assets under development, held at the Group centre, with a book value of £138 million have been impaired Total software assets relating to the Group's Business Change Programme now have a book value of £26 million In addition the Group has provided for a further £32 million of costs relating to contractual and constructive obligations which have been classified as an exceptional item (see note 4)

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				
	Freehold £m	Finance lease £m	Operating leasehold improvements £m	Plant machinery equipment £m	Total £m
Cost					
At 1 August 2009	1,304	83	262	986	2,635
Exchange rate adjustment	17	–	9	25	51
Disposal of businesses	(58)	(1)	(10)	(26)	(95)
Additions	12	18	9	43	82
Disposals and transfers	(19)	(3)	(10)	(151)	(183)
Property reclassified as held for sale	(42)	–	(1)	(8)	(51)
At 31 July 2010	1,214	97	259	869	2,439
Accumulated depreciation					
At 1 August 2009	228	26	147	641	1,042
Exchange rate adjustment	2	–	5	16	23
Disposal of businesses	(18)	–	(6)	(20)	(44)
Depreciation charge for the year					
– owned assets	34	–	–	99	133
– leased assets	–	2	26	11	39
Disposals and transfers	(7)	(2)	(9)	(128)	(146)
Property reclassified as held for sale	(13)	–	–	(4)	(17)
At 31 July 2010	226	26	163	615	1,030
Owned assets	988	–	96	227	1,311
Assets under finance leases	–	71	–	27	98
Net book amount – 31 July 2010	988	71	96	254	1,409
Net book amount – 1 August 2009	1,076	57	115	345	1,593

Included in the amounts above are £13 million relating to assets under construction At 31 July 2010, the book value of property, plant and equipment that had been pledged as security for liabilities was £600 million

16. Property, plant and equipment continued

	Land and buildings				
	Freehold £m	Finance lease £m	Operating leasehold improvements £m	Plant machinery equipment £m	Total £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

Included in the amounts above are £8 million relating to assets under construction At 31 July 2009, the book value of property, plant and equipment that had been pledged as security for liabilities was £616 million

17. Investment in associate

	2010 £m	2009 £m
At 1 August	**53**	–
Exchange rate adjustment	**1**	(3)
Additions	**–**	71
Share of retained loss for the period	**(13)**	(15)
Impairment charge for the year	**(41)**	–
At 31 July	**–**	53

See note 7 for further details of the Group's associate and the impairment charge recorded in the year

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

	2010 £m	2009 £m
Total assets	**207**	397
Total liabilities	**(113)**	(278)
Net assets	**94**	119
Group's share of associate's net assets	**41**	53

18. Financial assets – available-for-sale investments

	2010 £m	2009 £m
Financial assets	**3**	3

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

Deferred tax	2010 £m	2009 £m
Deferred tax assets	**284**	244
Deferred tax liabilities	**(136)**	(176)
	148	68
Current	**33**	(19)
Non-current	**115**	87
	148	68

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	Property, plant and equipment £m	Retirement benefit obligations £m	Inventory £m	Tax assets £m	Other £m	Total £m
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**
Credit to income	**75**	**4**	**8**	**1**	**(6)**	**(46)**	**10**	**46**
Credit to equity	**–**	**–**	**–**	**26**	**–**	**–**	**(3)**	**23**
Disposal of subsidiaries	**1**	**–**	**4**	**–**	**–**	**–**	**(1)**	**4**
Transfers between categories	**–**	**–**	**–**	**–**	**–**	**(8)**	**8**	**–**
Currency translation adjustment	**(1)**	**1**	**–**	**3**	**(5)**	**7**	**2**	**7**
At 31 July 2010	**(75)**	**7**	**(65)**	**141**	**(60)**	**104**	**96**	**148**

Tax losses in the USA have been recognised on the basis that they are forecast to have sufficient taxable profits in the future to enable these to be utilised

There are other potential deferred tax assets in relation to tax losses totalling £48 million (2009 £96 million) that have not been recognised on the basis that their future economic benefit is uncertain The tax losses in Italy of £21 million and the Czech Republic of £15 million expire after five years The remaining tax losses of £12 million can be carried forward indefinitely

No deferred tax liability has been recognised in respect of temporary differences associated with investment in subsidiaries However, tax may arise on £503 million (2009 £567 million) of temporary differences but the Group is in a position to control the timing of the reversal of the associated temporary differences and it is probable that such differences will not reverse in the foreseeable future

20. Inventories

	2010 £m	2009 £m
Goods purchased for resale	**1,611**	1,624

£9,126 million has been charged to operating profit in relation to inventories recognised as an expense in the year (including inventory shipped directly from the supplier to the customer) (2009 £10,339 million) In addition an amount of £9 million has been credited to the income statement to reverse write downs of inventories to net realisable value (2009 credit of £13 million)

21. Trade and other receivables

Current	2010 £m	2009 £m
Trade receivables	**1,572**	1,722
Less provision for impairment	**(60)**	(81)
Net trade receivables	**1,512**	1,641
Other receivables	**89**	111
Prepayments and accrued income	**249**	231
	1,850	1,983

Non-current		
Other receivables	**182**	116

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

	2010 £m	2009 £m
At 1 August	**81**	79
Disposals and transfers	**(15)**	(24)
Net charge for the year	**43**	119
Utilised in the year	**(49)**	(100)
Exchange	**–**	7
At 31 July	**60**	81

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 £47 million at 31 July 2010 (2009 £66 million), and
- a provision based on historic experience of non-collectability of receivables, amounting to £13 million at 31 July 2010 (2009 £15 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

	2010 £m	2009 £m
Amounts not yet due	**704**	876
Past due not more than one month	**552**	530
Past due more than one month and less than three months	**228**	211
Past due more than three months and less than six months	**27**	25
Past due more than six months	**14**	14
Amounts individually determined to be impaired	**47**	66
	1,572	1,722

Other receivables include an amount of £44 million (2009 £42 million) which has been discounted at a rate of 3 7 per cent (2009 4 3 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

	2010 £m	2009 £m
Sterling	**428**	475
US dollar	**711**	668
Euro	**366**	475
Other	**345**	365
Total	**1,850**	1,983

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

	2010 £m	2009 £m
Sterling	**30**	1
US dollar	**108**	93
Euro	**37**	15
Other	**7**	7
Total	**182**	116

22. Financial assets: trading investments

	2010 £m	2009 £m
Short-term securities (denominated in Danish krone)	**–**	155

23. Derivative financial instruments

Non-current assets	2010 £m	2009 £m
Interest rate swaps fair value hedges	**66**	34
Derivative financial assets	**66**	34

Current assets	2010 £m	2009 £m
Interest rate swaps fair value hedges	**5**	4
Currency swaps at fair value through profit and loss	**3**	7
Currency swaps net investment hedges	**2**	12
Derivative financial assets	**10**	23

Current liabilities	2010 £m	2009 £m
Interest rate swaps at fair value through profit and loss	**(5)**	–
Interest rate swaps cash flow hedges	**–**	(14)
Currency swaps net investment hedges	**–**	(11)
Derivative financial liabilities	**(5)**	(25)

Non-current liabilities	2010 £m	2009 £m
Interest rate swaps at fair value through profit and loss	**(3)**	–
Interest rate swaps cash flow hedges	**–**	(11)
Derivative financial liabilities	**(3)**	(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 LIBOR Interest rate swap contracts comprising fixed interest payable on notional principal of €300 million (2009 €900 million) were designated and effective as cash flow hedges for the first half of the year, with the valuation gains being deferred in equity The contracts expire between August 2010 and August 2011 (2009 August 2009 and August 2011), and the fixed interest rates range between 4 57 per cent and 4 59 per cent (2009 2 59 per cent and 4 59 per cent)

Hedge of interest rate cash flows	2010 £m	2009 £m
At 1 August	(25)	2
Valuation gains/(losses) on effective hedges credited/(charged) to equity	5	(20)
Valuation losses charged to income statement	–	(1)
Cash settlements in the period	8	(5)
Transferred to fair value through profit and loss	12	–
Exchange	–	(1)
At 31 July	–	(25)

The interest rate swap contracts were not designated as hedges for the second half of the year Valuation gains have been credited to profit and loss As the cash flows which were the subject of the hedge relationship are still forecast to occur, valuation losses deferred in equity are being recycled over the duration of the previous hedge relationship

At fair value through profit and loss	2010 £m	2009 £m
At 1 August	–	–
Transfer from hedge of interest rate cash flows	(12)	–
Valuation gains credited to income statement	4	–
At 31 July	(8)	–

The Group's private placement borrowings are at fixed rates Interest rate swap contracts comprising fixed interest receivable on notional principal of $729 million (2009 $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 (2009 4 93 per cent and 5 32 per cent)

Hedge of fair value of fixed interest borrowings	2010 £m	2009 £m
At 1 August	38	5
Valuation gains credited to income statement	30	36
Exchange	3	(3)
At 31 July	71	38

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

At fair value through profit and loss	2010 £m	2009 £m
At 1 August	7	–
Valuation (losses)/gains (charged)/credited to income statement	(4)	7
At 31 July	3	7

23. Derivative financial instruments continued

At the balance sheet date the Group had entered into the following short-term currency swaps which were classified as fair value through profit or loss

	2010		2009	
	Currency million	£m	Currency million	£m
Bought/(sold) forward	**DKK 1,418**	**(157)**	DKK 1,716	196
	SEK 1,700	**150**	SEK 1,464	(122)
	NOK 60	**6**	NOK 41	(4)
	EUR 5	**4**	EUR 70	(60)
			USD 5	(3)
		3		7

Hedge of net investment in overseas operations	2010 £m	2009 £m
At 1 August	**1**	1
Valuation gains/(losses) on effective hedges credited/(charged) to equity	**1**	(36)
Cash settlements in the period	**–**	36
At 31 July	**2**	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

	2010		2009	
	Currency million	£m	Currency million	£m
Bought/(sold) forward	**EUR 138**	**115**	EUR 585	500
	DKK 260	**29**	DKK 720	82
	GBP 104	**(104)**	GBP 251	(251)
	USD 118	**(75)**	USD 380	(227)
	CAD 60	**37**	CAD 135	(75)
			CHF 56	(31)
			CZK 95	3
		2		1

24. Construction loans

	2010 £m	2009 £m
Construction loan receivables (secured)	**116**	202
Less provision for impairment	**(36)**	(39)
Net construction loan receivables	**80**	163
Borrowings to finance construction loan receivables (unsecured)	**(80)**	(163)
	–	–

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 15 months (2009 20 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 normally expects to realise the loans within their contractual maturity, these loans have all been classified as current assets

As at 31 July 2010, the effective rate of interest on construction loans was 7 per cent (2009 8 per cent)

24. Construction loans continued

Movements in the provision for impairment of construction loan receivables are as follows

	2010 £m	2009 £m
At 1 August	**39**	18
Charge for the year – before exceptional items	**–**	13
Charge for the year – exceptional	**20**	25
Utilised in the year	**(26)**	(17)
Exchange rate adjustment	**3**	–
At 31 July	**36**	39

In light of the ongoing weak conditions in the credit markets and the poor performance of the business, the Group now plans to accelerate its exit from the business and accordingly has recorded an exceptional charge of £24 million This consists of the exceptional charge of £20 million for impairment of construction loan receivables shown above and an exceptional charge of £4 million to write down assets held for sale to their recoverable amount

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 £12 million at 31 July 2010 (2009 £13 million), and
- a provision based on historic experience of the shortfall of disposal proceeds of foreclosed properties to the outstanding balance due, amounting to £24 million at 31 July 2010 (2009 £26 million)

Management consider that there is no further credit risk provision required above the current provision for impairment

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

	2010 £m	2009 £m
Amounts not yet due	**65**	107
Past due not more than one month	**12**	20
Past due more than one month and less than three months	**5**	10
Past due more than three months	**22**	52
Amounts individually determined to be impaired	**12**	13
	116	202

Construction loan receivables at 31 July 2010 includes £27 million in respect of loans on which foreclosure proceedings have been started (2009 £54 million) The fair value of collateral held in respect of construction loans receivable is believed to be sufficient to cover the net amount of construction loans receivable During the year ended 31 July 2010 disposal proceeds of £41 million (2009 £36 million) were realised from the sale of foreclosed properties, in respect of loans with a principal value of £70 million before provisions (2009 £46 million) Undrawn committed facilities at 31 July 2010 amounted to £25 million (2009 £30 million)

25. Cash and cash equivalents

	2010 £m	2009 £m
Cash and cash equivalents	**249**	277
Short-term bank deposits	**416**	358
Total cash and cash equivalents	**665**	635

Cash and cash equivalents includes an amount of £1 million held in escrow to settle deferred consideration on acquisitions (2009 £3 million)

26. Assets and liabilities held for sale

	2010 £m	2009 £m
Properties awaiting disposal	**64**	73
Assets of disposal groups held for sale	**47**	15
Assets held for sale	**111**	88

Liabilities of disposal groups held for sale	**11**	15

Properties awaiting disposal at 31 July 2010 includes £37 million relating to properties obtained after foreclosing on construction loans (2009 £43 million)

At 31 July 2010 the Group was in the process of disposing of its Brandon Hire business and on 24 August 2010 the Group announced that it had agreed to sell the business for a total cash consideration of £43 million, subject to normal closing adjustments Accordingly this business was classified as a disposal group held for sale at 31 July 2010 with £27 million transferred from property, plant and equipment and £14 million transferred from trade receivables

At 31 July 2009 the Group's plumbing and heating businesses in Belgium, Slovakia and the Czech Republic were classified as disposal groups held for sale These businesses were sold in the year ended 31 July 2010

27. Trade and other payables

Current	2010 £m	2009 £m
Amounts falling due within one year		
Trade payables	**1,962**	1,847
Bills of exchange payable	**109**	166
Other tax and social security	**100**	92
Other payables	**171**	176
Accruals	**322**	302
Deferred income	**9**	3
Total trade and other payables	**2,673**	2,586

Non-current		
Other payables	**83**	59

28. Bank loans and overdrafts

Current	2010 £m	2009 £m
Bank overdrafts	**90**	37
Bank loans	**3**	5
Senior unsecured loan notes	**133**	–
Total bank loans and overdrafts	**226**	42

Non-current	2010 £m	2009 £m
Bank loans	**236**	1,051
Senior unsecured notes	**542**	606
Total bank loans	**778**	1,657

£206 million of the bank loans are secured against the Group's freehold property (2009 £216 million)

The non-current loans are repayable as follows

	2010 £m	2009 £m
Due in one to two years	**1**	125
Due in two to three years	**56**	830
Due in three to four years	**34**	51
Due in four to five years	**73**	1
Due in over five years	**614**	650
Total	**778**	1,657

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

At 31 July 2010 borrowings with a par value of £598 million carried a weighted average fixed interest rate of 5 0 per cent (2009 £560 million at 5 1 per cent) As certain tranches of the borrowing have been hedged with interest rate swaps, the carrying amount of these tranches has been adjusted to fair value, such that these fixed rate borrowings have a carrying value of £666 million (2009 £597 million)

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 overseas subsidiaries The principal value of these financial instruments at the balance sheet date was £1,401 million (2009 £1,551 million)

The loss on translation of the borrowings into sterling of £71 million (2009 loss of £381 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

Assets at 31 July 2010	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
Financial assets available-for-sale investments	–		–	–	3	3
Trade and other receivables, excluding prepayments and accrued income	–	1,783	–	–	–	1,783
Derivative financial assets	–	–	73	3	–	76
Financial assets trading investments	–	–	–	–	–	–
Financial receivables construction loans (secured)	–	80	–	–	–	80
Cash and cash equivalents	665	–	–	–	–	665
	665	1,863	73	3	3	2,607
Impairment losses in the period	–	63	–	–	–	63

Liabilities as at 31 July 2010	Fair value through profit or loss £m	Other financial liabilities £m	Total £m
Trade and other payables, excluding accruals, deferred income and other tax and social security	–	2,325	2,325
Borrowings construction loans (unsecured)	–	80	80
Bank loans and overdrafts	–	1,004	1,004
Obligations under finance leases	–	75	75
Derivative financial liabilities	8	–	8
	8	3,484	3,492

Assets at 31 July 2009	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
Financial assets available-for-sale investments	–	–	–	–	3	3
Trade and other receivables, excluding prepayments and accrued income	–	1,868	–	–		1,868
Derivative financial assets	–		50	7	–	57
Financial assets trading investments	–	–	–	155	–	155
Financial receivables construction loans (secured)	–	163	–	–	–	163
Cash and cash equivalents	635	–	–	–	–	635
	635	2,031	50	162	3	2,881
Impairment losses in the year	–	157	–	–	–	157

29. Financial instruments and financial risk management continued

Liabilities as at 31 July 2009	Derivatives used for hedging £m	Other financial liabilities £m	Total £m
Trade and other payables, excluding accruals, deferred income and other tax and social security	–	2,248	2,248
Borrowings construction loans (unsecured)	–	163	163
Bank loans and overdrafts	–	1,699	1,699
Obligations under finance leases	–	71	71
Derivative financial liabilities	36	–	36
	36	4,181	4,217

(b) Financial instruments by measurement basis

Financial instruments in the categories "derivatives used for hedging", "fair value through profit or loss" and "available-for-sale" are all measured in the balance sheet at fair value With effect from 1 August 2009, the Group has adopted the amendment to IFRS 7 for such financial instruments This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1),
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2),
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The following tables present the Group's assets and liabilities that are measured at fair value at 31 July 2010 and 31 July 2009

Assets at 31 July 2010	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Financial assets available-for-sale investments	**3**	**–**	**–**	**3**
Derivatives at fair value through profit and loss	**–**	**3**	**–**	**3**
Derivatives used for hedging	**–**	**73**	**–**	**73**
Total assets	**3**	**76**	**–**	**79**
Liabilities at 31 July 2010				
Derivatives at fair value through profit and loss	**–**	**8**	**–**	**8**
Total liabilities	**–**	**8**	**–**	**8**

Assets at 31 July 2009	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets available-for-sale investments	3	–	–	3
Financial assets trading investments	155	–	–	155
Derivatives at fair value through profit and loss	–	7	–	7
Derivatives used for hedging	–	50	–	50
Total assets	158	57	–	215
Liabilities at 31 July 2009				
Derivatives used for hedging	–	36	–	36
Total liabilities	–	36	–	36

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date The fair value of financial instruments that are not traded in an active market (such as over-the-counter derivatives) is determined by using valuation techniques The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves 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

29. Financial instruments and financial risk management continued

The Group's other financial instruments are measured on bases other than fair value Because current assets and liabilities are either of short maturity or bear floating rate interest, their fair values approximate to book values The book values and fair values of categories including non-current assets and liabilities can be compared as follows

	2010 Book value £m	2010 Fair value £m	2009 Book value £m	2009 Fair value £m
Trade and other receivables, excluding prepayments and accrued income	**1,783**	**1,782**	1,868	1,868
Trade and other payables, excluding accruals, deferred income and other tax and social security	**2,325**	**2,325**	2,248	2,248
Bank loans	**238**	**238**	1,056	1,056
Senior unsecured notes	**675**	**678**	606	613
Finance lease obligations	**75**	**75**	71	71

(c) 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 periods ended 31 July 2009 and 31 July 2010 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 regularly reviews and agrees policies for managing each of these risks and they are summarised below When the Group 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 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, including receivables factoring facilities, to EBITDA The Group's target is to keep this ratio within a range of 1 to 2, consistent with an investment grade credit rating The Group's main borrowing facilities contain financial covenants limiting the ratio of net debt to EBITDA to 3 5 1, and requiring the ratio of EBITDA to net interest to exceed 4 0

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 2010, the Group had undrawn centrally managed facilities maturing as follows

	31 July 2010 £m	31 July 2009 £m
Less than one year	**100**	100
Between one and two years	**1,394**	–
Between two and three years	**188**	683
Between three and four years	**832**	43
Between four and five years	**–**	852
Total	**2,514**	1,678

At 31 July 2010, the Group had £274 million (2009 £168 million) drawn and £96 million (2009 £169 million) undrawn on receivables factoring facilities

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 2010	Debt £m	Construction loan borrowings £m	Interest on debt £m	Interest rate and currency swaps £m	Total £m
Due in less than one year	136	80	41	5	262
Due in one to two years	1	–	38	3	42
Due in two to three years	53	–	36	–	89
Due in three to four years	34	–	24	–	58
Due in four to five years	73	–	24	–	97
Due in over five years	549	–	79	–	628
Total	846	80	242	8	1,176

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

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 39 per cent of the Group's revenue is in US dollars and 23 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 is to adjust the currencies in which its debt is denominated to match the currencies in which its trading profit is generated, as this hedges the ratio of net debt to EBITDA in the covenant calculation Net debt at 31 July 2010 by currency was as follows

As at 31 July 2010	Interest rate swaps £m	Finance lease obligations £m	Cash, overdrafts and bank loans £m	Currency bought/(sold) forward £m	Total £m
Sterling	–	(2)	249	(104)	143
US dollars	71	(7)	(416)	(75)	(427)
Euros, Danish kroner and Swedish kronor	(8)	(41)	(105)	141	(13)
Other	–	(25)	(67)	43	(49)
Total	63	(75)	(339)	5	(346)

29. Financial instruments and financial risk management continued

Net debt at 31 July 2009 by currency was 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, Danish kroner and Swedish kronor	155	(25)	(49)	(855)	596	(178)
Other	–	–	(7)	30	(107)	(84)
Total	155	13	(71)	(1,064)	8	(959)

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 137 The net effect of currency translation was to increase revenue by £223 million (1 5 per cent) (2009 £2,439 million, or 16 5 per cent) and to increase trading profit by £5 million (1 1 per cent) (2009 £147 million, or 18 7 per cent) These currency effects reflect a movement of the average sterling exchange rate against US dollars and Euros as follows

	2010 Weakening of sterling	2009 Weakening of sterling
US dollars	**0 1%**	27 3%
Euros	**1 8%**	16 2%

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 rates which reset at least every 12 months, which are regarded as floating rates, 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 2010 and 31 July 2009, after including the effect of interest rate swaps, is set out in the following tables

As at 31 July 2010 – currency	**Floating**	**Fixed**	**Total**
Sterling	**145**	**(2)**	**143**
US dollars	**(290)**	**(137)**	**(427)**
Euros, Danish kroner and Swedish kronor	**286**	**(299)**	**(13)**
Other currencies	**(24)**	**(25)**	**(49)**
Total	**117**	**(463)**	**(346)**

As at 31 July 2009 – currency	Floating	Fixed	Total
Sterling	(33)	(4)	(37)
US dollars	(479)	(181)	(660)
Euros, Danish kroner and Swedish kronor	493	(671)	(178)
Other currencies	(77)	(7)	(84)
Total	(96)	(863)	(959)

Fixed rate borrowings at 31 July 2010 carried a weighted average interest rate of 4 6 per cent fixed for a weighted average duration of 1 6 years (31 July 2009 4 2 per cent for 1 4 years) Floating rate borrowings at 31 July 2010 carried a weighted average interest rate of 1 5 per cent (31 July 2009 1 8 per cent)

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 The Group's construction loan business 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 2010 the maximum exposure to credit risk was £1,863 million (2009 £2,031 million) of which £80 million (2009 £163 million) is secured against homes under construction or completed homes awaiting sale

29. Financial instruments and financial risk management continued

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 Appropriate provisions are made for debts that may be impaired on a timely basis

The Group's construction loans are secured on the related properties and are managed by a dedicated lending team within that business Policies are also applied to provide further protection and KPIs are monitored regularly by management outside the business

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 £744 million (2009 £850 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 In exceptional circumstances the Treasury Committee will allow deposits with relationship banks with other investment grade ratings, subject to close monitoring of the exposure 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 credit to the income statement of £1 million (2009 charge of £4 million), arising from the Group's net exposure to floating rate deposits at 31 July 2010, and have no effect on equity (2009 charge of £4 million, resulting from changes in the fair value of interest rate swaps designated as cash flow hedges) 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 £1 million (2009 charge of £2 million) arising from derivatives held at fair value through profit and loss, and a charge to equity of £62 million (2009 £122 million), arising from the translation of borrowings denominated in foreign currency and designated as net investment hedges

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 2010 £m	Gross 2009 £m	Net 2010 £m	Net 2009 £m
Due within one year	**18**	15	**14**	12
Due in one to five years	**43**	48	**32**	36
Due in over five years	**41**	34	**29**	23
	102	97	**75**	71
Less future finance charges	**(27)**	(26)		
Present value of finance lease obligations	**75**	71		
Current			**14**	12
Non-current			**61**	59
Total obligations under finance leases			**75**	71

It is the Group's policy to lease certain of its property, plant and equipment under finance leases Finance lease obligations included above are secured against the assets concerned

31. Provisions

	Environmental and legal £m	Wolseley Insurance £m	Restructuring £m	Other provisions £m	Total £m
At 1 August 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**
Utilised in the year	**(4)**	**(31)**	**(100)**	**(7)**	**(142)**
Amortisation of discount	**–**	**–**	**3**	**–**	**3**
Charge for the year	**10**	**26**	**50**	**42**	**128**
Disposal of businesses	**–**	**–**	**(22)**	**(1)**	**(23)**
Exchange differences	**3**	**3**	**6**	**2**	**14**
At 31 July 2010	**67**	**55**	**139**	**85**	**346**

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

At 31 July 2010	**Environmental and legal £m**	**Wolseley Insurance £m**	**Restructuring £m**	**Other provisions £m**	**Total £m**
Current	**22**	**23**	**50**	**28**	**123**
Non-current	**45**	**32**	**89**	**57**	**223**
Total provisions	**67**	**55**	**139**	**85**	**346**

At 31 July 2009	Environmental and legal £m	Wolseley Insurance £m	Restructuring £m	Other provisions £m	Total £m
Current	6	16	79	21	122
Non-current	52	41	123	28	244
Total provisions	58	57	202	49	366

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 the estimated liability for asbestos litigation on a discounted basis using a long-term discount rate of 3 7 per cent (2009 4 3 per cent) This amount has been actuarially determined as at 31 July 2010 based on advice from independent professional advisers The Group has insurance that it currently believes is sufficient cover for the estimated liability and accordingly an equivalent insurance receivable has been recorded in other receivables Based on current estimates, the amount of performing insurance cover significantly exceeds the expected level of future claims and no material profit or cash flow impact is therefore expected to arise in the foreseeable future There were 249 claims outstanding at 31 July 2010 (31 July 2009 273)

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 four years

Other provisions include the Group's best estimate of the cost of potential product and service warranty claims arising in Stock Building Supply Holdings LLC ("Stock") before its disposal on 6 May 2009, separation costs relating to the disposal of Stock and contractual and constructive obligations relating to the Business Change Programme (note 15) Other provisions also include 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 three 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 This scheme was closed to new entrants in 2009 A defined contribution scheme is also operated and contributions are charged to the income statement in the period in which they fall due In the year ended 31 July 2010 the cost of defined contribution plans charged to the income statement was £1 million (2009 £1 million)

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 ended 31 July 2010 the cost of defined contribution plans of continuing operations charged to the income statement was £14 million (2009 £21 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 ended 31 July 2010 the cost of defined contribution schemes charged to the income statement was £20 million (2009 £21 million)

Post-retirement healthcare

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

The Group expects to contribute £54 million to the UK defined benefit schemes in the year ending 31 July 2011, including an additional £25 million arising as a result of the recently completed funding valuations The Group expects to contribute £11 million to the non-UK defined benefit schemes

(ii) Financial impact of plans

As disclosed in the balance sheet	2010 £m	2009 £m
Current liability	**(23)**	(33)
Non-current liability	**(409)**	(308)
Total liability	**(432)**	(341)

Analysis of balance sheet liability	2010 £m	2010 £m	2009 £m	2009 £m
Fair value of plan assets				
UK	**593**		511	
Non-UK	**131**		129	
		724		640
Present value of defined benefit obligation				
UK	**(897)**		(737)	
Non-UK	**(259)**		(244)	
		(1,156)		(981)
Net deficit recognised in balance sheet		**(432)**		(341)

32. Retirement benefit obligations continued

Analysis of total expense recognised in income statement	2010 £m	2009 £m
Current service cost	26	34
Past service cost	1	–
Curtailment	–	(2)
Charged to administrative expenses	27	32
Interest on pension liabilities	57	57
Expected return on scheme assets	(44)	(47)
Charged to finance costs	13	10
Total expense recognised in income statement	40	42

Analysis of amount recognised in the statement of comprehensive income	2010 £m	2009 £m
Actuarial loss	(93)	(115)
Deferred tax thereon	26	36
Total amount recognised in the statement of comprehensive income	(67)	(79)

The cumulative amount of actuarial losses recognised in the statement of comprehensive income was a loss of £270 million (2009 loss of £177 million)

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

	2010 UK		2009 UK	
	Long-term rate of return expected at 31 July 2010	Value at 31 July 2010 £m	Long-term rate of return expected at 31 July 2009	Value at 31 July 2009 £m
Equities	7 3%	411	8 0%	350
Bonds	4 5%	158	5 0%	141
Other	4 3%	24	4 7%	20
Total market value of assets	6 4%	593	7 1%	511

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

	2010 Non-UK		2009 Non UK	
	Long-term rate of return expected at 31 July 2010	Value at 31 July 2010 £m	Long-term rate of return expected at 31 July 2009	Value at 31 July 2009 £m
Equities	7 7%	61	7 6%	59
Bonds	4 3%	49	4 6%	52
Property	4 8%	8	4 7%	6
Other	4 0%	13	3 9%	12
Total market value of assets	5 9%	131	6 0%	129

32. Retirement benefit obligations continued

Fair value of plan assets	UK 2010 £m	Non-UK 2010 £m	Total 2010 £m	UK 2009 £m	Non-UK 2009 £m	Total 2009 £m
At 1 August	**511**	**129**	**640**	542	130	672
Expected return on plan assets	**36**	**8**	**44**	38	9	47
Actuarial gain/(loss)	**40**	**4**	**44**	(87)	(26)	(113)
Employer's contributions	**36**	**6**	**42**	42	5	47
Participants' contributions	**1**	**2**	**3**	1	2	3
Disposal of businesses	**–**	**(23)**	**(23)**	–	–	–
Transfers	**–**	**–**	**–**	–	2	2
Settlements	**–**	**–**	**–**	–	(1)	(1)
Benefits paid	**(31)**	**(6)**	**(37)**	(25)	(10)	(35)
Currency translation	**–**	**11**	**11**	–	18	18
At 31 July	**593**	**131**	**724**	511	129	640
Actual return/(loss) on plan assets	**76**	**12**	**88**	(48)	(17)	(65)

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 2 9 per cent per year as at 31 July 2010 (2009 3 2 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 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

Present value of defined benefit obligation	UK 2010 £m	Non-UK 2010 £m	Total 2010 £m	UK 2009 £m	Non-UK 2009 £m	Total 2009 £m
At 1 August	**737**	**244**	**981**	693	215	908
Current service cost	**20**	**6**	**26**	28	6	34
Past service cost	**1**	**–**	**1**	–	–	–
Curtailment and settlement	**–**	**–**	**–**	(2)	(1)	(3)
Interest cost	**44**	**13**	**57**	44	13	57
Participants' contributions	**2**	**2**	**4**	1	2	3
Disposal of businesses	**–**	**(24)**	**(24)**	–	–	–
Benefits paid	**(31)**	**(11)**	**(42)**	(26)	(20)	(46)
Transfers	**–**	**–**	**–**	–	2	2
Actuarial loss/(gain)	**124**	**13**	**137**	(1)	3	2
Currency translation	**–**	**16**	**16**	–	24	24
At 31 July	**897**	**259**	**1,156**	737	244	981

Analysis of present value of defined benefit obligation	2010 £m	2009 £m
Amounts arising from wholly unfunded plans	**67**	61
Amounts arising from plans that are wholly or partly funded	**1,089**	920
	1,156	981

32. Retirement benefit obligations continued

(iii) Valuation assumptions

The financial assumptions used to estimate defined benefit obligations are

	2010		2009	
	UK	**Non-UK**	UK	Non-UK
Discount rate	**5 4%**	**4 7%**	6 0%	5 3%
Inflation rate	**3 4%**	**2 0%**	3 7%	1 6%
Increase to deferred benefits during deferment	**3 4%**	**2 0%**	3 7%	0 5%
Increases to pensions in payment	**3 3%**	**1 8%**	3 6%	1 0%
Salary increases	**4 4%**	**2 7%**	4 7%	1 9%

The life expectancy assumptions used to estimate defined benefit obligations at 31 July 2010 are

	2010		2009	
	UK	**Non-UK**	UK	Non-UK
Current pensioners (at age 65) – male	**22**	**20**	20	20
Current pensioners (at age 65) – female	**24**	**22**	23	22
Future pensioners (at age 65) – male	**24**	**21**	21	20
Future pensioners (at age 65) – female	**26**	**23**	24	22

History of experience gains and losses – UK schemes	**2010 £m**	2009 £m	2008 £m	2007 £m	2006 £m
Fair value of plan assets	**593**	511	542	588	501
Present value of defined benefit obligation	**(897)**	(737)	(693)	(630)	(619)
Deficit in the plan	**(304)**	(226)	(151)	(42)	(118)
Experience adjustments to scheme assets					
Amount	**40**	(87)	(103)	40	36
Percentage of scheme assets	**7%**	(17)%	(19)%	7%	7%
Experience adjustments on scheme liabilities					
Amount	**–**	–	–	(8)	–
Percentage of the present value of scheme liabilities	**–**	–	–	1%	–

History of experience gains and losses – non-UK schemes	**2010 £m**	2009 £m	2008 £m	2007 £m	2006 £m
Fair value of plan assets	**131**	129	130	123	112
Present value of defined benefit obligation	**(259)**	(244)	(215)	(188)	(182)
Deficit in the plan	**(128)**	(115)	(85)	(65)	(70)
Experience adjustments to scheme assets					
Amount	**4**	(26)	(14)	5	–
Percentage of scheme assets	**3%**	(20)%	(11)%	4%	–
Experience adjustments on scheme liabilities					
Amount	**(2)**	1	6	3	(2)
Percentage of the present value of scheme liabilities	**(1)%**	0%	3%	2%	1%

33. Share capital

	Allotted and issued	
	2010	2009
Number of deferred 24 pence shares (million)	**887**	887
Number of ordinary 10 pence shares (million)	**284**	284
Total number of shares (million)	**1,171**	1,171
Nominal value of deferred 24 pence shares (£ million)	**213**	213
Nominal value of ordinary 10 pence shares (£ million)	**28**	28
Total nominal value of shares (£ million)	**241**	241

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

From 1 August 2009 to 31 July 2010, 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

	2010	2009
Number of 25 pence ordinary shares in issue at 1 August	–	661,982,888
Exercise of savings related share options	–	5,652
Exercise of executive share options	–	–
Share placing (April 2009)	–	225,000,000
Capital reorganisation	–	(886,988,540)
Number of 25 pence ordinary shares in issue at 31 July	–	–
Number of 10 pence ordinary shares in issue at 1 August	**283,839,366**	–
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 executive share options	**11,990**	–
Exercise of savings related share options	**548,468**	3,034
Number of 10 pence ordinary shares in issue at 31 July	**284,399,824**	283,839,366
Number of 24 pence deferred shares in issue at 1 August	**886,988,540**	–
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**	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 No shares were purchased by the trusts during the year The market value of the 1,948,919 shares held by the Employee Benefit Trusts at 31 July 2010, which have a nominal value of £0 2 million, was £28 million (2009 £26 million) During the year, 29,118 shares were allocated from the Employee Benefit Trusts 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 six 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 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 the 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 LTIS 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 ("HMRC") recommendations 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

Share options outstanding during the year

			Year ended 31 July	
	2010 Shares 000's	**2010 Weighted average exercise price £**	2009 Shares 000's	2009 Weighted average exercise price £
Executive Option Schemes				
2010				
Outstanding as at 1 August	**9,987**	**24 46**		
Granted	**4,041**	**12 72**		
Exercised	**(12)**	**14 58**		
Surrendered or expired	**(1,877)**	**41 13**		
Outstanding as at 31 July	**12,139**	**17 98**		
Exercisable as at 31 July	**889**	**33 81**		
Weighted average fair value of options granted during the year		**4 48**		
2009				
Outstanding as at 1 August			23,796	9 51
Granted			23,796	3 21
Exercised			–	–
Surrendered or expired pre-rights issue			(4,418)	11 21
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
Exercisable as at 31 July			1,220	33 31
Weighted average fair value of options granted during the year				5 02
Employees Savings Option Schemes and ESPP				
2010				
Outstanding at 1 August	**3,843**	**9 01**		
Granted	**699**	**13 35**		
Exercised	**(548)**	**7 23**		
Surrendered or expired	**(754)**	**10 88**		
Outstanding as at 31 July	**3,240**	**9 81**		
Exercisable as at 31 July	**37**	**34 76**		
Weighted average fair value of options granted during the year		**5 18**		
2009				
Outstanding as at 1 August			7,934	4 94
Granted			14,678	1 67
Exercised			(6)	4 03
Surrendered or expired pre-rights issue			(5,738)	4 55
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
Exercisable as at 31 July			52	34 72
Weighted average fair value of options granted during the year				3 91

34. Share-based payments continued

The weighted average share price at the date of exercise for share options exercised during the period was £15 66 (2009 £14 95) The total intrinsic value of options exercised during the period was £5 million (2009 nil) The aggregate intrinsic value of options outstanding and exercisable at 31 July 2010 was £29 million and nil respectively (2009 £21 million and nil)

Details of shares outstanding and exercisable under the LTIS and RSP

	2010 Shares 000's	2010 Share price at award date £	2009 Shares 000's	2009 Share price at award date £
			Year ended 31 July	
2010				
Outstanding as at 1 August	**971**	**22 74**		
Granted	**535**	**14 45**		
Vested	**(31)**	**56 25**		
Surrendered or expired	**(380)**	**27 96**		
Outstanding as at 31 July	**1,095**	**15.94**		
Exercisable as at 31 July	**–**	**–**		
Weighted average fair value of shares awarded during the year		**8 34**		
2009				
Outstanding as at 1 August			2,612	10 26
Granted			3,315	2 87
Vested			(4)	13 49
Surrendered or expired pre rights issue			(860)	10 47
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
Exercisable as at 31 July			–	–
Weighted average fair value of shares awarded during the year				4 96

34. Share-based payments continued

Details of options exercisable

Options outstanding and exercisable at 31 July 2010 under the Executive Option Schemes, the Employees Saving Option Schemes and ESPP can be analysed as follows

	Options outstanding			Options exercisable		
Range of exercise prices	Shares 000 s	Weighted average remaining contractual life Years	Weighted average exercise price £	Shares 000's	Weighted average remaining contractual life Years	Weighted average exercise price £
£5 01 – £10 00	2,248	3	7 08	–	–	–
£10 01 – £15 00	9,913	8	13 08	8	–	14 58
£15 01 – £20 00	309	3	17 26	40	1	18 99
£20.01 – £25 00	136	2	22 64	137	2	22 64
£25 01 – £30 00	4	1	27 40	–	–	–
£30 01 – £35 00	2,232	7	33 31	235	3	30 98
£35 01 – £40 00	480	4	39 51	479	4	39 52
£40 01 – £45 00	41	1	41 82	19	–	41 41
£45 01 – £50 00	16	3	47 24	8	5	45 87
	15,379	7	16 25	926	3	33 85

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	
	2010	2009	**2010**	2009	**2010**	2009
Risk free interest rate	**3 23%**	4 09%	**1 55%**	2 17%	**2 11%**	3 66%
Expected dividend yield	**1 70%**	1 95%	**1 43%**	1 67%	**1 36%**	1 04%
Expected volatility	**39 19%**	35 82%	**48 56%**	47 86%	**51 97%**	45 00%
Expected life	**5 8 years**	5 8 years	**1–7 years**	1–7 years	**3 years**	3 years

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 in 2009 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 2010	Share capital £m	Share premium £m	Translation reserve £m	Retained earnings: Hedging reserve £m	Retained earnings: Own shares £m	Retained earnings: Profit and loss account £m	Total £m
Profit for the year attributable to equity shareholders	–	–	–	–	–	(340)	(340)
Exchange gain on translation of overseas operations	–	–	156	–	–	–	156
Exchange loss on translation of borrowings and derivatives designated as hedges of overseas operations	–	–	(71)	–	–	–	(71)
Cumulative currency translation differences on disposals recycled to income statement	–	–	(13)	–	–	–	(13)
Actuarial loss on retirement benefits	–	–	–	–	–	(93)	(93)
Valuation gain on interest rate swaps	–	–	–	5	–	–	5
Valuation losses on cash flow hedges reclassified to income statement	–	–	–	4	–	–	4
Tax on gains and losses not recognised in the income statement	–	–	–	(3)	–	26	23
Total comprehensive income	–	–	72	6	–	(407)	(329)
New share capital subscribed	–	4	–	–	–	–	4
Credit to equity for share-based payments	–	–	–	–	–	8	8
Net additions to shareholders' funds	–	4	72	6	–	(399)	(317)
Opening shareholders' funds	241	1,152	228	(11)	(78)	1,844	3,376
Closing shareholders' funds	241	1,156	300	(5)	(78)	1,445	3,059

Total retained earnings, which is the sum of the hedging reserve, own shares reserve and profit and loss account, was £1,362 million at 31 July 2010 (2009 £1,755 million)

35. Shareholders' funds and statement of changes in shareholders' equity continued

For the year ended 31 July 2009	Share capital £m	Share premium £m	Translation reserve £m	Hedging reserve £m	Retained earnings: Own shares £m	Retained earnings: Profit and loss account £m	Total £m
Profit for the year attributable to equity shareholders	–	–	–	–	–	(1,173)	(1,173)
Exchange gain on translation of overseas operations	–	–	708	–	–	–	708
Exchange loss on translation of borrowings designated as hedges of overseas operations	–	–	(381)	–	–	–	(381)
Cumulative currency translation differences on disposals recycled to income statement	–	–	(47)	–	–	–	(47)
Actuarial loss on retirement benefits	–	–	–	–	–	(115)	(115)
Available-for-sale-investments reclassified and reported in net profit for the year	–	–	–	(20)	–	–	(20)
Tax on gains and losses not recognised in the income statement	–	–	–	6	–	36	42
Total comprehensive income	–	–	280	(14)	–	(1,252)	(986)
New share capital subscribed	76	203	–	–	–	720	999
Purchase of own shares by Employee Benefit Trusts	–	–	–	–	(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

36. Reconciliation of loss to cash generated from operations

Loss for the year is reconciled to cash generated from operations as follows

	2010 £m	2009 £m
Loss for the year	**(340)**	(1,173)
Net finance costs	**77**	145
Share of after tax loss of associate	**13**	15
Impairment of associate	**41**	–
Tax expense/(income)	**38**	(246)
Loss on disposal of businesses and revaluation of disposal groups	**31**	121
Depreciation and impairment of property, plant and equipment	**172**	286
Amortisation and impairment of non-acquired intangibles	**154**	62
Loss on disposal of property, plant and equipment and assets held for sale	**7**	3
Amortisation and impairment of acquired intangibles	**315**	894
Decrease in inventories	**13**	483
Decrease in trade and other receivables	**124**	928
Increase/(decrease) in trade and other payables	**108**	(565)
(Decrease)/increase in provisions and other liabilities	**(56)**	238
Share-based payments and other non-cash items	**8**	9
Cash generated from operations	**705**	1,200

36. Reconciliation of loss to cash generated from operations continued

Trading profit is reconciled to cash generated from operations as follows

	2010 £m	2009 £m
Trading profit – continuing operations	**450**	447
Trading profit – discontinued operations	**–**	(117)
Exceptional items in operating profit – continuing operations	**(332)**	(458)
Exceptional items in operating profit – discontinued operations	**–**	(156)
Loss on disposal of businesses and revaluation of disposal groups	**57**	40
Depreciation and impairment of property, plant and equipment	**172**	286
Amortisation and impairment of non-acquired intangibles	**154**	62
Loss on disposal of property, plant and equipment and assets held for sale	**7**	3
Decrease in inventories	**13**	483
Decrease in trade and other receivables	**124**	928
Increase/(decrease) in trade and other payables	**108**	(565)
(Decrease)/increase in provisions and other liabilities	**(56)**	238
Share-based payments and other non-cash items	**8**	9
Cash generated from operations	**705**	1,200

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

	2010 £m	2009 £m
Purchase consideration	**7**	–
Deferred and contingent consideration paid in the year	**6**	18
Cash consideration	**13**	18
Cash, cash equivalents and bank overdrafts acquired	**(2)**	–
Net cash outflow in respect of the purchase of businesses	**11**	18

38. Acquisition

On 1 September 2009 the Group acquired Decorative Product Source, Inc, a company engaged in the distribution and supply of construction materials and services, for a cash consideration of £7 million The acquisition of this company has not had a material effect on the financial statements

39. Disposals

On 8 January 2010, the Group disposed of 100% of Wolseley Ireland Holdings Limited which comprised all the Group's businesses in the Republic of Ireland and the Brooks business in Northern Ireland During the year ended 31 July 2010, the Group also disposed of a business in Switzerland and its businesses in Belgium, Slovakia and the Czech Republic included in the Central and Eastern Europe segment, a business in France and two businesses in the USA Details of assets and liabilities disposed of, transaction costs and consideration received in respect of these disposals are provided in the following table

	2010 Assets disposed of £m
Intangible assets	10
Property, plant and equipment	51
Inventories	31
Receivables	36
Assets held for sale	2
Cash, cash equivalents and bank overdrafts	11
Finance leases	(2)
Payables and provisions	(43)
Deferred tax	(4)
Total	92
Consideration	(36)
Disposal costs	9
Cumulative currency translation gain recycled from reserves	(13)
Loss on disposal	52

Analysis of the net outflow of cash in respect of the disposal of businesses

	2010 £m
Sale consideration	36
Deferred consideration	(17)
Cash consideration received	19
Cash, cash equivalents and bank overdrafts disposed	(11)
Disposal costs	(9)
Payments in respect of prior year divestments	(9)
Net cash outflow in respect of the disposal of businesses	(10)

40. Reconciliation of opening to closing net debt

For the year ended 31 July 2010	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	635						665
Bank overdrafts	(37)						(90)
	598	(111)	–	–	–	88	575
Financial assets trading investments	155	(159)	–	–	–	4	–
Derivative financial instruments	21	8	–	–	36	3	68
Bank loans	(1,662)	984	–	–	(89)	(147)	(914)
Obligations under finance leases	(71)	17	2	(22)	–	(1)	(75)
	(959)	739	2	(22)	(53)	(53)	(346)

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)

41. Related party transactions

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

Key management personal compensation (including Directors)	2010 £m	2009 £m
Salaries, bonuses and other short-term employee benefits	10	5
Termination and post-employment benefits	3	2
Share-based payments	1	1
Total compensation	14	8

More detailed disclosures on the remuneration of the Directors are provided in the Remuneration report on pages 55 to 65

42. Capital commitments

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

	2010 £m	2009 £m
Property, plant and equipment	6	2
Intangible assets software	–	8
Total capital commitments	6	10

43. Operating lease commitments

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

	2010 £m	2009 £m
Within one year	**253**	258
Later than one year and less than five years	**674**	659
After five years	**365**	412
Total operating lease commitments	**1,292**	1,329

Operating lease payments mainly represent rent 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 2010 is £16 million (2009 £16 million)

The commitments shown above include commitments for onerous leases which have already been provided for At 31 July 2010 provisions include an amount of £88 million (2009 £124 million) in respect of minimum lease payments for such onerous leases net of sublease payments expected to be received (note 31)

44. Contingent liabilities

The Group has quantifiable contingent liabilities under sundry guarantees and indemnities of £9 million (2009 £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 In addition the Group has exposure in the ordinary course of business to certain legal and product liability claims Whilst provision is made for any known or quantifiable items, it is possible that additional claims may arise in the future

45. Post balance sheet events

On 24 August 2010 the Group announced that it had agreed to dispose of Brandon Hire, its UK tool and equipment hire business, for a cash consideration of £43 million, subject to normal closing adjustments The disposal was completed on 22 September 2010

46. 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

The Group's principal subsidiary undertakings are set on pages 140 to 141

47. 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 2010 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

IAS 24 (revised) Related party disclosures (applicable from 1 August 2011)

This revision simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, and provides a partial exemption from the disclosure requirements for government-related entities Management is currently assessing the impact of this amendment on the Group's future financial statements

IFRS 9 Financial instruments – classification and measurement (applicable from 1 August 2013)

The part of this standard so far issued is the first stage in a comprehensive revision of the accounting for financial instruments This standard requires all financial assets to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, to be initially measured at fair value plus, in the case of a financial asset not at fair value through profit and loss, particular transaction costs, and to be subsequently measured at amortised cost or fair value

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 2010 which comprise the Group income statement, Group statement of comprehensive income, the Group statement of changes in equity, 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' responsibility statement set out on page 51, 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 Chapter 3 of Part 16 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 2010 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 Directors' 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 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 29, 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 2010 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

27 September 2010

Company balance sheet
As at 31 July 2010

	Notes	2010 £m	2009 £m
Fixed assets			
Investments	2	**5,702**	5,702
		5,702	5,702
Current assets			
Debtors amounts falling due within one year	3	**227**	3,380
Debtors amounts falling due after one year	3	**2,411**	–
Cash at bank and on hand		**415**	360
		3,053	3,740
Creditors amounts falling due within one year	4	**(213)**	(4,791)
Net current liabilities		**2,840**	(1,051)
Total assets less current liabilities		**8,542**	4,651
Creditors amounts falling due after one year	5	**(4,244)**	(279)
Net assets		**4,298**	4,372
Capital and reserves			
Called up share capital	6	**241**	241
Share premium	7	**1,156**	1,152
Profit and loss reserve	8	**2,901**	2,979
Total shareholders' funds	9	**4,298**	4,372

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

The Company financial statements on pages 126 to 133 were approved by the Board of Directors on 27 September 2010 and were signed on its behalf by

Ian K Meakins
Group Chief Executive

John W Martin
Chief Financial Officer

Notes to the Company financial statements
Year ended 31 July 2010

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 88, note 32 on pages 110 to 113, note 33 on page 114 and note 34 on pages 115 to 118 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, the Company has taken advantage of the multi-employer exemption under the terms of FRS 17 It is not possible to obtain a reasonable allocation of the scheme assets and liabilities for the employees of the Company and accordingly the Company accounts for the plan as if it were a defined contribution plan

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 2009 and at 31 July 2010	**5,728**	**(26)**	**5,702**

All of the above investments are in unlisted shares Particulars of principal subsidiary undertakings are listed on pages 140 and 141 of the Annual Report The Directors believe that the carrying value of the investments is supported by their underlying net assets

3. Debtors

Amounts falling due within one year	2010 £m	2009 £m
Amounts due from Group companies	221	3,315
Corporation tax recoverable	–	52
Derivative financial assets (note 12)	2	12
Deferred tax	4	1
Total debtors	**227**	3,380

The fair value of amounts included in debtors approximates to book value Amounts due from Group companies due within one year are not interest bearing and are payable on demand

Amounts falling due after one year	2010 £m	2009 £m
Amounts due from Group companies	2,411	–

The fair value of amounts included in amounts due from Group companies approximates to book value Amounts due from Group companies due after one year are loaned under a three year revolving loan facility expiring 1 August 2013 and interest is charged at interest rates that vary between LIBOR + 0 5 and LIBOR + 3 5 per cent

4. Creditors: amounts falling due within one year

	2010 £m	2009 £m
Bank loans and overdrafts (note 13)	25	188
Corporation tax	39	–
Derivative financial liabilities (note 12)	5	25
Amounts due to Group companies	143	4,578
Other creditors	1	–
Total creditors amounts falling due within one year	**213**	4,791

The fair value of amounts included in creditors approximates to book value Amounts due to Group companies due within one year are not interest bearing and are payable on demand

5. Creditors: amounts falling due after one year

	2010 £m	2009 £m
Bank loans and overdrafts (note 13)	104	268
Derivative financial liabilities (note 12)	3	11
Amounts due to Group companies	4,135	–
Other creditors	2	–
Total creditors amounts falling due after one year	**4,244**	279

The fair value of amounts included in creditors approximates to book value Amounts due to Group companies due after one year are borrowed under a three year revolving loan facility expiring 1 August 2013 and interest is charged at interest rates that vary between LIBOR + 0 5 and LIBOR + 3 5 per cent

6. Share capital

Details of the Company's share capital are set out in note 33, on page 114, to the Wolseley plc consolidated financial statements

7. Share premium

	£m
At 1 August 2009	1,152
New share capital subscribed	4
At 31 July 2010	**1,156**

8. Profit and loss reserve

	£m
At 1 August 2009	2,979
Loss for the period	(86)
Equity-settled employee share options	8
At 31 July 2010	**2,901**

Included in the profit and loss reserve is an amount of £1,838 million which may not be distributable The balance of £1,063 million is distributable

9. Reconciliation of movements in equity shareholders' funds

	2010 £m	2009 £m
Opening shareholders' funds	**4,372**	2,575
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	**4**	203
New share capital subscribed	–	720
Purchase of own shares by Employee Benefit Trusts	–	(5)
(Loss)/profit for the period	**(86)**	794
Equity-settled employee share options	**8**	9
Closing shareholders' funds	**4,298**	4,372

In April 2009 a 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 110 to 113, to the Wolseley plc consolidated financial statements The total contribution to the defined benefit plan in the year was £nil (2009 £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 115 to 118, to the Wolseley plc consolidated financial statements The Company recognised an equity-settled share-based payment charge of £1 million in the year (2009 £2 million)

12. Derivative financial instruments

Current assets	2010 £m	2009 £m
Currency swaps	2	12
Derivative financial assets	**2**	12

Creditors amounts falling due within one year	2010 £m	2009 £m
Interest rate swaps	(5)	(14)
Currency swaps	–	(11)
Derivative financial liabilities	**(5)**	(25)

Creditors amounts falling due after one year	2010 £m	2009 £m
Interest rate swaps	(3)	(11)
Derivative financial liabilities	**(3)**	(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 €300 million (2009 €900 million) and basis point swaps with notional principal of €300 million (2009 €900 million) were designated and effective as cash flow hedges in the first half of the year, with valuation gains recognised in that period deferred in equity until realised The Company has recognised the valuation gains through profit and loss throughout the year The contracts expire between August 2010 and August 2011 (2009 August 2009 and August 2011), and the fixed interest rates range between 4 57 and 4 59 per cent (2009 2 59 and 4 59 per cent)

At fair value through profit and loss	2010 £m	2009 £m
At 1 August 2009	(25)	2
Valuation gains/(losses) credited/(charged) to profit and loss	9	(21)
Cash settlements in the period	8	(5)
Exchange	–	(1)
At 31 July 2010	**(8)**	(25)

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

At fair value through profit and loss	2010 £m	2009 £m
At 1 August 2009	1	1
Valuation gains/(losses) credited/(charged) to profit and loss	1	(36)
Cash settlements in the period	–	36
At 31 July 2010	**2**	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

	2010 Currency million	2010 £m	2009 Currency million	2009 £m
Bought forward	**EUR 138**	**115**	EUR 585	500
	CAD 60	**37**	DKK 720	82
	DKK 260	**29**	CZK 95	3
Sold forward	**GBP 104**	**(104)**	GBP 251	(251)
	USD 118	**(75)**	USD 380	(227)
			CAD 135	(75)
			CHF 56	(31)
		2		1

13. Bank loans and overdrafts

Creditors amounts falling due within one year	2010 £m	2009 £m
Bank overdrafts	**25**	188

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

	2010 £m	2009 £m
Sterling	**14**	71
US dollar	**5**	11
Euro	**5**	59
Other	**1**	47
	25	188

Creditors amounts falling due after one year	2010 £m	2009 £m
Bank loans	**104**	268

The loans falling due after one year are repayable as follows		
Due in two to five years	**104**	268
	104	268

The fair values of loans falling due after one year approximate to book value due to being at floating rates At 31 July 2010, no loans carried a fixed interest rate (2009 £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

	2010 £m	2009 £m
US dollar	**104**	268
	104	268

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

In addition the Company has given certain banks authority to transfer at any time any sum outstanding to its credit against or toward satisfaction of its liability to those banks 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 2010 was 17 (2009 17) Total employee costs of the Company for the year including termination costs and retirement benefit were £7 million (2009 £5 million)

Fees payable to the auditors for the audit of the Company's financial statements are set out in note 3, on page 84, to the Wolseley plc consolidated financial statements

16. Dividends

Details of the Company's dividends are set out in note 10, on page 88, to the Wolseley plc consolidated financial statements

17. Related party transactions

The Company has taken advantage of the exemption available under FRS 8 "Related party disclosures" to dispense with the requirement to disclose transactions with fellow subsidiaries, all of whose voting rights are held within the Group, and which are included in the consolidated financial statements of Wolseley plc

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 2010 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 11 Impairment of Fixed Assets and Goodwill (effective from 1 August 2010)

The amendment requires enhanced disclosure around the assumptions used to estimate value in use or the net realisable value of a fixed asset or income-generating unit 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

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 2010 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' responsibility statement set out on page 51, 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 Chapter 3 of Part 16 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 2010,
- 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 2010

Michael Phillips (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

27 September 2010

Five year summary

	2010 £m	2009 £m	2008 (restated) £m	2007 (restated) £m	2006 (restated) £m
Revenue from continuing operations					
USA	**5,174**	5,820	5,613	5,685	5,396
Canada	**765**	700	684	619	646
UK	**2,466**	2,699	3,203	3,171	2,690
Nordic	**2,001**	2,113	2,290	1,670	–
France	**1,937**	2,144	2,116	1,872	1,725
Central and Eastern Europe	**860**	965	908	846	735
Group	**13,203**	14,441	14,814	13,863	11,192
Trading profit from continuing operations					
USA	**239**	309	389	401	367
Canada	**41**	32	39	42	44
UK	**91**	55	176	211	201
Nordic	**100**	96	159	102	–
France	**30**	32	103	101	91
Central and Eastern Europe	**10**	–	–	32	31
Construction loans	**(4)**	(24)	(19)	(5)	(3)
Corporate	**(57)**	(53)	(60)	(56)	(44)
Group	**450**	447	787	828	687
Amortisation of acquired intangibles	**(92)**	(105)	(105)	(88)	(24)
Impairment of acquired intangibles	**(223)**	(490)	(57)	–	–
Exceptional items	**(332)**	(458)	(70)	–	–
Operating (loss)/profit from continuing operations	**(197)**	(606)	555	740	663
Net interest payable	**(77)**	(145)	(156)	(119)	(65)
Associate – share of after tax loss	**(13)**	(15)	–	–	–
Associate – impairment	**(41)**	–	–	–	–
(Loss)/profit before tax from continuing operations	**(328)**	(766)	399	621	598
Tax (charge)/credit	**(38)**	34	(157)	(159)	(214)
(Loss)/profit on ordinary activities after tax from continuing operations	**(366)**	(732)	242	462	384
Profit/(loss) from discontinued operations	**26**	(441)	(168)	12	153
(Loss)/profit attributable to equity shareholders	**(340)**	(1,173)	74	474	537
Ordinary dividends	**–**	–	(74)	(211)	(186)

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Net assets employed					
Intangible fixed assets	**1,812**	2,223	2,836	2,680	1,506
Property, plant and equipment	**1,409**	1,593	1,842	1,718	1,144
Other net assets, excluding liquid funds	**184**	519	1,150	1,520	1,892
	3,405	4,335	5,828	5,918	4,542
Financed by					
Share capital	**241**	241	165	165	149
Share premium	**1,156**	1,152	949	945	288
Foreign currency translation reserve	**300**	228	(52)	(181)	(49)
Profit and loss account	**1,362**	1,755	2,297	2,522	2,204
Shareholders' funds	**3,059**	3,376	3,359	3,451	2,592
Net debt	**346**	959	2,469	2,467	1,950
Net assets employed	**3,405**	4,335	5,828	5,918	4,542
Cumulative goodwill and acquired intangibles written off	**2,307**	1,992	1,097	791	667
Gross capital employed for continuing and discontinued operations	**5,712**	6,327	6,925	6,709	5,209

	2010	2009	2008 (restated)	2007 (restated)	2006 (restated)
Gross margin from continuing operations	**27 7%**	27 7%	28 2%	28 3%	28 2%
Trading margin from continuing operations	**3 4%**	3 1%	5 3%	6 0%	6 1%
Earnings per share from continuing operations before exceptional items and the amortisation and impairment of acquired intangibles (note 1)	**74 1p**	95 6p	240 3p	309 8p	250 0p
Basic (loss)/earnings per share from continuing and discontinued operations (note 1)	**(120 6)p**	(558 0)p	41 0p	266 7p	329 3p
Dividends per share (in respect of the financial year) (note 1)	–	–	40 8p	117 5p	106 7p
Cover for ordinary dividends	–	–	1 0	2 2	3 1
Net tangible assets per ordinary share (note 1)	**438 5p**	406 2p	286 6p	423 2p	658 9p
Return on capital employed for continuing operations (note 2)	**19 5%**	16 2%	26 8%	29 3%	29 8%
Return on gross capital employed for continuing operations (note 3)	**7 4%**	6 9%	12 7%	15 2%	18 3%
Average number of employees for continuing operations	**48,226**	55,132	62,774	63,136	47,058
Aggregate wages and salaries for continuing operations (£ million)	**1,607**	1,765	1,654	1,524	1,253
Number of shares in issue at year end (million) (note 1)	**284**	284	182	182	165
Number of branches at year end					
Total continuing operations	**4,118**	4,394	5,025	4,988	4,344
Discontinued operations	–	–	285	308	314
Total branches	**4,118**	4,394	5,310	5,296	4,658
US dollar translation rate					
Income statement/profit and loss	**1 5699**	1 5708	2 0000	1 9487	1 7885
Balance sheet	**1 5682**	1 6718	1 9835	2 0285	1 8673
Canadian dollar translation rate					
Income statement/profit and loss	**1 6445**	1 8471	2 0134	2 1932	2 0595
Balance sheet	**1 6146**	1 8017	2 0293	2 1644	2 1128
Euro translation rate					
Income statement/profit and loss	**1 1396**	1 1597	1 3470	1 4823	1 4577
Balance sheet	**1 2016**	1 1729	1 2715	1 4835	1 4628

Note 1 Shares in issue and amounts per share for prior years have been restated to show the amount per equivalent new 10 pence share

Note 2 Return on capital employed is the ratio of trading profit to the aggregate of average shareholders funds excluding net debt and goodwill and other intangible assets

Note 3 Return on gross capital employed is the ratio of trading profit to the aggregate of average shareholders' funds, minority interests, net debt and cumulative goodwill written off

Pro forma information in United States dollars

	2010 $m	2009 $m	2008 (restated) $m	2007 (restated) $m	2006 (restated) $m
Revenue from continuing operations					
USA	**8,123**	9,142	11,226	11,079	9,651
Canada	**1,201**	1,100	1,368	1,206	1,155
UK	**3,871**	4,240	6,406	6,179	4,811
Nordic	**3,141**	3,319	4,580	3,254	–
France	**3,041**	3,368	4,232	3,648	3,085
Central and Eastern Europe	**1,350**	1,516	1,816	1,649	1,315
Group	**20,727**	22,685	29,628	27,015	20,017
Trading profit from continuing operations					
USA	**375**	485	778	781	656
Canada	**64**	50	78	82	79
UK	**143**	86	352	411	359
Nordic	**157**	151	318	199	–
France	**47**	50	206	197	163
Central and Eastern Europe	**16**	–	–	62	55
Construction loans	**(6)**	(38)	(38)	(10)	(5)
Corporate	**(89)**	(83)	(120)	(109)	(78)
Group	**707**	701	1,574	1,613	1,229
Amortisation of acquired intangibles	**(144)**	(165)	(210)	(171)	(43)
Impairment of acquired intangibles	**(350)**	(770)	(114)	–	–
Exceptional items	**(521)**	(719)	(140)	–	–
Operating (loss)/profit from continuing operations	**(308)**	(953)	1,110	1,442	1,186
Net interest payable	**(121)**	(228)	(312)	(232)	(116)
Associate – share of after tax loss	**(20)**	(24)	–	–	–
Associate – impairment	**(64)**	–	–	–	–
(Loss)/profit before tax from continuing operations	**(513)**	(1,205)	798	1,210	1,070
Tax (charge)/credit	**(60)**	53	(314)	(310)	(383)
(Loss)/profit on ordinary activities after tax from continuing operations	**(573)**	(1,152)	484	900	687
Profit/(loss) from discontinued operations	**41**	(693)	(336)	23	273
(Loss)/profit attributable to equity shareholders	**(532)**	(1,845)	148	923	960

	2010 $m	2009 $m	2008 $m	2007 $m	2006 $m
Net assets employed					
Intangible fixed assets	**2,842**	3,716	5,625	5,437	2,812
Property, plant and equipment	**2,210**	2,663	3,654	3,485	2,136
Other net assets, excluding liquid funds	**289**	868	2,281	3,083	3,533
	5,341	7,247	11,560	12,005	8,481
Financed by					
Share capital	**378**	403	327	335	278
Share premium	**1,813**	1,926	1,882	1,917	538
Foreign currency translation reserve	**471**	381	(103)	(367)	(91)
Profit and loss account	**2,136**	2,934	4,557	5,116	4,115
Shareholders' funds	**4,798**	5,644	6,663	7,001	4,840
Net debt	**543**	1,603	4,897	5,004	3,641
Net assets employed	**5,341**	7,247	11,560	12,005	8,481
Cumulative goodwill written off	**3,618**	3,330	2,176	1,605	1,245
Gross capital employed for continuing and discontinued operations	**8,959**	10,577	13,736	13,610	9,726

The above information has been extracted from the five year summary on pages 135 to 137 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 137 Balance sheet figures have been translated at the relevant year's balance sheet US dollar translation rate as set out on page 137

Principal subsidiary undertakings and their directors

Austria

ÖAG AG, A-1110 Wien
(Incorporated and operational in Austria)

Director H-D Kus
Supervisory Board R Bailkoski, T Brophy, P Frank, T Zwettler, O M Jensen

Canada

Wolseley Canada Inc, Burlington, Ontario
(Incorporated and operational in Canada)

Directors M D Lamontagne, F W Roach, K D VanderVennet

Czech Republic

Wolseley Eastern Europe a s , Prague 8
(Incorporated and operational in the Czech Republic)

Directors M Hlinecky, S Weirsøe
Supervisory Board T Brophy, J Clausen, N G Parry, R I Shoylekov

Denmark

DT Group A/S, Gladsaxe Mollevej, 5 DK-2860 Soborg
(Incorporated and operational in Denmark)

Directors M Asim, K S Borregaard, J Clausen, B W Mortensen, R I Shoylekov, S Villsen, S Weirsøe

France

Brossette SAS, 69007 Lyon
(Incorporated and operational in France)

President-directeur genéral P Gardies

PB & M SAS, 92400 Courbevoie
(Incorporated and operational in France)

Président-directeur general P Gardies

Italy

Manzardo SpA, 39100 Bolzano
(Incorporated and operational in Italy)

Directors R B Bailkoski, T Brophy, N Gasparoni, O M Jensen

Luxembourg

Comptoir des Fers et Métaux SA, L-1882 Luxembourg
(Incorporated and operational in Luxembourg)

Directors R B Bailkoski, P Broecker, T Brophy, O M Jensen

Netherlands

Wasco Holding B.V., 7391 AL Twello
(Incorporated and operational in the Netherlands)

Directors R B Bailkoski, O M Jensen, H A T van den Belt

Switzerland

Tobler Haustechnik AG, 8902 Urdorf
(Incorporated and operational in Switzerland)

Directors R B Bailkoski, E Ballmer, A Ronchetti, H Wiedmer

United Kingdom

Wolseley UK Limited, Leamington Spa, Warwickshire CV31 3HH
(Incorporated and operational in the United Kingdom)

Directors S Ashmore, D J Harding, M J Neville

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

Service companies

Jule B1 Limited
(Incorporated in Guernsey and operational in the United Kingdom)

Jule B4 Limited
(Incorporated in Guernsey and operational in the United Kingdom)

Ridgeflower Limited
(Incorporated and operational in the United Kingdom)

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 Finance (Gibraltar) Limited
(Incorporated in Gibraltar and operational in the United Kingdom)

Wolseley Finance (Isis) Limited
(Incorporated in Guernsey and operational in the United Kingdom)

Wolseley Finance (Isle of Man) Limited
(Incorporated in the Isle of Man and operational in the United Kingdom)

Wolseley Finance (Kennet) Limited
(Incorporated in Guernsey and operational in the United Kingdom)

Wolseley Finance (Loddon) Limited
(Incorporated in Guernsey 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 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)

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 27 September 2010

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

Access to shareholder information

All Wolseley plc shareholder information is available electronically Shareview, a service offered by our registrars, Equiniti, allows shareholders online access to a range of shareholder information It provides access to individual's shareholding details in the Company and practical help on transferring shares or updating personal details It also allows shareholders to decide how to receive their shareholder communications and to submit their votes for all shareholder meetings

To register, shareholders simply need to log on to **www shareview co.uk** using their shareholder reference number and complete the simple on-screen registration process First-time users will need to enter certain information and to choose a personal identification number before they are able to access their shareholding details

The Company can, at shareholders' request, send 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 between 8 30am and 4 30pm, Monday to Friday on 0871 384 2020 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 Share issue and capitalisation information

Information relating to the corporate transaction (share capitalisation and rights issue), which was approved by shareholders on 1 April 2009 (including the taxable treatment of the rights or payment for rights not taken up), is available in the prospectus issued at that time A copy of this document is 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 also operates a Level I American Depositary Receipts ("ADR") programme American Depository Shares, which are evidenced by the ADRs, are listed on the premier tier of the over-the-counter market "OTCQX" and each ADR represents one-tenth of an ordinary share Further information on ADRs can be found at **www pinksheets com** or **www.otcqx.com**

Published information

Further copies of the Annual Report may be obtained from the Group Communications and Investor Relations 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 +44 (0)118 929 8700

Corporate timetable

7 December 2010
Interim management statement released

20 January 2011
Annual General Meeting

21 March 2011*
Announcement of Half Year Results for the period ending 31 January 2011

23 May 2011*
Interim management statement released

31 July 2011
End of financial year 2010/11

26 September 2011*
Final results for the year ending 31 July 2011 announced

*Dates are based on current expectations

The Half Year and Annual Final Results announcements and the interim management statements will be available on the Company's website at **www.wolseley.com** following their release

Group information

Head 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

Bank of America Merrill Lynch
Deutsche Bank AG, London Branch

Solicitors

Freshfields Bruckhaus Deringer LLP

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 cost 8 pence per minute from a BT landline, other telephony providers' costs may vary. Lines open 8.30am to 5.30pm, Monday to Friday

American Depositary Receipts

Deutsche Bank Trust Company Americas
c/o American Stock Transfer & Trust Company
Peck Slip Station
P.O. Box 2050
New York, NY 10272-2050

Email queries DB@amstock.com

Telephone
within the US toll free +1-866-249-2593
International +1-718-921-8137
Website **www.adr.db.com**

Principal committees of the Board as at 27 September 2010

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

Remuneration Committee
Andrew J Duff – Chairman
Gareth Davis
Alain Le Goff *(with effect from 20 May 2010)*
Nigel M Stein

Nominations Committee
John W Whybrow – Chairman
Gareth Davis
Andrew J Duff
Alain Le Goff
James I K Murray
Nigel M Stein
Michael P Wareing

Treasury Committee
John W Martin – Chairman *(with effect from 1 April 2010)*
Ian K Meakins
Michael J R Verrier
Michael P Wareing
Matthew J Webb *(with effect from 1 August 2010)*

Disclosure Committee
John W Martin – Chairman
Mark J Fearon
Ian K Meakins
Richard I Shoylekov
John W Whybrow

Forward-looking statements

Certain information included in this Annual Report and Accounts is forward-looking and involves risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied by forward-looking statements. Forward-looking statements cover all matters which are not historical facts and 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 expected future revenues, financing plans, expected expenditures and divestments, 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.

Forward-looking statements can be identified by the use of forward-looking terminology, including terms such as "believes", "estimates", "anticipates", "expects", "forecasts", "intends", "plans", "projects", "goal", "target", "aim", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. Forward-looking statements are not guarantees of future performance. All forward-looking statements in this Annual Report and Accounts are based upon information known to the Company on the date of this Annual Report and Accounts. Accordingly, no assurance can be given that any particular expectation will be met and readers are cautioned not to place undue reliance on forward-looking statements, which speak only at their respective dates.

Additionally, forward-looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure and Transparency Rules of the Financial Services Authority), 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. Nothing in this Annual Report and Accounts shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.

Credits
Designed and produced by Radley Yeldar **www ry com**
Board photography by Andy Wilson

Paper
This report is printed on Revive 50 50 paper and cover board with Revive Pure White Uncoated used in the financial section Revive 50 50 is made from 50 per cent recovered waste fibre and 50 per cent virgin wood fibre Revive Pure White Uncoated is made from 100 per cent de-inked post-consumer waste Both products are fully biodegradable and recyclable and produced in mills which hold ISO 9001 and ISO 14001 accreditation

Graphic removed

Printing
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 methane capture project in Texas, USA.

Graphic removed

Graphic removed

Wolseley plc
Parkview 1220
Arlington Business Park
Theale
Reading RG7 4GA
United Kingdom

Telephone +44 (0)118 929 8700
Fax +44 (0)118 929 8701

Registration No 29846 England

www.wolseley.com