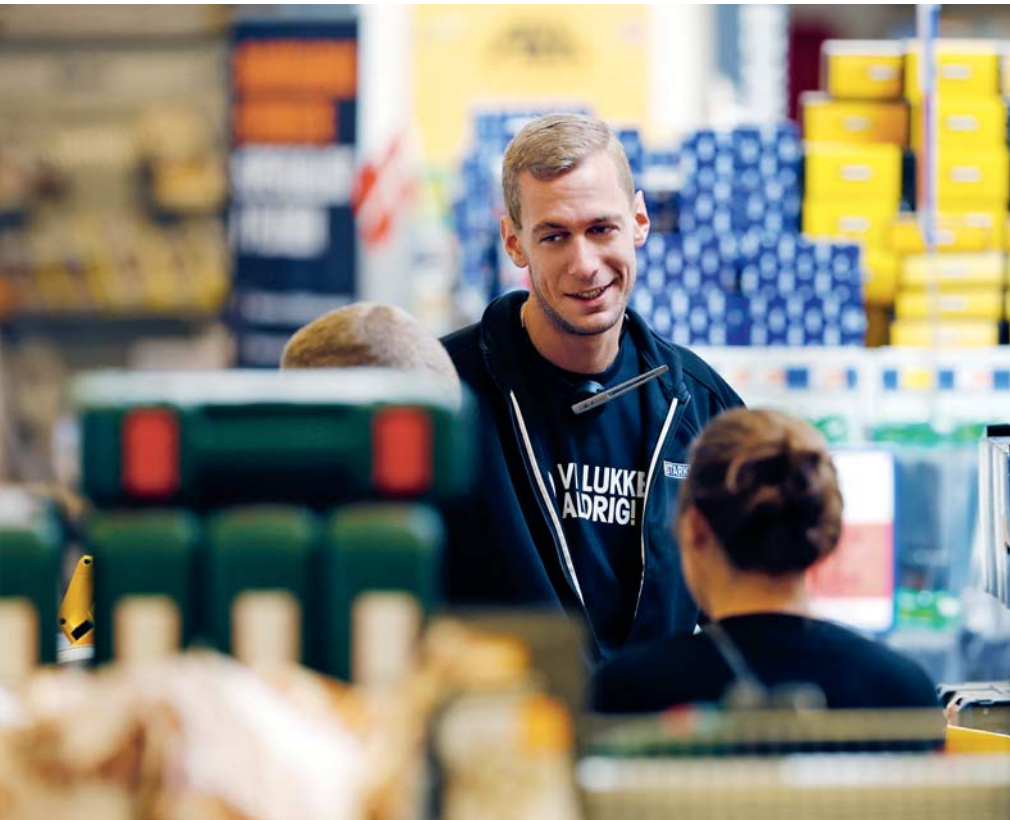


Annual Report and Accounts

2014



# Contents

## Overview

2	Who we are
3	Performance snapshot
4	Group at a glance

## Strategic report

7	Our vision, values and strategy
8	Chairman's statement
10	Our marketplace
12	Group Chief Executive's review
14	Accelerate profitable growth – business unit strategy
16	Accelerate profitable growth – key performance indicators
18	Drive evolution of our business models
26	Regional performance
36	Financial review
42	Principal risks and their management
48	Sustainability
54	Independent Limited Assurance Report

## Governance

56	Chairman's letter
57	Governance overview
58	Board of Directors
60	Executive Committee
61	Leadership
65	Effectiveness
68	Relations with shareholders
70	Audit Committee
75	Nominations Committee
77	Other committees
78	Directors' Report – other disclosures
83	Remuneration Report introduction
85	Remuneration policy
94	Annual report on remuneration

## Financials

106	Group income statement
107	Group statement of comprehensive income
107	Group statement of changes in equity
108	Group balance sheet
109	Group cash flow statement
110	Notes to the consolidated financial statements
157	Independent auditors' report to the members of Wolseley plc (in respect of consolidated financial statements)
160	Company profit and loss account
160	Company balance sheet
161	Notes to the Company financial statements
165	Independent auditors' report to the members of Wolseley plc (in respect of Company financial statements)

## Shareholder information

166	Five year summary
168	Principal subsidiary undertakings
169	Shareholder information
172	Group information
173	Forward-looking statements

The following terms are used throughout this Report:

### Ongoing businesses

This excludes businesses that have been closed, sold or are held for sale. See note 2 of the consolidated financial statements for a reconciliation from reported to ongoing for revenue and trading profit. Throughout this Report all financial information is presented on an ongoing basis, unless otherwise stated.

### Like-for-like change in revenue

This is the increase or decrease in revenue excluding the effect of currency exchange, acquisitions and disposals, trading days and branch openings and closures.

### Trading profit

This is operating profit before exceptional items and the amortisation and impairment of acquired intangible assets. See note 9 of the consolidated financial statements for a reconciliation from operating profit to trading profit and note 4 for exceptional items.

### Central Europe and France

Central Europe and France are reported as one segment, given that they represent less than 10 per cent of the Group's operating profit and do not meet other quantitative criteria.

## Glossary

<b>B2B</b>	Business to Business
<b>B2C</b>	Business to Consumer
<b>HVAC</b>	Heating, Ventilation, Air-Conditioning
<b>GDP</b>	Gross Domestic Product
<b>MRO</b>	Maintenance, Repair, Operations
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>OEM</b>	Original Equipment Manufacturer
<b>PVF</b>	Pipes, Valves, Fittings
<b>RMI</b>	Repair, Maintenance, Improvement

All GDP figures quoted in this report were sourced from the OECD.

## Stay informed



### Main corporate site

[www.wolseley.com](http://www.wolseley.com)

Key sections include Our businesses, Investors and media and Responsibility. There is also information on our strategy and links to our business unit websites. Site tools include information pack download, alert services and an option to receive content feeds.

### Shareholder information section

Visit our Investor and media centre on our corporate website to stay up to date on Wolseley's results, financial calendar and latest press releases. Within the Investor and media centre you will find the Shareholder centre where you will find information on the AGM, dividends, electronic communications, share price and managing your shares.

### Annual report site

[annualreport2014.wolseleyplc.com](http://annualreport2014.wolseleyplc.com)

Visit our online annual report site. Each section of the annual report can be downloaded in pdf format.



## Section 1

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# Overview

- |   |                      |
|---|----------------------|
| 2 | Who we are           |
| 3 | Performance snapshot |
| 4 | Group at a glance    |

## Who we are

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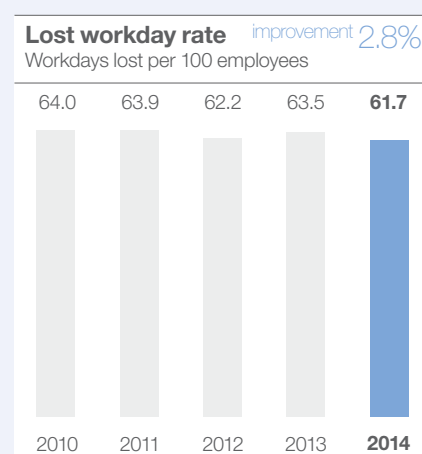
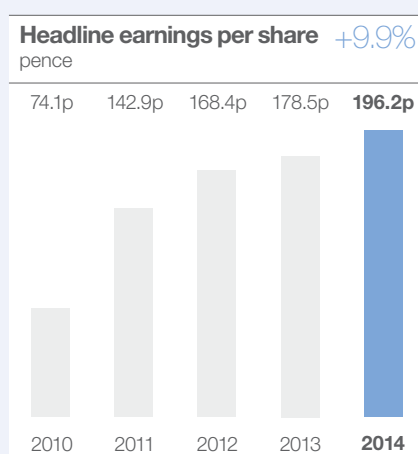
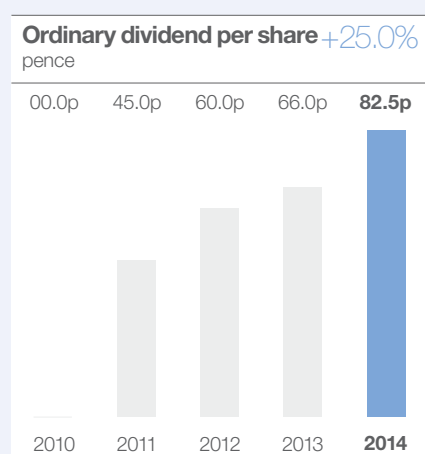
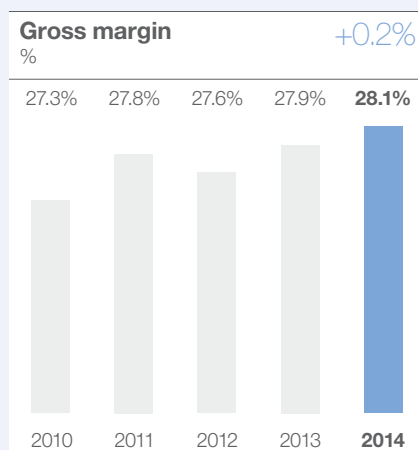
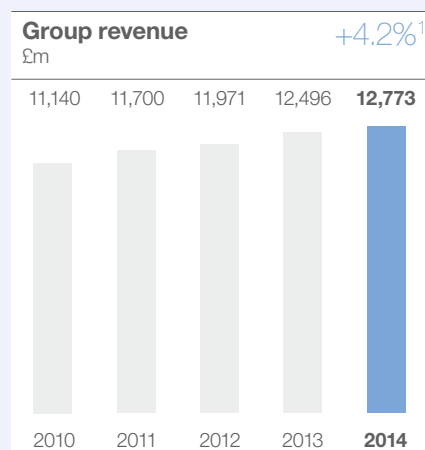
Wolseley is the world's largest trade distributor of plumbing and heating products and a leading supplier of building materials.

We build our businesses through the quality of our people – the excellent service that they provide and their strong relationships with vendors and customers.



## Performance snapshot (ongoing businesses)

# How we have performed this year



<sup>1</sup> Like-for-like revenue growth.

The results above include the impact of foreign exchange rate movements, which in 2013/14 reduced revenues by £457 million and trading profit by £30 million.

## Group at a glance (ongoing businesses)

39,557 people working at 2,878 branches  
in 10 countries



Region	USA	Canada
		
Revenue <sup>1</sup>	£7,045m +8.2% <sup>2</sup>	£779m -0.8% <sup>2</sup>
Trading profit <sup>3</sup>	£542m +10.6%	£44m -13.7%
Trading margin	7.7%	5.6%
Number of branches	1,377	222
Number of employees	20,307	2,503

### 1 Ongoing businesses

This excludes businesses that have been closed, sold or are held for sale. See note 2 of the consolidated financial statements for a reconciliation from reported to ongoing for revenue and trading profit.

### 2 Like-for-like change in revenue

This is the increase or decrease in revenue excluding the effect of currency exchange, acquisitions and disposals, trading days and branch openings and closures.

### 3 Trading profit

This is operating profit before exceptional items and the amortisation and impairment of acquired intangible assets. See note 9 of the consolidated financial statements for a reconciliation from operating profit to trading profit and note 4 for exceptional items.






 Regional performance  
See page 26



 Regional performance  
See page 29




Region	<b>UK</b> 	<b>Nordic region</b> 	<b>Central Europe and France</b> 
Revenue <sup>1</sup>	£1,853m -0.1% <sup>2</sup>	£1,892m +0.4% <sup>2</sup>	£1,204m -1.9% <sup>2</sup>
Trading profit <sup>3</sup>	£96m +1.1%	£80m -10.1%	£34m -26.1%
Trading margin	5.2%	4.2%	2.8%
Number of branches	768	267	244
Number of employees	5,978	6,250	4,410



 Regional performance  
See page 30



 Regional performance  
See page 32

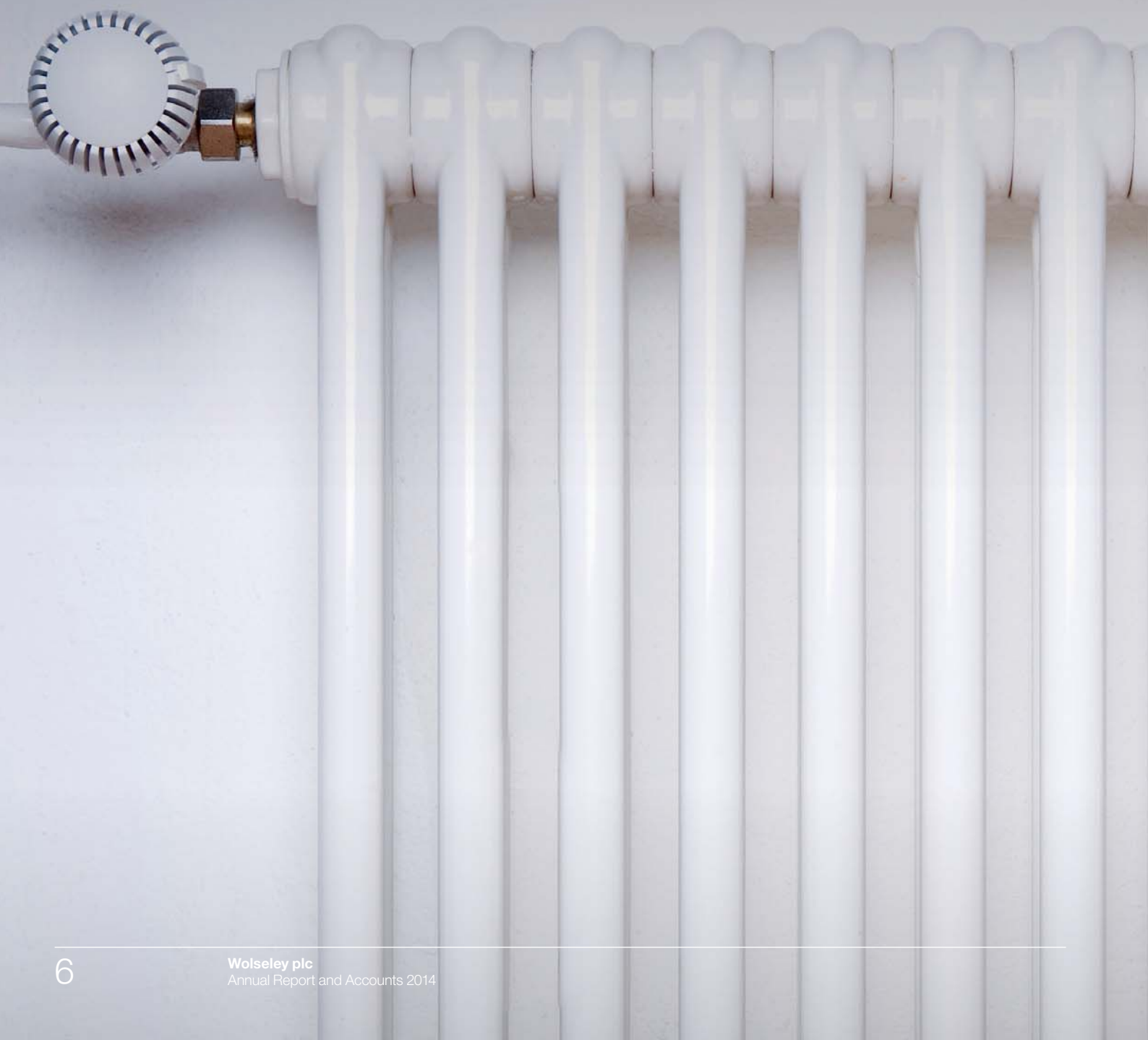


 Regional performance  
See page 34

## Section 2

# Strategic report

7	Our vision, values and strategy
8	Chairman's statement
10	Our marketplace
12	Group Chief Executive's review
14	Accelerate profitable growth – business unit strategy
16	Accelerate profitable growth – key performance indicators
18	Drive evolution of our business models
26	Regional performance
36	Financial review
42	Principal risks and their management
48	Sustainability
54	Independent Limited Assurance Report





## Our vision, values and strategy

# We have a clear vision and a deliverable strategy underpinned by our values

### Our vision

Our vision is to be the world's best local distributor of plumbing, heating and building materials products.

### Our values



We act with integrity

We conduct all our activities with fairness, honesty and integrity.



We drive for results and improvements

We listen and respond to the needs of our customers, then exceed their expectations, we are not happy with the status quo, and constantly strive to improve.



We value our people

We understand, respect and value personal and cultural differences; we are open and honest in all our dealings with our people.

### Our strategic objectives

Our strategy is unchanged and over the past five years we have reshaped our portfolio to focus on businesses with market leading positions, driving performance and synergies across the Group and strengthening the balance sheet. We are now placing greater emphasis on **accelerating profitable growth** and **improving our business models** in our best businesses. We explain more about how we plan to achieve these objectives on pages 14 to 17 and pages 18 to 25.

1

#### Develop our great portfolio of strong businesses

We will focus and develop those businesses which have, or are capable of, market leadership which will give us the best returns.

2

#### Drive performance systematically across the Group

We will drive revenue growth and margin expansion across all of our businesses.

3

#### Accelerate profitable growth

We want to grow our businesses profitably and we use our value creation model to drive growth faster than the competition. In each business we aim for above market share growth through superior customer service to gain a greater share of our customers' business.



For more information see pages 14 to 17

4

#### Drive evolution of our business models

We aim to operate the most efficient operating model in the industry. We are focusing on four key areas of the business model – Customer, Supplier, Supply Chain and Branch Operations.



For more information see pages 18 to 25

5

#### Deliver Group synergies

We embed best practice and achieve cost efficiencies by sharing functional excellence across the Group.

6

#### Underpin the strategy with a strong balance sheet

We will maintain a strong balance sheet which will enable us to invest in both organic growth and bolt-on acquisitions.

### Follow our strategy through this report

Our strategic objectives underpin and integrate our global business activities and you will see numerous references and examples of our strategy in action throughout this report. Where we discuss a part of our business which is directly linked to one or more of our strategic objectives, we have referenced this with the specific strategic objective as below.

1 2 3 4 5 6

## Chairman's statement

# Another year of substantial progress



### In summary

Strong earnings per share growth of 9.9 per cent

Rebased total dividend to 82.5 pence (2012/13: 66.0 pence)

£250 million share buyback programme

Further strengthening of the Board with three Non Executive Directors appointed in 2013/14

### Results and strategy

I am delighted to report that 2013/14 has been another year of substantial progress in what continues to be a transformational period for the Group under the stewardship of Ian Meakins, our Group Chief Executive, and his Executive team. Like-for-like revenue grew 4.2 per cent with a strong trading profit performance, up 8.6 per cent in constant currency. Headline earnings per share of 196.2 pence was 9.9 per cent ahead of last year (2012/13 restated\*: 178.5 pence). We delivered an excellent cash performance, which is enabling us to both invest in the business and appropriately reward shareholders. You can read about this year's performance in detail in the Financial review on pages 36 to 41.

Over recent years our priorities have developed from reshaping the portfolio towards driving profitable growth and developing our business models. The heavy lifting is now largely completed and the business today is on a much stronger footing. We are now focusing on our attractive businesses with strong market positions. Today over 81 per cent of the Group's revenue is generated by businesses that are either number one or number two in their markets. The growth opportunity in these markets remains large and we will continue to invest in and expand these businesses in the future.

Now that we have a strong set of businesses to invest in, we have refined our strategy to accelerate profitable growth. In addition, we are also now stepping up investment in new business models, infrastructure and technology to ensure we drive appropriate benefits of scale. I am immensely proud of the progress we have made this year in this area and you can read about some of the exciting projects, benefiting both our customers and our businesses in Ian's review on pages 12 to 13.

### Good governance and transparent reporting

It is my role as Chairman to lead the Board effectively and central to this is good governance. So you can easily see how we are governed, we have provided a corporate governance overview on page 57 of this Annual Report. We also briefly set out how our governance structure supports delivery of our business strategy. You can find more detail in the Governance section starting on page 56. On page 42 we have also provided an overview of the principal risks that might prevent us from achieving the full potential of our strategy and the actions we are taking to mitigate and control those risks.

Hand in hand with good governance goes transparent reporting and this year we have made a number of changes to the Annual Report to promote this. Some have been required due to changes in UK reporting regulations, others through changes to the UK Corporate Governance Code and some by ever-evolving reporting best practice. Significant changes include this Strategic report, which starts by explaining our business model and goes on to describe how each element helps to deliver our strategic goals.

Finally, running Wolseley on a sustainable basis is an integral part of achieving our overall strategy. As such, the Board remains fully committed to this important aspect of how we operate. Our progress and our drive for continuous improvement is set out in the Sustainability section of this report on pages 48 to 53.

The changes we have made to the Annual Report are also intended to reflect our efforts to make it fair, balanced and understandable.

\* Restated for IAS 19 (Revised) "Employee Benefits".

“We are strongly committed to maximising shareholder value.”

## Shareholder returns

We are strongly committed to maximising shareholder value. This year we rebased our dividend with an interim dividend increase of 25 per cent. The Board is now proposing a final dividend of 55.0 pence per share (2012/13: 44.0 pence per share) for payment on 27 November 2014 to shareholders on the register on 17 October 2014. This represents an increase of 25 per cent and will bring the total dividend for the year to 82.5 pence per share (2012/13: 66.0 pence per share).

During the year we took the decision to return £298 million of surplus cash to shareholders by way of a special dividend, paid on 16 December 2013. Our balance sheet remains very strong and the Group will continue to target net debt in the range of 1x to 2x EBITDA, consistent with investment grade credit metrics.

Due to the continuing strong cash generation of the Group and after taking into account the excellent opportunities to invest in organic growth and acquisitions, the Board considers that the Group has surplus cash resources available. The Group will now commence a £250 million share buyback programme with the intention to complete this within the next 12 months.

## Leadership and people

During the year there have been a number of changes to the Non Executive Directors serving on the Board. In November 2013, Andrew Duff stepped down from the Board after nine years of service as Chairman of the Remuneration Committee. Michael Clarke also stepped down in March 2014 to take up a new executive role based in Australia, having served on the Board since March 2011. Finally, in July 2014, we also announced that Michael Wareing will be stepping down at this year's AGM after over five years' service. I would like to thank them all for their dedicated service and significant contributions to Wolseley and I wish them well for the future.

Over the past three years I, alongside my colleagues on the Nominations Committee, have sought to ensure that the right balance of skills and breadth of experience are reflected on the Board. In particular, we wanted to enhance the Board's retail and international experience and ensure we had successors for the Chairmanship of the Audit and Remuneration Committees.

The retirement of former Non Executive Directors has afforded the opportunity to augment the strength of our Board and we conducted a thorough search to identify the following new members. On 1 May 2014, Darren Shapland joined the Board as a Non Executive Director, having previously been Chief Financial Officer of J Sainsbury plc. Darren will succeed Michael Wareing as Chair of the Audit Committee following the AGM in November. On 21 May 2014, John Daly and Jacky Simmonds joined the Board as Non Executive Directors. John has over three decades of business and management experience, including the last 14 years with British American Tobacco plc in a variety of senior leadership roles running large international businesses. Jacky is a highly experienced HR professional in the international retail and leisure industry. She is currently Group HR Director of TUI Travel plc, one of the world's leading leisure travel companies, a role she has held since 2010. In July 2014, Jacky took over from Alan Murray as Chairman of the Remuneration Committee.

Finally, on behalf of the Board, I would like to thank all of our colleagues throughout Wolseley for the tremendous efforts made by everyone to deliver the results this year, in what continues to be a very exciting period for the Group. It is their continuing commitment and focus to deliver great service to our customers which enables the delivery of substantial progress for the Group as a whole.



**Gareth Davis**  
Chairman



## Our marketplace

# We operate in attractive markets...

### Our industry

The distribution of plumbing and heating and building materials principally to trade customers. The key characteristics of our industry are:



#### Many customers

The customer base is fragmented. Wolseley services approximately **1 million customers** across the Group.



#### Customers' needs are local

Professional contractors typically operate within about **20 miles** of a local branch and may visit it several times per week. In addition to visiting branches they are now using emerging channels such as e-commerce which complement their working patterns.



#### Large vendor base

The vendor base is large. Wolseley distributes the products of approximately **50,000 vendors** across the world.



#### Clear need for distributors in the supply chain

Distributors **bridge the gap** between the large vendor base and the large and geographically dispersed professional customer base.



#### Highly fragmented industry with no market dominated by a single player

Our markets are typically highly fragmented, with **few large players** in the industry.



#### Benefits of scale

Due to **scale benefits** market leaders can perform better through the economic cycle.

### Our markets

Plumbing and heating and building materials distribution in the USA, Canada, UK, Nordic region, Central Europe and France.

#### Growing markets

Demand for our products may be influenced by macroeconomic factors such as GDP, unemployment and consumer confidence. **Other key factors supporting long-term growth in the markets are as follows:**



#### Population growth

**Growth of 1 per cent per year is expected in the USA in the next decade.** Population is expected to grow in almost all the countries we operate in.

Source: United Nations Department of Economic and Social Affairs.



#### Ageing housing stock

**The median age of homes in the USA is 40 years.** There is high demand for repairs, maintenance and improvement in the large installed base of existing homes.

Source: US Dept. Of Housing and Urban Development.



#### Increased comfort levels in homes

**85 per cent of new homes in the USA have two or more bathrooms.** There is a trend towards increasing levels of comfort in homes.

Source: US Dept. Of Housing and Urban Development.



#### Sustainable development

**The EU plans for all new public buildings to be "nearly zero energy" by 2019. Environmental concerns will drive demand for renovation of existing buildings.**

Source: European Council for an Energy Efficient Economy.



#### Large aftermarket

The size of the building repair market in Western Europe is **forecast to be €558 billion in 2014**, which is greater than forecast new construction spend.

Source: Euroconstruct.

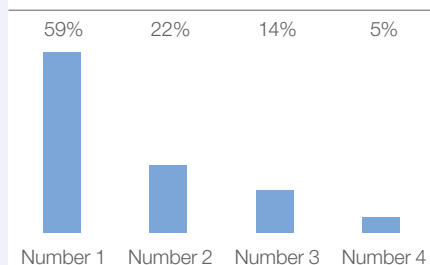
# ...which provide the opportunity to generate excellent returns

## Our business

We hold leading positions in many of the markets in which we operate. Our knowledge, coverage and scale enable us to operate efficiently and provide a high level of service to our customers.

### Market leading positions

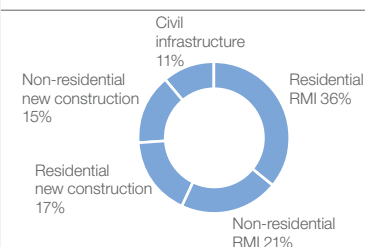
% of ongoing 2013/14 revenue



A large proportion of our businesses are **market leaders** in their local markets, and 81 per cent of the Group's revenue is generated by businesses which are number one or two in their markets.

### Servicing principally RMI markets

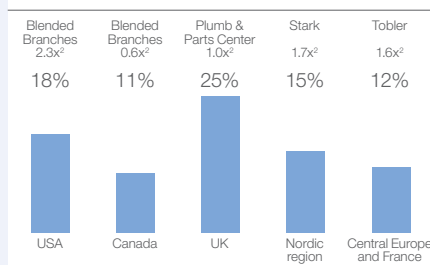
% of total 2013/14 revenue



**57 per cent** of the Group's revenue in 2013/14 was derived from RMI markets.

### Substantial growth opportunities

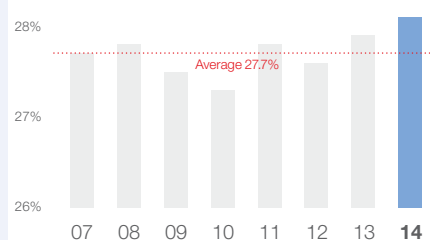
% absolute market share<sup>1</sup>



Whilst many of our businesses are the number one or two players, their respective markets are reasonably fragmented. This provides **significant opportunities to grow** our business through a combination of organic expansion and acquisitions.

### Sustained gross margins

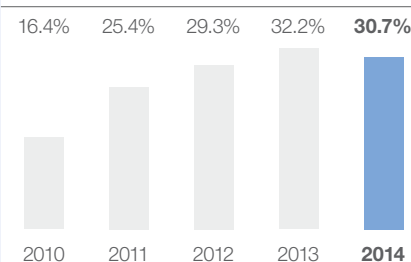
% gross margin



Our resilient gross margins have **averaged between 27 per cent and 28 per cent** over the last eight years despite changes in the economic environment.

### Attractive returns on capital employed

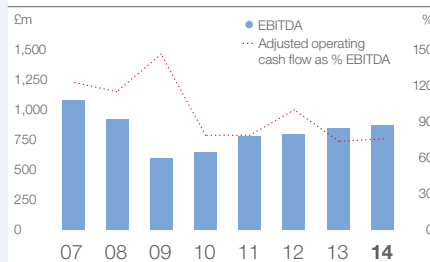
% return on capital employed (excluding goodwill)<sup>3</sup>



Our aim is to consistently achieve attractive returns of capital employed over the cycle. Wolseley achieved a **high return on capital employed** in the year ended 31 July 2014 of 30.7 per cent.

### Excellent cash generation

EBITDA and operating cash flow<sup>3</sup> as % EBITDA



Wolseley's businesses utilise working capital carefully and **convert profits strongly to cash**.

<sup>1</sup> Based on Company estimates.

<sup>2</sup> Relative Market Share – estimated Wolseley share in addressable market/share of largest competitor.

<sup>3</sup> Adjusted for receivables financing and year-end working capital measures.

## Group Chief Executive's review

# Delivering our strategy to drive strong results



### In summary

Strong results and excellent cash generation

Eight bolt-on acquisitions completed

Significant investment in new business models, technology and infrastructure

### Performance

I am pleased to report a good overall result in 2013/14 against a backdrop of good market conditions in the USA and continued weak demand in Europe and Canada.

The standout performance was the USA where we achieved a record 7.7 per cent trading margin, strongly outperforming the markets in all of our major segments. Like-for-like revenue growth in the UK was lower as we continued to protect gross margins. We faced economic headwinds in Continental Europe and here we have taken further action to lower operating costs. Our strong balance sheet means we have continued to invest in technology and processes to develop more efficient business models to support improvements in operational efficiency and to improve our trading margin, which is now up to 6.0 per cent for the ongoing businesses.



See pages 26 to 35 for more about our performance

### Group strategy and business model

Our strategy is unchanged and you can read about our progress this year in the rest of this Strategic report. Over recent years we have embedded the process of allocating capital for investment to those businesses capable of generating the best returns for shareholders. For example, a significant proportion of investment is now being allocated to our USA operations where we have strong, market-leading businesses with considerable growth opportunities in large, fragmented markets. We have also continued to develop detailed business unit strategies with the objective of accelerating profitable growth in these businesses. This is now working well, although outside of the USA where market conditions have been much slower to recover, we have not made enough progress to date.

In each country our management teams have significant opportunity to develop our businesses depending on market conditions. In the USA, for example, where the market has been growing, this year we have continued to drive above market revenue growth and gross margin improvements. However, in the Nordic region, Central Europe and France, where markets have been tough, we are focusing on holding market share and protecting gross margins and controlling operating costs tightly. We are working very hard to improve customer service to gain a greater share of our existing customers' business. We are also looking at ways to improve how we manage our sales teams to win new customers and to provide a more responsive service to our existing customers.

**3** See pages 14 to 17 for more about our progress accelerating profitable growth

### Investment

This year we have stepped up capital investment to a total of £201 million (2012/13: £140 million), a significant proportion of which was invested in the development of more efficient business models. This has included new distribution centres and distribution hubs to support our expansion plans. We have also invested in the branch network, including 26 new branches, supporting showroom expansion and branch refurbishments. You can read more about our progress in this important element of our strategy on pages 18 to 25.

All of our businesses are developing technology, process and network infrastructure to help us become more productive. This year this included the successful implementation of new core financial systems in the UK, a new European data centre, major telecoms and network upgrades in the UK and the USA and master data and middleware projects to support our business model development initiatives. In 2014/15, we expect capital expenditure to be in the region of £200 million to £220 million as we continue to invest in these transformational projects.



The associated incremental operating costs will be approximately £30 million. Shareholders rightly expect our investments to generate appropriate returns and this is assessed as part of a rigorous investment appraisal process. It is also worth bearing in mind that some projects are updating systems infrastructure, which will support the business for many years to come.

**4** See pages 18 to 25 for more about our investment in new business models

## Bolt-on acquisitions and disposals

As well as organic expansion we have many opportunities to deploy capital on bolt-on acquisitions. During the year, we acquired eight businesses with annualised revenue of £444 million. These were small bolt-ons in our existing geographies that will be integrated rapidly into our strong businesses to yield good cost synergies and deliver attractive returns. We would expect that in the coming year we will be able to invest £200 million to £300 million on acquisitions. However, we will only acquire businesses which are appropriately priced and clearly support our strategic objectives. At the same time, we will also maintain a conservative, but efficient, balance sheet, with investment grade credit metrics.


During the year we announced the exit of the Cheapo DIY business in Sweden and the ÖAG plumbing and heating business in Austria. In addition, we recently announced that we are reviewing exit options for the future of the ISB wood solutions business in France.

 See pages 26 to 35 for more about this year's acquisitions

## Sustainability

We have made good progress in several components of the sustainability programme this year. A robust health and safety programme protects our workforce, whilst improving productivity and we made good progress reducing our lost workday rate by 2.8 per cent. However, the vehicle collision rate increased slightly by 0.2 per cent this year and that is disappointing. We have mitigating actions in place to deliver a better performance going forward.

Over the last two years Wolseley has also succeeded in reducing carbon emissions by 7.3 per cent and the tonnage of waste sent to landfill by 18.0 per cent (both per £ million of revenue generated). In order to achieve this, the businesses have implemented many projects, not least an 8,000 solar panel installation on the roof of our largest distribution centre in the UK in Royal Leamington Spa, which will more than account for its power needs and achieve carbon savings of around 1,280 tonnes a year.

 See pages 48 to 53 for more about our sustainability programme

## Looking ahead

The overall like-for-like revenue growth rate for the Group since the beginning of the new financial year has been broadly in line with the fourth quarter of 2013/14.

Overall we expect the Group's like-for-like revenue growth rate for the first six months of the new financial year to be about 5 per cent.

## Our people

Our achievements are, of course, down to the people who work for Wolseley. So on behalf of the Executive team I would like to thank all of my Wolseley colleagues for their continued dedication and commitment to our customers. We have much work to do in the years ahead, but we continue to approach this with a growing sense of optimism and an absolute sense of purpose.



**Ian Meakins**  
Group Chief Executive

3 Accelerate profitable growth – business unit strategy

Our goal is to deliver long-term, sustainable, profitable growth

Most of our business requires local market knowledge and service to be successful. Therefore, in each region our strategy is executed at business unit level. We use our value creation model (opposite) to drive performance, the output from which is a set of profit levers which we use to drive like-for-like revenue growth, improve our

market share and grow our gross margins in conjunction with an efficient cost base. The principal profit levers are outlined below, although given different local conditions the focus may be shifted somewhat between these priorities over time. Ultimately, many small improvements generate good performance in our business.

 Key performance indicators  
See pages 16 and 17

 Principal risks  
See page 42

### Gain market share

Each business unit aims to grow market share faster than the competition through gaining a greater share of its existing customers' business and through attracting new customers.

#### Key profit levers

**Customer service**  
In all of our business units we strive to deliver above-market like-for-like growth through offering the best customer service. Customers value superior service and are often prepared to pay a little more for it – there is a strong correlation in a branch between high customer service scores and good financial performance. We measure customer service in every branch and focus on improving the most important factors valued by our customers. These include: speed of service; range and availability of a wide basket of products; and knowledgeable, well trained employees.

**Organic growth**  
We aim to grow our revenue organically through targeted branch expansion, offering multiple order channels, and through expansion into adjacent business segments.

**Bolt-on acquisitions**  
While organic growth remains our priority, we complement our organic growth strategy with bolt-on acquisitions which are rapidly integrated into our network to deliver attractive returns.

In Finland, we recently acquired Puukeskus, a leading building materials business. We are now integrating it with our Starkki business. The acquisition enabled us to access several new metropolitan districts in Finland and the combined business is now one of the largest trade suppliers in the country.

Key performance indicators	Principal risks
Like-for-like revenue growth	New business models
Customer service	Market conditions and growth
Employee engagement	

### Expand gross margins

Each business unit aims to grow its gross margin through a range of actions including consistent pricing, better sourcing, and increasing the mix of higher margin and own label products we sell.

#### Key profit levers

**Pricing**  
We are adjusting our business model to ensure that we charge appropriately for the value we provide for our customers. For example, in several countries we have moved to regional or national job quotation centres so we can price contracted business consistently and accurately.

**Sales mix**  
Sales, customer and product mix all affect gross margins. For example, showrooms and over-the-counter sales achieve higher overall gross margins than large projects. By actively managing this mix we can positively impact gross margins.

**Sourcing and category management**  
Sourcing and supplier relationships are also critical for managing and improving gross margins. Through embedding category management into our business, or moving where appropriate to low cost country sourcing, we drive scale benefits. By strengthening strategic supplier partnerships we can better leverage our scale while also serving our customers' needs.

In the USA, we continue to focus on developing our national network of showrooms which is the highest gross margin channel. During the year, revenue generated by the showroom channel grew strongly.

Key performance indicators	Principal risks
Gross margin	Pressure on margins

## Value creation model



## Improve productivity

Each business unit aims to improve productivity through leveraging benefits of scale and operating a more efficient business model.

### Key profit levers

#### E-commerce

Today our customers want more flexible ways of doing business with us which presents both challenges and opportunities. For example, we now offer the majority of our customers e-commerce channels, which is enabling them to do business with us 24/7 but is also driving greater productivity in our business units and lowering our cost to serve.

#### Benefits of scale

Business units that have national scale and strong market positions can share resources to improve productivity. For example, in some regions we have introduced more flexible work patterns, better matching labour activity to fulfilling the peaks and troughs of customer demand throughout a working day.

#### Branch of the future

Historically, we have developed our branches to be standalone businesses. We are now increasingly reviewing activities undertaken in a branch and centralising those activities where we can drive the greatest scale benefits. For example, in the USA we are now pooling branch resources in a region in functions such as sales management, deliveries and logistical planning which is driving significant improvements in productivity.

In the UK, we continue to improve our branch productivity. At our busiest time of the day, we have implemented a "golden trading period" where all branches are solely focused on serving customers. All deliveries and internal administrative requests are handled in quieter periods. We are also gradually changing our staffing mix to include more part-time work so that we have a more flexible labour model.

#### Key performance indicators

Labour costs as a percentage of gross profit  
Lost workday rate

#### Principal risks

New business models

## Improve returns and cash

Each business unit aims to generate strong cash flow with disciplined working capital management and investment in our core business.

### Key profit levers

#### Trading margins

We aim to convert incremental revenue strongly to trading profit, leveraging the fixed costs of the business. Over the long term, we expect our businesses to generate flow-through (defined as incremental trading profit divided by incremental revenue) of more than 10 per cent.

#### Investment and return on capital

All significant investments made by our businesses are assessed using a rigorous investment appraisal process and are supported by a business case. Each investment must offer an attractive return on investment above the weighted average cost of capital of the Company and/or should improve the quality and efficiency of the business for the future.

#### Working capital efficiency

All of our business units aim to utilise working capital efficiently and convert profits strongly to cash. Each business unit has performance management targets for receivables, payables and inventory, with an overall target to reduce cash-to-cash days each year.

In the USA, we have invested in a new distribution centre in the Ohio region. This will allow us to redistribute activity from our other distribution centres to optimise operating efficiency and to increase capacity which will help support future growth. The running costs of the new distribution centre are more than offset by annualised savings in freight and labour costs at other distribution centres and therefore the investment offers a very attractive return on capital.

#### Key performance indicators

Trading margin  
Return on capital employed  
Average cash-to-cash days

#### Principal risks

New business models  
Market conditions and growth



### 3 Accelerate profitable growth – key performance indicators

## Measuring progress against our strategic goals

The Group has used the following indicators to measure performance against its strategic and financial objectives during the year.

KPI	Definition	Performance	Description										
Gain market share													
<b>Like-for-like revenue growth</b>  +4.2%	The percentage increase or decrease in revenue, excluding the effect of currency exchange, acquisitions and disposals, trading days and branch openings and closures, in the ongoing businesses.	<table><tr><td>2010</td><td>2011</td><td>2012</td><td>2013</td><td>2014</td></tr><tr><td>-6.2%</td><td>5.5%</td><td>4.2%</td><td>3.1%</td><td>4.2%</td></tr></table>	2010	2011	2012	2013	2014	-6.2%	5.5%	4.2%	3.1%	4.2%	Group like-for-like revenue <b>growth</b> was 4.2 per cent for the year, compared to 3.1 per cent in the previous year.
2010	2011	2012	2013	2014									
-6.2%	5.5%	4.2%	3.1%	4.2%									
<b>Customer service, USA</b>  +0.1%	12 month average <sup>1</sup> net promoter score ("NPS"). The NPS is a survey-based means of measuring customer satisfaction. The survey is based on a single question: "How likely is it that you would recommend Wolseley to a friend or colleague?" Customers respond using a 0-to-10 point rating scale. NPS defines "Net Promoters" as those scoring 8 or more, less those customers scoring 6 or less.	<table><tr><td>2011<sup>1</sup></td><td>2012</td><td>2013</td><td>2014</td></tr><tr><td>53.6%</td><td>59.5%</td><td>62.9%</td><td>63.0%</td></tr></table>	2011 <sup>1</sup>	2012	2013	2014	53.6%	59.5%	62.9%	63.0%	There is a strong correlation in our business between customer service scores in a branch and financial performance. The processes for tracking and reporting of customer service KPIs differ by geography and by business unit. An example is given for the USA, the largest region in the Group, where the net promoter score has <b>improved</b> compared to the previous year.  <small>1 Data was collected from October 2011 onwards, therefore 2011 is a 10 month average.</small>		
2011 <sup>1</sup>	2012	2013	2014										
53.6%	59.5%	62.9%	63.0%										
<b>Employee engagement, USA</b>  -0.3%	Periodically "pulse" surveys are sent to 3,000 employees at all levels of the USA business. They respond to the question: "How satisfied are you that Ferguson is a good company to work for?" The survey and calculation methodology are similar to NPS above.	<table><tr><td>2011</td><td>2012</td><td>2013</td><td>2014</td></tr><tr><td>82.3%</td><td>86.3%</td><td>90.1%</td><td>89.8%</td></tr></table>	2011	2012	2013	2014	82.3%	86.3%	90.1%	89.8%	Highly engaged employees are more likely to deliver superior customer service and consequently we measure employee engagement in every business unit. An example is given for the USA, the largest region in the Group, where the rates <b>decreased</b> by 0.3 per cent. Although the overall rate decreased slightly, an engagement rating of nearly 90 per cent is significantly ahead of industry averages.		
2011	2012	2013	2014										
82.3%	86.3%	90.1%	89.8%										
Expand gross margins													
<b>Gross margin</b>  +0.2%	The ratio of gross profit, excluding exceptional items, to revenue in the ongoing businesses.	<table><tr><td>2010</td><td>2011</td><td>2012</td><td>2013</td><td>2014</td></tr><tr><td>27.3%</td><td>27.8%</td><td>27.6%</td><td>27.9%</td><td>28.1%</td></tr></table>	2010	2011	2012	2013	2014	27.3%	27.8%	27.6%	27.9%	28.1%	Gross margin <b>improved</b> by 20 basis points to 28.1 per cent. Excluding the effect of acquisitions and disposals and branch openings and closures, the gross margin <b>improved</b> by 30 basis points compared to the previous year.
2010	2011	2012	2013	2014									
27.3%	27.8%	27.6%	27.9%	28.1%									

KPI	Definition	Performance	Description										
Improve productivity													
<b>Labour costs as % of gross profit</b>  0.3% deterioration	Total labour costs as a percentage of gross profit in the ongoing businesses, excluding exceptional items.	<table><tr><td>2010</td><td>2011</td><td>2012</td><td>2013</td><td>2014</td></tr><tr><td>51.2%</td><td>49.1%</td><td>49.2%</td><td>48.2%</td><td>48.5%</td></tr></table>	2010	2011	2012	2013	2014	51.2%	49.1%	49.2%	48.2%	48.5%	Labour cost as a percentage of gross profit <b>deteriorated</b> to 48.5 per cent for the year, compared to 48.2 per cent in the previous year.  Productivity deteriorated slightly in the year primarily due to difficult market conditions in the Nordic region and Continental Europe.
2010	2011	2012	2013	2014									
51.2%	49.1%	49.2%	48.2%	48.5%									
<b>Lost workday rate</b>  2.8% improvement	Total working days lost to work related injuries per 100 employees. The number of days lost is the total number of calendar days that the injured person was out of the workplace (but only including the days that the injured person was scheduled to work) irrespective of the number of hours that would normally have been worked each day. The lost workday rates are calculated using full-time equivalent ("FTE") employee numbers.	<table><tr><td>2010</td><td>2011</td><td>2012</td><td>2013</td><td>2014</td></tr><tr><td>64.0</td><td>63.9</td><td>62.2</td><td>63.5</td><td>61.7</td></tr></table>	2010	2011	2012	2013	2014	64.0	63.9	62.2	63.5	61.7	Workdays lost per 100 employees <b>improved</b> by 2.8 per cent compared to the previous year.
2010	2011	2012	2013	2014									
64.0	63.9	62.2	63.5	61.7									
Improve returns and cash													
<b>Trading margin</b>  +0.2%	The ratio of trading profit to revenue in the ongoing businesses.	<table><tr><td>2010</td><td>2011</td><td>2012</td><td>2013</td><td>2014</td></tr><tr><td>4.0%</td><td>5.0%</td><td>5.5%</td><td>5.8%</td><td>6.0%</td></tr></table>	2010	2011	2012	2013	2014	4.0%	5.0%	5.5%	5.8%	6.0%	Group trading margin <b>increased</b> from 5.8 per cent to 6.0 per cent as the Group kept operating expense growth lower than the increase in gross profit.
2010	2011	2012	2013	2014									
4.0%	5.0%	5.5%	5.8%	6.0%									
<b>Return on gross capital employed</b>  +0.5%	The ratio of trading profit to the average year-end aggregate of shareholders' funds, adjusted net debt, and cumulative goodwill written off.	<table><tr><td>2010</td><td>2011</td><td>2012</td><td>2013</td><td>2014</td></tr><tr><td>7.1%</td><td>10.6%</td><td>12.6%</td><td>14.3%</td><td>14.8%</td></tr></table>	2010	2011	2012	2013	2014	7.1%	10.6%	12.6%	14.3%	14.8%	Return on gross capital employed <b>improved</b> from 14.3 per cent to 14.8 per cent. Our long-term objective remains to generate attractive returns on capital.
2010	2011	2012	2013	2014									
7.1%	10.6%	12.6%	14.3%	14.8%									
<b>Average cash-to-cash days</b>  improvement 1 day	The 12 month average number of days from payment for items of inventory to receipt of cash from customers for the total business. A change in the calculation method took place in 2010/11 to include rebates receivable and net (rather than gross) trade receivables within the calculation.	<table><tr><td>2010</td><td>2011</td><td>2012</td><td>2013</td><td>2014</td></tr><tr><td>50*</td><td>54</td><td>54</td><td>53</td><td>52</td></tr></table>	2010	2011	2012	2013	2014	50*	54	54	53	52	Average cash-to-cash days of 52 days was an <b>improvement</b> of one day compared to the previous year.
2010	2011	2012	2013	2014									
50*	54	54	53	52									
		* Old calculation method.											

## 4 Drive evolution of our business models

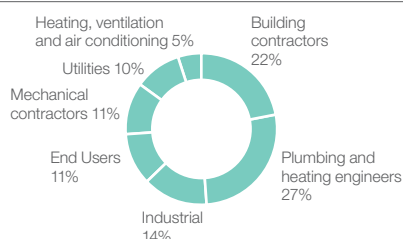
# Focusing on individual **customer** needs



**We have a wide range of customers across many sectors and we are passionate about consistently delivering the best service in the industry.**

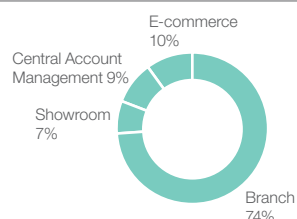
The Group has a large, diverse customer base ranging from individual plumbers and builders through to national contractor chains and house builders. Our customers need a wide range of products with high levels of availability often for collection or delivery on the same day. As well as breadth of product range, customers value good advice, speed of service and the relationship with our employees. Consequently, we regularly measure customer satisfaction in our branches and benchmark our service in relation to the competition.

**Customer mix**  
% of total 2013/14 revenue



We sell through a variety of channels including over-the-counter, sales force, or via e-commerce. In some regions we also operate a network of showrooms which enables us to showcase and sell our product range to both trade and end user consumers.

**Sales order channel mix**  
% of total 2013/14 revenue



### Major change initiatives

Current performance initiatives include new segmentation models to meet the needs of specific types of customers more efficiently and new pricing models to ensure we capture appropriate value at the point of sale. We are also investing in our e-commerce channels as customers increasingly choose to do business with us online. We are trialling new models to optimise sales management, in particular maximising revenue opportunities from our existing customer relationships as well as attracting new customers.

### Example: segmentation

Historically, Wolseley has operated a high service and high cost model for the majority of our customers, with unrestricted access to all our sales order and fulfilment channels. We are now beginning to use customer segmentation models which better reflect customer needs and offer them flexibility in how they want to do business with us while optimising our operating costs.

### How are we changing it?

Our customers vary in size and type and consequently have different service requirements. For example, large commercial and industrial customers often need a dedicated salesperson who understands their requirements well and visits their project sites regularly. These customers rarely need access to the branch network. Small plumbing companies, however, use the branch regularly and often need specific advice and a high level of interaction with branch staff.

Consequently, we are introducing segmented models to better match sales and order channels to customer requirements.

In the UK, we have created eight customer segments based on their size and business type, service needs, and transactional behaviour.

Two of the segments are “Super and National Accounts” and “Small Plumbing and Heating Generalist” and they have different needs in many areas of service, for example:

- pricing and availability: a large national contractor may often be tendering for work so may want lower pricing for higher volumes than a local plumber fixing an emergency repair, who may value immediate product availability over price;
- order fulfilment: a local plumber may collect from our branches much more frequently than a large national contractor, who may prefer direct delivery to the job site; and
- sales management: a large national contractor may value a consistent point of contact across the country whereas a local plumber may rely on their relationship with local branch employees.





## 4 Drive evolution of our business models

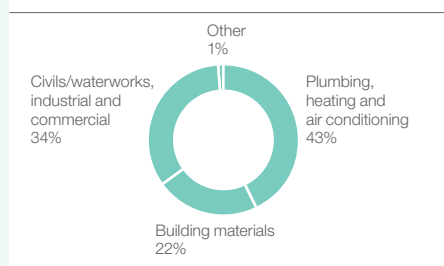
# Building long-term **supplier** relationships



**Our supplier base is highly fragmented and we have relationships with over 50,000 companies globally.**

Globally we source over 1 million products bringing together a broad range of products that our customers need from many different suppliers. Our leading national market positions give us higher volume purchasing scale with suppliers and we provide them with more convenient points of high-volume distribution for their products and access to our large and diverse customer base.

**Product mix**  
% of total 2013/14 revenue



The majority of sourcing is carried out by central teams in each geography as scale advantages are predominantly derived nationally. Some sourcing is carried out locally in branches, particularly when sourcing non-standard products, which in some geographies can be a significant proportion of revenues generated.

### Major change initiatives

Current performance initiatives include optimising the major categories of products we sell and focusing on fewer suppliers to consolidate spend. We are also looking at how we ensure suppliers pay appropriately for access to our large scale distribution network and how we optimise the opportunity to drive further scale benefits from low-cost country sourcing initiatives.

### Example: low-cost country sourcing

While sourcing is predominantly undertaken in each business unit or nationally, some international sourcing benefits exist. For example, some categories of private label products are sourced from low-cost countries and distributed internationally to Wolseley businesses. We work in partnership with our third-party suppliers in low-cost countries who value our scale and geographical reach.

While there has been some consolidation in spend in low-cost country sourcing, many regions still source some categories of products independently and there is an opportunity to drive further benefits through greater co-ordination of these activities.

### How are we changing it?

We want to ensure we maximise the scale benefits from all Group purchasing activities arising from low-cost countries. In addition, as these activities grow, we want to ensure we have stronger management of, for example, quality assurance and quality control activities to ensure a more reliable service to the customer.

In May 2014, we completed the acquisition of our Taiwan-based sourcing agent.

Wolseley has had a trading relationship with a Taiwanese-based sourcing agent for over 20 years and the USA and Canada already source a proportion of imported products through them.

Giving us access to over 200 vendors across Taiwan, China, Thailand, Indonesia and Korea, the acquisition will enable us to operate an efficient single sourcing platform for all our globally imported products to maximise the benefits of scale.

We will create a single platform to coordinate all of our global sourcing activities for products sourced in the Far East and other low-cost countries.

We will offer a full menu of sourcing-related services to all Wolseley's business units including sourcing, quality assurance and quality control, as well as managing product defects or recall issues with manufacturers.





## 4 Drive evolution of our business models

# Operating an efficient **supply chain** network



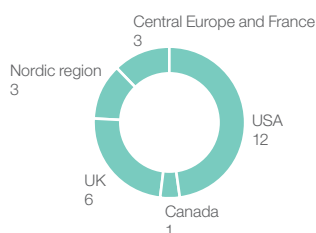
### The right product, in the right place, at the right time.

Our supply chain allows us to better serve customers through flexible delivery options, broader product ranges, improved product availability, as well as enabling the Group to better manage inventory.

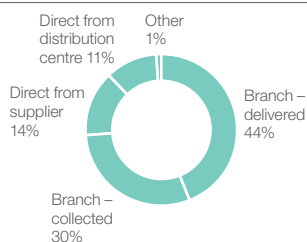
Our plumbing and heating businesses, for example, operate through a network of regional distribution centres. Manufacturers deliver in bulk to our distribution centres which, through our large vehicle fleet, supply both our branch network and some customers through direct deliveries. The scale of our supply chain network means that we can offer our customers high levels of product availability for up to 1 million products when they need them.

Our supply chain and logistics know-how enables customers to choose the most appropriate delivery method for each order.

**Distribution centres by region**  
Number



**Order fulfilment channel mix**  
% of total 2013/14 revenue



### Major change initiatives

Current performance initiatives include further improvements to availability of the most common products required by customers in the branch. In addition, we are ensuring we can meet the needs of our customers for delivery in the most cost effective and efficient way.

### Example: supply chain

The Group uses a range of transport solutions in each of its businesses including its own extensive fleet and third-party delivery services. The Group uses fleet management systems and backhauling arrangements to maximise the efficiency of its transport network and minimise its environmental impact. Typically, each branch manages outbound logistics including customer delivery, which may involve operating a number of trucks depending on the size of the branch.

### How are we changing it?

We have introduced distribution hubs into some parts of our network, particularly in areas where we have a high concentration of branches. Where we operate distribution hubs it enables us to more efficiently plan outbound logistics across an entire region rather than by branch. It also enables us to hold higher inventory in the hub for same day delivery than would be possible operating through individual branches. The branches are also freed up from managing logistics to focus on sales and delivering customer service and as centres for customer pick up or click and collect offerings.

In the USA, we are investing in a major new distribution hub in New Jersey.

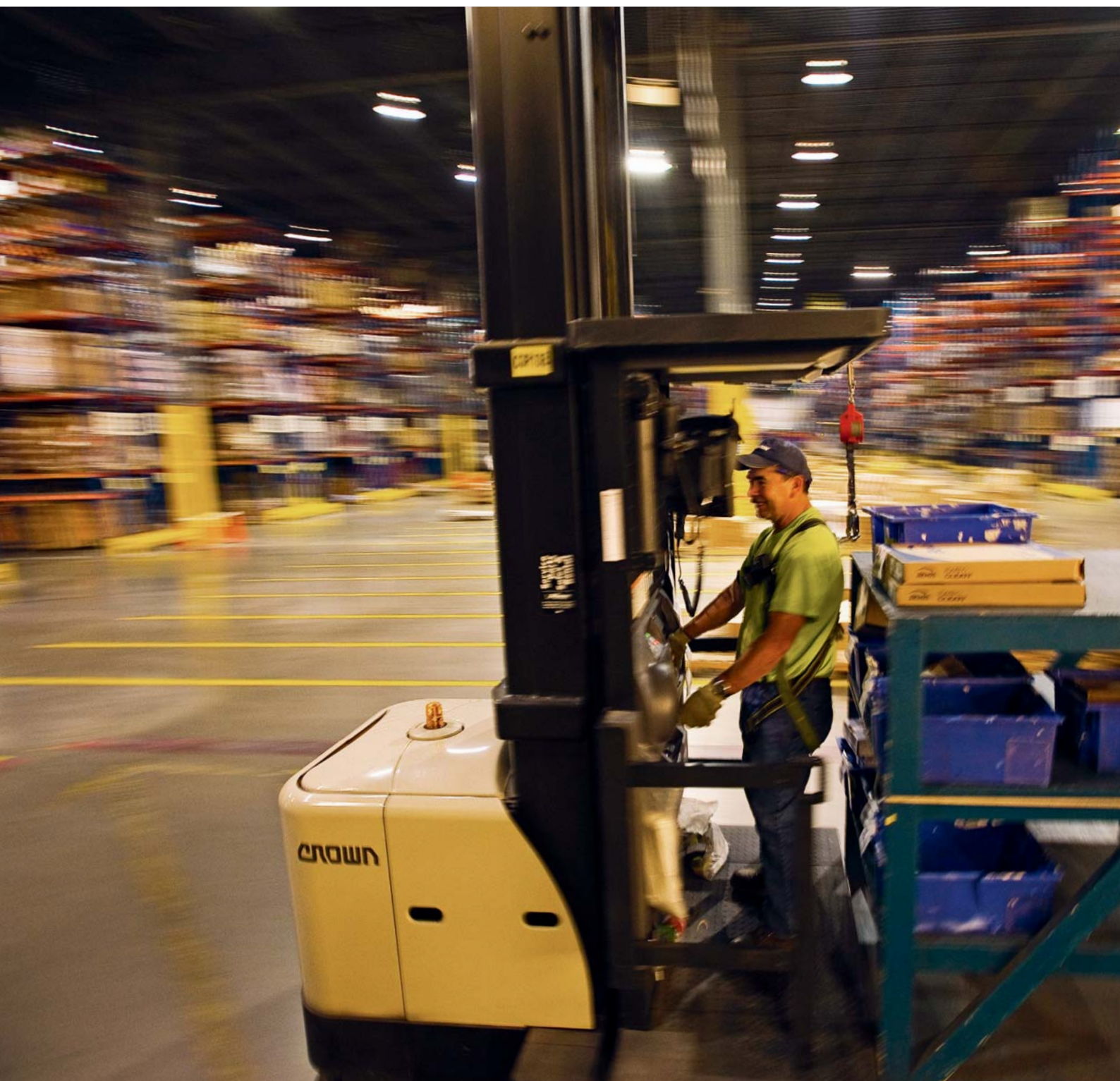
The regional supply hub will serve customers in a 100-mile radius seeking same day or next day delivery. It will also include a small trade counter to serve customers direct.

The hub will provide branch replenishment for New York Metro branches servicing the majority with same day or next day delivery.

The hub will also consolidate replenishment and delivery capabilities from several locations into a single site. This will lower our operating costs through more efficient outbound logistics planning.

It will also improve customer service, giving customers a wider choice of products with high availability and more flexible delivery options.





## 4 Drive evolution of our business models

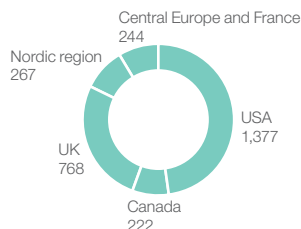
# Improving our branch operations



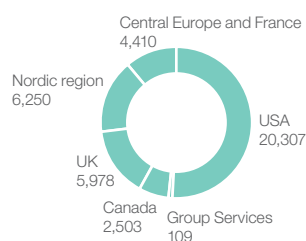
**With 2,878 branches across 10 countries, Wolseley is an international group with local business operations.**

Typically, the Group's customers travel less than 20 miles to a branch and we rely on the strength of our operations in each local market and the knowledge of our employees in the branches to meet our customers' needs. While customers are increasingly demanding a 24/7 multi-channel experience, the branch remains an important order and fulfilment channel for our customers. Many customers visit the branch several times a week to pick up and order products and to get advice from local counter staff who know their business well.

**Branches by region**  
Number



**Employees by region**  
Number



### Major change initiatives

Current performance initiatives include improving information systems to more efficiently process transactional data in a branch and we are also modernising our branch layouts, our technology and infrastructure to provide a faster, more efficient service to customers which at the same time lowers our cost to serve.

### Example: cost management

Branches have historically been highly decentralised, responsible for a wide range of day-to-day activities such as sales, sourcing, logistics and deliveries, and pricing. Branches are then supported by centralised functions which perform functions such as finance, marketing, IT and human resources. In recent years we have been progressively moving to more of a managed network of branches to ensure we capture benefits of scale but also free up the branch staff to focus on serving our customers and driving sales.

### How are we changing it?

We are now reviewing which activities should be executed at branch level and identifying those that can be centralised or shared between branches. For example, in the USA, we are now pooling sales teams into regional hubs which has resulted in better customer service and calls being handled faster by more knowledgeable employees. We are also introducing sales planning across the network, rather than by branch, so that we better match customers with sales personnel and remove areas of cost duplication.

We are stepping up investment in transaction processing, including better telephony and faster internet connectivity. The new business model will improve productivity through process improvements, and will free up branch staff to focus on customer service and increase capacity in branches through greater efficiency.

In the Nordic region, a time and motion study has shown that our branch employees were spending approximately 40 per cent of their time on customer-facing activities.

We have targeted to increase that to 60 per cent by removing unnecessary processes, sharing resources better between branches, implementing hubs where appropriate, and transferring some processes to centralised head offices.

Our aim is to limit non-sales activity in our branches and reinvest that time to give us proportionately more time to serve our customers' needs.





## Regional performance

### USA (ongoing)

#### Key highlights

- Like-for-like revenue growth of 8.2%
- Four bolt-on acquisitions completed in the year
- Record trading margin of 7.7%

Regional KPIs	2014	2013
Like-for-like revenue growth	<b>+8.2%</b>	+7.9%
Trading margin	<b>7.7%</b>	7.3%

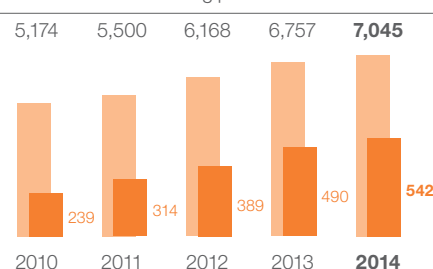
#### Regional brands

**FERGUSON**

**build.com**  
Smarter Home Improvement

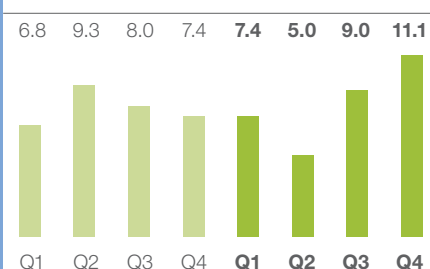
#### Five year performance

£m • Revenue • Trading profit



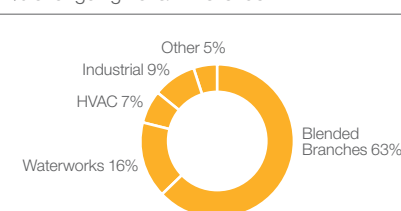
#### Quarterly like-for-like revenue growth

% • 2013 • 2014



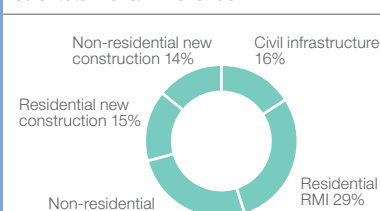
#### Revenue by business unit

% of ongoing 2013/14 revenue



#### Revenue by market sector

% of total 2013/14 revenue



#### Business unit portfolio and profile

In the USA, we operate seven business units. Ferguson is the primary operating brand for our B2B business and Build.com is the primary operating brand for our online B2C business. A number of other brands have been retained to service specific markets. The business operates 1,377 branches across all 50 states, served by 12 distribution centres, providing next day product availability, a key competitive advantage. Several bolt-on acquisitions have been made to strengthen positions in existing and adjacent markets. Ferguson predominantly serves the RMI markets and has relatively low exposure to the residential new construction market.

The Ferguson Blended Branches business distributes plumbing supplies to customers across the residential, commercial and industrial sectors for new construction and RMI projects. In smaller markets that may not justify a standalone presence for HVAC and Waterworks businesses, a Blended location can also provide the products and services for these customers. Alongside some of its branches, the Ferguson Blended Branches business unit also operates a network of 270 showrooms, which showcase bathroom, kitchen and lighting products and assist customers to design their home improvement projects. The showroom channel is a fast growing area of the USA business.

The Waterworks business distributes pipes, valves, hydrants, fittings, meters and related water management products to residential, commercial and municipal contractors.

The HVAC business distributes heating, ventilation, air conditioning and refrigeration equipment to specialist contractors, predominantly in the residential and commercial sectors. Branded dealerships of high quality equipment are an important feature of this market. Most revenue is generated by providing equipment and parts for the repair and replacement market.

The Industrial business distributes PVF products to industrial customers across all sectors including oil and gas, mining and power generation. It provides supply chain management solutions for a full range of maintenance, repair and operating supplies and which distributes fasteners and related production components to manufacturers.



“Ferguson has continued to gain market share in the year, growing sales significantly ahead of the market, by outperforming the competition.”

Our Fire and Fabrication business fabricates and supplies fire protection systems primarily to commercial contractors.

Our MRO business provides products and services to customers in the facilities maintenance market including building service contractors, hospitality managers, government agencies and to manufacturers and industrial customers.

Our B2C business sells directly to consumers via websites using the product range and distribution network of the Blended Branches business.

## Market position and competitive environment

Ferguson is the market leading distributor of plumbing supplies in the USA. The market positions of the main business units are estimated as follows:

### Market position

Blended Branches	1
Waterworks	2
Industrial	3
HVAC	3

Ferguson has no direct competitor that operates across all its markets; each business unit has its own competitors. These range from large national competitors, including trade sales by large home improvement chains, to single branch operations.

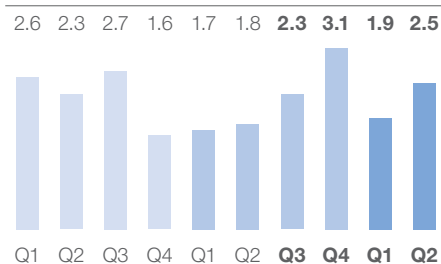
The market remains fragmented with a large number of small and regional distributors making up the majority of the market.

Ferguson has continued to gain market share in the year, growing sales significantly ahead of the market, by outperforming the competition. Ferguson has achieved this through a relentless focus on customer service, achieving very high customer service scores.

## Market trends

### GDP growth\*

% • 2012 • 2013 • 2014

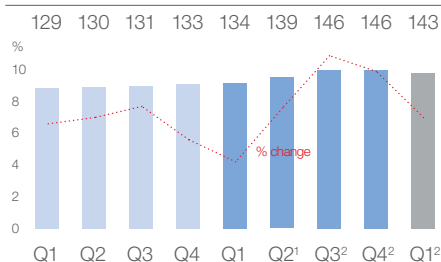


\*% change compared to the same quarter of the previous calendar year.

Quarterly GDP growth in the USA has remained steady throughout 2013/14, averaging around 2 per cent, continuing the growth trend that has been seen since early 2010. Unemployment has fallen steadily while inflation and consumer confidence have remained more stable.

### Leading Indicator of Remodelling Activity (“LIRA”)\*

\$bn remodelling spend • 2013 • 2014 • 2015



\*% change compared to the same quarter of the previous calendar year.

1 Estimate.

2 Projection.

Source: The Joint Centre for Housing Studies.

The LIRA is designed to estimate homeowner spending on improvements each quarter. This indicates that the RMI market, which is our largest market in the USA, is expected to continue to grow well in 2014/15.

## Regional performance continued

# USA (ongoing) continued

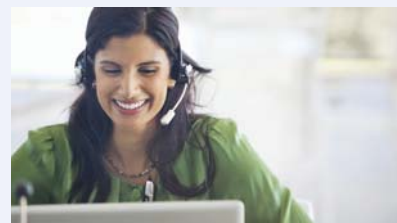
### Operating performance

In the USA, revenue was 8.2 per cent ahead of last year on a like-for-like basis and the trading margin of 7.7 per cent (2013: 7.3 per cent) was a record. Price deflation was 0.7 per cent principally due to falling commodity prices. Acquisitions contributed 1.1 per cent of additional revenue growth. The RMI market continued to grow steadily while growth in the new residential market remained modest. The commercial segment was more positive. Blended Branches continued to grow strongly across all main regions of the USA benefiting from growing markets and also good market share gains. Waterworks grew very strongly, also gaining market share. The HVAC, Fire and Fabrication and Industrial PVF businesses all generated good growth. Build.com and our B2B e-commerce channels continued to grow strongly and accounted for 16 per cent of total revenue.

Gross margins improved across all business units. Operating expenses were 10 per cent higher than last year at constant exchange rates and included £15 million from acquisitions, £10 million of increased healthcare costs, and £13 million of additional investment in new business models. Exchange rate movements were unfavourable and reduced trading profit by £23 million. Trading profit of £542 million (2013: £490 million) was 16.1 per cent ahead of last year at constant exchange rates.

Four bolt-on acquisitions were made during the year with total annualised revenue of £184 million. These were Karl's Appliances and Factory Direct Appliance, both electrical appliance businesses, Waterworks Industries, a water meter business, and HP Products, a maintenance, repair and operations business. Since the year end we have also acquired Pollard Water, an online Waterworks business, which has annualised revenue of £9 million.

We added seven new branches in the year with an additional 24 coming from acquisitions. Headcount growth was 7.4 per cent with more than half of all headcount additions from acquisitions.



### National Sales Center continues to grow

The National Sales Center ("NSC") is a team of almost 200 employees who serve property management, hospitality, government, national accounts, master distribution markets and service warranty issues. NSC employees support businesses and customers nationwide from a call centre in Virginia. The NSC provides customers with a single point of contact where they receive immediate assistance to place an order or receive product and warranty information. The NSC is designed to serve different parts of our business including:

- our growing Facilities Maintenance business needs a central point of contact, a rapid response and broad expertise across a wide variety of sectors;
- providing a national service including companies supplying emergency water heaters and HVAC equipment;
- supporting our industrial plastics division and tool rental programme, facilitating business across the entire USA;
- supporting many non-traditional national accounts that are in the retail sector that require a single point of contact. Examples include national restaurant chains and shopping malls; and
- the NSC can also take calls when branches are very busy giving us flexibility in branch manning levels.

The call centre is growing and will relocate to a new 45,000 square-foot office space later this year. There are plans to grow the NSC team to 350 employees by 2015.

# Canada

## Key highlights

- Substantial team strengthening
- Gross margins ahead of last year
- Strong focus on cost control

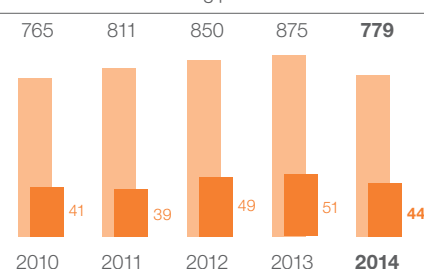
Regional KPIs	2014	2013
Like-for-like revenue growth	(0.8)%	+2.0%
Trading margin	5.6%	5.8%

### Regional brands

**WOLSELEY** 

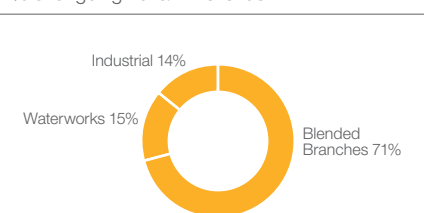
### Five year performance

£m • Revenue • Trading profit



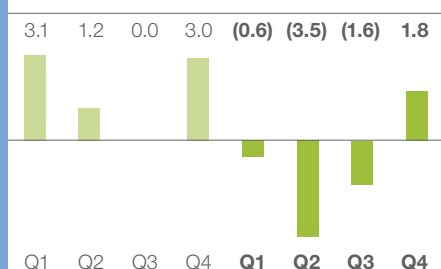
### Revenue by business unit

% of ongoing 2013/14 revenue



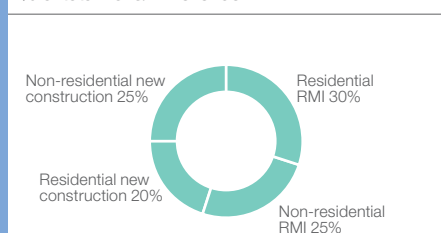
### Quarterly like-for-like revenue growth

% • 2013 • 2014



### Revenue by market sector

% of total 2013/14 revenue



## Business unit portfolio and profile

We operate three business units principally under the Wolseley and Meridian Valves banners, although a number of other brands have been retained to service specific markets. The 222 branch network is supported by the national distribution centre in Milton, Ontario. Wolseley Canada services the residential, commercial and industrial sectors both in the RMI and new build markets.

The Blended Branches business supplies plumbing equipment and a wide range of heating, ventilation, air conditioning and refrigeration products and parts to residential and commercial contractors.

The Waterworks business supplies products and services to the construction industry and water and waste water treatment systems to residential, commercial and municipal contractors.

The Industrial business is a supplier of PVF supply solutions to oil and gas customers and municipal contractors across Canada.

## Market position and competitive environment

Wolseley Canada has strong market positions in its major business units, although market position varies by region. The overall market positions of the main business units are estimated as follows:

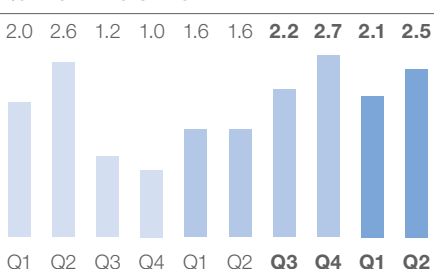
### Market position

Blended Branches	2
Waterworks	2

### Market trends

#### GDP growth\*

% • 2012 • 2013 • 2014



\*% change compared to the same quarter of the previous calendar year.

Quarterly GDP growth in Canada has remained steady at just over 2 per cent throughout 2013/14.

## Operating performance

Like-for-like revenue declined 0.8 per cent in the year with negligible price inflation. Market conditions varied across the region, with continued growth in the West offsetting weakness in Quebec. Blended Branches grew modestly and the Waterworks business was weaker, with both business units holding market share in the year. The industrial valves business made good progress in a challenging market. Gross margins were slightly ahead of last year and operating expense growth was restricted to less than 1 per cent at constant exchange rates including £2 million of additional investment in new business models. We added three new branches in the year and headcount of 2,503 was 0.3 per cent lower than last year. Exchange rate movements reduced trading profit by £5 million, so reported trading profit of £44 million was £7 million behind last year. The trading margin was 5.6 per cent (2013: 5.8 per cent).

## Regional performance continued

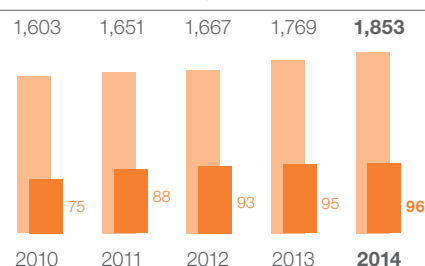
UK

## Key highlights

- Gross margins ahead in major businesses
- One bolt-on acquisition completed in the year

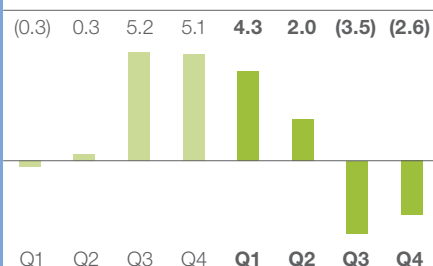
## Five year performance

£m • Revenue • Trading profit



## Quarterly like-for-like revenue growth

% • 2013 • 2014



## Regional KPIs

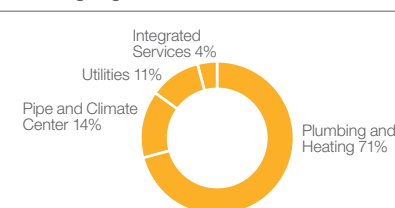
	2014	2013
Like-for-like revenue growth	(0.1)%	+2.5%
Trading margin	5.2%	5.4%

## Regional brands



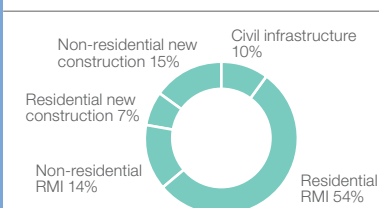
## Revenue by business unit

% of ongoing 2013/14 revenue



## Revenue by market sector

% of total 2013/14 revenue



## Business unit portfolio and profile

In the UK we operate four business units:

The Plumbing and Heating business, which includes the Plumb and Parts Center brands, is a leading distributor of domestic and commercial plumbing and heating products and a specialist supplier of a wide range of spares and replacements, primarily to the residential RMI market. The business unit also includes the Drain Center brand, which is a specialist in above-ground drainage.

The Pipe and Climate Center business distributes pipes, valves, fittings, air conditioning and refrigeration products to mechanical services and plant engineers and commercial heating, ventilation, air conditioning and refrigeration contractors. Pipe and Climate Center generates the majority of its revenue from the non-residential new construction market.

The Utilities business which operates under the Burdens brand, is a leading specialist in below-ground drainage serving the civil infrastructure and utilities markets.

Integrated Services offers outsourced inventory management and procurement services for maintenance activities on a long-term contract basis, mainly to public institutions such as housing associations.

The UK business consists of a national network of 768 branches, which is served by one national distribution centre and five regional distribution centres, providing next day availability on a wide range of products. The majority of the UK's revenue is generated from the RMI market, with low exposure to the residential new construction market.

## Market position and competitive environment

Each business unit has its own competitors ranging from a number of large national companies to small local businesses. The market positions of the main business units are estimated as follows:

## Market position

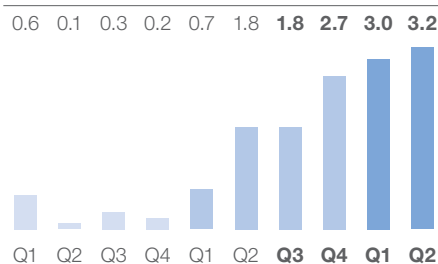
Plumbing and Heating	=1
Pipe and Climate Center	2
Utilities	2

“New residential construction, which represents 7 per cent of UK revenue, continued to grow strongly, but growth in RMI markets, which represents approximately 54 per cent of UK revenue, remained modest.”

## Market trends

### GDP growth\*

% • 2012 • 2013 • 2014



\*% change compared to the same quarter of the previous calendar year.

Quarterly GDP growth in the UK has improved throughout 2013/14 reaching 3 per cent in the first calendar quarter of 2014, a level of growth not seen in the UK since the end of 2007, though RMI markets have grown less strongly than new build markets. Consumer confidence has been rising although remained negative for the majority of 2013/14.

## Operating performance

In the UK, like-for-like revenue declined 0.1 per cent in the year, including 0.7 per cent price inflation. Acquisitions contributed 5.1 per cent of additional revenue growth. New residential construction, which represents approximately 7 per cent of UK revenue, continued to grow strongly but growth in residential RMI markets, which represents approximately 54 per cent of UK revenue, remained modest. In Plumbing and Heating we declined some very low margin sales to protect our gross margins. Overall like-for-like revenue was flat and we lost some market share in the second half. Pipe and Climate Center revenue was slightly lower though our Utilities business continued to grow well.

Gross margins were ahead in Plumbing and Heating and Pipe and Climate Center as we focused on protecting our gross margins in a challenging pricing environment. Overall gross margins were slightly lower as a result of the mix impact of Burdens. Operating expenses were 5 per cent higher than last year and included £15 million from acquisitions, £6 million of additional investment in new business models, a £2 million bad debt incurred in the first quarter and £2 million of acquisition costs.

We received clearance from the Competition and Markets Authority for the acquisition of Fusion Provida, a supplier of utility infrastructure products, which we announced in June. The acquisition has annualised revenue of £55 million.

We closed seven branches in the year and added 10 from acquisitions. Headcount was well controlled and increased 0.4 per cent including the addition of 195 from acquisitions. Trading profit of £96 million was £1 million ahead of last year.

The trading margin was 5.2 per cent (2013: 5.4 per cent).



## Regional performance continued

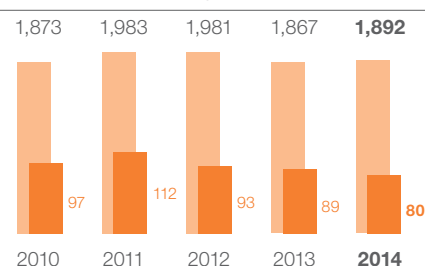
## Nordic region (ongoing)

## Key highlights

- Two bolt-on acquisitions completed in the year
- The major business units maintained their market-leading positions

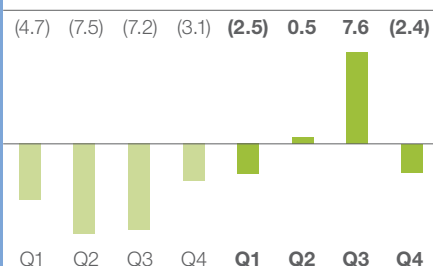
## Five year performance

£m • Revenue • Trading profit



## Quarterly like-for-like revenue growth

% • 2013 • 2014



## Regional KPIs

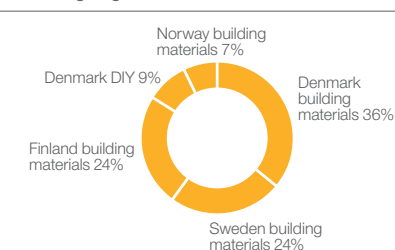
	2014	2013
Like-for-like revenue growth	<b>+0.4%</b>	(5.4)%
Trading margin	<b>4.2%</b>	4.8%

## Regional brands



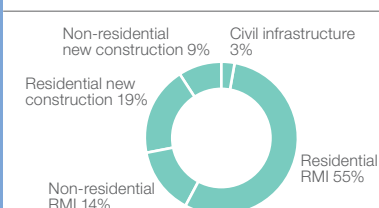
## Revenue by business unit

% of ongoing 2013/14 revenue



## Revenue by market sector

% of total 2013/14 revenue



## Business unit portfolio and profile

In the Nordic region, we operate five business units across Denmark, Finland, Sweden and Norway. The business operates a network of 267 branches and primarily serves the residential RMI and new construction markets. The product ranges of the business units overlap and therefore the business delivers significant synergies by taking advantage of economies of scale in the procurement process.

Stark is the leading distributor of heavy building materials, tools, hardware, timber and panels in Denmark. Stark's customers include both professional contractors and DIY builders with around half of stores having a dedicated DIY section.

Beijer is the leading distributor of building materials in Sweden. Beijer serves professional builders, contractors, small industrial enterprises and private consumers.

Starkki is a leading chain of builders' merchants in Finland with a format based on large stores and well-trained specialist staff. Starkki and the recently-acquired Puukeskus business, principally serves professional builders, contractors and construction companies.

Silvan is a DIY and retail chain in Denmark with a strong market position. Silvan's stores are strategically placed close to larger cities and include both building materials and garden centres.

Neumann is a distributor of building materials in Norway serving professional builders, contractors and small industrial enterprises.

## Market position and competitive environment

Each country in the Nordic region is a distinct market with its own national, regional and local competition. However, there are several major competitors operating across the region in the building materials and DIY markets. The market positions of the main business units are estimated as follows:

## Market position

Denmark (building materials)	<b>1</b>
Sweden (building materials)	<b>1</b>
Finland (building materials)	<b>2</b>
Denmark (DIY)	<b>2</b>

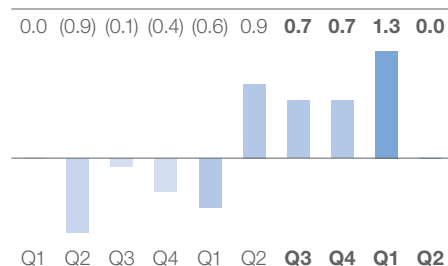
The Stark and Beijer brands are the market leaders in Denmark and Sweden respectively, with Silvan the number two DIY retailer in Denmark and Starkki the number two builders' merchants in Finland.

The markets in the Nordic region tend to be fragmented and there are opportunities to consolidate our market positions across the region.

## Market trends

### GDP growth (Denmark)\*

% • 2012 • 2013 • 2014



\*% change compared to the same quarter of the previous calendar year.

Denmark is the most important market for our businesses in the region accounting for 45 per cent of sales. Quarterly GDP growth in Denmark has improved compared to last year although it remained below 1 per cent throughout 2013/14. Sweden and Finland are also significant markets for our business and while Sweden has seen low levels of GDP growth throughout 2013/14, Finland's GDP has continued to decline.

## Housing starts (Denmark)

### Housing starts\*\*



\*\*Monthly number of housing starts in Denmark, seasonally adjusted.

Source: Statistics Denmark.

Housing starts in Denmark have remained at historically low levels throughout 2013/14 and although construction industry confidence has improved slightly during the year, it has remained negative.

## Operating performance

In the Nordic region, revenue was 0.4 per cent ahead of last year on a like-for-like basis, including 0.9 per cent price inflation. Acquisitions contributed 4.1 per cent of additional revenue growth. Market conditions improved a little in Denmark where we achieved modest like-for-like growth. We generated good growth in Sweden as the economy continued to recover but like-for-like revenue declined in Finland where market conditions remain very challenging. The major business units maintained their market leading positions.

Gross margins were ahead of last year before the dilutive impact of the Puukeskus acquisition. Operating expenses increased by 6 per cent at constant exchange rates and included £12 million from acquisitions, £3 million for non-recurring restructuring charges and £6 million of additional investment in new business models.

Two bolt-on acquisitions were made during the year with total annualised revenue of £205 million. These were Perssons Byggcentrum, a two-branch building materials distribution business in Sweden, and Puukeskus, a building materials distribution business in Finland.

During the year we exited "Cheapy", a small retail DIY chain in Sweden. Some of the branches were redeployed into Beijer, our building materials business in Sweden, and the remaining branches have been sold.

We added seven branches in the year with an additional 25 coming from acquisitions. Headcount was well controlled and increased 6.3 per cent including the addition of 501 from acquisitions. Exchange rate movements were unfavourable and reduced trading profit by £2 million. Trading profit for the ongoing business of £80 million was £9 million behind last year.

The trading margin for the ongoing businesses was 4.2 per cent (2013: 4.8 per cent).

## Regional performance continued

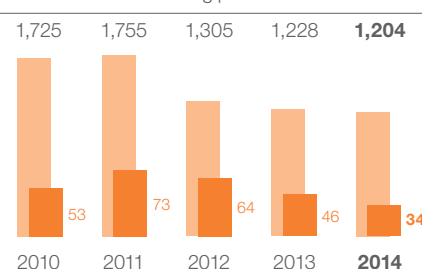
## Central Europe and France (ongoing)

## Key highlights

- Tough market conditions with a particularly sharp decline in France
- Tight cost control to protect profitability

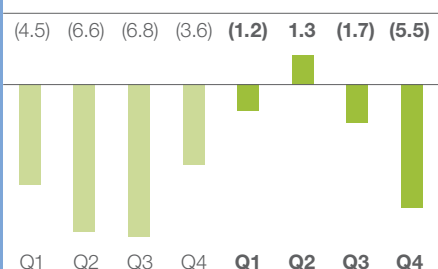
## Five year performance

£m • Revenue • Trading profit



## Quarterly like-for-like revenue growth

% • 2013 • 2014



## Regional KPIs

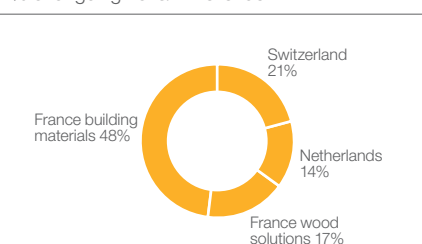
	2014	2013
Like-for-like revenue growth	(1.9)%	(5.4)%
Trading margin	2.8%	3.7%

## Regional brands



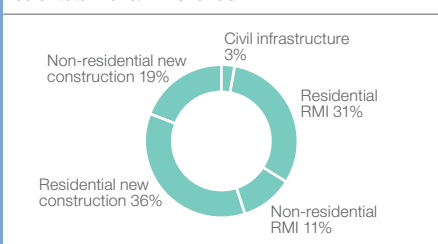
## Revenue by business unit

% of ongoing 2013/14 revenue



## Revenue by market sector

% of total 2013/14 revenue



## Business unit portfolio and profile

In Central Europe and France, we operate four business units across Switzerland, the Netherlands and France. The business operates 244 branches and primarily serves the residential RMI and residential new construction markets.

Tobler is the leading distributor of heating and plumbing products in Switzerland. It operates a national distribution centre and has invested significantly in e-commerce, generating a substantial proportion of its sales online.

Wasco is a distributor of heating, plumbing and spare parts in the Netherlands. Wasco primarily serves large regional and national contractors, as well as small installers.

The primary operating brand of the wood solutions business in France is Silverwood which is the market leader in specialist sawn and processed woods. The wood solutions business in France also includes a structural wood business which manufactures trusses and other carpentry systems.

The building materials business in France comprises Réseau Pro, which sells building materials, roofing, insulation, timber and flooring, and PanoFrance, focused on timber, panels and interior design.

## Market position and competitive environment

Each country in the Central Europe and France region is a distinct market with its own national, regional and local competition. The market positions of the main business units are estimated as follows:

## Market position

Switzerland	1
France building materials	3
France wood solutions	1

In May, we agreed to dispose of our ÖAG plumbing and heating business in Austria and, following competition clearance, the sale has completed.

## Market trends

### GDP growth (France)\*

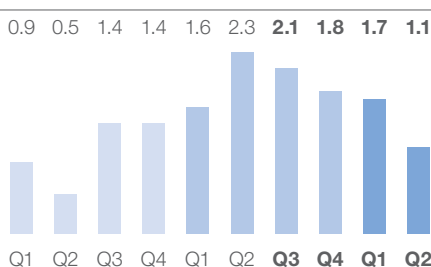
% • 2012 • 2013 • 2014



\*% change compared to the same quarter of the previous calendar year.

### GDP growth (Switzerland)\*

% • 2012 • 2013 • 2014



In the Central Europe and France region, France represents 65 per cent of revenue and is therefore the largest market for our business. Quarterly GDP growth in France has remained depressed at below 1 per cent throughout 2013/14. Switzerland is also an important market for our business and has seen GDP growth remain resilient at around 2 per cent throughout 2013/14.

## Operating performance

In Central Europe and France, like-for-like revenue declined by 1.9 per cent in the year, including 0.7 per cent price inflation. Acquisitions contributed 1.1 per cent of additional revenue growth. In Switzerland, the market remained weak and the strength of the Swiss Franc led to price deflation so like-for-like revenue was slightly lower. In the Netherlands, revenue was lower as the market remained challenging. In France, revenues declined due to contraction in the new residential construction market.

Gross margins were lower across the region as lower rebates were earned from reduced volumes. Operating expenses were held flat and included £5 million from the full year impact of acquisitions made last year, £3 million of additional investment in new business models and £4 million non-recurring restructuring charges. We closed three branches in the year and reduced headcount by 6.0 per cent. Trading profit in the ongoing businesses was £34 million (2013: £46 million).

We disposed of ÖAG in Austria during the year and the results of this business have been excluded from the results of the ongoing businesses.

The trading margin in the ongoing businesses was 2.8 per cent (2013: 3.7 per cent).

## Financial review

# Trading margin of the ongoing businesses increased by 0.2 per cent to 6.0 per cent



## In summary

Like-for-like revenue growth of 4.2 per cent

Gross margin expansion of 0.2 per cent

Capital investment of £201 million

## Performance of the ongoing businesses

	Ongoing <sup>1</sup> 2014 £m	Ongoing <sup>1</sup> 2013 £m	Growth	Like-for-like growth
Revenue	<b>12,773</b>	12,496	+2.2%	+4.2%
Gross profit	<b>3,590</b>	3,491	+2.8%	
Operating expenses	<b>(2,829)</b>	(2,760)	+2.5%	
Trading profit	<b>761</b>	731	+4.1%	
Gross margin	<b>28.1%</b>	27.9%	+0.2%	
Trading margin	<b>6.0%</b>	5.8%	+0.2%	

<sup>1</sup> "Ongoing businesses" excludes businesses that have been sold, closed or are held for sale.

The Group's ongoing businesses showed good like-for-like revenue growth of 4.2 per cent reflecting a great performance in the USA with like-for-like growth of 8.2 per cent offset by a weaker performance in Europe. Our operations in the USA improved market share in all of the key markets with particularly strong performances from the Blended Branches and Waterworks businesses. Our B2C business continued to grow and now represents 5 per cent of total US revenue.

We continued to focus on maintaining and improving gross margins which, at 28.1 per cent, were 0.2 per cent higher than last year, driven by a strong performance in the USA and like-for-like improvements in UK and Canada.

The results of the Group reflect widely differing economic conditions across the regions and countries we trade in. During the year we maintained a sharp focus on operating expenses, particularly in countries where demand was weak. The Group's trading margin increased from 5.8 per cent to 6.0 per cent with improved trading margins in the USA partially offset by reductions elsewhere.

Trading profit growth was 4.1 per cent and would have been 8.6 per cent at constant currency.

## Foreign exchange rates impact

The Group reports its results in sterling though the most important trading currency is the US dollar which represents 55 per cent of the Group's revenue. 11 per cent of revenue is denominated in euros and 6 per cent in Canadian dollars. The main currency exposure arises on the translation of overseas earnings into sterling. The Group does not hedge this exposure as these hedges have only temporary effect. The Group's policy is to broadly match the currencies in which its debt is denominated to the currencies in which its trading profits are generated.



The exchange rates used for the consolidated income statement and balance sheet are set out below:

	2014	2013	Movement
<b>Average rates:</b>			
US dollar	<b>1.64</b>	1.56	(4.9%)
Canadian dollar	<b>1.76</b>	1.57	(10.8%)
Euro	<b>1.21</b>	1.20	(0.8%)
<b>Closing rates:</b>			
US dollar	<b>1.69</b>	1.52	(10.0%)
Canadian dollar	<b>1.84</b>	1.56	(15.2%)
Euro	<b>1.26</b>	1.14	(9.5%)

The weakening of the US dollar, Canadian dollar and euro against sterling in the year impacted revenue and trading profit by £457 million and £30 million respectively compared with 2012/13. The net effect of currency translation is shown in the table below.

£m	Revenue	Ongoing Trading profit
US dollar	(321)	(23)
Canadian dollar	(92)	(5)
Euro and others	(44)	(2)
<b>Total</b>	<b>(457)</b>	<b>(30)</b>

## Statutory results

The financial statements have been prepared under IFRS and the Group's accounting policies which were updated to reflect IAS 19 (Revised) "Employee Benefits" are set out on pages 110 to 112. New standards adopted for this financial year are listed on page 110 and did not have a material impact on the Group's results in the year. Adoption of IAS 19 (Revised) "Employee Benefits", increased finance costs by £13 million in the prior year.

	2014 £m	Restated 2013 £m
Revenue	<b>13,130</b>	13,154
Operating profit	<b>727</b>	496
Net finance costs	<b>(29)</b>	(36)
<b>Profit before tax</b>	<b>698</b>	460
Taxation	<b>(194)</b>	(176)
<b>Profit from continuing operations</b>	<b>504</b>	284
Profit from discontinued operations	–	12
<b>Profit for the year</b>	<b>504</b>	296

Revenue on a statutory basis fell slightly due to the disposal of a number of non-core businesses. The statutory result for 2013/14 includes a net exceptional credit before tax of £19 million (2012/13: charge of £164 million). Excluding exceptional items, the profit for the year increased by 11.4 per cent from £438 million to £488 million. Exceptional items in the current year are explained in more detail on the following page. As a result of these disposals the Directors decided to consolidate the results for Central Europe and France into one segment "Central Europe and France" given the operating profit represents less than 10 per cent of the Group's operating profit and does not meet other quantitative thresholds. Additional information can be found in note 2 on pages 113 and 115.

## Finance costs

Net finance costs in the year amounted to £29 million compared with a prior year charge of £36 million, the reduction being principally due to lower pension interest charges.

## Earnings per share

Total profit after tax including discontinued operations was the same as profit from continuing operations. Basic earnings per share were 189.8 pence and diluted earnings per share were 188.8 pence, an increase of 76.7 per cent. Headline earnings per share based on trading profit increased by 9.9 per cent from 178.5 pence to 196.2 pence.

## Taxation

The Group incurred a tax charge on profit before discontinued operations of £194 million. Tax before non-recurring items, amortisation and impairment of acquired intangibles, and exceptional items amounted to £204 million, which represents an effective rate of 28.1 per cent (2012/13: 28.6 per cent).

There are no significant special tax incentives available to the Group that impact the tax charge such as research and development tax credits or patent box. Several factors are key to understanding the level of tax paid in each country in each year.

The Group has made substantial capital investments in assets over many years including in its various technology programmes, branch network and distribution centres. These investments are amortised in accordance with the laws relating to capital allowances in each country, including Part 2 CAA 2001 in the UK. As at 31 July 2014, capital allowances of £294 million are available to offset against future profits in the UK.

## Financial review continued

Group companies sometimes generate losses. Where they can be relieved or carried forward to be relieved in future periods, the Group does so in accordance with the relevant law. In the UK, section 457 CTA 2009 governs the utilisation of trading losses and as at 31 July 2014, the UK has losses of £352 million available to offset against future profits. Certain losses, particularly those related to impairments, cannot be relieved against taxable profits. Over time this has had a substantial impact on the Group's overall tax charge as a proportion of pre-tax profits which has averaged 43.4 per cent over the last 10 years.

The Group's operations are international with 69 per cent of the Group's trading profits generated in the USA, 19 per cent in other overseas territories and 12 per cent generated in the UK, before central costs. Wolseley plc is incorporated in Jersey and is tax resident in Switzerland. The Group conducts its tax affairs in accordance with the law and arranges its tax affairs in line with its commercial activities. As such, it follows the terms of double taxation treaties and relevant OECD guidelines in dealing with issues such as transfer pricing and the establishment of a taxable presence, and the Group does not maintain an active tax presence in any country in which it does not trade. Other than intra-group financing and the recharging of shared-service administrative costs, the Group has no significant transfer pricing arrangements. The volume of trade between each of the Group's businesses is not material and no material charges are levied for intangible assets such as intellectual property. As far as possible the Group simplifies its legal and commercial structure in order to reduce risk and minimise ongoing costs, including fees to advisers. The simplification of the Group's corporate structure continued throughout the year with the relevant costs charged to trading profit.

### Reconciliation from the ongoing trading profit to statutory operating profit

Ongoing trading profit is reconciled to total reported operating profit as shown in the table below:

	2014 £m	2013 £m
Ongoing trading profit	<b>761</b>	731
Losses from non-ongoing businesses	<b>(6)</b>	(6)
<b>Trading profit</b>	<b>755</b>	725
Amortisation and impairment of acquired intangibles	<b>(46)</b>	(65)
Exceptional items	<b>18</b>	(164)
<b>Total reported operating profit</b>	<b>727</b>	496

### Losses from non-ongoing business

Revenue of £357 million and trading losses of £6 million arose from businesses which have been sold, closed or held for sale at 31 July 2014. A number of underperforming businesses in Central Europe and the Nordic region were sold during the year. In addition, we completed the disposal of several branches of our French building materials business which were held for sale last year. A small but profitable non-core business in the USA is also included as held for sale at 31 July 2014.

### Amortisation and impairment of acquired intangibles

At 31 July 2014, the Group had total goodwill and acquired intangibles of £1,165 million and the associated amortisation charge for the year was £46 million (2012/13: £55 million). The Group reviews the carrying value of goodwill and other intangible assets on an annual basis to determine whether any impairment should be recognised. This year the review included detailed value-in-use calculations and there was sufficient headroom to demonstrate that goodwill and intangible assets are not impaired (2012/13: £9 million charge). There are three cash generating units (CGUs) in the Nordic region with limited headroom: Stark and Silvan in Denmark and Neumann in Norway. Whilst market conditions in Denmark and Norway remain challenging, the goodwill and intangible asset balances are recoverable based on current projections. If markets continue to deteriorate this could give rise to an impairment charge at a future date. The key assumptions used in the impairment review as well as sensitivities are disclosed in note 12 on pages 121 and 122.

## Exceptional items

A net exceptional credit before tax of £19 million (2012/13: charge of £164 million) arose in the year. Exceptional items are presented within their relevant income statement category to assist in the understanding of the trading and financial results of the Group. In addition management presents trading profit, headline profit and headline earnings per share excluding exceptional items to provide additional useful information on underlying trends to shareholders. For more information refer to note 9 on page 119.

The exceptional items arising in the financial year were as follows:

	2014 £m	2013 £m
Acquisition and integration costs	(18)	–
Gains on disposal	32	21
Restructuring and redundancy costs	–	(142)
Other exceptional items	5	(43)
<b>Total exceptional items before tax</b>	<b>19</b>	<b>(164)</b>
Tax on exceptional items	(3)	10
<b>Exceptional items after tax</b>	<b>16</b>	<b>(154)</b>

Acquisition and integration costs of £18 million relate to the acquisition of Puukeskus in Finland during the year and include onerous lease and redundancy costs linked to the closure of a number of branches as part of the integration plan. Gains on disposal are principally provision write-backs on deferred consideration received in the form of loan notes in previous years. In addition, we recognised accounting gains for the businesses sold in Central Europe and France, mainly due to the crediting of accumulated foreign exchange gains to the income statement on disposal. Other exceptional items include losses on closure of businesses which arose from impairment of assets on closure of branches in the Nordic region offset by gains on disposals of surplus properties in France of £11 million. These property sales were linked to the significant restructuring programme in France last year. Further information can be found in note 4 on page 117.

## Cash flow

The Group has continued to generate strong cash flows from its operations with cash generated from operations of £678 million (2012/13: £633 million).

	2014 £m	2013 £m
Cash generated from operations	<b>678</b>	633
Interest and tax	<b>(226)</b>	(219)
Acquisitions and capital expenditure	<b>(395)</b>	(251)
Disposals	<b>71</b>	44
Dividends	<b>(489)</b>	(521)
Net purchase of shares by EBT	<b>(21)</b>	(103)
Foreign exchange and other items	<b>82</b>	(39)
<b>Movement in net debt</b>	<b>(300)</b>	<b>(456)</b>

## Acquisitions and capital expenditure

Acquisitions are an important part of our growth model and during the year we invested £194 million on eight bolt-on acquisitions in the USA, UK and the Nordic regions.

Our strategy of investing in our business models is underlined by capital expenditure of £201 million (2012/13: £140 million) relating to strategic projects to support our future growth such as new distribution centres and distribution hubs and investment in technology, process and network infrastructure.

As at 31 July 2014, the Group had total operating lease commitments of £788 million (2012/13: £868 million). Management continues to believe there is substantial capacity for revenue growth utilising the existing branch infrastructure and will remain cautious when considering new lease commitments for the foreseeable future. Additional information can be found in note 34 on page 142.

## Financial review continued

### Dividends

Dividends, including the special dividend of £298 million (2012/13: £348 million), amounted to £489 million. A final dividend of 55 pence per share, equivalent to £145 million is proposed.

### Share buyback programme

The Group is highly cash generative and the Board has established clear priorities for the utilisation of cash. In order of priority these are:

- (i) to fund profitable growth opportunities that meet the Group's investment criteria;
- (ii) to fund ordinary dividends which should grow over the cycle consistent with the Group's long-term growth rate;
- (iii) to fund bolt-on acquisitions where they meet the Group's investment criteria; and
- (iv) surplus cash will be returned to shareholders in the most appropriate way.

As at the date of this report the Board considers that it has cash available that is surplus to the Group's current reinvestment needs and as such we propose to buy back shares worth up to £250 million within 12 months.

### Net debt

Net debt increased by £300 million to £711 million at 31 July 2014. The level of net debt at any point in time is affected by the working capital cycle and at 31 July 2014 net debt would have been approximately £90 million higher after taking into account short-term timing differences. Adjusting for these, net debt would be 0.9 x EBITDA.

### Pensions

The UK defined benefit pension plan was closed for future accrual at 31 December 2013 and we have maintained our funding contributions in accordance with the agreed funding plan. The Group has adopted the revised pension accounting standard IAS 19 (Revised) in the year and restated the prior financial year for comparability. At 31 July 2014, the Group's net pension asset of £7 million (2012/13: liability of £133 million) is made up of aggregate gross assets of £1,384 million and gross liabilities of £1,377 million and the reduction is principally due to gains in the equity markets. IAS 19 (Revised) "Employee Benefits" requires the Group to make assumptions including, but not limited to, rates of inflation, discount rates and current and future life expectancy. The value of the liabilities and assets could change materially if different assumptions were used. To help to understand the impact of changes in these assumptions we have included sensitivities as part of our pension disclosure in note 1 of the Group Financial Statements. Following the adoption of the revised accounting standard, administrative costs of running the UK pension scheme of £2 million are recorded in operating profit in the current year as well as in the prior year.

### Other financial matters

#### Capital structure

The Group's sources of funding currently comprise operating cash flow and access to substantial committed bank facilities from a range of banks and other financial institutions. The Group maintains a capital structure appropriate for current and prospective trading and aims to operate with investment grade credit metrics and maximum net debt of 1 to 2 times EBITDA.

#### Liquidity

The Group maintains sufficient borrowing facilities to finance all investment and capital expenditure included in its strategic plan with an additional margin for contingencies. The Group aims to have a range of borrowings from different financial institutions to ensure continuity of financing. As at 31 July 2014, the Group had total committed facilities of £2,197 million of which £1,360 million was undrawn. £1,509 million of the total facilities mature after more than two years. The Group is committed to renewing its facilities on a regular basis.



## Interest rates

The Group's private placement bonds, with an outstanding par value of £393 million, have a hedged average fixed rate of 2.6 per cent.

## 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 selective 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 have been applied consistently throughout the year. It is Group policy not to undertake trading in financial instruments or speculative transactions.

## 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. Commodity risk is the risk that the Group may have purchased commodities which subsequently fall in value.

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 Group manages convertibility risk by limiting its exposure to assets which, in the judgement of the Board, may become "illiquid" for any length of time. The management of credit and commodity risk is considered to be the responsibility of operational management and, in respect of these risks, the Group does not prescribe a uniform approach across the Group.

The Group's principal risks (including strategic, operational, legal and other risks) are shown overleaf.

## Going concern

The Group's principal objective when managing cash and debt is to safeguard the Group's ability to continue as a going concern for the foreseeable future. The Group retains sufficient resources to remain in compliance with the financial covenant of its bank facilities.

The Directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements.



**John Martin**  
Chief Financial Officer

Principal risks and their management

Principal risks

Our reshaped business portfolio, evolving business models and increasing levels of investment are gradually changing the Company's risk profile. The Board has considered the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives. These key risks, their level and trend are summarised in this section.

The materialisation of these risks could have an adverse effect on the Group's results or financial condition. If more than one of these risks occur, the combined overall effect of such events may be compounded. Various mitigation strategies are employed to reduce these inherent risks to an acceptable level – these are summarised on the following pages.

Some of these risks remain beyond the direct control of the Group and the risk management programme can only provide reasonable but not absolute assurance that risks are managed to an acceptable level.

The Group faces many other risks which, although important and subject to regular review, have been assessed as less significant and are not listed here. These include, for example, major incidences of fraud, bribery or corruption or employee retention and motivation. Financial risks and their management are summarised between pages 36 and 41. Further information on Wolseley's "People Strategy" can be found on page 49.

Risk and strategy

These and other risks may prevent us from achieving the full potential of our strategy. The symbols below are displayed next to each risk on the following pages. They indicate which of our objectives may be most directly affected by the risk identified. The objectives are summarised on page 7.

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Principal risks

↔	1. Market conditions and growth
↔	2. Pressure on margins
^	3. New business models
↔	4. Litigation
^	5. Information security and business continuity
+	6. Health and safety
↔	7. Governmental regulations

## Key

● High inherent risks ● Medium inherent risks ● Low inherent risks

⬆ Risk is rising ⬅ Risk is stable ▼ Risk is falling + Issue has been added to the list of top Group risks this year



Inherent risk and trend	Definition	Mitigation
<b>1. Market conditions and growth</b>		
<p>⬅</p> <ul style="list-style-type: none"> <li><b>Inherent risk level</b> – High</li> <li><b>Trend</b> – No change</li> <li><b>Related objectives</b> 1 2 3</li> </ul>	<p>The Group's results depend on the levels of activity in new construction and property repair and remodelling markets. Despite a stabilisation in macroeconomic conditions, construction activity and our business performance remain suppressed in key markets in Europe and in Canada and there remains a risk that this may continue. Factors influencing this risk include:</p> <ul style="list-style-type: none"> <li>the Company's ability to identify and respond to market trends; to develop new business models and to manage costs, pricing and margins;</li> <li>the general rate of GDP growth;</li> <li>consumer confidence;</li> <li>mortgage and other interest rates;</li> <li>the level of government initiatives to stimulate economic activity;</li> <li>inflation; and</li> <li>unemployment.</li> </ul> <p>Some of these factors are out of the Group's control and are difficult to forecast. Until markets in Europe and Canada recover, the Group is increasingly reliant on growth in the USA to drive its overall performance. A material issue in the USA could therefore affect the Group's results more than in the past.</p>	<p>The Group cannot control market conditions but believes it has effective measures in place to respond to such events. Wolseley continues to reinforce existing measures in place, including:</p> <ul style="list-style-type: none"> <li>the development of our business models;</li> <li>cost control, pricing and gross margin management initiatives, including a focus on customer service and productivity improvement;</li> <li>planning, budgeting and forecasting processes;</li> <li>resource allocation processes;</li> <li>capital expenditure controls and procedures; and</li> <li>diversification into other sectors which present new opportunities.</li> </ul> <p>Risk management practices continue to be strengthened in all businesses.</p>
<b>2. Pressure on margins</b>		
<p>⬅</p> <ul style="list-style-type: none"> <li><b>Inherent risk level</b> – High</li> <li><b>Trend</b> – No change</li> <li><b>Related objectives</b> 2 3</li> </ul>	<p>Market conditions in many geographies remained highly competitive during the period under review. If not mitigated, this could lead to increased downward pressure on sales prices and profit margins.</p> <p>There is a risk that such competitive pressures will increase and could be exacerbated by factors such as the arrival of new competitors, customer or supplier consolidation, manufacturers shipping directly to customers, other changes in the route to market, and changes in technology.</p> <p>There is a risk that the Company may not identify changes in market conditions and margins quickly enough.</p>	<p>The Group is accelerating the implementation of new business models and continues to improve its gross margin, pricing and cost management practices, which remain a priority for all businesses. Sourcing and credit control measures have been strengthened. Management information is more detailed, timely and relevant as new information systems are being implemented across all of the Group's key markets. For example, Wolseley UK successfully introduced a new core financial system in March 2014.</p> <p>We believe that high levels of customer service and product availability play a fundamental role in maintaining competitive advantage. The Group has continued with its programme of work to improve levels of customer service and inventory.</p>

1 2 3 4 5 6

Denotes an objective which may be directly impacted by the risk identified (see page 7 for strategic objectives)


## Principal risks and their management continued

**Key**  
● High inherent risks ● Medium inherent risks ● Low inherent risks  
^ Risk is rising <> Risk is stable v Risk is falling + Issue has been added to the list of top Group risks this year

Inherent risk and trend	Definition	Mitigation
<b>3. New business models</b>		
 <ul style="list-style-type: none"> <li><b>Inherent risk level</b> – High</li> <li><b>Trend</b> – Rising</li> <li><b>Related objectives</b> 2 3 4</li> </ul>	<p>To respond to changing customer needs the Group is introducing new business models. This will involve the development of new technologies, updated flexible employment patterns and different ways of working. The implementation of these models is now well underway in many of our key markets and will continue for several years.</p> <p>The Group's ability to successfully execute these changes, particularly in its European markets, will affect its ability to grow profitably in the future.</p> <p>The Group must successfully implement these changes without disrupting existing operations.</p>	<p>Programmes of work are defined, resourced and implemented locally, according to customers' needs and market conditions. Businesses undergoing the greatest change have dedicated programme and change management capability with associated KPIs.</p> <p>The Board reviews progress during regular updates from the Group Chief Executive and as part of its six-monthly review of principal risks.</p> <p>The Group Chief Executive and Chief Financial Officer discuss progress with each business unit during regular performance reviews.</p> <p>Each business unit has a clear strategy for continuously developing its business model and a defined programme of work to execute the strategy.</p>
<b>4. Litigation</b>		
 <ul style="list-style-type: none"> <li><b>Inherent risk level</b> – Medium/high</li> <li><b>Trend</b> – No change</li> <li><b>Related objectives</b> 2 3 6</li> </ul>	<p>The international nature of Wolseley's operations exposes it to the potential for litigation from third parties, and such exposure is considered to be greater in the USA than in Europe.</p> <p>Wolseley's strengths include its employees, its products and the terms it negotiates with its suppliers. It is in these areas where the potential risk of litigation may be greatest. Acquisitions and disposals and the restructuring of underperforming businesses may also give rise to litigation.</p> <p>During the year, there has been no material change in the level of litigation to which the Group is exposed. For more information on specific litigation affecting the Group, see pages 111, 112, 131 and 142.</p>	<p>Levels of litigation are monitored by individual operating companies. A monthly report of potential exposures and current litigation is submitted by all businesses and reviewed by the Group Company Secretary and General Counsel.</p> <p>The Company has assessed the level of product-related risk in all business units. Wolseley conducts due diligence on "high risk" products and suppliers and it is implementing improvements in contract terms. Insurance arrangements for product liability exposures have been reviewed and enhanced.</p> <p>Internal audits of selected supplier contracts in the USA and France were completed during the year. The findings are being addressed.</p> <p>In the case of claims related to exposure to asbestos, Wolseley continues to employ independent professional advisers to actuarially determine its potential gross liability. Wolseley has insurance which exceeds the current estimated liability relating to asbestos claims.</p>

1 2 3 4 5 6 Denotes an objective which may be directly impacted by the risk identified (see page 7 for strategic objectives)



Inherent risk and trend	Definition	Mitigation
<b>5. Information security and business continuity</b>		
<p>  </p> <ul style="list-style-type: none"> <li>• <b>Inherent risk level</b> – Medium</li> <li>• <b>Trend</b> – Risk is rising</li> <li>• <b>Related objectives</b> 2 3 4 5 6</li> </ul>	<p>The security of important digital and physical assets, including data, technology systems, people and infrastructure is threatened by natural and man-made perils. For example:</p> <ul style="list-style-type: none"> <li>• a greater proportion of the Group's revenue is derived from e-commerce channels;</li> <li>• the level and sophistication of IT security threats are increasing;</li> <li>• some of the Group's physical assets are located in areas exposed to natural catastrophe risks, including California and Florida in the USA;</li> <li>• we remain reliant on a number of different technology systems across the Group, some of which have been operating for many years; and</li> <li>• to optimise costs and supply chain efficiency, some companies within the Wolseley Group have also centralised their distribution network and are therefore reliant on a smaller number of larger distribution centres.</li> </ul>	<p>Core IT systems and data centres for the Group's material businesses, including the Group's principal e-commerce businesses, have documented disaster recovery plans which are tested annually.</p> <p>During the year the Company introduced a pair of new European Data Centres, which incorporate high levels of protection and resilience.</p> <p>The Group operates an IT governance framework including a full set of dedicated IT policies aligned to known security and operational risks. Specific operational controls for IT security include intrusion prevention and detection, penetration testing, remediation of wireless access issues, log and configuration management and in-flight projects to reduce the likelihood of an incident. The Group's Chief Information Security Officer has again undertaken a review of information security capabilities across the Group and identified additional mitigating actions to be implemented.</p> <p>The loss of a physical site is naturally hedged by the diversified nature of our locations, customers and suppliers.</p> <p>The Group has formally documented and tested plans for distribution centres, head office buildings and data centres where the risk is considered to be greatest. For example, the Company's wood solutions business in France comprehensively reviewed and improved its disaster recovery plans during 2013/14.</p> <p>A comprehensive insurance programme is purchased, including coverage for "cyber" risks.</p>



## European Data Centres "go live"

Responding to increasing demands for high-performing and secure technology systems, Wolseley has introduced a pair of new European Data Centres (EDCs). Established risk management methodologies, including detailed risk assessments, roll-back plans, controls testing and external audits, were applied throughout the project to ensure its successful "go live", as scheduled, on 29 November 2013.

A primary (co-located) data centre is backed up by a purpose-built, Wolseley-owned secondary facility. Both the primary and secondary data centres are equipped with advanced digital and physical security, including the latest fire suppression and biometric (facial recognition/fingerprinting) access control systems. Comprehensive system fail-over and full disaster recovery plans have been put in place, and the Centres are designed for future expansion.

The secondary EDC has a number of important environmental features. It is primarily powered by a solar panel array, which, along with automated lighting and monitoring of cooling systems, significantly reduce Wolseley's carbon impact and costs (see case study on page 52).

## Principal risks and their management continued

### Key

● High inherent risks ● Medium inherent risks ● Low inherent risks

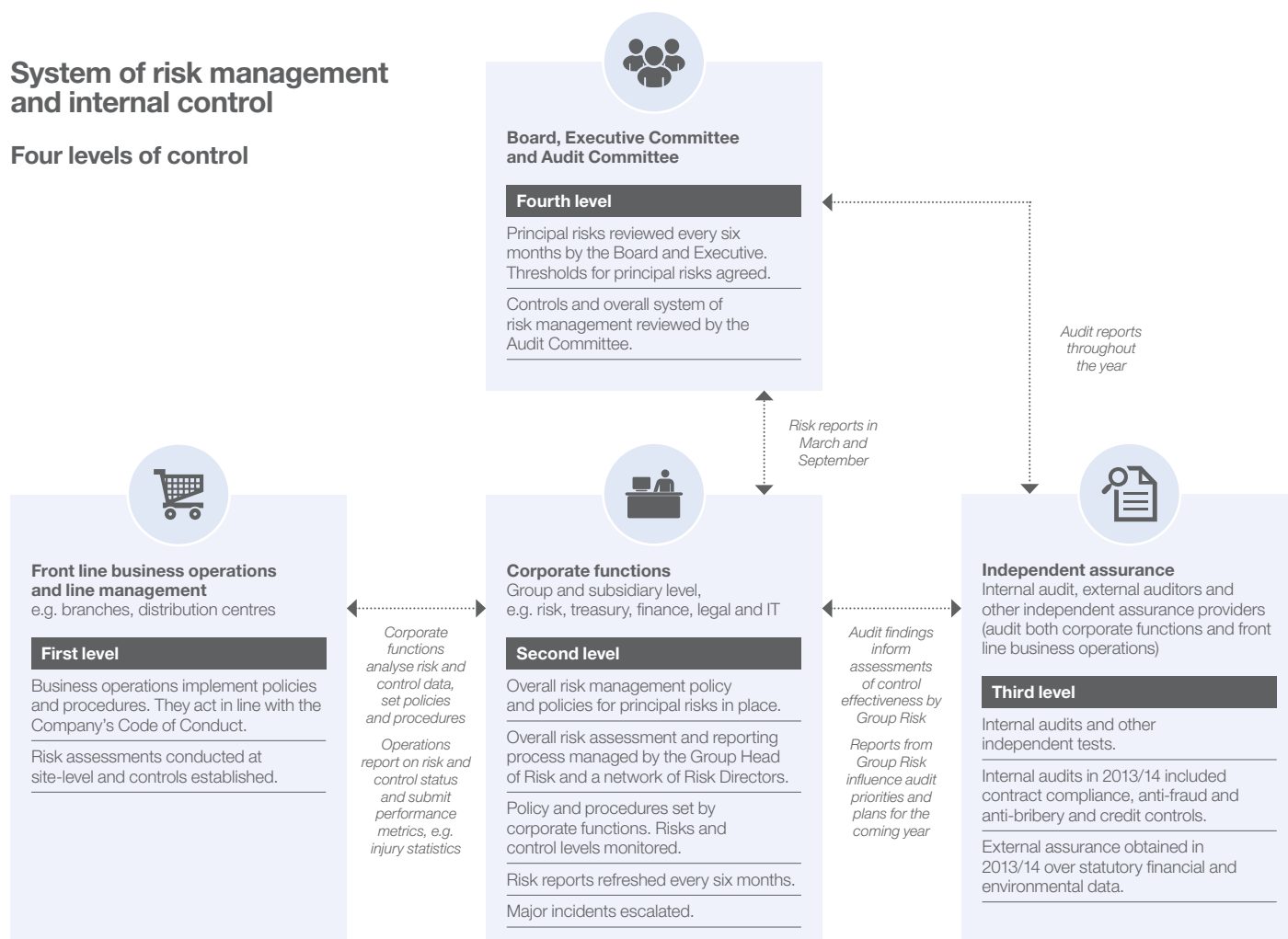
^ Risk is rising <> Risk is stable v Risk is falling + Issue has been added to the list of top Group risks this year

Inherent risk and trend	Definition	Mitigation
<b>6. Health and safety</b>		
<p><b>+</b></p> <ul style="list-style-type: none"> <li><b>Inherent risk level</b> – Medium</li> <li><b>Trend</b> – New</li> <li><b>Related objectives</b> <b>2</b> <b>3</b></li> </ul>	<p>The Group does not operate in a high-risk industry with regard to health and safety. The nature of Wolseley's operations can nevertheless expose its employees, contractors, customers, suppliers and other individuals to health and safety risks.</p> <p>This risk has been included in the list of principal risks as a result of revised internal risk assessment criteria. The overall level of exposure has not increased.</p>	<p>Further information on health and safety is contained in the Sustainability section on page 50.</p>
<b>7. Governmental regulations</b>		
<p><b>&lt;&gt;</b></p> <ul style="list-style-type: none"> <li><b>Inherent risk level</b> – Medium/low</li> <li><b>Trend</b> – No change</li> <li><b>Related objectives</b> <b>1</b> <b>2</b> <b>3</b> <b>4</b> <b>6</b></li> </ul>	<p>The Group's operations are affected by various statutes, regulations and laws in the countries and markets in which it operates. The amount of such regulation and the penalties can change.</p> <p>While the Group is not engaged in a highly regulated industry, it is subject to the laws governing businesses generally, including laws relating to competition, product safety, data protection, labour and employment practices (including pensions), tax, international trade, fraud, bribery and corruption, land usage, the environment, health and safety, transportation, payment terms and other matters.</p> <p>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.</p>	<p>The Group monitors regulations across its markets to ensure that the effects of changes are minimised and that we comply with all applicable regulation. For example:</p> <ul style="list-style-type: none"> <li>the Group is reviewing its data protection practices in anticipation of the forthcoming European Union General Data Protection Regulation;</li> <li>the Group continues to monitor and improve its anti-bribery and anti-corruption practices;</li> <li>face-to-face training on anti-competition law has taken place with higher risk employee groups; and</li> <li>in November 2013, the Group undertook a comprehensive review of its health and safety practices and a new minimum standard is being implemented.</li> </ul> <p>Information on our ethics programme and legal compliance can be seen on page 50.</p>

**1** **2** **3** **4** **5** **6** Denotes an objective which may be directly impacted by the risk identified (see page 7 for strategic objectives)

## System of risk management and internal control

### Four levels of control



The Group's system of risk management and internal control is built around the "lines of defence" concept. The Company reviews each principal risk against four levels of mitigation:

- 1st level: line management implement corporate policies, procedures and controls in "front line" operations such as branches and distribution centres, sales and sourcing functions. Act in accordance with the Code of Conduct;
- 2nd level: corporate functions design and monitor risks and controls, policies and procedures;
- 3rd level: independent assurance functions (e.g. internal and external audit) undertake detailed testing of corporate functions and front-line operations; and
- 4th level: the Board and its Committees receive risk and control data from all levels above.

The interaction of these levels is shown above.

### Improvements in the system of risk management and internal control

During the year, the system described above has been strengthened through:

- continuous improvement in the quality of operating company risk reports, particularly risk assessment and action planning;
- introduction of improved policies and procedures in the areas of health and safety, product integrity and financial control;
- more branch operational audits to improve the oversight of front-line operations;
- enhanced accuracy and frequency of risk data and other management information from front line operations; and
- closer coordination and planning between internal audit and corporate functions.

## Sustainability

# Better business, sustainable growth

The Group's sustainability programme shapes the way that we do business. It addresses Wolseley's material sustainability concerns, mitigating the associated risks and offering business opportunities. The programme supports profitable growth and underpins the business strategy.

We defined our seven material sustainability programme components in 2012 following a comprehensive review with each business and with the Board.

During 2013/14, the Board reconfirmed its commitment to these programme components and we have continued to make progress in these areas.

### Governance

**Accountability:** The overall programme is agreed by the Board and reviewed annually to ensure its ongoing relevance to business strategy, stakeholder expectations and international sustainability agendas. The Group's Company Secretary and General Counsel is responsible to the Board for the overall sustainability programme.

**Implementation:** With direction from the Board, the businesses define and execute local action plans according to their own particular level of development and the greatest opportunities for progress in line with strategy. The Group Risk, Compliance and Sustainability team oversees implementation.

**Managing performance:** Objectives and, where appropriate, quantified targets are set for all sustainability programme components. For some focus areas, Group-wide KPIs have been defined. KPIs have not been set for all elements of the programme as it is not always practical to bring distinct local methods under one unified metric. Improved performance is the primary goal.

**Monitoring performance:** Specialist teams in each business monitor performance for their specific area of responsibility. The Group Risk, Compliance and Sustainability team monitor performance across all areas of the sustainability programme, with the exception of "Our people" (which is overseen by the Group HR function). Wolseley's Internal Audit teams periodically test compliance with policy and adherence to procedures. Individual programme components receive frequent review and input by the Board and the Executive Committee.

**Risk management:** Non-financial as well as financial risks are assessed as part of the Group's comprehensive risk management process. These include fraud, corruption, product quality, employee, health and safety and environmental risks. For further information on the Group's risk management programme, see pages 42 to 47.

### Sustainability and strategy

The symbols below are displayed on the following pages to indicate which of our strategic objectives are most directly supported by each sustainability programme component. The objectives are summarised on page 7.



### Our people

We value our people and are committed to train and develop all of our employees. We understand, respect and value personal and cultural differences and promote diversity.



### Health and safety

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



### Ethics and compliance

We are committed to observing both the spirit and the letter of the laws of all jurisdictions in which we operate, and to complying with our Code of Conduct.



### Environmental performance

We will run efficient operations that consume less energy and fuel, produce less waste and reduce any negative effect of our business activities on the environment.

We will explore opportunities to reduce the environmental impacts of our suppliers and customers.



### Product integrity

We will work with our suppliers to maintain excellent standards of product quality and safety.

We expect our vendors, contractors and agents to adhere to our Code of Conduct and to adopt similar standards.



### Sustainable construction

We will be a positive link in the sustainable construction supply chain.



### Community engagement

We will voluntarily contribute our time and our financial support to the communities in which we work.



Further detail on progress in 2013/14 and objectives for 2014/15  
[www.wolseley.com](http://www.wolseley.com)



Additional information, including case studies  
[www.wolseley.com](http://www.wolseley.com)



**Key**

Denotes the strategic objectives which are most directly supported by this component of the sustainability programme (see page 7 for a list of the objectives)

Our people

1
2
3
4
5
6

**Maximising opportunities**

Skilled, motivated and engaged employees deliver excellent customer service, develop strong vendor relationships, maximise operational efficiencies and fast-track the development of new business models.

**Managing risks**

The behaviour of our employees underpins all of the Company's principal risks. For more detail on Wolseley's principal risks, please see pages 42 to 47.

## Progress against our objectives in 2013/14

Three key objectives for 2013/14 were to measure diversity and inclusion across the Group, to increase the movement of high-potential employees across our business and to relaunch the executive leadership programme.

### Mobility

The movement of high-potential employees across the business is a key component of our talent management programme, supporting the delivery of our strategy and accelerating the sharing of best practices across the Group. During 2013/14, both short and long-term international assignments of high-performing people have taken place with successful repatriation following completion of the assignments. This programme also supports diversity of thought as each placement brings together different cultures and business approaches.

### Executive leadership programme

The top 100 leaders from across the Group completed a newly tailored Wolseley executive leadership programme hosted by the International Institute for Management Development in Switzerland. The programme is designed to enhance leadership capability and agility and provides valuable insight on how individual and collective styles and capabilities will impact Wolseley's performance and success.

### Gender diversity

(Women as a percentage of the total)



## 27%

Directors (Board)

## 10%

Senior leadership\*

## 23%

Total employees

\*The Senior Leadership group at Wolseley consists of managers drawn from business units and central functions with responsibility for planning, directing or controlling the activities of the Company.

## Diversity and inclusion

Over the last 12 months, good progress has been made on the diversity and inclusion agenda. Each business has strengthened the processes that it has in place to support improved diversity and inclusion. For example, cultural diversity has been improved at the Nordic region's head office through targeted recruitment and internal international assignments. A number of diversity measures are regularly tracked and gender diversity statistics are presented below. Our diversity and inclusion policy statement can be seen on page 76.

	Total Men	Total Women
Directors (Board)	8	3
Senior leadership	87	10
Total employees	31,879	9,622

Total employee numbers of 41,501 are reported above. The lower number of 39,557 reported on page 4 is the number of Full Time Equivalent employees.

## Human Rights

Both the United Nations Global Compact and Universal Declaration of Human Rights have been considered in determining the human rights issues that are material to Wolseley. These topics include employee policies (covering topics such as anti-discrimination and a right to collective bargaining), health and safety, ethics and conduct. All of these issues are managed through policies and programmes of work and are regularly monitored for compliance. Other human rights issues are not listed here as they are not material to Wolseley. Business partners and suppliers are expected to conform to Wolseley's Code of Conduct.



## UK employees double training hours

Wolseley UK employees have completed twice the number of online training courses compared to last year. 95 per cent of Wolseley UK's employees improved their customer service skills by passing a bespoke customer service course. Health and safety awareness was also high on the training agenda with 95 per cent of employees passing a new and updated Manual Handling module, to improve safety for themselves and their customers. Wolseley UK continues to work towards 100 per cent completion on these two compulsory courses.

## Sustainability continued

### Key

**1 2 3 4 5 6** Denotes the strategic objectives which are most directly supported by this component of the sustainability programme (see page 7 for a list of the objectives)



### Health and safety

**2 3**

Maximising opportunities	Managing risks
A robust health and safety programme protects our workforce, improves productivity by reducing the number of days lost to injury and enhances profitability by reducing our liabilities.	The principal risks relate to manual handling, working at height, the use of motorised equipment and vehicle collisions. The Group has introduced improved standards to mitigate these risks.

### Progress against our objectives in 2013/14

Our primary objectives for the year were to reduce our injury, lost workday and collision rates by 2 per cent and to introduce and implement a new Group minimum standard for health and safety.


#### Mixed performance against targets

The injury rate has been reduced by 8 per cent and the lost workday rate by 2.8 per cent during 2013/14. We regret to report that the Group collision rate has increased slightly (0.2 per cent). Actions are being taken to mitigate this increase, including enhanced policies and procedures for drivers of company vehicles and improved driver safety training programmes.

#### Group minimum standard

A new Group minimum standard applicable to all Wolseley businesses was introduced in 2013/14. Full implementation will be complete by December 2014. The standard sets 43 minimum requirements. Some locations have gone further than the Group minimum standard and are already compliant with OHSAS 18001. All businesses were assessed against the OHSAS 18001 standard during the year to identify improvement opportunities beyond the Group minimum standard for the next two to three years.

### Injury, lost workday and collision rates



<b>8%</b> improvement
Injury rate (1.47 per 100,000 hours worked)
<b>2.8%</b> improvement
Lost workday rate (61.73 per 100 employees)
<b>0.2%</b> deterioration
Fleet collision rate (17.02 per 100 vehicles)



### Ethics and compliance

**1 2 3 4 6**

Maximising opportunities	Managing risks
Compliance with the letter and the spirit of the law and a commitment to high ethical standards strengthens our reputation with customers, suppliers and other stakeholders.	The business is exposed to risks of bribery and fraud. Non-compliance with governmental regulations is one of our principal risks. For more detail, see page 46.

### Progress against our objectives in 2013/14

Our focus for 2013/14 was to continue to ensure that our compliance programmes in relation to fraud, bribery and corruption and antitrust laws are fully embedded in business practice.

#### Face-to-face antitrust training

A refresher course on antitrust, delivered face-to-face by external experts, has been introduced in parts of the Group for employees with the highest potential exposure to antitrust risks. This training programme will continue throughout 2014/15.

#### Compliance training programmes

Employees joining the business since the major roll-out of the Group's Code of Conduct, anti-bribery and corruption and antitrust training programmes were trained during 2013/14. All businesses continue to refresh these training programmes.

#### Whistleblowing

We continue to encourage our employees to report any incidents of non-compliance through our Group-wide confidential reporting system, "Speak Up!". Employees can disclose information in any language, confidentially and anonymously via an international hotline, voicemail or web message.

### Antitrust and Anti-bribery and corruption training



Face-to-face training was conducted in parts of the Group to consider appropriate behaviour in a range of scenarios. Further training is planned.



## Environmental performance

2 3

### Maximising opportunities

The reduced consumption of energy, fuel and water and production of less waste reduces costs, improves operational efficiencies and improves profit margins.

### Managing risks

Rising energy prices and increasing “green” taxes can reduce Wolseley’s profit margins. All business units have reduction targets in place to minimise these rising costs.

## Progress against our objectives in 2013/14

Our objectives for 2013/14 were to continue to reduce carbon emissions and waste to landfill in order to achieve our two-year targets of –7.5 per cent tCO<sub>2</sub>e (carbon) and –23 per cent waste by 31 July 2014 (both per £ million of revenue\*). We also aimed to further reduce estimation levels in our carbon and waste reporting.

### Strong performance in carbon and waste reduction – stretch targets almost achieved

Over the last two years we reduced carbon emissions by 7.3 per cent and tonnage of waste sent to landfill by 18 per cent (both per £ million of revenue\*). The waste target was increased from –15 per cent to –23 per cent after one year of the two-year programme as the initial target had already been met. Examples of how the businesses have improved their environmental performance are detailed on the Wolseley plc website [www.wolseley.com](http://www.wolseley.com).

### Carbon and waste data are more accurately measured and externally assured

PricewaterhouseCoopers (“PwC”) were engaged to test the Group’s carbon and waste data and have provided a limited assurance statement for 2013/14 data. Data accuracy continues to improve with only 16 per cent of carbon data (46 per cent in 2011/12) being based on estimated numbers in 2013/14.

### Carbon emissions and waste



**7.3%** improvement

Carbon (36.7 tCO<sub>2</sub>e per £m revenue)

**18%** improvement

Landfilled waste (3.6 tonnes per £m revenue)

Reductions over two years to July 2014.

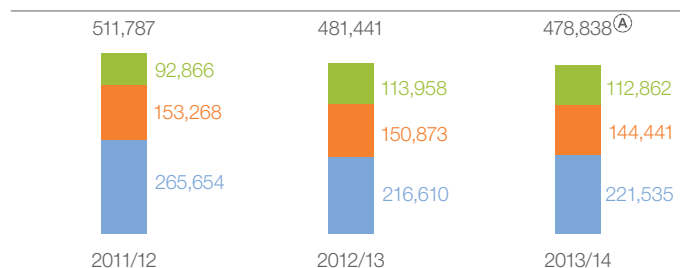
### Carbon emissions and waste

Wolseley’s reported data includes all major businesses and head office locations (with 25 employees or more), representing over 99 per cent of Wolseley Group’s total employee numbers. All scope 1 and 2 emissions and selected scope 3 emissions are reported. Further detail on the data provided can be found in the “Basis of Reporting” document on the Wolseley plc website [www.wolseley.com](http://www.wolseley.com).

#### Total carbon emissions

Tonnes of CO<sub>2</sub> equivalent

● Scope 1 ● Scope 2 ● Scope 3

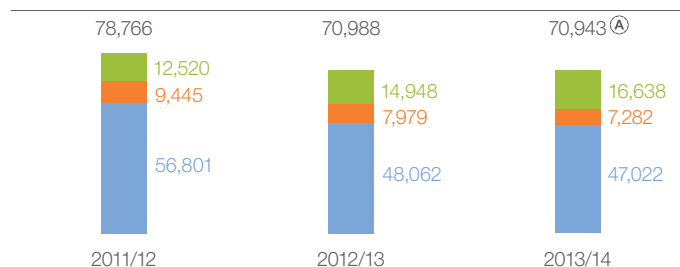


	tCO <sub>2</sub> e/£m revenue			
Carbon emissions	2011/12	2012/13	2013/14	Two-year Variance
Scope 1 & 2 emissions	32.4	27.9	28.0	–13.4%
Scope 3 emissions	7.2	8.7	8.6	+20.4%
<b>Total emissions</b>	<b>39.5</b>	<b>36.6</b>	<b>36.7<sup>(A)</sup></b>	<b>–7.3%</b>

#### Total waste

Tonnes

● Landfilled ● Incinerated ● Recycled



Any waste volumes for which it is unknown whether the waste is sent to landfill or is incinerated are included in the landfill totals.

PwC has provided limited assurance against ISAE 3000 for selected key data in 2014. Where you see the <sup>(A)</sup> symbol in this report it indicates data has been externally assured. For the full limited assurance opinion see page 54. For our reporting criteria see our Basis of Reporting document at [www.wolseley.com](http://www.wolseley.com)

Our approach to measuring carbon was developed in accordance with the Greenhouse Gas Protocol (“GHG Protocol”). Emissions are calculated using DEFRA carbon factors and are reported as tonnes of CO<sub>2</sub> equivalent (abbreviated as tCO<sub>2</sub>e), based on the Global Warming Potential (“GWP”) of each of the “basket of six” greenhouse gases, as defined by the Kyoto Protocol.

Inaccuracies identified during preparation for assurance resulted in adjustments to the 2011/12 and 2012/13 carbon and waste data.

Due to rounding of the figures in the bar charts and table there is not a precise correlation with the accurate totals and percentage performance figures.

\*Total revenue is used as the relative measure for carbon and waste performance, rather than revenue for the ongoing business.

## Sustainability continued

### Key

**1** **2** **3** **4** **5** **6** Denotes the strategic objectives which are most directly supported by this component of the sustainability programme (see page 7 for a list of the objectives)

### Product integrity

**2** **3** **6**

#### Maximising opportunities

Sourcing and supplying safe, quality products improves our margins, enhances customer satisfaction and confidence and enables branch staff to devote more time to sales and customer service.

#### Managing risks

Product-related litigation is recognised as one of our significant risks. For more detail on how we are managing the risk, please see page 44.

### Progress against our objectives in 2013/14

The focus for the year under review was to keep all businesses on track to meeting their targets under the product integrity programme and to share best practice across the Group.

#### Working towards higher standards

A set of minimum requirements were defined during 2013/14 to promote a consistent level of product and supplier due diligence. Each business has been implementing its plan to comply with these requirements. A standard set of KPIs are reported against every six months and progress is monitored by the Board. The businesses share best practice through regular calls and a team web portal.

#### Sourcing timber responsibly

Wolseley has assessed its timber products for a number of years and, where appropriate, works with specialist business partners to ensure that the systems we have in place meet the requirements of the regulations and our sourcing policies. Timber suppliers to Wolseley are required to confirm their compliance with legal standards and to give access on request to relevant compliance documentation and allow reasonable access to all information, property and/or materials relevant to the performance of the agreement.

### USA lab receives ISO/IEC 17025 accreditation



The Metrology and Materials Services Group at Ferguson, USA, which tests product conformance and performance, has achieved accreditation, demonstrating the quality and reliability of its testing procedures.



### Driving product quality through supplier qualification

Ferguson in the USA has partnered with a leading risk management technology company to collect information from its suppliers, including statements of financial health, certificates of insurance and indemnity agreements. Ferguson requests that all suppliers enrol in and complete a vendor qualification process.



### Wolseley UK sets shining example on green energy

Eight thousand solar panels have been installed on the roof of Wolseley UK's National Distribution Centre (NDC). The installation, carried out over a six-month period, is set to produce two megawatts of electricity per year\*. At full capacity output the system will completely power Wolseley UK's NDC and is expected to generate up to £6.5 million of revenue over 20 years. The payback period of the installation is 6.8 years, which means the NDC will receive "free" energy after seven years. Wolseley UK will also achieve carbon savings of around 1,280 tonnes per year. Wolseley UK continues to lead the way by investing in the technology that it advocates.

\*Equivalent to powering 450 homes based on UK government typical electricity usage figures.





## Sustainable construction

2 3

### Maximising opportunities

Where the market opportunity exists, we can gain market share by stocking sustainable construction products and by offering training and advice to our customers.

### Managing risks

Suppressed market conditions and pressure on margins are two of the Group's most significant risks (see page 43). Sustainable construction products open up new market opportunities.

## Progress against our objectives in 2013/14

The objective remains for our businesses to continue to provide access to sustainable products and training, in line with local market opportunity.

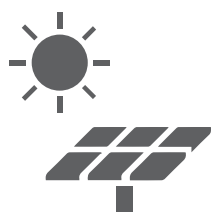
### Facilitating the growth of renewable energy products

We continue to engage our customers in sustainable construction. We publish sustainable product guides to assist customers in product selection and provide training on both the products themselves and on how to participate in relevant government incentive programmes.

### Joining the debate on sustainable construction

Wolseley actively engages with policy makers and trade associations to accelerate the uptake of sustainable construction products. For example, during 2013/14, Wolseley UK participated in various campaigns alongside the Association for the Conservation of Energy including the retention of the reduced VAT rate on energy efficient products and amendments to the Energy Company Obligation. Wolseley's businesses in Denmark and Finland are also represented at trade associations seeking to develop energy and resource efficiency.

### UK supports uptake of renewable heating products



To help customers to benefit from a new government subsidy programme, the Renewable Heat Incentive, Wolseley UK stocks a wide range of relevant products and provides training at eight centres across the country.



## Community engagement

3

### Maximising opportunities

Engagement with the communities in which we operate promotes our business, attracts high quality recruits, teaches us about our customers and enhances employee skills and engagement.

### Managing risks

Wolseley operates in a highly competitive marketplace, with many locally-established competitors. Community engagement can enhance our local reputation and allow us to compete more effectively.

## Progress against our objectives in 2013/14

Our businesses seek to be contributing members to the communities in which they operate. The Group also supports a number of charitable organisations both at a Group and a business unit level.

### Charitable support

During 2013/14, Wolseley's businesses contributed to a great number of charities, including support for neglected and vulnerable children and provision of care for sufferers of cancer and other illnesses.

### Employee involvement

Our employees engaged in a great number of community and charity events. Visit the Wolseley plc website [www.wolseley.com](http://www.wolseley.com) for examples of the events and schemes our employees and businesses have supported over the last year.

## Wolseley Canada sponsor Special Olympics Canada

In 2014, Wolseley Canada renewed its national sponsorship of Special Olympics Canada for another two years. Since 2004, Wolseley Canada employees have supported the Special Olympics (SO) movement, raising CAD\$2.5 million (including sponsorship fees) and volunteering to organise and participate in events. Read more about the Special Olympics at [www.specialolympics.ca](http://www.specialolympics.ca).

The Strategic report has been approved by the Board and signed on its behalf by:

**Ian Meakins**  
Group Chief Executive

## Independent Limited Assurance Report to the Directors of Wolseley plc

The Board of Directors of Wolseley plc ("Wolseley") engaged us to provide limited assurance on the information described below and set out in Wolseley's Annual Report and presented online on Wolseley's Sustainability website for the year ended 31 July 2014.

### Our conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information for the year ended 31 July 2014 has not been prepared, in all material respects, in accordance with the Reporting Criteria.

This conclusion is to be read in the context of what we say in the remainder of our report.

### Selected Information

The scope of our work was limited to assurance over the information marked with the symbol (A) in Wolseley's Annual Report (the "Selected Information").

The Selected Information and the Reporting Criteria against which it was assessed are summarised in the list below. Our assurance does not extend to information in respect of earlier periods or to any other information included in the Annual Report or presented online on Wolseley's Sustainability website.

#### Absolute greenhouse gas emissions:

- Electricity use
- Fuel consumption from operations
- Vehicle fuel – transport of goods (owned/leased vehicles)
- Vehicle fuel – transport of goods (outsourced)
- Vehicle fuel – transport of people (owned/leased vehicles)
- Vehicle fuel – transport of people (private/hired vehicles)
- Business travel (air and rail)
- Refrigerant leakage

Emissions per £m of revenue

#### Waste

Non-hazardous waste:

- Incinerated
- Landfilled
- Recycled

#### Hazardous waste

- Incinerated
- Landfilled
- Recycled

Waste per £m of revenue

Reporting criteria against which the above information is assessed can be found in the Environmental Performance section of [www.wolseley.com/sustainability](http://www.wolseley.com/sustainability)

### Professional standards applied and level of assurance

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 "Assurance Engagements other than Audits and Reviews of Historical Financial Information" and, in respect of the greenhouse gas emissions, in accordance with International Standard on Assurance Engagements

3410 "Assurance engagements on greenhouse gas statements", issued by the International Auditing and Assurance Standards Board. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

### Our independence and quality control

We apply the Institute of Chartered Accountants in England and Wales (ICAEW) Code of Ethics, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply International Standard on Quality Control (UK & Ireland) 1 and accordingly maintain a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements

Our work was carried out by an independent team with experience in sustainability reporting and assurance.

### Understanding reporting and measurement methodologies

The Selected Information needs to be read and understood together with the Reporting Criteria, which Wolseley is solely responsible for selecting and applying. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time. The Reporting Criteria used for the reporting of the Selected Information are as at 31 July 2014.

### Work done

We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected Information. In doing so, we:

- made enquiries of Wolseley's management, including the Sustainability team and those with responsibility for Sustainability management and Group Sustainability reporting;
- evaluated the design of the key structures, systems, processes and controls for managing, recording and reporting the Selected Information. This included analysing and visiting five brands during the year, selected on the basis of their inherent risk and materiality to the Group, to understand the key processes and controls for reporting site performance data to the Group Sustainability team;
- performed limited substantive testing on a selective basis of the Selected Information at corporate head office and in relation to five brands to check that data had been appropriately measured, recorded, collated and reported; and
- considered the disclosure and presentation of the Selected Information.

### Wolseley's responsibilities

The Directors of Wolseley are responsible for:

- designing, implementing and maintaining internal controls over information relevant to the preparation of the Selected Information to ensure that it is free from material misstatement, whether due to fraud or error;
- establishing objective Reporting Criteria for preparing the Selected Information;
- measuring and reporting the Selected Information based on the Reporting Criteria; and
- the content of the Annual Report 2014 and the information presented online on Wolseley's Sustainability website.

### Our responsibilities

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to the Directors of Wolseley.

This report, including our conclusions, has been prepared solely for the Board of Directors of Wolseley in accordance with the agreement between us, to assist the Directors in reporting Wolseley's annual performance and activities. We permit this report to be disclosed in the Annual Report for the year ended 31 July 2014, to assist the Directors in responding to their governance responsibilities by obtaining an independent assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors and Wolseley for our work or this report except where terms are expressly agreed between us in writing.

**PricewaterhouseCoopers LLP**  
Chartered Accountants, London

5 September 2014

The maintenance and integrity of Wolseley's website is the responsibility of the Directors; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the reported Selected Information or Reporting Criteria when presented on Wolseley's website.

## Section 3

# Governance

56	Chairman's letter
57	Governance overview
58	Board of Directors
60	Executive Committee
61	Leadership
65	Effectiveness
68	Relations with shareholders
70	Audit Committee
75	Nominations Committee
77	Other committees
78	Directors' Report – other disclosures
83	Remuneration Report introduction
85	Remuneration policy
94	Annual report on remuneration



## Chairman's letter



**Gareth Davis**  
Chairman

### Dear Shareholder

**This section of our report outlines how the Board ensures that high standards of corporate governance are maintained. At Wolseley, we are committed to fostering an effective governance framework that supports the Company's core values and which underpins our ability to set the overall strategic direction of the Wolseley Group.**

### Your Board

It is important that your Board has the right balance of skills and experience in order to provide strong leadership to the Company and effective support to Ian Meakins and his Executive team. As highlighted on page 9, during the year there have been a number of changes to the Non Executive Directors serving on the Board. As we drive towards achieving our strategic goals, it is important that we have the right balance of skills, breadth of experience and diversity on the Board and the Nominations Committee has continued to review the composition of the Board to ensure that this is the case. Biographical details for all Board members can be found on pages 58 and 59.

In May 2014, we announced that Jacky Simmonds would replace Alan Murray as Chairman of the Remuneration Committee in July 2014. There has been a successful handover of responsibilities, and Alan and Jacky will be available to answer questions at the AGM. The Remuneration Committee report can be found on pages 83 to 104. In July 2014, we announced that Michael Wareing would be stepping down from Board at this year's AGM and that he would be succeeded as Chairman of the Audit Committee by Darren Shapland. Michael and Darren are working together closely and the handover of responsibilities will be completed by the AGM, where they will both be available to answer any questions. The Audit Committee report can be found on pages 70 to 74.

The Non Executive Directors continue to be independent and objective, and to play an essential role in the composition of the Board due to the skills and expertise they bring.

### Compliance with the Code

We confirm that, throughout the financial year, the Company applied all of the principles set out in sections A to E of the UK Corporate Governance Code and has complied with the detailed provisions set out therein. See page 71 for our explanation in relation to external audit tendering. 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 UK Corporate Governance 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. A copy of the Code can be found on the Financial Reporting Council website [www.frc.org.uk](http://www.frc.org.uk)

### Board effectiveness

Our annual Board effectiveness review assists us in highlighting areas in which improvements can be made. The review is conducted externally every three years and the next external review is due to take place in 2015. This year, the review was conducted internally and the outcome of this review and our progress against the areas identified for improvement in last year's review are provided on page 66.

### Good governance

Last year, the Board took the opportunity, earlier than required, to adopt certain changes introduced following the publication of the new edition of the UK Corporate Governance Code (the "Code") in September 2012. Although the Company is not required to do so as a Jersey company, it meets the requirements of the regulations published by the Department for Business, Innovation and Skills concerning narrative and directors' remuneration reporting which came into force for companies with financial years ending on or after 30 September 2013. We have now met all of these disclosure requirements and we continue to monitor developments and best practice in corporate governance. In the following pages we describe how we have applied the Code's main principles.

### Next year

The Board's priorities for 2014/15 remain consistent with last year's priorities. We will continue to monitor progress against our strategy to ensure that we continue to drive growth and improve returns. We are committed to investing in and supporting our people so that the Group maintains an appropriate balance of management skills and capabilities as it grows and develops.

**Gareth Davis**  
Chairman

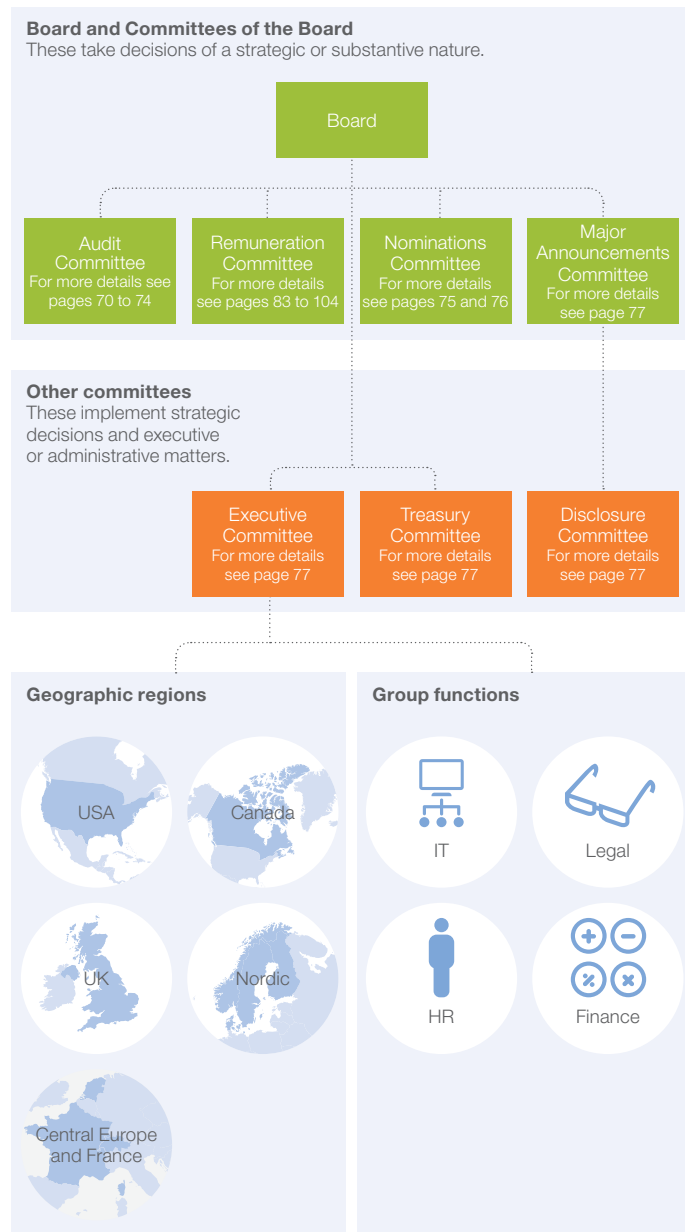
### Follow our strategy through this report

Our strategic objectives underpin and integrate our global business activities and you will see numerous references and examples of our strategy in action throughout this report. Where we discuss a part of our business which is directly linked to one or more of our strategic objectives, we have referenced this with the specific strategic objective as below.



## Governance overview

### Wolseley's governance structure



### Ensuring good governance throughout the Group

Wolseley's Group-wide policies and procedures provide a framework for governance and are underpinned by the Group's core values and its Code of Conduct. Through the Group's core values we expect and ensure that we act with integrity, drive for results and improvement and value our people.

Further information on the Group's core values and a copy of the Group's Code of Conduct are available on the Wolseley plc website [www.wolseley.com](http://www.wolseley.com)

### Where Wolseley plc carries on business and which rules apply to it

Wolseley plc is a public company limited by shares and incorporated in Jersey with registered number 106605. It is tax resident in Switzerland. The Company has a premium listing on the London Stock Exchange, and is therefore subject to the Listing Rules of the UK Listing Authority. The Company complies with the provisions of the UK Corporate Governance Code and relevant institutional shareholder guidelines.

Although the Company (being Jersey incorporated) is not subject to the UK Companies Act, the Board retains its standards of governance and corporate responsibility as if it were subject to the Act. It continues to provide shareholder safeguards which are similar to those that apply to a UK registered company.

Under Wolseley plc, the Wolseley Group carries on its businesses in 10 countries through a number of operating companies. The Group is made up of five geographic regions: USA, Canada, UK, Nordic, and Central Europe and France.

### Code principles

<p><b>Leadership</b> Continued close focus on strategy and its execution.</p> <p>See pages 61 to 64</p>	<p><b>Effectiveness</b> A strong, open and effective Board.</p> <p>See pages 65 to 67</p>	<p><b>Accountability</b> Close scrutiny of risks and controls.</p> <p>See page 67 and Principal risks and their management on pages 42 to 47</p>	<p><b>Remuneration</b> Prudent oversight of executive remuneration.</p> <p>See pages 83 to 104</p>	<p><b>Relations with shareholders</b> Open engagement with shareholders.</p> <p>See pages 68 and 69</p>
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## Board of Directors

as at 31 July 2014



**Gareth Davis**  
Chairman

Appointed on 1 July 2003 and became Chairman on 20 January 2011.

### Key strengths

Extensive international board and general management experience, having served on various company boards for many years.

### Experience

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.

### Committee membership

Chairman of the Nominations Committee and a member of the Major Announcements Committee.

### External appointments

Chairman of William Hill PLC and DS Smith Plc.



**Ian Meakins**  
Group Chief Executive

Appointed on 13 July 2009.

### Key strengths

Broad international board and general management experience in brand, retail and wholesale distribution management; strategic vision and extensive operational leadership.

### Experience

Mr Meakins was, until April 2009, Chief Executive of Travellex 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 the company in a variety of international management positions.

### Committee membership

Chairman of the Executive Committee and a member of the Major Announcements, Treasury and Disclosure Committees.

### External appointments

Non Executive Director of Centrica plc.



**John Martin**  
Chief Financial Officer

Appointed on 1 April 2010.

### Key strengths

Extensive operational and financial management experience; Mr Martin has significant experience of cost control, driving productivity, finance and systems transformation programmes, leading business expansion projects, acquisitions, disposals, capital efficiency, tax, treasury and compliance activities.

### Experience

Mr Martin, a chartered accountant, joined the Company as Chief Financial Officer on 1 April 2010 and assumed management responsibility for Wolseley Canada from August 2013. He was previously a partner at Alchemy Partners, the private equity group, and prior to that was Chief Financial Officer with Travellex Group 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.

### Committee membership

Chairman of the Major Announcements, Disclosure and Treasury Committees and a member of the Executive Committee.

### External appointments

None.



**Pilar López**  
Non Executive Director

Appointed on 1 January 2013.

### Key strengths

Strong financial and international experience within global businesses.

### Experience

Ms López is currently Global Simplification Director for Telefónica S.A. From 2007 to 2014 she was Chief Financial Officer for Telefónica Europe. She is also a member of the Supervisory Board of Telefónica Deutschland Holding AG. She joined Telefónica in 1999, working in a number of finance and strategy positions across the European and Latin American businesses. Prior to this she worked in a variety of roles at J. P. Morgan, in Madrid, London and New York where she became a Vice President.

### Committee membership

Member of the Audit, Remuneration and Nominations Committees.

### External appointments

Global Simplification Director for Telefónica S.A. Member of the Supervisory Board and Audit Committee of Telefónica Deutschland Holding AG.



**Alan Murray**  
Non Executive Director

Appointed on 1 January 2013.

### Key strengths

Considerable international operational experience and extensive executive management experience within global businesses.

### Experience

Mr Murray has been a member of the Supervisory Board of HeidelbergCement AG since 2010 and was previously a Non Executive Director of International Power plc between 2007 and 2011. Prior to that, he spent 19 years at Hanson plc and was Group Chief Executive between 2002 and 2007. From 2007 until the end of 2008 he was a member of the Management Board of HeidelbergCement AG. Mr Murray is a qualified chartered management accountant.

### Committee membership

Chairman of the Remuneration Committee until 31 July 2014. Senior Independent Director. Member of the Audit, Remuneration and Nominations Committees.

### External appointments

Member of the Supervisory Board of HeidelbergCement AG.



**Darren Shapland**  
Non Executive Director

Appointed on 1 May 2014.

### Key strengths

Considerable commercial operational and financial management experience in major retail businesses.

### Experience

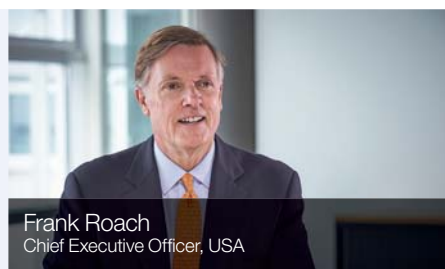
Mr Shapland joined the board of Poundland Group plc in February 2014 and was appointed Chairman in July 2014. He was previously Chief Executive Officer of Carpetright plc between 2012 and 2013. Prior to that Mr Shapland was J Sainsbury plc Chief Financial Officer from 2005 to 2010 before subsequently becoming Group Development Director from 2010 to 2011. He was also Chairman of Sainsbury's Bank. Previously Mr Shapland was Group Finance Director of Carpetright plc between 2002 and 2005, Finance Director of Superdrug Stores plc between 2000 and 2002 and held a variety of operational management and finance positions with the Burton Group and Arcadia.

### Committee membership

Chairman of the Audit Committee with effect from 25 November 2014. Member of the Audit Committee until 25 November 2014. Member of the Audit, Remuneration and Nominations Committees.

### External appointments

Chairman of Poundland Group plc and Maplin Electronics Limited. Non Executive Director and Chairman of the Audit Committee of Ladbrokes plc.



**Frank Roach**  
Chief Executive Officer, USA

Appointed on 16 December 2005.

#### Key strengths

Strong business and operational leadership; management of subsidiaries and joint ventures. Business development and wide ranging sales experience.

#### Experience

Mr Roach is Chief Executive Officer of Ferguson Enterprises, Inc. and responsible for all of the Group's businesses based in the USA. He first joined Ferguson in 1976 and has held a number of business roles. In 2005, Mr Roach was appointed as Senior Vice President of the Wolseley North America management team, playing a key part in further developing and expanding the Group's North American businesses and joined the Board in 2005.

#### Committee membership

Member of the Executive Committee.

#### External appointments

None.



**Tessa Bamford**  
Non Executive Director

Appointed on 22 March 2011.

#### Key strengths

Extensive City experience having held senior advisory roles in both the UK and USA across a range of sectors.

#### Experience

Ms Bamford was formerly a Director of Cantos Communications, the online communications service provider, from 2001 to 2011. Previously she was a Director of J Henry Schroder & Co, where she worked for 12 years in a number of roles between 1986 and 1998. Prior to that, Ms Bamford worked in corporate finance for Barclays de Zoete Wedd.

#### Committee membership

Member of the Audit, Remuneration and Nominations Committees.

#### External appointments

Consultant at Spencer Stuart. Non Executive Director of Barratt Developments plc.



**John Daly**  
Non Executive Director

Appointed on 21 May 2014.

#### Key strengths

Considerable international business and executive management experience in a variety of senior leadership roles within major international public companies.

#### Experience

Mr Daly has over three decades of business and management experience, including the last 14 years with British American Tobacco Plc (BAT) in a variety of senior leadership roles running large international businesses. He recently stepped down as Chief Operating Officer of BAT, a position he held for three years, although he remains a Non Executive Director of Reynolds American Inc., a BAT associate company in the USA. Prior to that Mr Daly was BAT's Regional Director for Asia Pacific, a position he held for six years based in Hong Kong. In 1994 Mr Daly joined Rothmans International's Irish subsidiary P J Carroll & Co and spent five years in a variety of leadership positions, predominantly in sales and marketing. In 1998 he was appointed as Managing Director of Rothmans' Japan and South Korea businesses.

#### Committee membership

Member of the Audit, Remuneration and Nominations Committees.

#### External appointments

Non Executive Director of Reynolds American Inc.



**Jacky Simmonds**  
Non Executive Director

Appointed on 21 May 2014.

#### Key strengths

Extensive executive remuneration and human resources experience within large international businesses.

#### Experience

Ms Simmonds is currently Group HR Director of TUI Travel plc, a position she has held since 2010. She is also a member of the Supervisory Board of TUI Deutschland, GmbH and a Director of PEAK Adventure Travel Group Limited. She was previously a divisional HR Director of First Choice Holidays PLC until the business was merged with Tui AG in 2007 to form TUI Travel PLC. From 2007 to 2010 she was HR Director for TUI UK.

#### Committee membership

Chairman of the Remuneration Committee since 31 July 2014. Member of the Audit and Nominations Committees.

#### External appointments

Group HR Director of TUI Travel plc. Member of the Supervisory Board of TUI Deutschland, GmbH and a Director of PEAK Adventure Travel Group Limited.



**Michael Wareing CMG**  
Non Executive Director

Appointed on 1 October 2009 and will step down on 25 November 2014.

#### Key strengths

Comprehensive board and financial management experience; significant commercial and international experience, having served in various advisory roles.

#### Experience

Mr Wareing was International Chief Executive of KPMG from 2005 until he retired in September 2009, having previously been Chief Executive of KPMG's Europe, Middle East and Africa region. Throughout his career Mr Wareing has been closely involved with a number of charities and public bodies. He was formerly the Prime Minister's Special Envoy for the reconstruction of Southern Iraq.

#### Committee membership

Chairman of the Audit Committee and member of the Remuneration and Nominations Committees until 25 November 2014.

#### External appointments

Non Executive Director, Chairman of Audit Committee and Senior Independent Director for Cobham plc and Intertek Group plc. Economic Development Adviser to the Government of Afghanistan.



**Richard Shoykov**  
Group Company Secretary and General Counsel

Appointed on 9 November 2007.

#### Responsibilities

Mr Shoykov, a solicitor, has responsibility for the Group's legal affairs, risk management and corporate responsibility programme.

#### Committee membership

Secretary to the Board and all Committees of the Board. Member of the Major Announcements, Disclosure and Executive Committees.

## Executive Committee

as at 29 September 2014

The Executive Committee addresses operational issues and is responsible for implementing Group strategy and policies, day-to-day management and monitoring performance.



### Key strengths

Broad international board and general management experience in brand, retail and wholesale distribution management; strategic vision and extensive operational leadership.



### Key strengths

Considerable experience of construction materials distribution sector; strong international operational experience; logistics and supply chain management skills.



### Key strengths

Extensive international experience in senior IT leadership roles across the pharmaceutical, banking and wholesale distribution industries.



### Key strengths

Considerable operational management experience in international consumer goods, retail and textiles. Plus deep e-commerce experience.



### Key strengths

Strong international operational experience, together with financial, construction, distribution and sourcing experience.



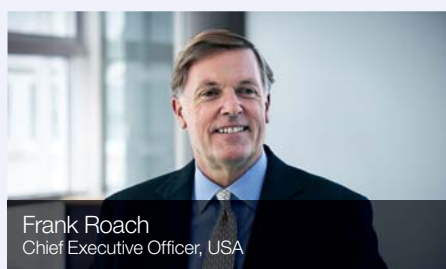
### Key strengths

Extensive operational and financial management experience. Mr Martin has significant experience at cost control, driving productivity, finance and systems transformation programmes, leading business expansion projects, acquisitions, disposals, capital efficiency, tax, treasury and compliance activities.



### Key strengths

Considerable human resources and operations experience and executive search firm experience; a strong leadership development focus.



### Key strengths

Strong business and operational leadership experience and expertise in the management of subsidiaries and joint ventures. Wide ranging business development and sales experience.



### Key strengths

Extensive management of legal affairs and corporate governance; development and implementation of risk management and legal and ethics compliance systems.

 Additional biographical details for each member of the Executive Committee can be found on the Wolseley plc website [www.wolseley.com](http://www.wolseley.com)

## Leadership

### Board members

As at 31 July 2014, the Board was made up of 11 members consisting of the Chairman, three Executive Directors and seven Non Executive Directors. Biographical details for each of the Directors in office as at 31 July 2014 are shown on pages 58 and 59.

The Non Executive Directors and the Chairman are each considered by the Board to be independent and free of any relationship which could materially interfere with the exercise of their independent judgement.

### Board meetings

The Board met regularly during the year, with Board and Committee meetings scheduled over two or three day periods. There were six scheduled meetings and details of attendance are shown in the table below.

### Members and attendance (eligibility) at meetings held during the year ended 31 July 2014:

Board members:	Scheduled meetings: attendance and (eligibility): <sup>1</sup>
G Davis	6(6)
T Bamford	6(6)
P López	6(6)
J Martin	6(6)
I Meakins	6(6)
A Murray <sup>2</sup>	5(6)
F Roach	6(6)
M Wareing <sup>3</sup>	6(6)

#### Members who joined during the year:

J Daly <sup>4</sup>	2(2)
D Shapland <sup>4</sup>	2(2)
J Simmonds <sup>4</sup>	2(2)

#### Members who stepped down during the year:

M Clarke <sup>5</sup>	4(4)
A Duff <sup>5</sup>	2(2)

<sup>1</sup> In addition to the scheduled meetings, one unscheduled meeting was convened at short notice to deal with matters that needed to be considered before the next scheduled meeting. All Directors were given notice of the meeting and some of them were unable to attend due to prior commitments which could not be rearranged. The meeting was attended by Ms López and Messrs Davis, Meakins, Murray and Roach.

<sup>2</sup> Due to illness, Alan Murray was unable to attend one Board meeting.

<sup>3</sup> Michael Wareing will step down as a Non Executive Director with effect from 25 November 2014.

<sup>4</sup> Darren Shapland was appointed as a Non Executive Director on 1 May 2014. John Daly and Jacky Simmonds were appointed as Non Executive Directors on 21 May 2014.

<sup>5</sup> Andrew Duff stepped down as a Non Executive Director on 26 November 2013. Michael Clarke stepped down as a Non Executive Director on 21 March 2014.

The Company is registered in Jersey and is tax resident in Switzerland. During the year all meetings of the Board, Committees of the Board and all other meetings requiring decisions of a strategic or substantive nature were held outside the United Kingdom.

In order to provide the Board with greater visibility of the Group's operations and to provide further opportunities to meet senior management, the Board intends to visit at least one of the Group's business unit locations each year. Such visits allow the Board to gain a deeper understanding of local market dynamics and assess management performance and potential. In addition, members of the Board periodically visit business units and meet management around the Group.

### Board visit to the USA

Members of the Board visit the Group's geographic operations on an ongoing basis and, in May 2014, the Board and Committee meetings were held in Houston, Texas. This provided an opportunity for executives from our businesses in the United States to meet the Board and discuss the business strategy and operational performance of those businesses in the United States in more detail. Board members visited several operational sites in the Houston metropolitan area to get a broader and deeper understanding of the business. The sites visited included:

- Wolseley Industrial Group's new warehouse facility in La Porte, Houston.
- Ferguson's new showroom in Woodlands, Houston.
- Ferguson's plumbing and heating branch at Spring, Houston.

Each Director is required to attend all meetings of the Board and Committees of which they are a member. In addition, senior management from across the Group, and advisers, attend some of the meetings for the discussion of specific items in greater depth.

It is important to the Board that it meets members of senior management from around the Group's businesses, as it further enhances the Board's understanding of operations, the implementation of strategy and the changing dynamics of the markets in which the business units operate.



## Leadership continued

### Board decision-making

The Board provides strong leadership to the Company and continues to have effective and constructive relationships with both the management team and shareholders. The Non Executive Directors play an essential role in the composition of the Board due to the range of skills and expertise they bring. The new Non Executive Directors who joined the Board this year have settled in well and the Board continues to have a strong culture of open debate where all Directors are actively encouraged to challenge existing assumptions and to raise difficult questions.

Certain strategic decision-making powers and authorities of the Company are reserved as matters for the Board. The formal schedule of matters reserved for its decision was updated during the year to incorporate provisions relating to strategy and management, financial reporting, communication and policies, and to implement the regulations relating to directors' remuneration.

The principal matters reserved for the Board are set out on page 63. Day-to-day operational decisions are managed by members of the Executive Committee.

Where appropriate, matters are delegated to a Committee which will consider them in accordance with its terms of reference. Details of the Wolseley plc Board and Committee governance structure are set out on page 57. The formal terms of reference for each of the Committees of the Board, which have been approved by the Board and comply with the Code, are available from the Group Company Secretary and General Counsel and can also be found on the Wolseley plc website [www.wolseley.com](http://www.wolseley.com).

### Committee membership as at 31 July 2014:

	Audit Committee <sup>1</sup>	Remuneration Committee <sup>2</sup>	Nominations Committee	Major Announcements Committee <sup>3</sup>
Gareth Davis			■	▲
Ian Meakins				▲
John Martin				■
Frank Roach				
Tessa Bamford	▲	▲	▲	
John Daly	▲	▲	▲	
Pilar López	▲	▲	▲	
Alan Murray	▲	■	▲	
Darren Shapland	▲	▲	▲	
Jacky Simmonds	▲	▲	▲	
Michael Wareing	■	▲	▲	
Richard Shoykov	●	●	●	▲ ●

■ Chairman ▲ Member ● Secretary


1 Darren Shapland will succeed Michael Wareing as Chairman of the Audit Committee on 25 November 2014.

2 Alan Murray stepped down as Chairman of the Remuneration Committee with effect from 31 July 2014 and was succeeded by Jacky Simmonds.

3 Mark Fearon, Group Director of Communications and Investor Relations, is also a member of the Major Announcements Committee.

### Key Committees of the Board

Provided below is an overview of our key committees<sup>1</sup>:

Audit Committee	
Chaired by: Michael Wareing <sup>2</sup>	Number of meetings in the year: 4
<b>Role of the Committee</b> The Audit Committee has responsibility for overseeing and monitoring the Company's financial statements, accounting processes, audit (internal and external), controls and matters relating to fraud and whistleblowing.	
 For more information on the Audit Committee and the Audit Committee Report See pages 70 to 74	

Remuneration Committee	
Chaired by: Jacky Simmonds <sup>3</sup>	Number of meetings in the year: 5
<b>Role of the Committee</b> The Committee reviews and recommends to the Board the framework and policy for the remuneration of the Chairman, the Executive Directors and the Executive Committee. The remuneration of the Non Executive Directors is determined by the Chairman and the Executive Directors. The Committee takes into account the business strategy of the Group and how the remuneration policy reflects and supports that strategy.	
 For more information on the Remuneration Committee and the Remuneration Committee Report See pages 83 to 104	

Nominations Committee	
Chaired by: Gareth Davis	Number of meetings in the year: 3
<b>Role of the Committee</b> The Nominations Committee regularly reviews the structure, size and composition of the Board and its Committees. It identifies and nominates suitable candidates to be appointed to the Board (subject to Board approval) and considers succession generally.	
 For more information on the Nominations Committee See pages 75 and 76	

1 The Major Announcements Committee is also a Committee of the Board. By its nature and as anticipated by its terms of reference, it would usually meet only in exceptional circumstances where information has come to light which is of an unexpected, non-routine and material nature. There were no meetings in the year.

2 Darren Shapland will succeed Michael Wareing as Chairman of the Audit Committee on 25 November 2014.

3 Alan Murray stepped down as Chairman of the Remuneration Committee with effect from 31 July 2014 and was succeeded by Jacky Simmonds.



## Summary of principal matters reserved for the Board:

Board and Executive	Strategy and management
Approval of the delegation of authority between the Chairman and the Group Chief Executive and the terms of reference of all Committees of the Board	Oversight of the management of the Wolseley Group
Determining and setting Board and senior executive remuneration	Setting the overall strategic direction
Reviewing the performance of the Board and its Committees annually	Major approvals
Succession planning and appointments to the Board and senior management	Approval of major changes to the Wolseley Group's corporate structure
	Approval of major corporate transactions and commitments
Finance	Risk and governance
Approval of tax and treasury policy and certain items outside the remit of the Treasury Committee	Approval of all key policies and material amendments to those policies, including the Code of Conduct, Health and Safety and Environmental policies
Approval of the Group and Company financial statements	Maintaining a sound system of internal controls and risk management
Recommending or declaring dividends	Review of the Group's overall corporate governance arrangements

## What has the Board done during the year?

The Board has a rolling agenda programme which ensures that items relating to strategy, finance, operations, corporate governance and compliance are covered in its meetings.

An overview of the Board's 2013/14 objectives and how the Board has achieved these objectives is set out below:


2013/14 objectives		Achievements
Strategy	Annual strategy review.	The annual strategy review was conducted at Board meetings in May and July 2014. Management responsible for each of the Group's regions presented proposals for the strategic development of their businesses. The Board reviewed the Group-wide strategy and the proposals from individual businesses.
1 2 3 4 5 6	Regularly review and monitor the Group's progress against its strategic objectives. These include the further refinement of business models and improving the productivity of its existing operations, accelerating profitable growth through organic expansion and selective acquisitions where opportunities would provide strong synergies.	Aspects of the strategy and its implementation have been reviewed throughout the year. Regular reports were provided to the Board from management on progress made with strategic objectives, the development of the Group's business models, ongoing initiatives and plans to improve productivity. Investments to support organic growth were considered and approved. The Board regularly reviewed acquisition opportunities and several acquisitions were completed during the year.  For more information on the Group's strategy see the Strategic report starting on page 6.
People	Regular review including maintaining the appropriate balance and depth of skills and experience of the Board, succession planning of the Board, the Executive Committees and leadership teams in all regions and improving workforce diversity.	Detailed reviews were completed by the Board in November 2013 and March 2014. Further details on diversity are provided on pages 49 and 76.

## Leadership continued

Having identified the areas which the Board focused on during the year, set out below are some highlights of its activities which provide an indication of the nature of the Board's work.

### Strategy

The development of the Company's strategy and evolution of its business models was considered through the year. In addition, the Board attended a dedicated Strategy Day in May 2014 and completed its review of strategy at its meeting in July 2014. Whilst the Group's strategy remains unchanged, the Board regularly reviews plans and initiatives which support the implementation of its strategy.

 The Group's strategy is explained in the Strategic report starting on page 6 and includes an in-depth focus on:

 Accelerate profitable growth on pages 14 to 17

 Drive evolution of business models on pages 18 to 24


### Operations

The Board regularly reviews the operational performance of the Group's businesses, including financial and non-financial performance measures. The Group Chief Executive reported to the Board on best practice developed and shared amongst the businesses during the year. A centrally maintained portal ensures that best practice is shared with senior managers across the Group.

 See Regional performance on pages 26 to 35

### People

There was continued focus on the composition of the Board. Three new Non Executive Directors were appointed during the year and Jacky Simmonds took over as Chairman of the Remuneration Committee, allowing the Company to benefit from her experience in the area of executive remuneration. In November 2013, the Board conducted a review of the progress made against Wolseley's People Strategy and in March 2014, as part of its regular talent and succession review process and with the assistance of the Group HR Director, the Board conducted a detailed review of members of the Group's senior leadership team and their successors. The Board believes the talent and succession planning processes to be of a high standard.

 See Our people on page 49

### Finance

The Board regularly monitored the Group's financial performance. A monthly performance pack was provided to the Board by the Chief Financial Officer which included an overview of the Group and business unit performance, market trends, competitor activity and shareholder matters. This was discussed at every Board meeting. All financial statements to be released to the market were discussed and reviewed. The 2014/15 budget was reviewed and approved at the July 2014 meeting.

 See Strategic report on pages 6 to 54

## The Board's priorities for 2014/15

The Board's priorities for the year will focus on ensuring effective execution of existing strategic plans.

### 2014/15 priorities

Strategy	Regularly review and monitor the Group's progress against its strategic objectives, with particular focus on driving growth organically through the development of new business models and selective bolt-on acquisitions.  Annual strategy review.
People	Regular review to include maintaining the appropriate balance and depth of skills both at Board and Executive Committee level and within the management teams in all regions.

## Why you should vote to re-elect your Board

The Board contains a broad range of experience and skills from a variety of industries and advisory roles, which fully complement each other and have been strengthened through further appointments in May 2014.

In accordance with Provision B.7.1. of the Code, with the exception of Michael Wareing, all Directors will stand for election or re-election at the 2014 Annual General Meeting ("AGM"). Full biographies for the Directors can be found on pages 58 and 59 and in the Notice of AGM. As Michael Wareing will be standing down from the Board at the conclusion of the AGM, he will not be putting himself forward for re-election.

## Effectiveness

### Maintaining an effective Board

#### Board relationships

The effective working of the Board is crucial to the long-term prospects and strategic aims of the Company. This is achieved through strong and open working relationships between the Directors and, in particular, the Chairman, Group Chief Executive and Senior Independent Director, whose roles are agreed and set out in writing. A short summary of their roles and division of responsibilities is set out below.

Roles and division of responsibilities

#### Chairman

- Responsible for overall leadership and governance of the Board (including induction, development and performance evaluation)
- Ensures that the Directors have an understanding of the views of the Company's major shareholders
- Ensures a healthy culture of challenge and debate at Board and Committee meetings

#### Group Chief Executive

- Responsible for the effective leadership of the Company
- Strong and focused management and development of the Group's operations
- Implementation of the Company's objectives and strategy agreed by the Board
- Maintaining good relationships and communications with investors
- Working closely with the Chief Financial Officer to ensure prudent financial controls
- Developing and implementing policies integral to improving the business, including in relation to Health and Safety and Corporate Responsibility

#### Senior Independent Director

- Available for approach by or representations from investors and shareholders, where communications through the Chairman or Executive Directors may not seem appropriate
- A sounding board for the Chairman and an intermediary for the other Directors when necessary
- Available to chair the Board in the absence of the Chairman
- Conducts consultations with shareholders on remuneration matters

The Chairman regularly discusses the way the Board functions and broad governance matters with the Senior Independent Director and the Group Company Secretary and General Counsel. The Senior Independent Director separately held informal discussions with the Non Executive Directors, with and without the presence of the Chairman. In his capacity as Chairman of the Remuneration Committee he has also led consultations with shareholders on remuneration matters.

There was detailed planning throughout the year, with the assistance of the Group Company Secretary and General Counsel, to consider and review the Board's 12-month rolling agenda programme. This ensured that all matters reserved for the Board and other strategic issues were discussed at the appropriate time.

#### Board support

The Board and its Committees are provided with sufficient resources to undertake their duties. The Group Company Secretary and General Counsel, Richard Shoylekov, was Secretary to the Board and its Committees during the year. Prior to each set of meetings he ensured that the papers and other information were delivered sufficiently in advance of the meeting date so that all Directors were provided with necessary time and resources to fulfil their duties. This information is published in advance via a secure web portal, allowing remote access by Directors using an iPad, and meeting support is provided by the Company Secretariat department. All Directors have access to a "reading room" through the web portal which provides access to a library of relevant information about the Company, the Group and Board procedures.

The Board has an established procedure for Directors, if necessary, to take independent professional advice at the Company's expense in furtherance of their duties. This is in addition to the direct access that every Director has to the Group Company Secretary and General Counsel for his advice and services.

#### Composition and development of the Board

As highlighted on page 9, John Daly, Darren Shapland and Jacky Simmonds were appointed as Non Executive Directors during the year. All new Directors follow a comprehensive induction programme, details of which are summarised on page 66. As part of this programme, the Company Secretariat department and other Group functions provided new Directors with induction briefings. New Directors also visited a variety of businesses in order to familiarise themselves with the Group's operations.

All Directors are provided opportunities for further development and training following their induction and, during the year, the Chairman discusses a development plan with each Director. In addition to regular updates on governance, legal and regulatory matters, the Board also receives detailed briefings from advisers on a variety of topics that are relevant to the Group and its strategy. The annual formal review of governance provides the Directors with an opportunity to assess their effectiveness and that of the Board as a whole.

## Effectiveness continued

### Our Induction programme

The Company's induction programme for new Directors is structured to reflect what is regarded as best practice. All new Non Executive Directors appointed to the Board are provided with an induction programme aimed at ensuring they develop an understanding and awareness of our businesses, people and processes. The programme includes:


- Provision of relevant current and historical information about the Company and the Group along with specific details about the duties of Directors and the Company's rules of residence (in light of its registration in Jersey and tax residence in Switzerland);
- Visits to operations around the Group;
- Meetings with major shareholders and advisers; and,
- One-to-one meetings with members of the Executive Committee and other senior executives in the businesses and in corporate functions.

"The induction process has been well structured and gave an introduction to all parts of the business, from the Group and central functions to meetings with the business units. The individual business unit reviews have been particularly useful with a chance to review both the business strategy and to discuss with management the key issues and opportunities. Alongside this we have completed site and branch visits in the USA and the UK to see how their plans are implemented at the front line with the branch colleagues and how they deliver for the customer."

**Darren Shapland**  
Non Executive Director

### Evaluating the performance of the Board and the Directors

The Board undertakes a formal review of its performance and that of its Committees each year, with an external evaluation every three years. The next externally evaluated performance review is scheduled to take place in 2015. In 2014, an internal review was undertaken and during the year the Board reviewed its progress against the action points identified in this review. A summary of how the action points have been addressed is provided below:

Action point	Responsibility	Outcome
Continued focus on measuring the performance of the Company against its own targets as well as the performance of competitors.	Board	The Board undertook in-depth reviews of the development of major businesses and regular updates were provided to the Board concerning the performance of the Company and competitors when this information became available.
Enhance Board oversight of the Group's growth opportunities through more regular and detailed evaluation of projects.	Board	Reviews have been undertaken to identify and consider acquisition opportunities. Acquisition proposals were presented to and reviewed by the Board prior to approval. Other growth opportunities were identified and capital expenditure approved to support growth initiatives. The Board also conducts reviews of all major acquisitions post completion to assess the performance of the acquired business and progress made on integration and delivery of synergy benefits.  For more information on acquisitions see the Group Chief Executive's review on page 13 and note 30 to the consolidated financial statements
When appointments are next made to the Board, consider further expanding the range of skills and experience to reflect the Group's strategic objectives.	Board and Nominations Committee	The Board will benefit from the range and depth of experience of the three new Non Executive Directors appointed during the year. Ms Simmonds has extensive human resources and remuneration experience. Mr Shapland has significant retail experience in addition to his strong finance background. Mr Daly has extensive international operational experience.

## Effectiveness review

This year, the Board effectiveness review was facilitated internally using sets of questions adapted to address the activities and concerns of the Board, the Audit Committee, the Remuneration Committee and the Nominations Committee. An online survey format was used, including questions from previous years (in order to be able to compare responses and monitor progress) as well as new questions reflecting current priorities and concerns. They encouraged comment and qualitative evaluation of the effectiveness of the Board and each Committee, the individual members and the support received from management and from advisers. The results of the surveys formed the basis of discussion of areas for further improvement by the Board and the Committees. The Board continues to consider each of the Directors to be effective and to demonstrate commitment to his or her role.

In the discussions held by the Senior Independent Director with the Non Executive Directors, the performance of the Chairman was evaluated and highly rated.

## Key findings and improvement actions

The Board effectiveness review concluded that the atmosphere in the boardroom encouraged equal contribution, candid discussion and critical thinking. The agenda of the Board, timeliness of documentation and quality of information provided in advance of meetings were very highly rated. The amount of time spent reviewing strategy was considered to be appropriate and the annual strategy day was highly rated. No critical issues were identified but the review did identify areas for further improvement which are summarised below.

As at the date of this report, the Board has already begun to incorporate a number of these action points into its processes and procedures.

### Action

Continued focus on market environment and performance relative to competitors.

Continued focus on the Group's growth opportunities organically through the development of its business models and through acquisitions.

## Time commitment

All Directors are aware, from the time of appointment, of the need to allocate sufficient time to the Company to discharge their responsibilities effectively. The Board continually monitors potential conflicts of interest, as detailed on page 79. With the exception of absence from meetings due to illness, no Director has been unable to devote sufficient time to the role during the year.

## External appointments

The Board believes that there are significant benefits for both the Board and the individual if an Executive Director holds an external non executive directorship on the board of a non-competitor company. Ian Meakins continues to hold his non executive position at Centrica plc; details of payments received in respect of this appointment are set out on page 104. None of the other Executive Directors hold any external appointments.

## Accountability

The Board is committed to presenting a clear assessment of the Company's position and prospects through the information provided in this report, through interim financial statements and other reports as required.

## The Board's approach to risk management

The Board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives and for maintaining sound risk management and internal control systems. The effectiveness of these systems is also reviewed through the work of the Audit Committee described on pages 70 to 74. There is a Group-wide standard framework in place which supports the Group's risk management programme and allows the Board to assess and manage risk through its strategic planning and performance monitoring processes.

The key risks which the Board has focused on this year are set out in the Principal risks and their management section of this report on pages 42 to 47.

## Remuneration

Further details relating to the level and components of remuneration together with the Company policies on such matters are provided in the Remuneration report on pages 83 to 104.



# Relations with shareholders

## Communication with shareholders

We are fully committed to engaging with all shareholders, including employee shareholders, and this is reflected in our annual investor relations and communications programmes. In our interactions with shareholders, we ensure that we act professionally, provide accurate data, are timely with our disclosure of information to the market and are at all times accessible.

Our Group Director of Communications and Investor Relations is the senior executive who has day-to-day responsibility for all investor relations matters and for contact with shareholders (institutional and private), as well as with financial analysts and the media. He reports to the Chief Financial Officer and Group Chief Executive.

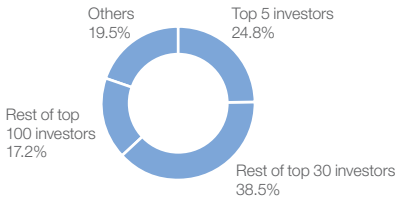
All investor communication is governed by written guidelines to ensure the appropriate governance of the processes for engaging with shareholders and financial analysts is maintained. In addition, these guidelines govern the prompt disclosure of inside information which could affect the Company's share price.

## Our major shareholders

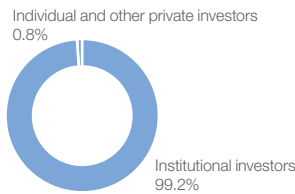
As at 31 July 2014 and as at the date of this report, the Company had received notification of the following material shareholdings pursuant to the Disclosure and Transparency Rules of the UK Listing Authority.

Name	Number of shares held (millions)	Percentage of issued voting share capital
Blackrock, Inc	25,625,559	9.64%
Cevian Capital II GP Limited	13,123,178	4.94%
AXA S.A.	13,065,225	4.60%

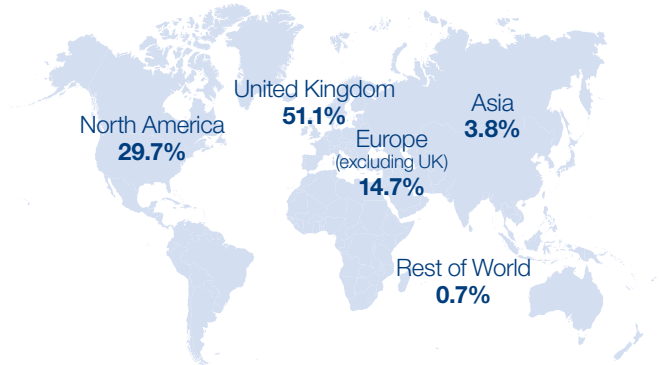
## Top 100 investors concentration



## Shareholder concentration



## Geographical breakdown of shareholder base



## Engagement with shareholders

During the year, an extensive communications programme was followed. We maintained regular dialogue with institutional shareholders and financial analysts based in Europe and North America. Many of these meetings and conversations closely involved the Group Chief Executive and Chief Financial Officer. We released quarterly updates of the financial performance of the Group incorporating revenue, profitability by region, net debt and appropriate commentary on key business trends. Alan Murray, in his capacity as the Chairman of the Remuneration Committee and as the Senior Independent Director, engaged with major shareholders in relation to executive remuneration and other matters.

As our shareholder base is mainly institutional, it is difficult to engage with all of our private shareholders using the same direct engagement model. We hold periodic meetings with the UK Shareholders' Association and respond to all communications from individual shareholders. In an effort to ensure that all shareholders have equal access to information we make all documents presented at investor events available on the Wolseley plc website. There is also a shareholder information section on the Wolseley plc website **[www.wolseley.com](http://www.wolseley.com)** and at the end of this report on pages 169 to 171.

## Shareholder meetings during the year

We are keen to maintain an open dialogue with all of our shareholders and have a well developed investor relations programme. The allocation of time spent in the UK, continental Europe and North America reflects the distribution of our shareholders as highlighted on page 68.

During the year ended 31 July 2014, there were a total of 264 meetings. Ian Meakins and John Martin (together with the Investor Relations team) attended 128 meetings, four of which were also attended by Steve Ashmore, the Managing Director of our UK business. Frank Roach attended eight meetings and the Investor Relations team met with institutions through a further 128 meetings, conferences and site visits.

The Chairman often meets with the larger institutional shareholders and attended the Full Year and Half Year results presentations. He also ensures that the Board as a whole maintains an appropriate dialogue with shareholders. The Non Executive Directors also attend presentations of the Full Year and Half Year results when possible. The Group Director of Communications and Investor Relations regularly provides the Board with details of feedback received from institutional shareholders and any key issues raised.

## Plans for engagement in 2014/15

A similar Investor Relations programme will be run during the financial year. In addition, the Investor Relations team will be meeting with members of the UK Shareholders' Association prior to the AGM in November 2014.

## 2013 AGM

The 2013 AGM was held on 26 November 2013 at Parkhotel, Industriestrasse 14, CH 6304, Zug, Switzerland at 1.00pm Swiss time with an audio-visual link to the offices of Freshfields Bruckhaus Deringer LLP. The link allowed shareholders in London to see and hear proceedings, and provided the opportunity to put questions directly to the Board about the business of the meeting and about the Company. The Board as a whole is committed to the constructive use of the AGM as a way to meet with shareholders, hear their views and answer their questions. All Directors attended and answered a wide range of questions from shareholders.

## 2014 AGM

The 2014 AGM will be held on 25 November 2014 at Parkhotel, Industriestrasse 14, CH 6304, Zug, Switzerland at 1.00pm Swiss time. An audio-visual link to the meeting is proposed to be available at the offices of Freshfields Bruckhaus Deringer LLP, 26-28 Tudor Street, London EC4Y 0BQ and will start at 12 noon (UK time). Full details of the AGM are contained in the Notice of AGM and are available on the Wolseley plc website **[www.wolseley.com](http://www.wolseley.com)**.

## Audit Committee

Including the report from the Audit Committee for the financial year ended 31 July 2014



**Michael Wareing**  
Chairman

### Members and attendance (eligibility) at meetings held during the year ended 31 July 2014<sup>1</sup>

Committee members	Meeting attendance and (eligibility)
M Wareing (Chairman) <sup>2</sup>	4(4)
T Bamford	4(4)
P López	4(4)
A Murray <sup>3</sup>	3(4)
<b>Members who joined during the year:</b>	
J Daly <sup>4</sup>	0(0)
D Shapland <sup>4</sup>	1(1)
J Simmonds <sup>4</sup>	0(0)
<b>Members who left during the year:</b>	
M Clarke <sup>5</sup>	2(3)
A Duff <sup>5</sup>	1(1)

<sup>1</sup> As at 31 July 2014, the Committee is made up of seven Non Executive Directors. The Board considers that the Chairman and other members of the Committee have relevant financial experience and that each member of the Committee is independent within the definition set out in the Code.

<sup>2</sup> Darren Shapland will succeed Michael Wareing as Chairman of the Audit Committee on 25 November 2014.

<sup>3</sup> Due to illness, Alan Murray was unable to attend one Committee meeting.

<sup>4</sup> Darren Shapland was appointed as a Non Executive Director on 1 May 2014. John Daly and Jacky Simmonds were appointed as Non Executive Directors on 21 May 2014.

<sup>5</sup> Andrew Duff stepped down as a Non Executive Director on 26 November 2013. Michael Clarke stepped down as a Non Executive Director on 21 March 2014.

### Dear Shareholder

I am pleased to present the report of the Audit Committee for 2013/14. As announced on 24 July 2014, at the conclusion of this year's Annual General Meeting I will be stepping down as Chairman of the Audit Committee and from the Board and handing over the responsibilities of my role as Chairman of the Committee to Darren Shapland.

Darren was until 2010 Chief Financial Officer of J Sainsbury plc and chairs the Audit Committee of Ladbroke's plc. Darren's wealth of financial experience complements the substantial financial experience already provided by existing Committee members Tessa Bamford, Pilar López and Alan Murray. In addition to Darren, I am delighted to welcome two other new Non Executive Directors who joined the Committee as members in May 2014: John Daly and Jacky Simmonds. John and Jacky bring with them substantial operational experience and are, like the other Committee members, considered to be independent in accordance with the Code criteria. I was International Chief Executive of KPMG until I retired in September 2009 and I currently chair the Audit Committee of two other FTSE 350 companies. This provides the Board with assurance that the Audit Committee meets the Code requirements that at least one member of the Committee has significant, recent and relevant financial experience, and that at least three members are independent. The key strengths and experience of each member of the Committee are summarised on pages 58 and 59.

Last year we took the opportunity to implement earlier than necessary many of the changes to our reporting required by the Code and the new narrative reporting regulations. This year we have implemented all of the required changes to our report.

At the 2014 AGM, both Darren and I shall be available to respond to any questions shareholders may raise on this report or any of the Committee's activities.

### Other attendees

In addition to the members of the Committee, the Chairman, the Group Chief Executive, the Chief Financial Officer, the Group Financial Controller, the Head of Internal Audit and the Group Company Secretary and General Counsel, together with senior representatives of the Company's external auditors, attended and received papers for each meeting. Other senior executives were also invited to certain meetings to present and discuss specific items. In particular, the Finance Directors of the Group's major regions periodically attend Committee meetings to provide the Committee with detailed updates relating to their region. The Committee periodically meets separately with the Head of Internal Audit and the external auditors without the presence of Executive Directors and also separately with the Chief Financial Officer.

## What the Committee has done during the year

An overview of the Committee's 2013/14 objectives and how the Committee has achieved these objectives is set out below:

2013/14 objectives	Achievements
Maintain close scrutiny of the Company's management of its principal risks and ensure continued improvement of the risk management framework.	In March and September each year the Audit Committee undertakes a review of key risks and controls, considers how they have been managed in practice and provides feedback to management. In May each year, the Audit Committee reviews the effectiveness of the overall risk management framework.
Prepare for and, if appropriate, implement the regulatory changes to Audit Committee governance, in particular in relation to the tendering of the audit.	Regulatory changes are considered throughout the year. The Committee considered developments in the regulation of audit tendering; for further details see page 73. In addition, the Committee considered the changes to the Code and the Guidance on Audit Committees issued by the FRC, and the new narrative reporting regulations. In September 2013, the Committee recommended to the Board that many of the new requirements be adopted early in the 2012/13 Annual Report and Accounts.
Continue to monitor the effectiveness of the overall assurance provided by Internal Audit, internal controls and risk management processes and, in particular, review the effectiveness of the Company's internal control systems.	Systems and controls were monitored throughout the year, with reports to the Committee from Internal Audit, External Audit, Risk Management and managers responsible for the implementation of internal controls. During the year, the Committee reviewed and increased the resources in Internal Audit to implement greater assurance over branch activities. In addition, the Committee reviewed the co-ordination of the assurance over financial reporting and control and agreed that Internal Audit should take responsibility for the audit of compliance with the Group's Base Financial Controls.

The annual review of the effectiveness of the Committee was carried out in May 2014. The review concluded that: the Committee meetings benefited from a comprehensive agenda programme with key issues well covered; the information provided was of a very good quality and timely; the work of the internal and external auditors was well scrutinised; and there was good collaboration between internal audit and the external auditor. The report also highlighted areas for improvement and we have incorporated these into our priorities for 2014/15 as set out on page 74.

## Allocation of time spent during the year

Set out in the table and the narrative below is a summary of matters considered by the Committee during 2013/14. Key issues covered by the Committee are reported to the subsequent meeting of the Board and the Board also receives copies of the minutes of each meeting.

	Sep	Nov	Mar	May
<b>Financial reporting and significant financial judgements</b>				
Full Year results and associated announcements	■			
Half Year results and associated announcements			■	
<b>External audit</b>				
Auditor's Full Year report to the Committee	■			
Independence review of external auditor	■			
Effectiveness review of external auditor		■		
Review of engagement letter		■		
Auditor's Half Year report to the Committee			■	
Year-end external audit plan			■	
Consideration of non-audit engagements	■	■	■	■
Review of audit and non-audit fees		■		
External audit tender: consideration of developments	■	■	■	■
<b>Internal audit</b>				
Internal audit report to the Committee	■	■	■	■
Annual plans for internal audit and Base Financial Controls				■
Effectiveness review of internal audit			■	
<b>Risk management</b>				
Fraud and whistleblowing report	■	■	■	■
Risk management report to the Committee	■		■	
Review of the risk sections of the Annual Report	■			
Review of risk management framework				■
<b>Other</b>				
Updates on accounting and corporate governance developments	■	■	■	
Terms of reference review				■
Review of effectiveness of the Committee				■

## Audit Committee continued

### Financial reporting and significant financial judgements

The Committee reviews whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements and seeks support from the external auditors to assess them. As part of the review process, the Committee receives papers and holds discussions with management and makes its assessment in accordance with accounting guidelines. The main issues reviewed during the year ended 31 July 2014 and how these issues were addressed are summarised below:

- The Committee reviewed the analysis of goodwill and other intangible assets for impairments. The Committee concluded that no impairment had occurred and arrived at this conclusion by questioning management and performing a detailed review and analysis of the assumptions underlying the value in use calculations for the businesses identified as cash generating units. The key assumptions underlying the calculations are primarily the achievability of the long-term business plan, country-specific discount rates, anticipated revenue growth in the short-term, and long-term growth assumptions.

In addition to receiving and reviewing reports from management on this area, the Committee also considered detailed feedback received from the external auditors on this topic. The cash generating units that have the lowest level of headroom are all in the Nordic region and are disclosed in note 12 of the consolidated financial statements.

- The Committee reviewed the recognition of supplier rebate income, which is an area of inherent risk due to the number and complexity of supplier rebate arrangements. In addition, the majority of the supplier rebate arrangements are not coterminous with the Group's accounting year-end as they generally cover a calendar year. This review covered the processes and controls in place during the year and the level of adherence to the Group's accounting policies and procedures. Judgements were made to forecast the expected level of volumes purchased to determine the appropriate rate at which rebate is earned as this varies dependent upon the volume or value purchased. As a result of the review process the Committee concluded that the level of rebate income and rebate receivable as at 31 July 2014 was properly reflected in the consolidated financial statements.
- The Committee considered the level of provisions for obsolete and slow moving inventory as at 31 July 2014. This is predominantly a system-generated calculation comparing inventory on hand against expected future sales using historic experience as the basis for provisioning, along with the results of physical stock-counts performed by management. The Committee ensured the policy was consistently applied across the Group in the current and previous financial periods and sought the views of the auditors before arriving at the conclusion that the provisions for obsolete and slow moving inventory were fairly stated.
- The Committee considered the provisions held and settlements made in relation to litigation disputes, potential product liability and environmental claims. The Committee addressed this issue

by assessing reports from management and the extent to which professional advice was taken on these matters. In each case management presented to the Committee the basis of any provision and the key assumptions applied when quantifying it, including the likelihood of successful claims to be made against the Group. This included a number of claims which had been made where management concluded that the claims were without merit or were not estimable or sufficiently probable to recognise a provision in accordance with accounting standards. The Committee agreed with the position taken by management in respect of those matters.

- The Committee considered the value of provisions against unresolved tax positions as at 31 July 2014. Management presented to the Committee the basis for provisioning based upon the latest correspondence with the relevant tax authorities and previous experience. The Committee also received detailed reporting from the external auditors before concluding the provisions are fairly stated in the annual accounts.

Last year, prior to the introduction of the revised Code in September 2012, we considered whether the 2012/13 Annual Report and Accounts was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess the Company's performance, business model and strategy. At the request of the Board, we have undertaken the same review of the 2013/14 Annual Report and Accounts. We were satisfied that, taken as a whole, the 2013/2014 Annual Report and Accounts is fair, balanced and understandable and provides the necessary information for shareholders to assess the Company's performance, business model and strategy.

### External audit

#### External audit processes

During the year, PricewaterhouseCoopers LLP ("PwC") undertook external audit and certain non-audit work. The Group Audit Partner, Stuart Watson, together with Neil Grimes of the PwC audit team, attended each Audit Committee meeting as representatives of the external auditors. They also attended the 2013 AGM. They provided the Committee with information and advice, as well as relevant reports on the financial statements and controls.

In November 2013, the Committee reviewed and approved the terms, areas of responsibility and scope of the 2013/14 audit as set out in the external auditors' engagement letter. During the year, PwC provided audit related services such as regulatory and statutory reporting. PwC are expected to report to the Committee any material departures from Group accounting policies and procedures that they identify during the course of their audit work. None were found or reported in the financial year.

PwC's 2013/14 External Audit Plan was approved in March 2014 and has been successfully completed at the date of this report.



## Auditor appointment, effectiveness and tendering

The Committee conducts an annual review of the performance of the external auditors. A survey of all the Group's finance teams is conducted. Each team is asked to rate PwC's performance against a range of measures, including relating to the adequacy of planning, the sufficiency of resource, the thoroughness of review and testing, the adequacy and application of knowledge of the Group, the usefulness of feedback and the quality of reporting. The Committee considered the 2013 year-end survey findings as part of its review. In addition during the year, the Committee also received and discussed the review by the Audit Quality Review of PwC's audit of the Company's financial results for the year ended 31 July 2012. The Committee is satisfied that PwC continues to provide an effective audit service. The Group Audit Partner, currently Stuart Watson, is required to rotate after a maximum of five years, key audit partners after a maximum of seven years, and all other partners and senior team members after a maximum of 10 years. The Committee discusses audit partner rotation with PwC on a regular basis.

In 2010, the Company, which was newly incorporated, became the holding company of the Group and PwC have been its auditors since then. Prior to that PwC and its predecessor firms had been the auditors of the previous holding company of the Group (now a subsidiary of the Company) since before the Company first listed on the London Stock Exchange in 1961. There is no record of any tender of the audit contract.

Last year I said that, subject to the continued satisfactory performance of PwC, it was the intention to tender the external audit during the financial year ending 31 July 2016. The Committee is mindful of the requirement that the external audit is put out to tender every 10 years, introduced following changes to the Code in 2012, and of the new regulatory environment which will soon place an obligation on listed companies to rotate their auditor periodically. Our intention to tender the external audit during 2015/2016 remains the same as last year. In view of this, and as PwC has continued to perform satisfactorily, the Committee did not consider it necessary to conduct a tender process for the appointment of the Company's auditors this year. There are no contractual obligations restricting the Company's choice of external auditor.

## Auditor independence and objectivity

The Company has policies and procedures in place to ensure that the independence and objectivity of the external auditor is not impaired. These include restrictions on the types of services which the external auditor can provide, in line with the APB Ethical Standards on Auditing. Details of the services that the external auditors cannot be engaged to perform are provided on the Wolseley plc website [www.wolseley.com](http://www.wolseley.com).

When considering the award of non-audit work an assessment is made of which service provider would be best placed to undertake it. Appointments are made on a case-by-case basis. The prior consent of the Chairman of the Committee is required before PwC is appointed to undertake non-audit work where the proposed fee is in excess of a level set by the Committee. At each meeting the Committee reviews all PwC engagements to undertake non-audit work commenced in the preceding period, including those approved

by the Chairman of the Committee. The Committee also periodically reviews the level of fees incurred with PwC for non-audit work. During the year PwC were appointed to undertake non-audit work, the details of which are set out below. The decision to appoint them was typically based on the merit of using PwC's existing knowledge of both the Company and the Group and its importance in relation to the advice sought on each relevant transaction. This added value and saved fees in the process.

PwC also provides specific assurance to the Committee on the arrangements and safeguards it has in place to maintain its independence and objectivity, including an internal process to pre-approve provision of non-audit services and the use of separate teams where non-audit services are being provided to the Group. The Committee continues to be satisfied with their independence and objectivity.

## Audit and non-audit fees

The total fees paid to PwC in the year ended 31 July 2014 (together with a comparison to fees paid in the year ended 31 July 2013) are set out in the following table. Further disclosure of the non-audit fees paid during the year ended 31 July 2013 can be found in note 3 to the consolidated financial statements on page 116.

Financial year	Audit fees (total)	Non-audit fees (total)	Fees paid (total)	Non-audit fees as a percentage of audit fees
2014	£3.4 million	£1.4 million <sup>1</sup>	£4.8 million	41.2%
2013	£3.4 million	£2.2 million <sup>2</sup>	£5.6 million	64.7%

<sup>1</sup> £1.2 million of the non-audit fees related to taxation work and £0.2 million of the non-audit fees related to other services.

<sup>2</sup> £1.8 million of the non-audit fees related to taxation work and £0.4 million of the non-audit fees related to other services.

The non-audit services related mainly to assistance on tax advisory and compliance matters and other assurance engagements, including corporate responsibility reporting. These services were provided within the constraints of the Audit Practices Board Ethical Standards on Auditing and were assessed on a case-by-case basis so that the best placed adviser was retained.

## Internal audit

The scope of activity of internal audit is monitored and reviewed at each Committee meeting. An annual plan was agreed by the Committee in May 2014 which covers the activities to July 2015. During the year, the Head of Internal Audit attended each Committee meeting where his reports were reviewed and discussed in detail. The Committee considered the matters raised and the adequacy of management's response to them, including the time taken to resolve any such matters.

In March 2014, the Committee conducted the annual review of 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. This review was undertaken using guidance issued by the Institute of Chartered Accountants in England and Wales and the Institute of Internal Auditors – UK. The Committee was satisfied with the overall effectiveness of the Internal Audit function.

## Audit Committee continued

### Risk

#### Risk management

Risk management reports, prepared by the Group Head of Risk and Compliance, were submitted to the Committee in September 2013 and March 2014. These reports summarise submissions from all areas of the business which the Executive Committee and senior management have reviewed. They identify the significant risks to the Group, the controls in place and highlight the tolerance levels that the Executive Committee is prepared to accept. In May 2014, the Audit Committee reviewed the effectiveness of the Company's overall risk management framework, including the generic procedures for risk identification, assessment, mitigation, monitoring and reporting.

#### Internal controls

During the year the Committee monitored and reviewed 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 were agreed by the Board for this Annual Report.

The Group's internal control systems are designed to manage rather than eliminate business risk. They provide reasonable but not absolute assurance against material misstatement or loss. Such systems are necessary to safeguard shareholders' investment and the Company's assets and depend on regular evaluation of the extent of the risks to which the Company is exposed. The Committee is assured that the Company's systems comply with the guidance set out in the FRC Guidance on Risk Management and Internal Control. The Committee can confirm that the Company's 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 regularly reviewed by the Board. The Committee is of the view that the Company has a well-designed system of internal control.

The Chairman of the Committee reports any matters arising from the Committee's review to the Board following each meeting. This update covers the way in which the risk management and internal control processes are applied and on any breakdowns in, or exceptions to, these processes. There were no significant failings or weaknesses identified. These processes have been in place throughout the year ended 31 July 2014 and have continued to the date of this report.

Full details of how the business implements its risk management and controls on a Group-wide basis are set out in the section on Principal risks and their management on pages 42 to 47.

### Whistleblowing and fraud

The Group's whistleblowing policy, which supports the Group-wide Code of Conduct, is monitored by the Committee. A copy of the Group's Code of Conduct is available on the Wolseley plc website **www.wolseley.com**. The Committee received reports at each Committee meeting providing details of matters reported through the Group's international confidential telephone reporting lines and secure website reporting facility, which are operated on its behalf by an independent third party. All matters reported are investigated by the relevant operating company and, where appropriate, reported to the Committee, together with details of any corrective action taken. The Committee also received reports at each Committee meeting providing details of fraud losses in each quarter.

### Audit Committee priorities for 2014/15

#### 2014/15 priorities

Continue to review and monitor the approach to risk management and the level of risk driven through changes to the business model, industry changes and technological developments.

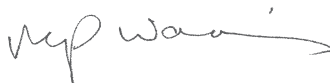
Continue to monitor and review cyber security and planned major changes to IT systems.

Continue to focus on finance systems transformation.

Prepare for and implement any relevant regulatory changes to Audit Committee governance.

Prepare in 2014/15 for external audit tender in 2015/16.

As at the date of this report, the Committee has already begun to implement a number of these action points.



**Michael Wareing CMG**  
on behalf of the Audit Committee

## Nominations Committee



**Gareth Davis**  
Chairman

### Members and attendance (eligibility) at meetings held during the year ended 31 July 2014:

Committee members	Meeting attendance and (eligibility)
G Davis (Chairman)	3(3)
T Bamford	3(3)
P López	3(3)
A Murray <sup>1</sup>	2(3)
M Wareing <sup>2</sup>	3(3)

#### Members who joined during the year:

J Daly <sup>3</sup>	1(1)
D Shapland <sup>3</sup>	2(2)
J Simmonds <sup>3</sup>	1(1)

#### Members who left during the year:

M Clarke <sup>4</sup>	1(1)
A Duff <sup>4</sup>	0(0)

<sup>1</sup> Due to illness, Alan Murray was unable to attend one Committee meeting.

<sup>2</sup> Michael Wareing will step down as a Non Executive Director with effect from 25 November 2014.

<sup>3</sup> Darren Shapland was appointed as a Non Executive Director on 1 May 2014. John Daly and Jacky Simmonds were appointed as Non Executive Directors on 21 May 2014.

<sup>4</sup> Andrew Duff stepped down as a Non Executive Director on 26 November 2013. Michael Clarke stepped down as a Non Executive Director on 21 March 2014.

## Dear Shareholder

### What the Committee has done during the year

An overview of the Committee's 2013/14 objectives and how the Committee has progressed against these objectives is set out below:

2013/14 objectives	Achievements
Continue to review the balance, experience and skills of the Board.	During the year, the Committee assessed the balance of skills and experience of the Board. It identified that the Board would benefit from having more members with retail and international business experience. In addition, the Committee considered that it would be appropriate for the Board to include potential successors for the roles of the chairs of the Audit and Remuneration Committees. The Committee achieved this objective with the appointment of three new Non Executive Directors in May 2014.
Monitor the Company's progress in developing its diversity policies.	A diversity policy has been adopted, details of which are below.

## Board composition

As I explained in my Chairman's statement on page 9, during this financial year, the Committee has continued to review the composition and experience of the Board and its Committees to ensure that the Board has the appropriate balance of skills and breadth of experience. It identified that the Board would benefit from having more members with retail and international business experience. In addition, the Committee considered that it would be appropriate for the Board to include potential successors for the roles of the chairs of the Audit and Remuneration Committees. As a result of the review, the Committee undertook a search for three new Non Executive Directors.

In accordance with our procedure for selecting and recruiting Directors, prior to engaging external recruitment consultants to undertake a search for suitable candidates, the Committee identified the key skills and experience required for the new appointments. The Committee then retained external search agencies, Zygos and Inzito, with whom the Company has no other connection, to assist in the process of identifying potential candidates for nomination to the Board. The Company does not use open advertising to search for suitable candidates for Non Executive Director positions, as we believe that the optimal way of recruiting for these positions is to use targeted recruitment based on the skills and experience required.

I am pleased that, as a result of this search, we were able to appoint three excellent new Non Executive Directors: John Daly, Darren Shapland and Jacky Simmonds.

## Nominations Committee continued

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Over the last three years, we have remained supportive of the voluntary approach as an effective way to encourage companies to improve gender diversity in boardrooms. With Jacky's appointment, I am pleased to confirm that we now have three women Board members and have met the gender diversity recommendations set out in Lord Davies' report, "Women on Boards", ahead of the 2015 deadline. Lord Davies recommended that women should account for at least 25 per cent of Board membership and 27 per cent of your Board are women. This has increased from 20 per cent in July 2013 and 12.5 per cent in July 2012.

### Diversity

One of the core values of Wolseley is that we value our people. We aim to recruit, retain and develop a high quality, diverse workforce. To achieve our objectives we will always appoint or hire the best candidates available from the widest range of knowledge, skills and experience. The diversity of our people – whether in terms of gender, race and ethnicity, religious or political beliefs, marital status, sexual orientation, age, disability, culture, background or any other measure – strengthens our diversity of thought, which is vital to the growth and success of our business. We are committed to providing our employees with an inclusive work environment in which diversity is valued, discrimination in any form is not tolerated, and in which all our people feel empowered to reach their full potential. Details of our current gender diversity statistics are set out on page 49.

### Effectiveness

The annual review of the effectiveness of the Committee was carried out in May 2014. The review concluded that the Committee was pragmatic and discussion at meetings was open. The review also highlighted areas for improvement and we have incorporated these into our priorities for 2014/15 as set out below.

At the 2014 AGM, I shall be available to respond to any questions shareholders may raise on this report or any of the Committee's activities.

### Nominations Committee priorities for 2014/15

2014/15 priorities

Continue to review the balance, experience and skills of the Board.

Continue to monitor executive and senior leadership succession.



**Gareth Davis**  
on behalf of the Nominations Committee

## Other committees

### Major Announcements Committee

Committee members during the year ended 31 July 2014

J Martin	Chief Financial Officer (Chairman)
G Davis	Chairman
M Fearon	Group Director of Communications and Investor Relations
I Meakins	Group Chief Executive
R Shoykov	Group Company Secretary and General Counsel

The Committee has no meetings scheduled, and it was not required to meet during the year.

### Other ad hoc committees

As required by the demands of business, the Board may appoint ad hoc committees to facilitate the implementation of its decisions or to consider specific matters in further detail between scheduled meetings. The Board may delegate matters of a substantive nature to a special purpose committee. If it does so it will generally have already considered the matter in-depth at a full Board meeting but may require further review prior to final approval.

During the year, a number of committees were appointed for the specific purpose of implementing decisions of the Board in relation to approved acquisitions, the development of projects or the release of announcements.

### Executive Committee

Committee members during the year ended 31 July 2014<sup>1,2</sup>

I Meakins	Group Chief Executive (Chairman)
S Ashmore	Managing Director, UK
T England	Group Chief Information Officer
O M Jensen	Chief Executive Officer, Nordic
J Martin	Chief Financial Officer
B Morrison	Group HR Director
F Roach	Chief Executive Officer, USA
R Shoykov	Group Company Secretary and General Counsel

<sup>1</sup> Details of this Committee can be found on page 60.

<sup>2</sup> Patrick Headon joined the Executive Committee with effect from 1 August 2014.

### Responsibilities

The Executive Committee is responsible for implementing Group strategy and policies and for day-to-day operational management of the business, and monitors business performance.

### What the Committee has done during the year

Management matters were addressed by the Committee and other committees to whom specific authority has been delegated to implement Board strategy or policy. The Committee met 11 times during the year.

### Treasury Committee

Committee members during the year ended 31 July 2014

J Martin	Chief Financial Officer (Chairman)
S Gray	Group Financial Controller
I Meakins	Group Chief Executive
R Shoykov	Group Company Secretary and General Counsel
M Verrier	Group Treasurer

### Responsibilities

The Treasury Committee considers treasury policy, including financial structures and investments, tax and treasury strategy, policies and certain transactions on behalf of the Group, reviews the performance and compliance of the tax and treasury function, within a framework delegated by the Board, and makes recommendations to the Board in matters such as overall financing structure and strategy and currency exposure.

### What the Committee has done during the year

The Committee met periodically during the year and considered a range of treasury-related matters including cash pooling, counterparty exposure and guarantees, interest rate risk, currency balancing, counterparty credit limits, overdraft facilities and international financing arrangements.

### Disclosure Committee

Committee members during the year ended 31 July 2014

J Martin	Chief Financial Officer (Chairman)
M Fearon	Group Director of Communications and Investor Relations
I Meakins	Group Chief Executive
R Shoykov	Group Company Secretary and General Counsel

### Responsibilities

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 and Transparency Rules of the UK Listing Authority. It also assists in the design, implementation and periodic evaluation of the Company's disclosure controls and procedures.

Any announcements relating to any matters which the Board has designated as reserved matters, or matters of a substantive or strategic nature, are dealt with by the Board or by the Major Announcements Committee.

### What the Committee has done during the year

The Committee met periodically during the year to consider specific matters that had been identified as needing consideration.



## Directors' Report – other disclosures

### Amendment of the Company's Articles of Association

The Company's Articles of Association may be amended by a special resolution of the Company's shareholders.

### Appointment and removal of Directors

The Directors may from time to time appoint one or more Directors. The Board may appoint any person it considers appropriate to be a Director. Under the Articles of Association any such Director shall hold office only until the next Annual General Meeting and shall then be eligible for election. The Articles of Association also require that at each AGM at least one-third of the current Directors must retire as Directors by rotation. All those Directors who have been in office for three years or more since their last appointment shall retire at that AGM. In addition, any Director may at any AGM retire from office and stand for re-election. However, in line with the UK Corporate Governance Code 2012, all continuing Directors will stand for annual election at the 2014 AGM.

### Authority to allot shares

At the 2013 AGM, authority was given to the Directors to allot new ordinary shares up to a nominal value of £19,122,680. The Directors intend to propose at the 2014 AGM to seek authority to allot and grant rights to subscribe for or to convert securities into shares up to an aggregate nominal amount representing approximately two-thirds of the Company's issued share capital, calculated at the latest practicable date prior to publication of the Notice of AGM, but of that amount only one-third of the Company's issued share capital, calculated at the latest practicable date prior to publication of the Notice of AGM, may be allotted pursuant to a fully pre-emptive rights issue. If approved, this authority will expire at the conclusion of the 2015 AGM.

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 2014 AGM. This authority shall be limited to the allotment of equity securities for cash up to an aggregate nominal amount of no more than approximately 5 per cent of the issued ordinary share capital calculated at the latest practicable date prior to publication of the Notice of AGM.

### Authority to purchase shares

In certain circumstances, it may be advantageous for the Company to purchase its own ordinary shares and the Company seeks authority on an annual basis to renew the Directors' limited authority to purchase the Company's ordinary shares in the market pursuant to Article 57 of the Companies (Jersey) Law 1991. On 30 September 2014, the Company announced its intention to commence a £250 million share repurchase programme to be executed over the twelve month period to September 2015 (the "Programme"). It is intended that a special resolution will be proposed at the 2014 AGM to grant authority for the Company to purchase up to approximately 10 per cent of the Company's issued share capital, calculated at the latest practicable date prior to the publication of the Notice of AGM. The special resolution will set the minimum and maximum prices which may be paid. The Directors intend to use this authority to make share repurchases pursuant to the Programme and will use this authority to purchase further 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.

In accordance with the Company's Articles of Association the Company is allowed to hold shares purchased by it to be held as treasury shares that may be cancelled, sold for cash or used for the purpose of employee share schemes. As at the date of this report, the Company holds no shares in treasury and the Directors currently intend that any shares which are purchased will be held in treasury.

The existing authority to purchase up to 26,551,830 ordinary shares is due to expire at the conclusion of this year's AGM and a special resolution to renew the authority will be put to shareholders at the 2014 AGM.

### Change of control (significant agreements)

The Company is not party to any significant agreements that take effect, alter or terminate upon a change of control following a takeover except for the €750 million multi-currency revolving credit facility agreement dated 18 July 2011, the US\$270 million revolving credit facility agreement dated 21 July 2011, the £200 million revolving credit facility agreement dated 27 March 2013, the amended US\$600 million receivables facility agreement originally entered into on 31 July 2013 and the £300 million revolving credit facility agreement dated 9 December 2013 which could become repayable following a relevant change of control. There are no agreements between the Company and 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.

## Conflicts of interest

Processes and procedures are in place which require Directors to identify and declare actual or potential conflicts of interest, whether matter-specific or situational. These notifications are made by a Director prior to or at a Board meeting, or in writing. All Directors have a continuing duty to update any changes.

The Board may authorise potential conflicts which can be limited in scope, in accordance with the Company's Articles of Association. These authorisations are regularly reviewed. During the year, all conflict management procedures were adhered to and operated efficiently.

## CREST

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

## Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report, the Strategic report, the Directors' report, the Directors' remuneration report and the financial statements in accordance with applicable law and regulations. The Directors have prepared the Strategic report, the Directors' report and the Directors' remuneration report as if the Company were required to do so in accordance with the UK Companies Act 2006.

Companies (Jersey) Law 1991 requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The Directors are also responsible for preparing parent company financial statements in accordance with United Kingdom Accounting Standards, and for being satisfied that the consolidated and Company financial statements give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the consolidated and Company financial statements respectively; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and 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 consolidated financial statements comply with the Companies (Jersey) Law 1991 and 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. Jersey legislation and United Kingdom regulation, governing the preparation and dissemination of financial statements, may differ from legislation in other jurisdictions.

Each of the Directors confirm that, to the best of their knowledge:

- the consolidated 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 profit of the Group and the undertakings included in the consolidation taken as a whole; and
- the management report review contained in the report of the Directors includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

In addition, having taken all matters considered by the Board and brought to the attention of the Board during the year into account, the Directors consider that the Company's 2013/14 Annual Report and Accounts, taken as a whole, presents a fair, balanced and understandable assessment of the Company's position and prospects and provides information necessary for shareholders to assess the Company's performance, business model and strategy.

The Directors of Wolseley plc as the date of this Annual Report are as set out below:

Gareth Davis, Chairman*
Ian Meakins, Group Chief Executive
John Martin, Chief Financial Officer
Frank Roach, Chief Executive Officer, USA
Alan Murray, Senior Independent Director*
Tessa Bamford*
John Daly*
Pilar Lopez*
Darren Shapland*
Jacky Simmonds*
Michael Wareing*

\*Non Executive Director

## Directors' Report – other disclosures continued

### Employees

The Group actively encourages employee involvement in driving our current and future success and places particular importance on keeping employees regularly informed on the Group'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 Group's intranet sites. The Group operates on a largely decentralised basis with a control framework exercised by a small team at the Group Services Office. This ensures that consistent standards are set and maintained while allowing for implementation in a way that supports each business unit's particular circumstances. 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 17 EWC representatives, of which 11 were employee representatives and six were management representatives. Employee representatives are appointed from each European country in which Wolseley operates. All employees are offered a range of benefits depending on their local environment. Where possible, they are also encouraged to build a stake in the Company through the ownership of shares 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, and it will progressively promote diversity. Ongoing training of employees and the continued development of their skills is of prime importance. The Group also has policies in place relating to the continuation of employment of, and appropriate retraining for, employees who become disabled.

### Indemnities and insurance

The Company indemnifies the Directors in respect of liabilities incurred as a result of their office in accordance with its Articles of Association and to the maximum extent permitted by Jersey law. Qualifying third-party indemnity provisions (to the maximum extent permitted by English law) were granted to all Directors in office and to the Group Company Secretary and General Counsel by Wolseley plc (now known as Wolseley Limited) and these remain in force as at the date of this report. When Wolseley plc (registered in Jersey) became the new holding company, additional third-party indemnity provisions were granted by the Company, and it has granted indemnities to all Directors appointed since November 2010 in accordance with Jersey law.

There is appropriate insurance coverage in respect of legal action against the Directors and officers. Neither the Company's indemnities nor insurance would provide any coverage to the extent that a Director is proved to have acted fraudulently or dishonestly.

### Independent Auditors and audit information

PricewaterhouseCoopers LLP ("PwC") is 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 2014, there is no relevant audit information of which PwC 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 2014, of any relevant audit information and to establish that PwC are aware of that information.

### Management report

The management report for the year, as required by the Disclosure and Transparency Rules, is incorporated within the Overview section starting on page 1 and the Strategic report starting on page 6.

## Political donations

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. In previous years this resolution related to the provisions of the Companies Act 2006. The Company has ensured that, although registered in Jersey, it will continue to apply the same standards and has such provisions incorporated into its Articles of Association. 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 aggregate, which they might otherwise be prohibited from making or incurring under the provisions of Article 12 of the Company's Articles of Association (equivalent to sections 362 to 379 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. During the year, no expenditure was incurred which could be regarded as political in nature.

## 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 capital and voting rights

On 2 December 2013, the shares of Wolseley plc were consolidated on a 30 for 31 basis ("Consolidation"). Details of the authorised and issued share capital, together with any movements in the issued share capital during the year, are shown in note 26 of the consolidated financial statements. As at 31 July 2014 there were 266,531,797 fully paid ordinary shares of 10<sup>53</sup>/<sub>66</sub> pence each in issue and listed on the London Stock Exchange.

Subject to the provisions of the Companies (Jersey) Law 1991 and without prejudice to any rights attached to any existing shares or class of shares, any share may be issued with such rights and restrictions as the Company may by ordinary resolution determine or as the Board shall determine. Copies of the Company's Articles of Association can be obtained from Companies Registry, Jersey, or by writing to the Group Company Secretary and General Counsel.

The Company also has a Level 1 American Depositary Receipt ("ADR") programme in the USA for which Deutsche Bank Trust Company Americas acts as Depositary. The American Depositary Shares ("ADS") which are evidenced by ADRs are traded on the USA over-the-counter market, where each ADS represents one-tenth of a Wolseley plc ordinary share.

## Share options

At the time of the share Consolidation in December 2013, the Board determined that since the effect of a share Consolidation, when combined with the payment of a special dividend, was intended to be neutral in relation to outstanding share awards and options, no adjustment to such share awards and options, or any performance criteria in relation to them, was required. During the financial year ended 31 July 2014, options were exercised pursuant to the Company's share option schemes resulting in the allotment of 193,435 ordinary 10<sup>5</sup>/<sub>11</sub> pence shares prior to the Consolidation and 833,737 ordinary 10<sup>53</sup>/<sub>66</sub> pence shares after the Consolidation. A further 21,588 ordinary 10<sup>53</sup>/<sub>66</sub> 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 26 to the consolidated financial statements.

## UK pension schemes

Wolseley currently has two pension schemes in respect of employees in the United Kingdom:

- (1) Defined Benefit Scheme – the Wolseley Group Retirement Benefits Plan ("Plan") is a trust-based defined benefit scheme. It consists of two sections: the Wolseley Section and the William Wilson Section. Both sections have been closed to new entrants since 31 May 2009. Following detailed and comprehensive consultation it was agreed with the Trustees to close the Plan to future accrual from 31 December 2013. On and from 1 January 2014, all remaining active members of the Wolseley Group Retirement Benefits Plan transferred to the Wolseley Group Defined Contribution Plan. There are three trustees consisting of an independent trustee, a member nominated trustee and a corporate trustee. The corporate trustees consists of six trustee directors and, save for David Illingworth (chairman of the trustees) and Ian Percy, CBE, all of the other trustee directors are employees of the Group.
- (2) Defined Contribution Scheme – the Wolseley Group Defined Contribution Plan is a trust-based defined contribution pension scheme with four Company nominated trustees, one of whom is an independent trustee and three who are UK-based employees of the Group; the chairman of the trustees is Wayne Phelan of PS Independent Trustees Limited. In addition, up to three member-nominated trustees may be appointed. The trustees have regularly sought member-nominated trustees and ran a further selection process in early 2014. Following the selection process three member nominated trustees were appointed. The Wolseley Group Defined Contribution Plan has been used as the vehicle to auto-enrol Wolseley employees and the plan rules have been updated to meet the auto-enrolment legal requirements. The basis of contributions to the Wolseley Group Defined Contribution Plan was enhanced from 1 January 2014 in addition to expanding the investment choices available following a detailed review by the trustees and Company.

## Directors' Report – other disclosures continued

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### Other disclosures

Certain information that is required to be included in the Directors' Report can be found elsewhere in this document as referred to below, each of which is, to the extent not in this report, incorporated by reference.

### Directors in office during the year

A full list of the individuals who were directors of the Company during the financial year ended 31 July 2014 can be found on page 61.

### Dividends

Details of the Company's proposed final dividend payment for the year ended 31 July 2014 is set out on page 40.

### Exposure to price, credit, liquidity and cash flow risks

Disclosures relating to exposure to price, credit, liquidity and cash flow risks are set out in note 37 to the consolidated financial statements.

### Financial risk management objectives and policies

Disclosures relating to financial risk management objectives and policies, including our policy for hedging, are set out in note 37 to the consolidated financial statements.

### Going concern

The going concern statement can be found on page 41.

### Future developments within the Group

The Strategic report starting on page 6 contains details of likely future developments within the Group.

### Greenhouse gas emissions

Disclosures concerning greenhouse gas emissions can be found on page 51.

### Post balance sheet events

Information concerning post balance sheet events can be found in note 36 to the consolidated financial statements.

### Profit

Details of the Company's profit for the year ended 31 July 2014 can be found on page 37.

The Directors' report, prepared in accordance with the requirements of the Companies Act 2006, the UK Listing Authority's Listing, and the Disclosure and Transparency rules comprising pages 6 to 104, was approved by the Board and signed its behalf by:



**Richard Shoyalekov**  
Group Company Secretary and General Counsel

29 September 2014



# Remuneration Report introduction

For the year ended 31 July 2014



**Alan Murray**  
Chairman of the  
Remuneration Committee

Set out below is the Directors' Remuneration Report for the financial year ended 31 July 2014.

## Dear Shareholder

I am pleased to make this report in the context of another year in which the Company has delivered a strong financial performance, both in terms of like-for-like revenue and trading profit growth, and excellent cash generation. Once again our experienced management team have driven significant performance improvements during the year.

In the financial year ended 31 July 2014 trading profit grew despite significant adverse foreign exchange movements, contributing to an increase in headline EPS from 141.0 pence in 2010/11 (as adjusted) to 196.2 pence this year. As a result, ESOP awards granted in 2011 have vested in full. We explain the adjustment to headline EPS in 2010/11 under the heading "ESOP" on page 100.

In addition to profitable growth, the Company also places a strong emphasis on generating cash and during the year the Company rebased the dividend by 15 per cent, reflecting the Group's strong and sustainable cash flows. The interim dividend paid to shareholders on 1 May 2014 was 25 per cent higher than last year and the 2014 proposed final dividend of 55 pence per share is 25 per cent higher than last year. The strong cash and profit performance underpinned the bonus payments to the Executive Directors for the year which averaged 91.1 per cent of their maximum levels. In the three years to 31 July 2014, Total Shareholder Return ("TSR") growth enjoyed by shareholders was 21.02 per cent. As a result, the Company achieved a TSR ranking of sixteenth against our FTSE 100 comparator group and so 88.2 per cent of the performance shares awarded under the LTIP in 2011 have vested.

## Key decisions

During the year the Committee continued to review its approach to Executive Director remuneration. The Company's strategy to deliver long-term sustainable and profitable growth remains unchanged. The remuneration policy is designed to support the delivery of this strategy through providing a "pay for performance" remuneration package to Executive Directors which reflects their contribution to the business, the performance of the Group, the size and complexity of the Group's operations and the need to attract and retain executives.

The Company's continued strong financial performance, and consistent year-on-year incremental improvement in key financial measures such as like-for-like revenue, gross margins, trading margin and cash generation, demonstrate the importance of management's continuing focus on delivering against a clear

strategy supported by a remuneration policy which provides an appropriate balance between fixed and variable pay. The Committee has therefore decided that the Company's remuneration policy will remain largely unchanged for 2014/15.

However, the Committee also concluded that, as the Group's business, its markets and the executive remuneration landscape continues to evolve, a further more detailed review of remuneration should be undertaken. The aims of the review include the simplification of remuneration structures and ensuring that, over the long term, they remain appropriate to retain and attract talented executives in a highly competitive labour market. We recognise the need to continue to attract management with skills and experience which reflect current and future developments in the markets in which the Group's businesses operate. We expect to conclude the review by the end of 2014, consult with shareholders regarding the outcome of the review in early 2015 and make any changes during 2015/16.

In addition, the Committee made the following key decisions in the year:

- Executive Directors' base salaries have been increased by 2 per cent, which is broadly in line with the average annual base salary increases for all Wolseley employees. The fee paid to the Chairman of the Board was not increased for the fourth consecutive year and the Board determined that there would be no increase in Non Executive Directors' fees.
- The weighting of performance criteria for the annual bonus plan would continue to be set at 80 per cent for financial measures and 20 per cent for personal objectives. From 2014/15, we have introduced an additional financial target based on gross profit growth, which is aimed at enhancing the link between the bonus incentive and the Company's strategy of delivering long-term sustainable and profitable growth.
- In line with best practice, we have adjusted our policy so that the annual bonus plan for Executive Directors will from 2014/15 include the ability to reduce or reclaim all or part of bonus awards in certain situations, commonly referred to as "malus" and "clawback" provisions.

## New Remuneration Reporting Regulations

The Committee decided last year, as a matter of good governance, to meet the requirements of the new Remuneration Reporting Regulations, although the Company is not required to do so as a Jersey registered company. In addition to this annual statement, the Remuneration Report contains the Policy on remuneration and the annual report on remuneration. As explained above, the remuneration policy is largely unchanged. This year we have also included the policy for the recruitment of Directors and payments for loss of office.

Separate resolutions will be proposed at the Annual General Meeting to approve the Policy and the rest of the Remuneration Report. The new Remuneration Reporting Regulations contain provisions which make shareholder approval of the Policy of UK-incorporated companies binding. As the Company is not UK-incorporated those provisions have no legal effect. However, the Company has taken

## Remuneration Report introduction continued

steps to limit the power of the Remuneration Committee so that, with effect from the date on which the Policy on remuneration is approved by shareholders, the Committee can only authorise remuneration payments or payments for loss of office in respect of the Chairman and the Executive Directors that it honestly and reasonably believes are consistent with the Policy as approved by shareholders. In that way the Company considers the vote of shareholders on the Policy to be binding in its application to the Chairman and Executive Directors.

### Looking ahead

I am delighted that the Board have appointed three new Non Executive Directors during the year. Details of their remuneration are set out on page 95.

I handed over the responsibilities of my role as Chairman of the Committee to Jacky Simmonds at the end of July 2014. Jacky has extensive specialist knowledge and experience in the area of executive remuneration and is leading the review of remuneration structure. Given the continued prominence of executive remuneration in corporate governance, it is clear that Jacky's experience in this area will be a significant benefit to the Company.

We hope to receive your support at the Annual General Meeting and I, together with Jacky, will be available to respond to any questions shareholders may have on this report or any of the Committee's activities.



**Alan Murray**  
Chairman of the Remuneration Committee  
for the year ended 31 July 2014



Summary of the Group's financial performance during the year ended 31 July 2014  
See pages 3 to 5

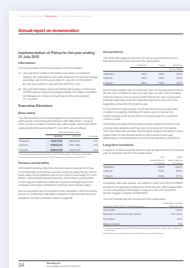
### Glossary of terms in Directors' Remuneration Report 2014

AGM	Annual General Meeting
BIS	Department for Business, Innovation & Skills
Code	UK Corporate Governance Code
EPS	Headline Earnings Per Share
ESOP	Executive Share Option Plan
ESPP	Employee Share Purchase Plan
ISP	International Sharesave Plan
LTIP	Long Term Incentive Scheme or Plan
LTI plans	ESOP and LTIP
OSP	Ordinary Share Plan
Policy	Directors' Remuneration Policy
Remuneration Reporting Regulations or Regulations	The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended
Report	Directors' Remuneration Report
TSR	Total Shareholder Return

### Key elements of this report



Remuneration policy  
on pages 85 to 93



Annual report on remuneration  
on pages 94 to 104

This Report, approved by the Board, has been prepared in accordance with the requirements of the Listing Rules of the Financial Conduct Authority and the Remuneration Reporting Regulations. Furthermore, the Board has also applied the principles of good governance relating to Directors' remuneration contained within the UK Corporate Governance Code updated in September 2012.

# Remuneration policy

## 1. Introduction

This section of the Directors' Remuneration Report has been prepared in accordance with the Regulations. It sets out the Policy which will be put forward for shareholder approval at the AGM on 25 November 2014 and will apply, subject to such shareholder approval, to any remuneration and loss of office payments made on or after 25 November 2014. All remuneration and loss of office payments will only be made if they are consistent with the approved Policy. Details of how the Company will implement the Policy set out below from 1 August 2014 are provided in the Annual report on remuneration section starting on page 94.

This section of the Report contains details of the Company's remuneration policy to govern future payments that the Company will make to Directors. Within this section are:

- Future remuneration policy tables for Executive and Non Executive Directors
- Recruitment policy
- Policy on loss of office
- Details of discretion, flexibility and judgement of the Committee
- Legacy arrangements
- Matters considered when determining the Policy
- Illustrations of the Policy

The Policy is broadly unchanged from last year. The Company's policy as it applies to Executive Directors is to provide a package that is sufficient to attract, retain and treat fairly Executive Directors currently in position or any new Executive Director, whether hired externally or promoted from within the Wolseley Group. The Committee will consider the need to attract the right talent whilst aiming to pay no more than is appropriate. In determining each element of pay and the package as a whole, the Committee will take into account all relevant factors including, but not limited to, the skills and experience of the individual, the market rate for an individual of that experience, as well as the importance of securing the best person for the role.

## 2. Remuneration policy tables

Purpose and link to strategy

Operation and opportunity

### Future policy table: Executive Directors

#### Base salary

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>• To pay Executive Directors at a level commensurate with their contribution to the Company and appropriately based on skill, experience and performance achieved.</li> <li>• The level of salary paid should be set at a level that is considered appropriate to aid the recruitment, retention and motivation of high calibre Executive Directors required to ensure the successful formation and delivery of the Group's strategy and management of its business in the international environment in which it operates.</li> </ul> | <ul style="list-style-type: none"> <li>• Base salary is normally set at or around the mid-market level of other companies comparable on the basis of size, internationality and complexity with the opportunity to exceed this level to reward sustained individual high performance.</li> <li>• Base salary is paid monthly in cash in the currency specified in the employment contract.</li> <li>• Base salary may be increased each year typically in line with the general level of increase awarded to other employees in the Group. There is an annual review by the Committee taking into account individual and corporate performance, percentage increases awarded to the general workforce, prevailing market and economic conditions and governance practices.</li> <li>• The Committee retains the flexibility to award larger increases than those awarded to the general workforce where it considers it appropriate and necessary (such as in exceptional circumstances or if an individual assumes significantly more responsibility). If it is considered appropriate larger increases may be phased over more than one year.</li> <li>• The Committee retains the flexibility to review and decide on a case-by-case basis whether it is appropriate to award increases to allow a newly appointed Executive Director whose base salary has been set below the mid-market level to progress quickly to or around that mid-market level once expertise and performance has been proven.</li> <li>• The base salaries for the Executive Directors for the current year are set out in the Annual report on remuneration.</li> </ul> |
|--|--|

#### Framework to assess performance measures and for recovery of sums paid

*Assessment of performance measures:* the Committee considers the individual salaries of the Executive Directors at a Committee meeting each year taking into account the factors listed in the "Operation and opportunity" section above.

*Recovery of sums paid or the withholding of any payment to be made relating to base salary:* there are no provisions for the recovery of sums paid or the withholding of any payment relating to base salary.

## Remuneration policy continued

Purpose and link to strategy

Operation and opportunity

### Future policy table: Executive Directors (continued)

#### Taxable benefits

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>• To provide a range of market competitive benefits to encourage the recruitment and retention of high quality Executive Directors and which enable an Executive Director to perform his or her duties.</li> </ul> | <ul style="list-style-type: none"> <li>• A range of benefits are provided by the Company to Executive Directors that, depending on the location of the individual, may include:                         <ul style="list-style-type: none"> <li>– life assurance cover;</li> <li>– critical illness cover;</li> <li>– private medical cover for Executive Directors and their dependants;</li> <li>– car, driver, car allowance;</li> <li>– professional tax and financial advice (including assistance in relation to tax filings);</li> <li>– relocation assistance;</li> <li>– tax equalisation arrangements in relation to additional international tax and social security contributions; and</li> <li>– other reasonable ancillary benefits, where necessary.</li> </ul> </li> <li>• In addition, Executive Directors have the benefit of Directors' and Officers' Liability Insurance and an indemnity from the Company.</li> <li>• It is expected that an Executive Director would receive reasonable levels of benefits consistent with those typically offered in his or her country of residence.</li> <li>• Benefits are typically paid monthly and their value assessed at the end of each financial year for tax purposes.</li> <li>• Benefits are monitored, controlled and reviewed on a periodic basis.</li> <li>• The Committee retains the flexibility to offer additional benefits where appropriate. This would be reviewed on a case-by-case basis due to the position and circumstances of the relevant Executive Director (e.g. if an Executive Director is asked to relocate, or is recruited, from overseas).</li> <li>• The benefits for the Executive Directors for the current year are set out in the Annual report on remuneration.</li> </ul> |
|---|--|

#### Framework to assess performance measures and for recovery of sums paid

*Assessment of performance measures:* not applicable.

*Recovery of sums paid or the withholding of any payment to be made relating to benefits:* there are no provisions for the recovery of sums paid or the withholding of any payment relating to benefits.

#### Pension

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>• To provide a market-competitive benefit for retirement which rewards sustained contribution and to encourage the recruitment and retention of high performing Executive Directors.</li> </ul> | <ul style="list-style-type: none"> <li>• Executive Directors are eligible to participate in the relevant pension arrangements offered by the Group or to receive a cash salary supplement in lieu of pension entitlement.</li> <li>• Pension or cash salary supplement is paid monthly.</li> <li>• The entitlement is reviewed annually and may be increased each year.</li> <li>• The maximum opportunity, either by way of a Company contribution to a Group pension arrangement or payment of a cash salary supplement, is 32 per cent of base salary.</li> </ul> |
|--|--|

#### Framework to assess performance measures and for recovery of sums paid

*Assessment of performance measures:* not applicable.

*Recovery of sums paid or the withholding of any payment to be made relating to pension:* there are no provisions for the recovery of sums paid or the withholding of any payment relating to pension.

Purpose and link to strategy

Operation and opportunity

**Future policy table: Executive Directors (continued)****Annual bonus**

- To reward achievement of annual financial and operational goals consistent with the strategic direction of the business.
- Executive Directors are eligible (subject to invitation at the discretion of the Committee in consultation with the Group Chief Executive, other than in relation to his own arrangements) to receive a bonus which is based on an assessment of financial and personal performance in the relevant financial year.
- Annual bonus shall be paid in cash annually and is not pensionable.
- Annual bonus is reviewed annually and opportunity available may be adjusted each year up to the maximum.
- The maximum opportunity is 140 per cent of base salary. The annual bonus opportunities for the Executive Directors for the current year are set out in the Annual report on remuneration. Maximum threshold performance and maximum on-target performance levels are set as a percentage of base salary.
- All bonus payments are determined by the Committee.
- Details of the actual vesting for maximum, threshold and target performance percentages for each Executive Director for the current year as well as details of performance criteria set for the year under review and performance against them are provided in the Annual report on remuneration.

**Framework to assess performance measures and for recovery of sums paid**

*Assessment of performance measures:* financial key performance indicators are used. Performance measures, targets and weightings are reviewed annually. They will be set each year by the Committee with reference to the Group's annual budget, business priorities at the time and also the long-term strategic business plan, as well as market expectations of the Company's future performance. They are intended to align the performance of Executive Directors with the Group's near-term objectives of delivering against its strategy, in particular: profit-related measures support the strategic objectives of driving systematic performance across the Group, the acceleration of profitable growth and delivering Group synergies; the cash generation-related measure helps the Group to maintain a strong balance sheet; and individual personal objectives allow the Committee to prioritise individual initiatives which are particularly relevant in any year to support the Group's strategy. At least 80 per cent of maximum bonus is weighted to financial performance and not more than 20 per cent of maximum bonus is weighted to personal objectives aimed at driving the strategic objectives of the business.

*Recovery of sums paid or the withholding of any payment to be made relating to annual bonus:* the Committee has the right to clawback from Executive Directors any bonus paid for the 2014/15 financial year and beyond at any time before the first anniversary of the announcement of the results for the financial year to which the annual bonus relates in the following circumstances: (a) the Committee forms the view that there has been a material misstatement of the Company's audited financial accounts (other than as a result of a change in accounting practice) and that such misstatement resulted either directly or indirectly in a higher cash bonus payment being made than would have been the case had that misstatement not been made; and/or (b) it is discovered that, during the financial year in respect of which the bonus is paid, the relevant individual (i) committed misconduct which resulted in significant reputational damage to the Company; or (ii) was guilty of negligence, fraud or gross misconduct.

**Executive Share Ownership Plan ("ESOP") and Long Term Incentive Plan ("LTIP") (together the "LTI plans")**

- To align the interests of Executive Directors and shareholders in developing the long-term growth of the Group and delivering the Group's strategy through facilitating the building of a long-term shareholding in the Company and making the performance measures consistent with the achievement of strategic objectives.
  - Executive Directors are eligible to receive ESOP and LTIP grants (subject to selection by the Committee) each year.
- | <b>ESOP</b>  | <b>LTIP</b>  |
|--|--|
| <ul style="list-style-type: none"> <li>• Awards are made annually in each financial year in accordance with the plan rules and are structured as market value share options using the market price at the date of grant. They are not pensionable.</li> <li>• Awards are subject to performance conditions measured over at least three financial years, typically starting with the financial year in which the grant takes place.</li> </ul> | <ul style="list-style-type: none"> <li>• Awards are made annually in each financial year in accordance with the plan rules and are structured as nil cost options, restricted shares, conditional shares or phantom shares. They are not pensionable.</li> <li>• Awards are subject to the Company meeting TSR targets measured over at least three financial years, typically starting with the financial year in which the grant takes place.</li> </ul> |



## Remuneration policy continued

Purpose and link to strategy

Operation and opportunity

### Future policy table: Executive Directors (continued)

#### Executive Share Ownership Plan (“ESOP”) and Long Term Incentive Plan (“LTIP”) (together the “LTI plans”) continued

##### ESOP (continued)

- The Committee retains the discretion to award up to the maximum award that may be granted under the plan rules, which is 300 per cent of base salary (in shares valued at the date of grant), although the Committee will not increase awards above the prior year award levels without prior consultation with the Company’s major shareholders.
- 50 per cent of base salary (as measured at date of grant) vests for threshold performance (0 per cent below threshold) increasing in tranches up to the maximum award for maximum performance.
- The ESOP awards granted to the Executive Directors in the current year are set out in the Annual report on remuneration.

##### LTIP (continued)

- The Committee retains the discretion to award up to the maximum award that may be granted under the plan rules which is 200 per cent of base salary (in shares valued at the date of grant) although the Committee will not increase awards above the prior year award levels without prior consultation with the Company’s major shareholders.
- 25 per cent of the award vests for threshold performance (0 per cent below threshold) increasing pro rata on a straight-line basis to 100 per cent vesting for maximum performance.
- Dividends may accrue on the shares which are the subject of the award during the performance period (to the extent they vest) and will be paid as an additional cash sum or by the transfer of additional shares to the individual in accordance with the plan rules.
- The LTIP awards granted to the Executive Directors in the current year are set out in the Annual report on remuneration.

#### Framework to assess performance measures and for recovery of sums paid

*Assessment of performance measures:* for both ESOP and LTIP, metrics are assessed each year by the Committee prior to grant to ensure they remain appropriate. The Committee may introduce alternative or additional measures but would consult with major shareholders before doing so. The Committee may also vary weightings between measures and the targets from a previous year although the metrics will not be materially less challenging than those contained in the applicable plan rules.

##### ESOP

At the time of setting the Company’s first Policy, ESOP awards are subject to EPS growth targets.

The Committee sets the EPS growth range taking into account the Group’s strategic objectives, strategic plan, budget, market expectations of the Company’s financial performance and the economic and trading environment in which the Group operates. The performance measure of EPS is considered to be appropriate for share options as it requires substantial improvement in the Group’s financial performance and complements the inherent requirement for share price growth for a market value option to have value.

The EPS performance measure supports the achievement of profit growth, cash generation and maximising shareholder value, and is linked in particular to the strategic objectives of driving systematic performance across the Group, the acceleration of profitable growth and delivering Group synergies, and is aligned to the creation of shareholder value.

##### LTIP

At the time of setting the Company’s first Policy, LTIP awards are subject to relative TSR performance targets.

The Committee bases the relative TSR targets on a list of comparator companies, being the full constituent members of the FTSE 100 at the respective date of grant, with no additions or exclusions.

The performance measure of TSR is considered to be appropriate for long term incentive plan interests to ensure that the interests of the Executive Director are closely aligned with those of the Company’s shareholders over the long term and to incentivise outperformance of the Company relative to its peers.

The TSR performance condition supports the achievement of profit growth, cash generation, maximising shareholder value and relative outperformance of its peer group, and is linked in particular to the strategic objectives of driving systematic performance across the Group, the acceleration of profitable growth, delivering Group synergies and, through cash generation, the maintenance of a strong balance sheet.

*Recovery of sums paid or the withholding of any payment to be made relating to 2012 LTI plans:* for awards granted from December 2012 onwards, the Committee may, in its discretion, decide that any cash payable or shares awarded be reduced or any future awards be reduced or future grants not be made in any of the following circumstances: (i) a material financial misstatement of the Company’s audited financial accounts (other than as a result of a change in accounting practice); (ii) the misconduct of an award participant which results in or is reasonably likely to result in significant reputational damage to the Company; or (iii) the negligence, fraud or gross misconduct of a participant.

Purpose and link to strategy

Operation and opportunity

**Future policy table: Executive Directors (continued)****All-employee share plans**

- To allow Directors to voluntarily invest in the Company.
- Executive Directors are entitled to participate in the Company's all employee Sharesave plan applicable to the jurisdiction in which they are based.
- A North America-based Executive Director may make monthly savings over a period of one year linked to the grant of an option over Wolseley plc shares with an option price at a discount of up to 15 per cent of the market value of the shares at grant. Grants are currently made under the ESPP. A UK or Europe-based Executive Director may make monthly savings over a period of three or five years linked to the grant of an option over Wolseley plc shares with an option price at a discount of up to 20 per cent of the market value of the shares at grant. Grants are currently made under the ISP.
- Maximum opportunity under the rules of both plans is £500 (or local currency equivalent) per month. At the time of this Policy, the Board has currently set the savings limit at £250 per month. The limit will be reviewed by the Board and set annually at an amount up to, but not exceeding, the maximum opportunity.

**Framework to assess performance measures and for recovery of sums paid**

*Assessment of performance measures:* not applicable as this is an all-employee share savings plan (without performance measures) offered to all employees.

*Recovery of sums paid or the withholding of any payment to be made relating to all-employee share plans:* there are no provisions for the recovery of sums paid or the withholding of any payment relating to all-employee share savings plan or share grants.

**Shareholding guidelines**

- To encourage all Directors to build up a shareholding in value equivalent to a set multiple of base salary or fees.
- To align interests of Directors and shareholders in developing the long-term growth of the business and the execution and delivery of the Group's strategy.
- All Directors are required to hold shares equivalent in value to a prescribed percentage of their base salary.
- All Directors are advised of a target, a timeline to achieve the target and requirements for maintaining the shareholding in line with salary or fees increases.
- For Executive Directors, 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 and/or to pay tax, social security and similar liabilities.
- Details of the actual guidelines and targets are set out in the Annual report on remuneration.

**Framework to assess performance measures and for recovery of sums paid**

*Assessment of performance measures:* not applicable as these are guidelines for holding shares and not a form of remuneration.

*Recovery of sums paid or the withholding of any payment to be made relating to shareholding guidelines:* there are no provisions for the recovery of sums paid or the withholding of any payment relating to shareholding guidelines.

**Differences in remuneration policy for Executive Directors compared to other employees**

The Remuneration Policy for Executive Directors differs from that of other Executive Committee members only in respect of the quantum of the components of remuneration and that Executive Committee members who are not also Executive Directors may also participate in the Group's Ordinary Share Plan ("OSP"). Currently, the Group's other senior managers broadly receive the same components of remuneration as the Executive Committee members, except that no awards are made to them under the ESOP or the LTIP. Awards are made under the Group's OSP to a small proportion of the Group's employees who are nominated annually based on their performance and potential. The wider employee population of the Group will receive remuneration that is considered to be appropriate for their geographic location, role, level of responsibility and performance.

## Remuneration policy continued

Purpose and link to strategy

Operation and opportunity

### Future policy table: Non Executive Directors

Fees	
<ul style="list-style-type: none"> <li>To remunerate Non Executive Directors to reflect their level of responsibility.</li> </ul>	<ul style="list-style-type: none"> <li>The Chairman is paid a basic fee determined by the Committee.</li> <li>Non Executive Directors are paid a basic fee. Additional fees are paid for the roles of Senior Independent Director, Chairman of the Audit Committee and Chairman of the Remuneration Committee.</li> <li>Fees for Non Executive Directors, other than the Chairman, are determined by the Chairman and the Executive Directors at a Board meeting. Additional fees for Non Executive Directors for duties beyond those stated above may be payable, at the discretion of the Board, from time to time to reflect the time and responsibility involved.</li> <li>The maximum aggregate of fees for all Non Executive Directors, including the Chairman, allowed by the Company's Articles of Association is £1 million per annum or such higher amount as the Company may determine by ordinary resolution.</li> <li>The Committee, in relation to the Chairman, and the Board, in relation to the other Non Executive Directors, retain the flexibility to increase fee levels to ensure that they continue to appropriately recognise the experience of the individual, time commitment of the role, increases to fee levels of Chairmen and Non Executive Directors generally and fee levels in comparable companies. Fee increases, if applicable, are normally effective from 1 August each year.</li> <li>The fees payable to the Chairman and Non Executive Directors for the current year are set out in the Annual report on remuneration.</li> </ul>

#### Framework to assess performance measures and for recovery of sums paid

*Assessment of performance measures:* not applicable.

*Recovery of sums paid or the withholding of any payment to be made relating to fees:* there are no provisions for the recovery of sums paid or the withholding of any payment relating to fees.

#### Benefits

<ul style="list-style-type: none"> <li>To enable a Non Executive Director to perform his or her duties.</li> </ul>	<ul style="list-style-type: none"> <li>Non Executive Directors do not participate in any incentive plan, nor is any pension payable in respect of their services, and they are not entitled to any benefits, except:               <ul style="list-style-type: none"> <li>– they receive assistance with their tax affairs arising from the Company's tax residence in Switzerland; and</li> <li>– the travel and other business expenses incurred relating to their duties as Non Executive Directors may be reimbursed or paid for by the Company directly, as appropriate (including any relevant tax payable).</li> </ul> </li> </ul>
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#### Framework to assess performance measures and for recovery of sums paid

*Assessment of performance measures:* not applicable.

*Recovery of sums paid or the withholding of any payment to be made relating to benefits:* there are no provisions for the recovery of sums paid or the withholding of any payment relating to benefits.

#### Shareholding guidelines

<ul style="list-style-type: none"> <li>To encourage all Directors to build up a shareholding in value equivalent to a set multiple of base salary or fees and to align interests of Directors and shareholders in developing the long-term growth of the business and the execution and delivery of the Group's strategy.</li> </ul>	<ul style="list-style-type: none"> <li>All Directors are required to hold shares equivalent in value to a prescribed percentage of their fees.</li> <li>All Directors are advised of a target, a timeline to achieve the target and requirements for maintaining the shareholding in line with salary or fees increases.</li> <li>Details of the actual guidelines are set out in the Annual report on remuneration.</li> </ul>
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#### Framework to assess performance measures and for recovery of sums paid

*Assessment of performance measures:* not applicable as these are guidelines for holding shares and not a form of remuneration.

*Recovery of sums paid or the withholding of any payment to be made relating to shareholding guidelines:* there are no provisions for the recovery of sums paid or the withholding of any payment relating to shareholding guidelines.

### 3. Recruitment Policy

#### Executive Directors

As noted earlier, the Committee will consider the need to attract the right talent whilst aiming to pay no more than is appropriate or necessary. In determining each element of pay and the package as a whole upon recruitment, the Committee will take into account all relevant factors including, but not limited to, the skills and experience of the individual, the market rate for an individual of that experience, as well as the importance of securing the best person for the role.

#### Fixed pay (base salary, benefits, pension)

New Executive Directors will be offered a base salary, benefits and pension package in line with the Policy set out on pages 85 to 86. The Committee retains the flexibility to review and decide on a case-by-case basis whether it is appropriate to award increases to allow a newly appointed Executive Director whose base salary has been set below the mid-market level to progress quickly to or around that mid-market level once expertise and performance has been proven. This decision would take into account all relevant factors noted above.

#### Variable pay (annual bonus and long term incentive awards)

A newly appointed Executive Director will be offered an annual bonus and long term incentives in line with the policy set out on pages 87 to 89. The maximum level of variable remuneration (annual bonus, ESOP and LTIP awards) which may be awarded to new Executive Directors is limited to 640 per cent of base salary excluding any buy out awards, the policy for which is set out below. The Committee retains the flexibility to vary the weighting between annual bonus, ESOP and LTIP plans.

Where an appointment is an internal promotion, any variable pay element awarded in respect of the individual's previous role would continue on the original grant terms. In addition, any other ongoing remuneration obligations existing prior to the appointment would continue.

#### One-off "buy out" cash or share award

Where an Executive Director is appointed from outside the Group, the Committee may make a one-off award to the new Executive Director to "buy out" incentives and other remuneration opportunities forfeited on leaving his or her previous employer. The Committee retains the flexibility to make such additional payments in the form of cash and/or shares.

When making such an award, the Committee will, as far as practicable, replicate the arrangements being forfeited and in doing so will take into account relevant factors including the delivery mechanism, time horizons, attributed expected value and performance conditions of the forfeited award. The Committee will endeavour not to pay more than the value of the forfeited award.

#### Non Executive Directors

For the appointment of a Chairman or Non Executive Director, fee arrangements will be made in line with the policy set out on page 90.

### 4. Policy on loss of office

#### All Directors

In the event of termination of a service contract or letter of appointment of a Director, contractual obligations will be honoured in accordance with the service contract or letter of appointment. The Committee will take into consideration the circumstances and reasons for departure, health, length of service, performance and the duty (where applicable) for Directors to mitigate their own loss. Under this Policy the Committee may make any statutory payments it is required to make. In addition, the Committee may agree to payment of outplacement counselling costs and disbursements (such as legal costs) if considered to be appropriate and dependent on the circumstances of departure.

There are no pre-determined contractual provisions for Directors regarding compensation in the event of loss of office except those listed in the table below:

Details of provision	Executive Directors	Chairman and Non Executive Directors
Notice period	<ul style="list-style-type: none"> <li>• 12 months' notice from the Company.</li> <li>• Six months' notice from the Executive.</li> </ul>	Six months' notice by either party.
Termination payment	<ul style="list-style-type: none"> <li>• The Company may terminate an Executive Director's service contract by making a payment in lieu of notice equal to:               <ul style="list-style-type: none"> <li>– 12 months' base salary and benefits; and</li> <li>– 12 months' cash pension supplement.</li> </ul> </li> <li>• The Company would seek to ensure that any termination payment is mitigated in the event that the Executive starts alternative employment within the notice period.</li> <li>• In the case of the UK-based Executive Directors the Company may pay a six-month lump sum and the remaining six months in monthly instalments subject to the Executive commencing alternative employment with a base salary/fee of at least £20,000.</li> <li>• No payment will be made to Executive Directors in the event of gross misconduct.</li> </ul>	Fees and expenses accrued up to the termination date only.
Post-termination covenants	<ul style="list-style-type: none"> <li>• Non-compete and non-solicitation covenants apply for a period of 12 months after the termination date.</li> </ul>	Not applicable.

## Remuneration policy continued

### Executive Directors

There is no automatic entitlement to a bonus. Executive Directors may receive a bonus in respect of the year of cessation based on, and subject to, performance conditions and pro-rated to reflect the actual period of service in the year of cessation. The Committee will take into account the reason for the Executive Director's departure and any other relevant factors when considering a bonus payment of a departing Executive Director.

The treatment of leavers under the LTIP and ESOP plans would be determined by the relevant leaver provisions in accordance with the plan rules. Under the 2012 and 2010 LTIP and ESOP plans, any unvested awards will lapse at cessation unless the individual has "good leaver" status (namely redundancy, injury, disability, ill health, employing business or company sold out of the Group and any other reason at the discretion of the Committee). The Committee retains the discretion to determine when the awards should vest and performance conditions be tested, for example, at the date of cessation or at the usual vesting date. In the event of a change of control or takeover all long term incentive awards will vest subject to performance conditions being met. In relation to the LTI plans, awards would generally be pro-rated to reflect the period of service of the Executive Director although, if the Committee considers it appropriate, the Committee has the discretion set out in the plan rules not to pro-rate.

### 5. Discretion, flexibility and judgement of the Committee

The Committee operates the annual bonus and LTI plans, according to their respective rules and in accordance with HMRC rules where relevant. To ensure the efficient administration of those plans, the Committee may apply certain operational discretions. These include the following:

- selecting the participants in the plans on an annual basis;
- determining the timing of grants of awards and/or payment;
- determining the quantum of awards and/or payments (within the limits set out in the Policy table above);
- determining the extent of vesting based on the assessment of performance;
- making the appropriate adjustments required in certain circumstances (e.g. change of control, changes to accounting rules, rights issues, corporate restructuring events, and special dividends);
- determining "good leaver" status for the purposes of the LTI plans and applying the appropriate treatment; and
- undertaking the annual review of performance measures and weighting between them (within the limits set out in the Policy table), and setting targets for the annual bonus plan and LTI plans from year to year.

If an event occurs which results in the performance conditions and/or targets of the annual bonus plan or LTI plans being deemed no longer appropriate (e.g. a material acquisition or divestment), the Committee will have the ability to adjust appropriately the measures and/or targets and alter weightings, provided that the revised conditions or targets are not materially less difficult to satisfy.

The use of the discretions referred to in the future policy table and above will be explained as appropriate in the Annual report on remuneration and may, as appropriate, be the subject of consultation with major shareholders.

### 6. Legacy arrangements

In approving this Policy, authority is given to the Company to honour commitments paid, promised to be paid or awarded to (i) current or former Directors prior to the date of this Policy being approved or (ii) to an individual (who subsequently is appointed as a Director of the Company) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, was not in consideration of that individual becoming a Director of the Company, even where such commitments are inconsistent with the provisions of the Policy. Outstanding share awards that remain unvested or unexercised at the date of this report which were granted prior to 27 June 2012, as detailed on page 103 of the Annual report on remuneration, remain eligible for vesting or exercise based on their original award terms.

### 7. Matters considered when determining the Policy

#### Shareholder views

The Committee's aim is to have an ongoing and open dialogue with major shareholders. The Chairman of the Committee will usually meet at least annually with major shareholders and shareholder representative bodies to discuss the business and executive remuneration more widely. When any material changes are proposed to remuneration policy, the Chairman of the Committee will inform major shareholders in advance, and offer a meeting to discuss the proposed changes. This shareholder engagement highlights the fact that the Committee recognises the importance of understanding shareholders' views and ensuring that they are considered when making decisions regarding Policy. The Committee also considers shareholder feedback received in relation to the AGM each year.

#### Consideration of conditions elsewhere in the Group and other matters determining policy

Our policy for both Executive Directors and employees across the Group is to provide remuneration at mid-market levels. On promotion or appointment, senior executives may be initially remunerated below market levels and then increased to mid-market levels over time, once performance has been established. The emphasis on the various elements of pay within the Policy varies depending on the role of the individual within the Group. Where possible, employees are encouraged to hold shares in Wolseley, thereby providing alignment with shareholders and benefiting from any growth in value of the Group but through different delivery mechanisms. For the Executive Directors, a greater emphasis is placed on performance-related pay.

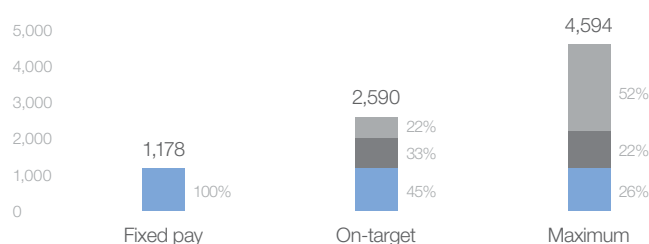
The Committee does not consult with employees when determining the Policy. The Committee considers the basic salary increase, remuneration arrangements and employment conditions for the broader employee population when determining the remuneration policy for the Executive Directors. It also takes account of market developments, the wider economic environment, good corporate governance practices, remuneration data and its responsibilities to its shareholders. This information is taken into account by providing context and informing the Committee of the market in which they are making decisions.



## 8. Illustrations of the Remuneration Policy (2014/15)

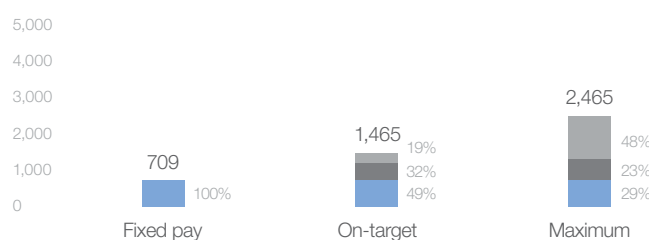
### Group Chief Executive: Ian Meakins

£000 • Fixed pay • Bonus • Long term share awards



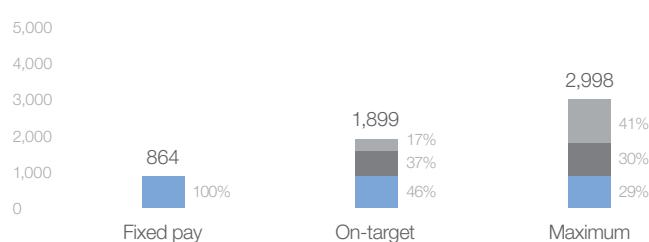
### Chief Financial Officer: John Martin

£000 • Fixed pay • Bonus • Long term share awards



### Chief Executive Officer, USA: Frank Roach

£000 • Fixed pay • Bonus • Long term share awards



The charts give an indication of the level of remuneration that would be received by each Executive Director in accordance with the Policy in respect of minimum (fixed pay), on-target and maximum performance and based on assumptions set out on this page. The assumptions do not incorporate any share price appreciation or payment of dividend equivalents.

## Scenario assumptions

In arriving at the scenarios, the following assumptions have been made in relation to the fixed elements of remuneration:

- Base salary for 2014/15.
- Benefits received for 2013/14 (as set out in the Remuneration table on page 98).
- Pension using the current policy (as set out in the Implementation of Policy for the year ending 31 July 2015 on page 94 and applied to 2014/15 base salary).

For the non-fixed elements of remuneration:

- In relation to the annual bonus, the scenarios are based on bonus opportunity in accordance with implementation of the remuneration policy for 2014/15.
- In relation to LTIP and ESOP awards, the scenarios are based on the awards to be made in accordance with implementation of the remuneration policy for 2014/15.

In each case the assumptions for on-target and maximum performance are applied as in the table below.

Annual bonus	LTIP	ESOP
<b>On-target</b>		
Paid at (as a percentage of base salary):	Threshold vesting, at 25 per cent of an award expressed as a percentage of base salary <sup>1</sup> on median performance against peer group:	Threshold vesting equates to 50 per cent of base salary. <sup>1</sup> Using an expected value of one third <sup>2</sup> of threshold vesting, results in 16.67 per cent of base salary.
<ul style="list-style-type: none"> <li>• 100 per cent for Ian Meakins</li> <li>• 90 per cent for John Martin</li> <li>• 110 per cent for Frank Roach</li> </ul>	<ul style="list-style-type: none"> <li>• 50.0 per cent for Ian Meakins</li> <li>• 37.5 per cent for John Martin</li> <li>• 32.5 per cent for Frank Roach</li> </ul>	
<b>Maximum</b>		
Paid at (as a percentage of base salary):	Full vesting at 100 per cent of the award, expressed as a percentage of base salary <sup>1</sup> on 90th percentile against peer group:	Using an expected value of one-third of maximum vesting <sup>3</sup> results in a percentage of base salary <sup>1</sup> :
<ul style="list-style-type: none"> <li>• 120 per cent for Ian Meakins</li> <li>• 110 per cent for John Martin</li> <li>• 140 per cent for Frank Roach</li> </ul>	<ul style="list-style-type: none"> <li>• 200 per cent for Ian Meakins</li> <li>• 150 per cent for John Martin</li> <li>• 130 per cent for Frank Roach</li> </ul>	<ul style="list-style-type: none"> <li>• 83 per cent for Ian Meakins</li> <li>• 75 per cent for John Martin</li> <li>• 58 per cent for Frank Roach</li> </ul>

<sup>1</sup> Awards will be granted by reference to a percentage of the Executives' 2014/15 base salary and this table calculates the value of the awards on that basis. These values are used in the scenarios.

<sup>2</sup> In accordance with market practice, it has been determined that a factor of one-third is appropriate to apply as, at the time of exercise, an individual pays the option price of the shares determined at the time of grant.

<sup>3</sup> The maximum vesting of the ESOP award expressed as a percentage of the Executives 2014/15 base salary would be: 250 per cent, 225 per cent and 175 per cent for Ian Meakins, John Martin and Frank Roach respectively.

## Annual report on remuneration

### Implementation of Policy for the year ending 31 July 2015

#### Information

For the purposes of this Annual report on remuneration:

- (1) any payments made in US dollars have been converted to sterling. The calculations are made based on the annual average exchange rate for the year ended 31 July 2014 of \$1.6422:£1 (for the year ended 31 July 2013 \$1.5641:£1); and
- (2) any estimated share values are determined using a share price of 3279 pence, being the average closing mid-market quotation for Wolseley plc shares for the three month period ended 31 July 2014.

### Executive Directors

#### Base salary

The Remuneration Committee agreed to an increase to the base salary levels of the Executive Directors with effect from 1 August 2014, as set out below. Current base salary levels, and those which applied during the year ended 31 July 2014, are as follows:

	Annualised base salary		
	2014/15	2013/14	% increase
I Meakins	<b>£847,129</b>	£830,519	2%
J Martin	<b>£524,674</b>	£514,386	2%
F Roach	<b>£650,163<sup>1</sup></b>	£637,415 <sup>2</sup>	2%

<sup>1</sup> The total to be received by Frank Roach in 2014/15 will be paid in US dollars as \$1,067,698.

<sup>2</sup> The total received by Frank Roach in 2013/14 was paid in US dollars as \$1,046,763.

#### Pension and benefits

UK-based Executive Directors receive a salary supplement in lieu of membership of the Group pension scheme, being 32 per cent of base salary for Ian Meakins and 25 per cent of base salary for John Martin. USA-based Executive Director, Frank Roach, participates in the Ferguson defined contribution pension arrangements and receives a Company contribution of 23 per cent of base salary.

Bonus payments are not included in the calculation of the Company pension contributions. Benefits provided to Executive Directors are detailed in the Remuneration table on page 98.

### Annual bonus

The threshold, target and maximum bonus opportunities for the Executive Directors are set out in the table below.

	Threshold	Target	Maximum
	As % of salary		
I Meakins	80%	100%	120%
J Martin	70%	90%	110%
F Roach	80%	110%	140%

Performance targets are set as 80 per cent on financial performance (20 per cent is based on cash-to-cash days, 30 per cent on trading profit and 30 per cent on gross profit) and 20 per cent on personal strategic objectives. Specific individual objectives were set at the beginning of the 2014/15 financial year.

For the 2014/15 financial year, the threshold for bonus payments in relation to ongoing trading profit will be set at or above the outturn trading profit for the 2013/14 financial year on a constant currency basis.

The Board considers that the performance targets for 2014/15 are commercially sensitive and they are not included for this reason. The Committee will consider disclosing the targets and performance against them in the Annual report on remuneration next year, depending on considerations of commercial sensitivity at that time.

### Long term incentives

Long term incentive awards will be made during the 2014/15 financial year at the levels set out in the table below:

	LTIP (award value as % of salary)	ESOP (award value as % of salary)
I Meakins	200%	250%
J Martin	150%	225%
F Roach	130%	175%

Consistent with past awards, the extent to which the LTIP and ESOP awards (to be granted in November 2014) will vest will be dependent on the comparative TSR target in respect of the LTIP, and EPS growth targets in respect of the ESOP.

The LTIP awards will vest as set out in the table below:

Wolseley's TSR position in comparator group <sup>1</sup>	Percentage of award which will vest
Top decile	100%
Between median and top decile <sup>2</sup>	25–100%
At median	25%
Below median	0%

<sup>1</sup> Full constituent members of the FTSE 100 index at the respective date of grant, with no additions or exclusions.

<sup>2</sup> Awards vest on a straight-line basis between 25 per cent and 100 per cent.

The ESOP awards will vest as set out in the table below:

Value of shares under option as a multiple of salary as at the date of grant	Total margin of EPS growth over UK inflation after three years (RPI)
First 50% of salary	9%
Next 150% of salary	18%
Next 50% of salary	30%

## Non Executive Directors

The Company's policy on Non Executive Directors' remuneration is set by the Board with account taken of the time and responsibility involved in each role, including where applicable the Chairmanship of Board Committees. A summary of current fees is as follows:

	2014/15 £	2013/14 £	% increase
Chairman's fee	360,500	360,500	0
Non Executive Director base fee	63,000	63,000	0
Additional fees:			
Senior Independent Director <sup>1</sup>	12,000	12,000	0
Chairman of Audit Committee <sup>1</sup>	18,000	18,000	0
Chairman of Remuneration Committee <sup>1</sup>	15,000	15,000	0

## Report for the year ended 31 July 2014

### The Remuneration Committee

The Committee met regularly during the year. There were five scheduled meetings and details of attendance are shown in the table below.

The activities of the Committee are governed by their terms of reference which were updated in July 2014 and can be found on the Wolseley plc website at [www.wolseley.com](http://www.wolseley.com).

The annual review of the effectiveness of the Committee was carried out in May 2014. The review concluded that the Committee was working effectively. The Committee agreed that it would benefit from having an additional member with human resources and executive remuneration experience. This was achieved with the appointment of Jacky Simmonds.

### Members and attendance (eligibility) at meetings held during the year ended 31 July 2014<sup>1</sup>

Committee members:	Meeting attendance and (eligibility):
A Murray (Chairman) <sup>2</sup>	4(5)
T Bamford	5(5)
P Lopez	5(5)
M Wareing	5(5)
<b>Members who joined during the year:</b>	
J Daly <sup>3</sup>	1(1)
D Shapland <sup>3</sup>	2(2)
J Simmonds <sup>3</sup>	1(1)
<b>Members who left during the year:</b>	
M Clarke <sup>4</sup>	3(3)
A Duff <sup>4</sup>	1(1)

<sup>1</sup> As at 31 July 2014, the Committee is made up of seven Non Executive Directors. The Board considers that the Chairman and each member of the Committee is independent within the definition set out in the Code.

<sup>2</sup> Alan Murray was appointed as Chairman of the Committee with effect from 1 August 2013. He stepped down from that role and transferred those duties to Jacky Simmonds with effect from the end of the financial year (31 July 2014). Alan was unable to attend the March Committee meeting due to illness and in his absence Tessa Bamford chaired the meeting.

<sup>3</sup> Darren Shapland was appointed as a Non Executive Director on 1 May 2014. John Daly and Jacky Simmonds were appointed as Non Executive Directors on 21 May 2014.

<sup>4</sup> Andrew Duff stepped down as a Non Executive Director on 26 November 2013. Michael Clarke stepped down as a Non Executive Director on 21 March 2014.

## Annual report on remuneration continued

### Allocation of time spent during the year

During 2013/14 the Committee considered, amongst other things, the following:

	Sept	Nov	Mar	May	July
<b>Governance</b>					
Approval of Directors' Remuneration Report 2012/13	■				
Annual governance and compliance review	■				
Directors' Remuneration Report 2013/14			■	■	■
<b>Salary and fees review</b>					
Review of executive pay			■	■	■
Remuneration proposals for Executive Directors and Executive Committee					■
Review of Chairman's fees					■
<b>Annual bonus</b>					
Assessment of performance against 2012/13 targets and objectives for 2013/14 targets	■				
Bonus rules update		■			
Review bonus structure for financial year 2014/15				■	
<b>Discretionary share plans and all employee plans</b>					
Agree OSP awards for 2013/14	■				
Vesting of executive share options and long term incentive awards	■				
Agree process for 2013/14 grants under all-employee sharesave plans		■			
Confirmation of OSP awards granted in 2013/14		■			
Update on share plan awards (vesting and grant)		■			
<b>Annual reviews</b>					
Remuneration advisers		■			
Share headroom in accordance with ABI guidelines				■	
Effectiveness of the Committee				■	
Committee's terms of reference				■	
Directors' shareholding guidelines					■
<b>Other matters</b>					
Other issues considered as required	■	■	■	■	■

### Advisers to the Committee

During the year, the Committee received advice and/or services from various parties. Details of such advice and/or services, the remuneration paid for their services to the Committee and other services they provided to the Company are set out below.

New Bridge Street (a trading name of Aon Hewitt Limited and part of Aon plc) ("NBS") is the Committee's independent remuneration consultant. The Committee has established arrangements to ensure that the advice received from NBS is independent of the advice provided to the Company. NBS meets and speaks with the Remuneration Committee Chairman periodically through the year to discuss remuneration matters which are of particular relevance to the Company, and how best it can work with the Company to meet the Committee's needs. NBS is a signatory to the Remuneration Consultants' Code of Conduct and has confirmed to the Committee that it adheres to the Code. NBS also provided remuneration consultancy services to the Company during the year. The Committee reviewed the performance of NBS in November 2013. The Committee was satisfied with its performance and that advice received from NBS was independent and objective, and reappointed NBS as its remuneration adviser. Fees are charged predominantly on a "time spent" basis and the total fees paid to NBS for the advice provided to the Committee during the year was £192,500.

Alithos Limited ("Alithos") provided information to the Committee for the testing of the TSR performance conditions for the LTIP awards and also provided the TSR performance graphs for the Directors' Remuneration Report. They received total fixed fees of £23,250. Fees were charged as a fixed annual rate. Alithos was appointed by the Company for both services as it was considered to have the relevant expertise and experience. Alithos did not provide any other advice or services during the year and so the Committee considers Alithos to be objective and independent.

Freshfields Bruckhaus Deringer LLP ("Freshfields") provided legal advice to the Committee during the year in relation to amendments to the rules of the OSP. Fees are charged predominantly on a "time spent" basis and the total fees paid to Freshfields for the advice provided to the Committee during the year was £10,485. Freshfields was appointed by the Company and provided other services to the Company during the year. The Committee is satisfied that the services provided to it by Freshfields are of a technical nature and did not create any conflict of interest and therefore the advice received from them was objective and independent. If a conflict of interest were to arise, the Committee would appoint separate legal advisers from those used by the Company.

In addition, by invitation the Group HR Director and the Group Chief Executive attended the meetings during the year, together with other senior Group employees who attended from time to time. They provided relevant advice to the Committee when requested. The Group HR Director and the Group Chief Executive did not participate in discussions concerning the details of their own remuneration.

## Statement of shareholder voting

At the AGM on 26 November 2013, shareholders voted to approve the Remuneration Report. The number of votes cast totalled 186,343,609. The number of votes for totalled 181,679,557 (being 97.5 per cent of number of votes cast) the number of votes against totalled 4,664,052 (being 2.5 per cent of number of votes cast) and the abstentions/votes withheld totalled 10,074,713.

## Board appointments and service agreements/letters of appointment

All Executive Directors are appointed to the Board from the relevant effective date of appointment set out in their service agreements. Appointment dates for all of the Non Executive Directors are set out in their letters of appointment. Further details are shown in the table below.

### Board appointments

Director	Date of service agreement/ letter of appointment	Effective date of appointment	Expiry of current term
<b>Chairman</b>			
G Davis	29 May 2003	1 July 2003 20 January 2011 (as Chairman)	20 January 2017
<b>Executive Directors</b>			
I Meakins	8 June 2009	13 July 2009	–
J Martin	25 January 2010	1 April 2010	–
F Roach <sup>1</sup>	27 February 2006	16 December 2005	–
<b>Non Executive Directors<sup>2</sup></b>			
T Bamford	22 March 2011	22 March 2011	22 March 2017
J Daly	21 May 2014	21 May 2014	21 May 2017
P López	18 December 2012	1 January 2013	1 January 2016
A Murray	11 December 2012	1 January 2013	1 January 2016
D Shapland	3 April 2014	1 May 2014	1 May 2017
J Simmonds	21 May 2014	21 May 2014	21 May 2017
M Wareing <sup>3</sup>	20 May 2009	1 October 2009	1 October 2015 <sup>3</sup>

<sup>1</sup> Frank Roach has been employed within the Group since 1976. The date of his service agreement is that of his latest agreement.

<sup>2</sup> Details of all Directors can be found on pages 58 and 59. It remains the Board's policy that Non Executive Directors are appointed for an initial term of three years, which is then reviewed and, if appropriate, extended for a further three-year period. All Directors are proposed for re-election annually in accordance with the Code.

<sup>3</sup> Michael Wareing will step down as a director at the AGM to be held on 25 November 2014.

## Service agreements

All Executive Directors' service agreements were entered into before 27 June 2012 and have not been renewed or modified on or after that date. As such, remuneration payments or payments for loss of office are not required to be, but are, consistent with the Policy.

## Availability of documents

Copies of service agreements and letters of appointment are available for review upon request at the Company's registered office in Jersey. They are also available at the Corporate Head Office in Switzerland and the Group Services Office in the UK, and will be available for inspection at the 2014 AGM.



## Annual report on remuneration continued

## Remuneration table (showing single total figure of pay for year) (Audited)

The table below sets out in a single figure the total amount of remuneration, including each element, earned by each of the Executive Directors for the year ended 31 July 2014.

	Year	Salary (£000)	Taxable benefits <sup>1</sup> (£000)	Bonuses (£000)	Value of LTI vesting <sup>2,3,4,5</sup> (£000)	Pension benefits <sup>6</sup> (£000)	Total remuneration <sup>4</sup> (£000)
<b>Executive Directors</b>							
I Meakins	<b>2013/14</b>	<b>830.5</b>	<b>60.2</b>	<b>966.7</b>	<b>3,504.4</b>	<b>265.8</b>	<b>5,627.6</b>
	2012/13	814.2	65.7	819.0	3,149.0	260.6	5,108.5
J Martin	<b>2013/14</b>	<b>514.4</b>	<b>54.3</b>	<b>485.9</b>	<b>1,912.4</b>	<b>128.6</b>	<b>3,095.6</b>
	2012/13	504.3	37.4	381.1	1,300.0	126.1	2,348.9
F Roach	<b>2013/14</b>	<b>637.4</b>	<b>64.8</b>	<b>806.5</b>	<b>2,175.4</b>	<b>146.6</b>	<b>3,830.7</b>
	2012/13	649.8	75.6	798.9	1,779.7	149.4	3,453.4
<b>Total</b>	<b>2013/14</b>	<b>1,982.3</b>	<b>179.3</b>	<b>2,259.1</b>	<b>7,592.2</b>	<b>541.0</b>	<b>12,553.9</b>
	2012/13	1,968.3	178.7	1,999.0	6,228.7	536.1	10,910.8

1 These are pre-tax figures. Benefits comprise private health insurance, car benefit (car allowance, car, driver), tax and financial advice and tax equalisation arrangements.

2 The LTIP and ESOP grants made in November 2011 will vest at 88.2 per cent for the LTIP award and at 100 per cent for the ESOP awards in November 2014.

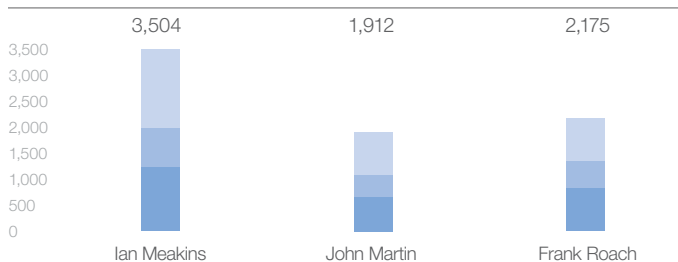
3 The figure for total remuneration includes share price appreciation for the value of LTI vesting. As the LTIP and ESOP grants made in November 2011 will not vest until November 2014, the values of long term incentive awards vesting in the graph opposite include share price appreciation determined using the share price noted on page 94 under the heading "Information".

4 The figures in the columns headed value of LTI vesting and total remuneration for 2012/13 shown in the 2012/13 Report used an estimated share price for the LTI awards as they had not vested at that time. The figures shown above for 2012/13 have now been recalculated using the actual share price at the date of vesting.

5 The values in the illustrations of policy charts on page 93 show target and maximum indicative levels of remuneration for 2014/15, and do not take into account share price appreciation. The figures for the value of LTI awards shown in the table above relate to awards made in 2011/12 and vesting in 2014/15. Therefore the figures above should not be directly compared with those on page 93. The chart opposite shows the value of LTI awards disclosed in the single figure table above with share price appreciation included. The number of shares which vest is determined in accordance with the relevant performance targets. The value of vested LTIP shares is based on the original grant value together with the increase in share price from grant to vesting. The value of vested ESOP shares is based on the increase in share price above the exercise price of that award.

## Value of LTI vesting (2014)

£000 • LTIP original value • LTIP share price gain • ESOP share price gain



6 Frank Roach participates in the defined contribution arrangements of Ferguson Enterprises, Inc. (Ferguson) receiving contributions of 23 per cent of base salary from Ferguson. The cost of employer's contributions during the year was £146,605 (\$240,755). For the year ended 31 July 2013, the cost was £149,422 (\$233,743). During the year ended 31 July 2014 Ian Meakins and John Martin received salary supplements in lieu of Group pension scheme membership.

The table below sets out in a single figure the total amount of remuneration received by the Chairman and Non Executive Directors who served during the year ended 31 July 2014.

Chairman and Non Executive Directors	Fees (£000) 2013/14	Fees (£000) 2012/13
G Davis	<b>360.5</b>	360.5
<b>Non Executive Directors (current as at the date of this report)</b>		
T Bamford	<b>63.0</b>	63.0
J Daly <sup>1</sup>	<b>12.3</b>	0.0
P López	<b>63.0</b>	36.8 <sup>1</sup>
A Murray	<b>88.0</b>	36.8 <sup>1</sup>
D Shapland <sup>1</sup>	<b>15.8</b>	0.0
J Simmonds <sup>1</sup>	<b>12.3</b>	0.0
M Wareing	<b>81.0</b>	79.5
<b>Non Executive Directors who stepped down during the year</b>		
M Clarke <sup>2</sup>	<b>40.3</b>	63.0
A Duff <sup>2</sup>	<b>22.3</b>	86.5
<b>Total remuneration</b>	<b>758.5</b>	726.1

1 The annual fee amount received was pro rated based on the date the Director was appointed to the Board to the end of the relevant financial year. The end of the relevant financial year for John Daly, Darren Shapland and Jacky Simmonds was 31 July 2014 and the end of the relevant financial year for Pilar Lopez and Alan Murray was 31 July 2013).

2 The annual fee amount received was pro rated from the beginning of the financial year (1 August 2013) up to the date the Director stepped down from the Board.

## Additional disclosures in respect of the Remuneration table (Audited)

### Annual bonus

The annual bonuses awarded to Executive Directors for the year ended 31 July 2014 are shown in the Remuneration table on page 98 and the bonuses are calculated as follows:

#### Ian Meakins 2013/14

Performance	Proportion of total bonus available		Actual performance achieved <sup>1</sup>	Resulting bonus outturn	
	% of maximum	% of salary		% of maximum	% of salary
Group ongoing trading profit £725.0 million – £801.4 million	60%	72.0%	£804.7m	60.0%	72.0%
Group cash-to-cash days (average) 53.9–52.9 days	20%	24.0%	51.5	20.0%	24.0%
Personal objectives <sup>2</sup>	20%	24.0%	17.0%	17.0%	20.4%
<b>Total</b>	<b>100%</b>	<b>120%</b>	<b>–</b>	<b>97.0%</b>	<b>116.4%</b>

<sup>1</sup> Group ongoing trading profit figure adjusted for exceptional items and calculated using Company budgeted foreign exchange rates.

<sup>2</sup> Ian Meakins' personal objectives were based on achievement of specific organic growth, health and safety and customer services targets, and on strategic measures in relation to productivity and operating efficiency.

#### John Martin 2013/14

Performance	Proportion of total bonus available		Actual performance achieved <sup>1</sup>	Resulting bonus outturn	
	% of maximum	% of salary		% of maximum	% of salary
Group ongoing trading profit £725.0 million – £801.4 million	48%	52.8%	£804.7m	48.0%	52.8%
Canada ongoing trading profit £47.8 million – £61.4 million	12%	13.2%	£48.5m	7.9%	8.7%
Group cash-to-cash days (average) 53.9–52.9 days	16%	17.6%	51.5	16.0%	17.6%
Canada cash-to-cash days (average) 65.8–64.8 days	4%	4.4%	68.6	0.0%	0.0%
Personal objectives <sup>2</sup>	20%	22.0%	14.0%	14.0%	15.4%
<b>Total</b>	<b>100%</b>	<b>110%</b>	<b>–</b>	<b>85.9%</b>	<b>94.5%</b>

<sup>1</sup> Group ongoing trading profit and Canada trading profit figures adjusted for exceptional items and calculated using Company budgeted foreign exchange rates.

<sup>2</sup> John Martin's personal objectives were based on achievement of specific organic growth, health and safety and customer services targets, and on strategic measures in relation to Finance departments across the Group based around productivity and operating efficiency.

#### Frank Roach 2013/14

Performance	Proportion of total bonus available		Actual performance achieved <sup>1</sup>	Resulting bonus outturn	
	% of maximum	% of salary		% of maximum	% of salary
Group ongoing trading profit £725.0million – £801.4 million	12%	16.8%	£804.7m	12.0%	16.8%
USA ongoing trading profit £513.4 million – £627.5 million	48%	67.2%	£582.4m	39.9%	55.8%
Group cash-to-cash days (average) 53.9–52.9 days	4%	5.6%	51.5	4.0%	5.6%
USA cash-to-cash days (average) 63.3–61.3 days	16%	22.4%	58.7	16.0%	22.4%
Personal objectives <sup>2</sup>	20%	28.0%	18.5%	18.5%	25.9%
<b>Total</b>	<b>100%</b>	<b>140%</b>	<b>–</b>	<b>90.4%</b>	<b>126.5%</b>

<sup>1</sup> Group ongoing trading profit and USA ongoing trading profit adjusted for exceptional items and calculated using Company budgeted foreign exchange rates.

<sup>2</sup> Frank Roach's personal objectives were based on achievement of specific organic growth, health and safety and customer services targets, and on strategic measures in relation to the USA business based around productivity and operating efficiency.

When considering the objectives for the Executive Directors and other members of the Executive Committee, the Remuneration Committee takes into account whether specific attention should be given to environmental, social and governance matters. Directors take such matters into account when considering any investment proposal or operational matter and management is expected to meet performance targets which include compliance with any environmental, social or governance-related standards that have been set. The overall performance of the businesses and of management is reviewed at the end of the year when considering the award of bonuses and whether operational and personal objectives have been met.

## Annual report on remuneration continued

### Long term incentives

Long term incentives awarded to Executive Directors under the ESOP and LTIP in November 2011 will vest in November 2014. The vesting of both awards is subject to the performance conditions shown in the tables below.

#### ESOP

The Company's adoption of IAS 19 (Revised) in the year (as set out in note 1 to the consolidated financial statements) has affected how EPS is calculated for the purposes of the performance targets that apply to awards under the ESOP. In order to ensure the Company's EPS at the beginning and end of each performance period is calculated on a "like-for like" basis, and is therefore a fair representation of the underlying performance of the Company over the period, the base EPS numbers for each of the 2011, 2012 and 2013 ESOP awards have been recalculated for the purpose of the awards as if IAS 19 (Revised) applied for the relevant years.

#### Vested awards

Targets set were based on headline EPS growth over three years. Actual headline EPS was 196.2 pence in 2013/14. Restated headline EPS in 2010/11 was 141.0 pence (142.9 pence prior to restatement), this represents growth of 39.1 per cent. Over the same three-year period RPI growth was 9.1 per cent. The growth above RPI in the period was therefore 30.0 per cent and accordingly all performance targets have been achieved, as set out below:

Performance level	Total margin of EPS growth over UK inflation after three years(RPI)	
	Performance required	Target achieved
Value of shares under option as a multiple of salary		
First 100% of salary	9%	Yes
Second 100% of salary	15%	Yes
Next 50% of salary	21%	Yes

Accordingly, the total percentage of executive options vesting (subject to continued service to November 2014) is set out below:

	Total number of shares subject to option	Percentage of award vesting	Number of shares vesting	Value of shares vesting (£'000) <sup>1</sup>
I Meakins	108,333	100%	108,333	1,516
J Martin	60,387	100%	60,387	845
F Roach	59,246	100%	59,246	829

<sup>1</sup> Value determined using the share price noted on page 94 under the heading "Information" less exercise price of 1879 pence.

#### Unvested awards

Vestings of awards under ESOP are subject to performance targets based on growth in the Company's EPS above UK RPI over a three-year period. The ESOP plan rules set out the EPS performance conditions that apply to awards and are shown in the tables opposite. The Committee has discretion to set more challenging EPS targets than those contained in the ESOP plan rules.

### Performance conditions applied to awards granted from 2012 onwards

Value of shares under option as multiple of salary	Performance conditions detailed in plan rules	Performance conditions applied to awards granted in 2012	Performance conditions applied to awards granted since 2013
Total margin of EPS growth over UK inflation after three years (RPI)			
First 50% of salary	9%	9%	9%
Next 150% of salary	12%	18%	18%
Next 50% of salary	15%	27%	30%
Greater than 250% of salary	15%–21%	n/a	n/a

#### LTIP

##### Vested awards

The performance condition which applied to the 2011 award and actual performance achieved are detailed below.

Performance level	TSR relative to FTSE 100 at date of grant	
	Performance required	% of total award vesting
Below threshold	Below median	0%
Threshold	Median	25%
Between threshold and stretch	Between median and top decile	25%–100%
Stretch or above	Top decile	100%
Actual achieved	16th	88.2%

Accordingly, the total percentage of shares vesting (subject to continued service to November 2014) is set out below:

	Total number of shares granted	Percentage of award vesting	Number of shares vesting	Value of shares vesting (£'000) <sup>1</sup>
I Meakins	68,731	88.2%	60,620	1,988
J Martin	36,893	88.2%	32,539	1,067
F Roach	46,538	88.2%	41,046	1,346

<sup>1</sup> Value determined using the share price noted on page 94 under the heading "Information".

#### Unvested awards

The performance conditions set out in the table on page 94 apply for unvested share awards made under the LTIP. Calculations for TSR are independently carried out and verified before being approved by the Committee. The following table sets out the indicative vesting percentage of each award based on performance as at 31 July 2014:

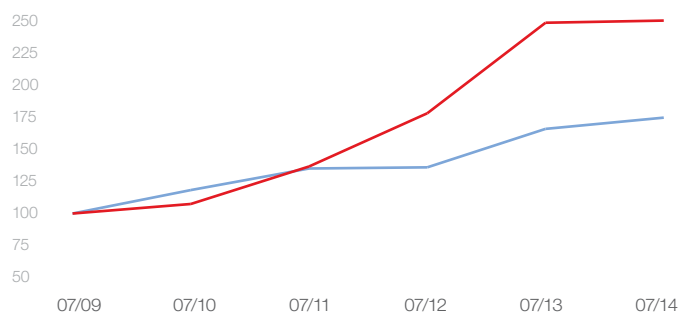
Year of award	Year of vesting	Indicative vesting percentage based on performance as at 31 July 2014
2011	2014	88.2% (at 31 July 2014)
2012	2015	46.2% (performance at 24 months)
2013	2016	0% (performance at 12 months)

## TSR performance graphs

The following graphs show Wolseley's TSR performance against the performance of the FTSE 100 Index. The FTSE 100 Index has been chosen as being a broad equity market index consisting of companies comparable in size and complexity to Wolseley. The graph below is for information and illustrates the performance of Wolseley for the five years from 31 July 2009 to 31 July 2014.

### Total Return Indices – Wolseley and FTSE 100

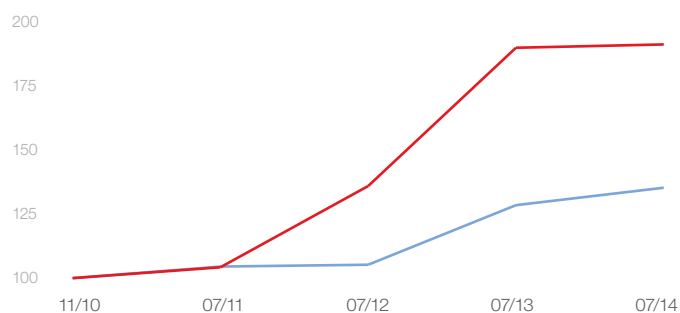
● Wolseley Return Index ● FTSE 100 Return Index



The following graph is prescribed by Schedule 8 of the Regulations. It relates only to the performance of the new Wolseley plc holding company (created at the time of the redomiciliation to Switzerland) from November 2010 to 31 July 2014.

### Total Return Indices – Wolseley and FTSE 100

● Wolseley Return Index ● FTSE 100 Return Index



## Payments for loss of office and to past Directors (Audited)

No payments for loss of office were made during the financial year 2013/14. No other payments have been made to past Directors that have not already been included in the Remuneration table set out on page 98.

## Group Chief Executive pay table

The table below shows the total remuneration of the Group Chief Executive<sup>1</sup> for the five-year period from 1 August 2009 to 31 July 2014.

Year ended	Single figure of total remuneration (£000) <sup>2</sup>	Annual bonus award rates against maximum opportunity	Long-term incentive vesting rates against maximum opportunity	
			LTIP	ESOP
31 July 2014	5,628	97%	88%	100%
31 July 2013	5,109 <sup>2</sup>	84%	100%	100%
31 July 2012	5,603	85%	76%	100%
31 July 2011	2,011	98%	0%	0%
31 July 2010	1,943	96%	0%	0%

<sup>1</sup> The Group Chief Executive during the five-year period was Ian Meakins.

<sup>2</sup> The single figure for all five years is calculated on the same basis as that used in the Remuneration table on page 98 and the single figure for the year ended 31 July 2013 has now been adjusted to reflect the actual value of LTI at the date of vesting in December 2013.

## Change in Group Chief Executive pay for the year compared to that of Wolseley employees

The table below shows the percentage year-on-year change in base salary, benefits and annual bonus between the year ended 31 July 2014 and the previous financial year for the Group Chief Executive compared to the average for UK-based employees<sup>1</sup>.

	% change in base salary	% change in benefits	% change in annual bonus <sup>2</sup>
Group Chief Executive	2.0%	1.8%	18.0%
Average for all UK-based employees	3.7%	3.8%	-7.0%

<sup>1</sup> Although the Group Chief Executive has a global role and responsibilities, UK based employees were chosen as a suitable comparator group as he is based in the UK (except to attend Board and Committee meetings in Switzerland or other worldwide locations outside of the UK). Also pay structures and changes to pay vary widely across the Group, depending on the local market conditions.

<sup>2</sup> The Group Chief Executive's bonus is determined by both his performance and the performance of the whole of the Wolseley Group, whereas employees' bonuses are based on their performance and the performance of the businesses in the countries in which they work. The percentage change in annual bonus for UK based employees is based on the best available estimates at time of publication.

## Relative importance of spend on pay

The following table sets out the amounts and percentage change in total employee remuneration costs and dividends for the year ended 31 July 2014 compared to the year ended 31 July 2013.

	Year ended 31 July 2014 £million	Year ended 31 July 2013 £million	Percentage change
Total employee remuneration costs <sup>1</sup>	1,850	1,861	-0.6%
Ordinary dividends paid <sup>2</sup>	191	173	10.4%
Special dividends paid <sup>2</sup>	298	348	-14.4%

<sup>1</sup> Further details on employee remuneration can be found in note 11 of the consolidated financial statements on page 120.

<sup>2</sup> Further details of dividends paid can be found in note 8 of the consolidated financial statements on page 119.

## Annual report on remuneration continued

### Directors' shareholdings (Audited)

All Directors are required to hold shares equivalent in value to a minimum percentage of their salary or fees as set out in the table below. The Directors' interests in the Company's shares as at 31 July 2014 are set out below and there has been no change in interests since that date and up to the date of this Report.

	Shares beneficially owned as at 31 July 2014	Shareholding guideline (as a multiple of salary/fees) <sup>1,2</sup>	Vested (unexercised) share awards <sup>3,4</sup>	Unvested share awards		
				LTIP <sup>5</sup>	ESOP <sup>5</sup>	Sharesave <sup>5</sup>
Executive Directors						
I Meakins	152,265	2	152,679	161,981	243,769	1,277
J Martin	60,382	1.5	—	83,283	135,882	957
F Roach	53,800	1.5	55,274	102,238	134,853	98
Chairman and Non Executive Directors						
G Davis	15,346	1	—	—	—	—
T Bamford	2,048	1	—	—	—	—
J Daly	1,500	1	—	—	—	—
P López	2,002	1	—	—	—	—
A Murray	2,500	1	—	—	—	—
D Shapland	2,000	1	—	—	—	—
J Simmonds	0	1	—	—	—	—
M Wareing	4,893	1	—	—	—	—

1 All Directors have met their shareholding guideline targets, except John Daly and Jacky Simmonds who as new Directors have until 2019 to meet their guidelines, and Gareth Davis whose shareholding dropped below his requirement as a result of the special dividend and share consolidation which took effect in December 2013 and has until 31 July 2015 to meet his guideline.

2 Shareholding guideline targets are first set by reference to the salary or fees of a Director as at 1 August in the financial year following appointment to the Board and calculated using the average share price for the two months ended 31 July of the financial year in which the appointment was made. Once met, the target is only increased annually in line with base salary or fee increases, if any.

3 There were no vested (unexercised) awards under the LTIP or Sharesave.

4 Details of share awards exercised in the year are detailed in the table on page 103.

5 LTIP and ESOP awards are subject to performance conditions but Sharesave awards are not. Further details of the LTIP and ESOP awards are set out on page 100.

### Scheme interests awarded during the financial year (Audited)

Awards under the LTIP and ESOP were made on 7 November 2013. Awards are based on a percentage of salary determined by the Committee. The Committee considers annually the size of each grant, determined by individual performance, the ability of each individual to contribute to the achievement of the performance conditions, and market levels of remuneration. The maximum vesting is 100 per cent of the award granted. Details of performance conditions for awards which were granted during the year are set out on pages 94 and 95

The awards are summarised below:

Director	Award <sup>1,2</sup>	Type of award	Number of shares <sup>3</sup>	Face value <sup>4</sup> of award (£)	Performance criteria period	Threshold performance	Performance condition
I Meakins	ESOP	Share options	62,633	2,076,283	Commenced 1 August 2013 and ending 31 July 2016	25% of award vesting	Growth in EPS above RPI target
	LTIP	Nil cost options	50,710	1,661,006		50% of base salary vesting	Comparator TSR target against FTSE 100
J Martin	ESOP	Share options	34,913	1,157,365		25% of award vesting	Growth in EPS above RPI target
	LTIP	Nil cost options	23,556	771,576		50% of base salary vesting	Comparator TSR target against FTSE 100
F Roach	ESOP	Share options	35,329	1,171,156		25% of award vesting	Growth in EPS above RPI target
	LTIP	Conditional shares	26,561	870,005		50% of base salary vesting	Comparator TSR target against FTSE 100

1 The share price used to calculate the face value of the ESOP share option awards granted on 7 November 2013 was 3315p which was the share price at the date of grant. The exercise price for the ESOP share options was also 3315p.

2 The share price used to calculate the face value of the LTIP share awards granted on 7 November 2013 was 3275.5p which was the average share price over a 20 dealing day period immediately preceding the date of grant. The LTIP awards made to Ian Meakins and John Martin were in the form of nil cost options. At vesting, the exercise price per share will be nil. The LTIP award made to Frank Roach was a conditional share award and there is no exercise price.

3 Each Executive's awards during the financial year were based on a percentage of salary as follows: Ian Meakins (250 per cent ESOP and 200 per cent LTIP); John Martin (225 per cent ESOP and 150 per cent LTIP); and Frank Roach (175 per cent ESOP and 130 per cent LTIP).

4 Face value is calculated as required by the Regulations as the maximum number of shares at full vesting multiplied by either the share price at date of grant or the average share price used to determine the number of shares awarded.



## Further information

### Directors' interests in share options and interests in long term incentive schemes (Audited)

Name of Director and share plan	Date of grant	Interests/ options held at 31 July 2013	Granted during year	Lapsed during year	Exercised during year <sup>1</sup>	Interests/ options held at 31 July 2014	Option price (p) or market value per share at date of grant (p)	Earliest date of exercise or vesting	Expiry date
<b>I Meakins</b>									
ESOP	06.11.09	152,679	–	–	–	152,679	1,269	06.11.12	05.11.19
	09.12.10	98,493	–	–	98,493	–	1,855	09.12.13	08.12.20
	15.11.11	108,333	–	–	–	108,333	1,879	15.11.14	14.11.21
	18.12.12	72,803	–	–	–	72,803	2,796	18.12.15	17.12.22
	07.11.13	–	62,633	–	–	62,633	3,315	07.11.16	06.11.23
LTIP	02.12.10	57,067	–	–	57,067	–	1,740	02.12.13	02.12.13
	15.11.11	68,731	–	–	–	68,731	1,777	15.11.14	15.11.14
	03.01.13	42,540	–	–	–	42,540	2,871	03.01.16	03.01.16
	07.11.13	–	50,710	–	–	50,710	3,275.5	07.11.16	07.11.16
UK Sharesave	22.04.10	1,277	–	–	–	1,277	1,276	01.06.17	30.11.17
<b>J Martin</b>									
ESOP	09.12.10	35,805	–	–	35,805	–	1,855	09.12.13	08.12.20
	15.11.11	60,387	–	–	–	60,387	1,879	15.11.14	14.11.21
	18.12.12	40,582	–	–	–	40,582	2,796	18.12.15	17.12.22
	07.11.13	–	34,913	–	–	34,913	3,315	07.11.16	06.11.23
LTIP	02.12.10	25,448	–	–	25,448	–	1,740	02.12.13	02.12.13
	15.11.11	36,893	–	–	–	36,893	1,777	15.11.14	15.11.14
	03.01.13	22,834	–	–	–	22,834	2,871	03.01.16	03.01.16
	07.11.13	–	23,556	–	–	23,556	3,275.5	07.11.16	07.11.16
UK Sharesave	28.04.11	957	–	–	–	957	1,692	01.06.18	30.11.18
<b>F Roach</b>									
ESOP	27.11.03	7,191	–	–	7,191	–	3,098	27.11.06	27.11.13
	04.11.04	4,162	–	–	–	4,162	3,957	04.11.07	03.11.14
	06.11.09	4,749	–	–	4,749	–	1,269	06.11.12	05.11.19
	09.12.10	54,523	–	–	3,411	51,112	1,855	09.12.13	08.12.20
	15.11.11	59,246	–	–	–	59,246	1,879	15.11.14	14.11.21
	18.12.12	40,278	–	–	–	40,278	2,796	18.12.15	17.12.22
	07.11.13	–	35,329	–	–	35,329	3,315	07.11.16	06.11.23
LTIP	02.12.10	32,696	–	–	32,696	–	1,740	02.12.13	02.12.13
	15.11.11	46,538	–	–	–	46,538	1,777	15.11.14	15.11.14
	03.01.13	29,139	–	–	–	29,139	2,871	03.01.16	03.01.16
	07.11.13	–	26,561	–	–	26,561	3,275.5	07.11.16	07.11.16
ESPP	25.04.13	110	–	10	100	–	2,753	01.05.14	28.06.14
	24.04.14	–	98	–	–	98	2,894	01.05.14	28.06.14

<sup>1</sup> The aggregate gain made by Ian Meakins, John Martin and Frank Roach on the exercise of options in the year was £1,880,902.

<sup>2</sup> The aggregate value of assets received or receivable by Ian Meakins, John Martin and Frank Roach under long-term incentive plans in the year was £3,804,382.

## Annual report on remuneration continued

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### Detail of Employee Benefit Trusts

The Wolseley plc 2011 Employee Benefit Trust ("Jersey Trust") and Wolseley plc US Trust ("US Trust") were established in connection with the obligation to satisfy historic and future share awards under the ESOP, LTIP and OSP and any other employee incentive schemes.

The trustees of each of the Trusts have waived their rights to receive dividends on any shares held by them. As at 31 July 2014, the Jersey Trust held 1,313,989 ordinary shares of 10<sup>53/66</sup> pence and £137,959 in cash; and the US Trust held 1,647,405 ordinary shares of 10<sup>53/66</sup> pence.

### Detail of all-employee Sharesave plans

The Company operates two all-employee Sharesave plans which Executive Directors can participate in. In the USA and Canada, the ESPP operates as a one-year savings contract plan. In all other business units, employees may participate in the ISP saving for a period of three or five years.

### Dilution

In accordance with the recommendations of the Association of British Insurers, the number of new shares that may be issued to satisfy options granted under all of the Company's employee share schemes is restricted to 10 per cent of the issued ordinary share capital of the Company over any rolling 10-year period. Further, the number of new shares that may be issued to satisfy executive options granted under the Company's discretionary share schemes is restricted to 5 per cent of the issued ordinary share capital of the Company over any rolling 10-year period.

As at 31 July 2014, the headroom under the Company's 10 per cent and 5 per cent limits was 4.88 per cent and 2.19 per cent respectively. Options may be satisfied by either the issue of new shares or by shares purchased in the market. Awards under the OSP cannot be satisfied by new issue shares and therefore do not count towards the dilution limits.

### External Directorships

Executive Directors are permitted to take on an external Non Executive Directorship. In order to avoid any conflicts of interest, all such appointments are subject to the approval of the Nominations Committee. The Nominations Committee believes that taking up an external non executive appointment helps bring a wider perspective to the Company and also assists in the development of business skills and experience.

Ian Meakins is a Non Executive Director of Centrica plc and receives a fee of £65,000 per annum for his services (2012/13: £65,000). The Company allowed Ian Meakins to retain this fee.

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

On behalf of the Board



**Alan Murray**

Chairman of the Remuneration Committee for the year ended 31 July 2014

29 September 2014

## Section 4

# Financials

<b>106</b>	Group income statement
<b>107</b>	Group statement of comprehensive income
<b>107</b>	Group statement of changes in equity
<b>108</b>	Group balance sheet
<b>109</b>	Group cash flow statement
<b>110</b>	Notes to the consolidated financial statements
<b>157</b>	Independent auditors' report to the members of Wolseley plc (in respect of consolidated financial statements)
<b>160</b>	Company profit and loss account
<b>160</b>	Company balance sheet
<b>161</b>	Notes to the Company financial statements
<b>165</b>	Independent auditors' report to the members of Wolseley plc (in respect of Company financial statements)

## Group income statement

Year ended 31 July 2014

	Notes	2014 Before exceptional items £m	2014 Exceptional items (note 4) £m	2014 Total £m	Restated*		
					2013 Before exceptional items £m	2013 Exceptional items (note 4) £m	2013 Total £m
<b>Revenue</b>	2	<b>13,130</b>	<b>–</b>	<b>13,130</b>	13,154	–	13,154
Cost of sales		<b>(9,453)</b>	<b>(8)</b>	<b>(9,461)</b>	(9,500)	–	(9,500)
<b>Gross profit</b>		<b>3,677</b>	<b>(8)</b>	<b>3,669</b>	3,654	–	3,654
Operating costs:							
amortisation of acquired intangibles		<b>(46)</b>	<b>–</b>	<b>(46)</b>	(55)	–	(55)
impairment of acquired intangibles		<b>–</b>	<b>–</b>	<b>–</b>	(10)	–	(10)
other		<b>(2,922)</b>	<b>26</b>	<b>(2,896)</b>	(2,929)	(164)	(3,093)
Operating costs	3	<b>(2,968)</b>	<b>26</b>	<b>(2,942)</b>	(2,994)	(164)	(3,158)
<b>Operating profit</b>	2, 3	<b>709</b>	<b>18</b>	<b>727</b>	660	(164)	496
Finance income		<b>1</b>	<b>1</b>	<b>2</b>	3	–	3
Finance costs	5	<b>(31)</b>	<b>–</b>	<b>(31)</b>	(39)	–	(39)
<b>Profit before tax</b>		<b>679</b>	<b>19</b>	<b>698</b>	624	(164)	460
Taxation	6	<b>(191)</b>	<b>(3)</b>	<b>(194)</b>	(186)	10	(176)
<b>Profit from continuing operations</b>		<b>488</b>	<b>16</b>	<b>504</b>	438	(154)	284
<b>Profit from discontinued operations</b>	7	<b>–</b>	<b>–</b>	<b>–</b>	–	12	12
<b>Profit for the year attributable to shareholders of the Company</b>		<b>488</b>	<b>16</b>	<b>504</b>	438	(142)	296
<b>Earnings per share</b>	10						
<i>Continuing operations and discontinued operations</i>							
Basic earnings per share				<b>189.8p</b>			107.4p
Diluted earnings per share				<b>188.8p</b>			106.4p
<i>Continuing operations only</i>							
Basic earnings per share				<b>189.8p</b>			103.0p
Diluted earnings per share				<b>188.8p</b>			102.1p

<b>Non-GAAP performance measures</b>			
Trading profit from ongoing operations		<b>761</b>	731
Trading profit from non-ongoing operations		<b>(6)</b>	(6)
Trading profit	9	<b>755</b>	725
EBITDA before exceptional items		<b>861</b>	841
Profit before tax, exceptional items and the amortisation and impairment of acquired intangibles		<b>725</b>	689
Headline earnings per share	10	<b>196.2p</b>	178.5p
Headline diluted earnings per share	10	<b>195.2p</b>	176.9p

\*Restated for IAS 19 (Revised) "Employee Benefits", please refer to note 1.

## Group statement of comprehensive income

Year ended 31 July 2014

	Notes	2014 £m	Restated 2013 £m
<b>Profit for the year</b>		<b>504</b>	296
<b>Other comprehensive income:</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange (loss)/gain on translation of overseas operations		(340)	201
Exchange gain/(loss) on translation of borrowings and derivatives designated as hedges of overseas operations		77	(43)
Cumulative currency translation differences on disposals recycled to income statement		(12)	–
<b>Items that will not be reclassified to profit or loss:</b>			
Actuarial gain on retirement benefit plans	25	85	76
Income tax charge on items that will not be reclassified to profit or loss	6	(15)	(20)
Other comprehensive (expense)/income for the year		(205)	214
Total comprehensive income for the year attributable to shareholders of the Company		<b>299</b>	510

## Group statement of changes in equity

		Share capital £m	Share premium £m	Translation reserve £m	Own shares £m	Reserves Profit and loss account £m	Total equity £m
<b>Year ended 31 July 2014</b>	Notes						
Total comprehensive income		–	–	(275)	–	574	299
New share capital subscribed		1	14	–	–	–	15
Purchase of own shares by Employee Benefit Trusts		–	–	–	(26)	–	(26)
Issue of own shares by Employee Benefit Trusts		–	–	–	48	(43)	5
Credit to equity for share-based payments	27	–	–	–	–	22	22
Taxation relating to share-based payments	6	–	–	–	–	7	7
Dividends paid	8	–	–	–	–	(489)	(489)
Net reduction in shareholders' equity		1	14	(275)	22	71	(167)
Opening shareholders' equity		28	27	402	(115)	2,711	3,053
Closing shareholders' equity		29	41	127	(93)	2,782	2,886

		Share capital £m	Share premium £m	Translation reserve £m	Own shares £m	Reserves Profit and loss account £m	Total equity £m
<b>Year ended 31 July 2013</b>	Notes						
Total comprehensive income		–	–	158	–	352	510
New share capital subscribed		–	8	–	–	–	8
Purchase of own shares by Employee Benefit Trusts		–	–	–	(110)	–	(110)
Issue of own shares by Employee Benefit Trusts		–	–	–	73	(66)	7
Credit to equity for share-based payments	27	–	–	–	–	22	22
Taxation relating to share-based payments	6	–	–	–	–	4	4
Dividends paid	8	–	–	–	–	(521)	(521)
Net reduction in shareholders' equity		–	8	158	(37)	(209)	(80)
Opening shareholders' equity		28	19	244	(78)	2,920	3,133
Closing shareholders' equity		28	27	402	(115)	2,711	3,053



## Group balance sheet

As at 31 July 2014

	Notes	2014 £m	2013 £m
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets: goodwill	12	912	952
Intangible assets: other	13	286	294
Property, plant and equipment	14	1,226	1,263
Financial assets		17	2
Retirement benefit assets	25	96	–
Deferred tax assets	15	119	158
Trade and other receivables	16	162	153
Derivative financial assets	17	31	46
		<b>2,849</b>	2,868
<b>Current assets</b>			
Inventories		1,638	1,722
Trade and other receivables	16	1,965	2,034
Current tax receivable		16	10
Derivative financial assets	17	11	16
Cash and cash equivalents	18	240	339
		<b>3,870</b>	4,121
Assets held for sale	19	29	53
<b>Total assets</b>		<b>6,748</b>	7,042
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	20	2,259	2,447
Current tax payable		69	67
Bank loans and overdrafts	21	159	50
Obligations under finance leases	23	7	13
Provisions	24	98	123
Retirement benefit obligations	25	8	29
		<b>2,600</b>	2,729
<b>Non-current liabilities</b>			
Trade and other payables	20	111	103
Bank loans	21	791	705
Obligations under finance leases	23	36	44
Deferred tax liabilities	15	93	142
Provisions	24	149	147
Retirement benefit obligations	25	81	104
		<b>1,261</b>	1,245
Liabilities held for sale	19	1	15
<b>Total liabilities</b>		<b>3,862</b>	3,989
<b>Net assets</b>		<b>2,886</b>	3,053
<b>Equity attributable to shareholders of the Company</b>			
Share capital	26	29	28
Share premium account	28	41	27
Reserves	28	2,816	2,998
<b>Shareholders' equity</b>		<b>2,886</b>	3,053

The accompanying notes are an integral part of these consolidated financial statements. The consolidated financial statements on pages 106 to 156 were approved by the Board of Directors on 29 September 2014 and were signed on its behalf by



**Ian Meakins**  
Group Chief Executive



**John Martin**  
Chief Financial Officer

## Group cash flow statement

Year ended 31 July 2014

	Notes	2014 £m	2013 £m
<b>Cash flows from operating activities</b>			
Cash generated from operations	29	<b>678</b>	633
Interest received		<b>2</b>	3
Interest paid		<b>(36)</b>	(38)
Tax paid		<b>(192)</b>	(184)
Net cash generated from operating activities		<b>452</b>	414
<b>Cash flows from investing activities</b>			
Acquisition of businesses (net of cash acquired)	30	<b>(194)</b>	(111)
Disposals of businesses (net of cash disposed of)	31	<b>34</b>	6
Purchases of property, plant and equipment		<b>(182)</b>	(126)
Proceeds from sale of property, plant and equipment and assets held for sale		<b>37</b>	38
Purchases of intangible assets		<b>(19)</b>	(14)
Net cash used in investing activities		<b>(324)</b>	(207)
<b>Cash flows from financing activities</b>			
Proceeds from the issue of shares to shareholders	28	<b>15</b>	8
Purchase of shares by Employee Benefit Trusts		<b>(26)</b>	(110)
Proceeds from the sale of shares by Employee Benefit Trusts		<b>5</b>	7
Proceeds from borrowings and derivatives		<b>262</b>	–
Repayments of borrowings and derivatives		<b>(7)</b>	(40)
Finance lease capital payments		<b>(11)</b>	(12)
Dividends paid to shareholders		<b>(489)</b>	(521)
Net cash used by financing activities		<b>(251)</b>	(668)
Net cash used		<b>(123)</b>	(461)
Effects of exchange rate changes		<b>(13)</b>	(10)
Net decrease in cash, cash equivalents and bank overdrafts		<b>(136)</b>	(471)
Cash, cash equivalents and bank overdrafts at the beginning of the year	32	<b>303</b>	774
Cash, cash equivalents and bank overdrafts at the end of the year	32	<b>167</b>	303

# Notes to the consolidated financial statements

Year ended 31 July 2014

## 1. Accounting policies and critical estimates and judgements

### Basis of preparation

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.

The Company is incorporated in Jersey under the Companies (Jersey) Law 1991 and is headquartered in Switzerland.

### Accounting developments and changes

IAS 19 (as revised in June 2011) "Employee Benefits" has been adopted by the Group in the current financial year and has been applied retrospectively. The interest cost and expected return on defined benefit pension scheme assets used in the previous version of IAS 19 are replaced with a "net interest" amount, which is calculated by applying a single discount rate to the net defined benefit liability or asset. Furthermore, IAS 19 (Revised) also introduces more extensive disclosures in the presentation of the defined benefit cost, including the clarification on treatment of the schemes' administrative expenses. To aid comparison, the consolidated financial statements and affected notes for the year ended 31 July 2013 have been restated, with the following effects on the previous year's consolidated financial statement:

Other costs	2013 £m
Net pension finance (cost)	(13)
Profit before tax reduced by	(13)
Taxation	4
Profit after tax reduced by	(9)
Other comprehensive income	9

The effect on basic and diluted earnings per share on continuing and discontinued operations was a reduction of 3.3 pence and 3.2 pence respectively.

In addition to IAS 19 (Revised), the following new standards and interpretations have been adopted by the Group in the current financial year:

- IFRS 11 "Joint Arrangements"
- IAS 32 (amended) "Offsetting Financial Assets and Financial Liabilities"
- IFRS 13 "Fair value measurement"
- IFRS 7 (amended) "Offsetting Financial Assets and Financial Liabilities"
- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)

The effect of the above standards has been assessed by the Group and is not material.

A summary of the principal accounting policies applied by the Group in the preparation of the consolidated financial statements is set out in note 37 on pages 143 to 156.

The following standard has been published, but not yet applied in the current financial year:

- IFRS 15 "Revenue from Contracts with Customers"

The Directors anticipate that the adoption of this Standard in future periods will have no material impact on the financial statements of the Group. No other issued standard or interpretation would have a material impact on the consolidated financial statements.

### Choices permitted by IFRS

The Group has elected to apply hedge accounting to some of its financial instruments.

### Critical accounting estimates and judgements

Many of the Group's accounting policies require management to make estimates and assumptions that affect reported amounts. The following areas are most sensitive to the accuracy of such estimates.

## 1. Accounting policies and critical estimates and judgements continued

### Impairment of assets

The Group reviews assets that have an indefinite useful life at least annually to assess whether their recoverable amount exceeds their carrying value. The recoverable amount is defined as the higher of fair value less costs of disposal and value in use, which in turn is the present value of the future cash flows expected to be derived from the asset.

The recoverable amount of goodwill and acquired intangible assets is assessed on the basis of the value in use of the cash generating unit or where appropriate aggregation of cash generating units ("CGU") to which they are attributed. The estimate of value in use, and hence the outcome of the impairment test, is sensitive to the assumptions made about revenue growth, long-term growth rate of their market and the discount rate considered appropriate to reflect the time value of money and any risks specific to the CGU that are not reflected in the cash flows. Sensitivity analyses have been performed on all these assumptions and, further details concerning the sensitivity of key judgements made by the Directors have been presented on pages 121 and 122.

There has been no impairment charge in respect of goodwill and other intangible assets at 31 July 2014 (2013: £10 million).

### Rebates receivable from vendors

The Group enters into agreements with many of its vendors that provide rebates from the cost of inventory purchased. Many of these agreements apply to purchases in a calendar year rather than a financial year, and under certain agreements the rebate rises as a proportion of purchases as higher quantities or values of purchases are made. The Group adjusts the cost of inventory purchased to reflect estimated rebates receivable, which can depend on the projected volume, value and mix of purchases from a vendor through to the end of the qualifying period. Actual rebates receivable from vendors may differ materially from the estimates on which the cost of inventory is based.

### Valuation of inventories

Inventory comprises finished goods. Provisions are made against slow-moving, obsolete and damaged inventories for which the net realisable value is estimated to be less than the cost. Inventories which are damaged or obsolete are written down as identified. The risk of obsolescence of slow-moving inventory is assessed by comparing the level of inventory held to future sales projected on the basis of historical experience. The actual realisable value of inventory may differ materially from the estimated value on which the provision is based.

The Group held provisions in respect of inventory balances at 31 July 2014 amounting to £113 million (2013: £127 million).

### Provisions

Provisions for self-insured risks, legal claims, environmental restoration and onerous leases 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 self-insured risks

The Group retains layers of certain of its insurable risks, principally US casualty and global property damage, which are managed by a captive insurance company, Wolseley Insurance Limited. Certain of the retained risks are subject to an annual actuarial assessment. The provision for self-insured risks represents an estimate, based on historical experience, of the ultimate cost of settling outstanding claims and claims incurred but not reported. The actual cost of settling these liabilities may differ materially from the estimated amounts on which the provision is based. At 31 July 2014, the provision for claims arising from this insurance was £41 million (2013: £51 million).

#### Provisions for legal, environmental and related exposures and contingent liabilities

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 reliable 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 be dependent upon the discovery of facts that are currently uncertain, the outcome of litigation proceedings and possible settlement negotiations, and the actual cost of settlement may differ materially from the estimated amounts on which the provisions are based.

At 31 July 2014, legal, environmental and other provisions amounted to £151 million (2013: £147 million). Where the Group has insurance cover that it is virtually certain will settle a provision then it recognises an equivalent asset in trade and other receivables.

The Group may also become involved in legal proceedings or commercial disputes in respect of which it is not possible to make a reliable estimate of the financial effect, if any, that will result from ultimate resolution of the proceedings or disputes. In these cases, where material, appropriate disclosure would be included in the financial statements but no provision would be made and no contingent liability can be quantified.

## Notes to the consolidated financial statements continued

### 1. Accounting policies and critical estimates and judgements continued

#### Provisions continued

##### Provisions for onerous leases

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 a 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. Actual cash flows paid and received may differ materially from the estimated amounts on which the provisions are based. At 31 July 2014, the provision for onerous leases was £42 million (2013: £39 million).

#### Taxation

Accruals for current tax are based on management's interpretation of country-specific tax law, and require judgements about the likelihood that tax positions taken will be sustained. Where management considers it probable that the tax position will be sustained, each material tax benefit is reviewed to assess whether it should be recognised in full, or whether provision should be made for a potential settlement through negotiation. All such provisions are included in current liabilities. Any estimated 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, salary increases and mortality rates, and are disclosed in note 25. The defined pension benefit obligation is calculated annually for each scheme by using the projected unit credit method with actuarial valuations. The Group's liability or surplus recognised on the balance sheet is the present value of the defined benefit obligation at the balance sheet date, less the fair value of the plan assets. The discount rate used is the yield at the valuation date on high-quality corporate bonds that have a maturity approximating to the terms of the pension obligations. The Group takes advice from independent actuaries relating to the appropriateness of the assumptions which include life expectancy of members, expected salary and pension increases, and inflation. Remeasurement comprising actuarial gains and losses are recognised immediately in the balance sheet with a charge or credit to the statement of comprehensive income. The net interest amount is calculated by applying the discounted rate used to measure the defined benefit obligation at the beginning of the period to the defined benefit net asset/liability. The pension scheme net interest is presented as finance income or expense.

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, inflation and life expectancy.

The table below shows the impact of the sensitivities on the net asset/liability.

Assumptions at 31 July 2014	Change	Impact on UK £m	Impact on non-UK £m	Change	Impact on UK £m	Impact on non-UK £m
Discount rate (%)	0.25	55	10	(0.25)	(58)	(11)
Inflation (%)	0.25	(51)	–	(0.25)	44	–

An increase in life expectancy of one year would increase the defined benefit obligation by £41 million in the UK and by £6 million in non-UK plans.

These risks are actively managed by the Joint Working Group which comprises the Trustees of the Wolseley Group Retirement Benefit Plan and company employees. More detail can be found in note 25.



## 2. Segmental analysis

The Group's reportable segments 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 Group's business is not highly seasonal. The Group's customer base is highly diversified, with no individually significant customer.

At 31 July 2014, management reviewed the Group's operating segments under IFRS 8 and concluded to report Central Europe and France as one reporting segment, "Central Europe and France," given that they represent less than 10 per cent of the Group's operating profit and does not meet other quantitative thresholds. All comparatives were restated for the purposes of consistency and comparability.

Revenue by reportable segment is as follows:

	2014 £m	2013 £m
USA	7,070	6,785
Canada	779	875
UK	1,853	1,769
Nordic	1,935	1,916
Central Europe and France	1,493	1,809
Group	13,130	13,154

Trading profit/(loss) (note 9) and operating profit/(loss) by reportable segment for the year ended 31 July 2014 are as follows:

	Trading profit/(loss) £m	Exceptional items £m	Amortisation and impairment of acquired intangibles £m	Operating profit/(loss) £m
USA	546	–	(14)	532
Canada	44	–	–	44
UK	96	17	(1)	112
Nordic	73	(28)	(31)	14
Central Europe and France	31	26	–	57
Central and other costs	(35)	3	–	(32)
Group	755	18	(46)	727
Finance income				2
Finance costs				(31)
Profit before tax				698

Trading profit/(loss) (note 9) and operating profit/(loss) by reportable segment for the year ended 31 July 2013 have been restated as follows:

	Trading profit/(loss) £m	Exceptional items £m	Amortisation and impairment of acquired intangibles £m	Operating profit/(loss) £m
USA	492	–	(18)	474
Canada	51	–	–	51
UK	95	(6)	(1)	88
Nordic	86	(27)	(35)	24
Central Europe and France	43	(127)	(11)	(95)
Central and other costs	(42)	(4)	–	(46)
Group	725	(164)	(65)	496
Finance income				3
Finance costs				(39)
Profit before tax				460

## Notes to the consolidated financial statements continued

## 2. Segmental analysis continued

The change in revenue and trading profit between the years ended 31 July 2013 and 31 July 2014, are analysed in the following tables into the effects of changes in exchange rates, disposals and acquisitions with the remainder being organic change.

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

	2013 £m	Exchange £m	Disposals £m	Acquisitions £m	Organic change £m	2014 £m
Analysis of change in revenue						
USA	6,785	(322)	–	70	537	<b>7,070</b>
Canada	875	(92)	–	–	(4)	<b>779</b>
UK	1,769	–	–	91	(7)	<b>1,853</b>
Nordic	1,916	(40)	–	74	(15)	<b>1,935</b>
Central Europe and France	1,809	(8)	(243)	13	(78)	<b>1,493</b>
Group	13,154	(462)	(243)	248	433	<b>13,130</b>

	2013 £m	Exchange £m	Disposals £m	Acquisitions £m	Organic change £m	2014 £m
Analysis of change in trading profit (note 9)						
USA	492	(24)	–	2	76	<b>546</b>
Canada	51	(5)	–	–	(2)	<b>44</b>
UK	95	–	–	1	–	<b>96</b>
Nordic	86	(2)	–	2	(13)	<b>73</b>
Central Europe and France	43	–	(1)	1	(12)	<b>31</b>
Central and other costs	(42)	–	–	–	7	<b>(35)</b>
Group	725	(31)	(1)	6	56	<b>755</b>

In 2013 and 2014, a number of Group entities or groups of branches have been disposed of, closed or are classified as held for sale. The revenue and trading profit of the Group's segments excluding those entities and branches ("ongoing segments") is analysed in the following table. The prior year comparative figures have been restated. This is non-GAAP information.

	Revenue		Trading profit	
	2014 £m	2013 £m	2014 £m	2013 £m
Ongoing segments				
USA	<b>7,045</b>	6,757	<b>542</b>	490
Canada	<b>779</b>	875	<b>44</b>	51
UK	<b>1,853</b>	1,769	<b>96</b>	95
Nordic	<b>1,892</b>	1,867	<b>80</b>	89
Central Europe and France	<b>1,204</b>	1,228	<b>34</b>	46
Central and other costs	–	–	<b>(35)</b>	(40)
	<b>12,773</b>	12,496	<b>761</b>	731
Entities disposed of, closed or classified as held for sale	<b>357</b>	658	<b>(6)</b>	(6)
Group	<b>13,130</b>	13,154	<b>755</b>	725

## 2. Segmental analysis continued

Other information on assets and liabilities by segment is set out in the tables below:

Segment assets and liabilities	2014			2013		
	Segment assets £m	Segment liabilities £m	Segment net assets £m	Segment assets £m	Segment liabilities £m	Segment net assets £m
USA	2,899	(1,119)	1,780	2,830	(1,148)	1,682
Canada	350	(155)	195	393	(165)	228
UK	1,024	(477)	547	845	(466)	379
Nordic	1,422	(581)	841	1,533	(622)	911
Central Europe and France	609	(294)	315	841	(477)	364
Central and other costs	27	(81)	(54)	32	(91)	(59)
Total	6,331	(2,707)	3,624	6,474	(2,969)	3,505
Taxation assets and liabilities	135	(162)	(27)	168	(209)	(41)
Net cash/(debt)	282	(993)	(711)	401	(812)	(411)
Group assets/(liabilities)	6,748	(3,862)	2,886	7,043	(3,990)	3,053

	2014				2013			
	Additions to goodwill £m	Additions to other acquired intangible assets £m	Additions to non-acquired intangible assets £m	Additions to property plant and equipment £m	Additions to goodwill £m	Additions to other acquired intangible assets £m	Additions to non-acquired intangible assets £m	Additions to property plant and equipment £m
USA	32	54	5	85	48	25	5	51
Canada	–	–	4	8	–	–	–	5
UK	22	–	5	27	10	1	3	23
Nordic	7	5	3	40	–	–	1	31
Central Europe and France	–	–	2	22	–	1	2	25
Central and other costs	–	–	–	–	–	–	1	4
Group	61	59	19	182	58	27	12	139

	2014				2013			
	Depreciation and impairment of property plant and equipment £m	Amortisation of non-acquired intangibles £m	Amortisation of other acquired intangibles £m	Impairment of goodwill and other acquired intangibles £m	Depreciation and impairment of property plant and equipment £m	Amortisation of non-acquired intangibles £m	Amortisation of other acquired intangibles £m	Impairment of goodwill and other acquired intangibles £m
USA	41	5	14	–	45	5	18	–
Canada	4	–	–	–	4	–	–	–
UK	13	3	1	–	12	1	1	–
Nordic	21	–	31	–	25	–	35	–
Central Europe and France	19	2	–	–	62	2	1	10
Central and other costs	–	1	–	–	–	4	–	–
Group	98	11	46	–	148	12	55	10

## Notes to the consolidated financial statements continued

**3. Operating costs**

Amounts charged/(credited) in arriving at operating profit include:

	2014 £m	2013 £m
Depreciation of property, plant and equipment (note 14)	<b>95</b>	104
Impairment of property, plant and equipment (note 14)	<b>3</b>	44
(Gain)/loss on disposal and closure of businesses and revaluations of held for sale disposal groups	<b>(21)</b>	11
(Profit)/loss on disposal of property, plant and equipment and assets held for sale	<b>(14)</b>	5
Staff costs (note 11)	<b>1,850</b>	1,861
Amortisation of non-acquired intangible assets (note 13)	<b>11</b>	12
Amortisation of acquired intangible assets (note 13)	<b>46</b>	55
Impairment of goodwill and acquired intangible assets (note 12)	<b>–</b>	9
Operating lease rentals: land and buildings	<b>161</b>	175
Operating lease rentals: plant and machinery	<b>54</b>	53
Amounts included in costs of goods sold with respect to inventory	<b>9,374</b>	9,408
Amounts (credited)/charged to write inventory down to net realisable value	<b>(1)</b>	6
Trade receivables impairment	<b>20</b>	25

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	<b>0.9</b>	0.8
Other services		
– Fees for the audit of the Company's subsidiaries pursuant to legislation	<b>2.5</b>	2.6
Total fee for audit related services	<b>3.4</b>	3.4

– Other assurance services	<b>0.2</b>	0.2
– Taxation – compliance services	<b>0.7</b>	0.7
– Taxation – advisory services	<b>0.5</b>	1.1
– Other non-audit services	<b>–</b>	0.2
Total fee for non-audit related services	<b>1.4</b>	2.2

<b>Total fees payable to the auditors</b>	<b>4.8</b>	5.6
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## 4. Exceptional items

Exceptional items are those which are considered significant by virtue of their nature, size or incidence, and are presented separately in the income statement to enable a full understanding of the Group's financial performance. If provisions have been made for exceptional items in previous years, then any reversal of those provisions is shown as exceptional.

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

	2014 £m	2013 £m
Significant restructuring programmes including staff redundancy costs	–	(142)
Acquisition and integration costs	(18)	–
Gain on disposal of businesses	32	21
Loss on closure of businesses and revaluations of held for sale disposal groups	(11)	(32)
Other exceptional items	15	(11)
Total included in operating profit	18	(164)

Acquisition and integration costs relate to the acquisition in Finland and include transaction costs, onerous leases and redundancy costs linked to the closure of a number of branches as part of the integration plan. Gains on disposal are principally write-backs on consideration received in the financial year in the form of loan notes which relate to disposals in previous years. In addition, we recognised small gains for the businesses sold in Central Europe and France mainly due to the recycling of a cumulative foreign exchange gain. Loss on closure of businesses includes the impairment of assets on closure of branches in the Nordic region. £8 million of the loss is shown as an exceptional item in cost of sales. Other exceptional items include £11 million of gains on property disposals in France of which £4 million were reported as part of trading profit in the first half of the year. The 2013 exceptional restructuring and redundancy charge of £142 million arose from reorganisation of our businesses in Central Europe and France and the Nordic region. £38 million of this related to redundancies and the remainder arose from asset write-downs, onerous leases, other provisions and other costs.

Exceptional items relating to discontinued operations are detailed in note 7.

## 5. Finance costs

	2014 £m	Restated 2013 £m
Interest payable		
– Bank loans and overdrafts	39	38
– Unwind of fair value adjustment to senior unsecured loan notes	(13)	(14)
– Finance lease charges	3	3
Net interest expense on defined benefit obligation (note 25)	3	11
Valuation (gains)/losses on financial instruments		
– Derivatives held at fair value through profit and loss	(1)	1
Total finance costs	31	39



## Notes to the consolidated financial statements continued

## 6. Taxation

	2014 £m	Restated 2013 £m
The tax charge for the year comprises:		
Current year tax charge	182	188
Adjustments to tax charge in respect of prior years	7	(19)
Total current tax charge	189	169
Deferred tax charge: origination and reversal of temporary differences	5	7
Tax charge	194	176

An exceptional tax charge of £3 million was recorded in relation to exceptional gains in 2014 (2013: credit of £10 million). The overall prior year tax credit on continuing operations taking into account prior year movements in deferred tax is £2 million (2013: £18 million). The deferred tax charge of £5 million (2013: charge £7 million) includes a credit of £5 million (2013: charge of £14 million) resulting from changes in tax rates.

	2014 £m	Restated 2013 £m
Tax on items (charged)/credited to the statement of other comprehensive income:		
Deferred tax charge on actuarial gain/loss on retirement benefits	(17)	(49)
Deferred tax credit on losses	2	29
Total tax on items charged to other comprehensive income	(15)	(20)

£nil of the £17 million charge relating to the actuarial gain on retirement benefits results from changes in tax rates.

	2014 £m	2013 £m
Tax on items credited to equity:		
Current tax charge on share-based payments	(1)	–
Deferred tax credit on share-based payments	8	4
Total tax on items credited to equity	7	4

	2014 %	2013 %
Tax reconciliation:		
Weighted average tax rate	26	25
Prior year amounts	1	(2)
Non-deductible amortisation and exceptional items	1	10
Tax rate change	(1)	3
Other non-deductible and non-taxable items	1	2
Tax rate on profit before tax	28	38

The 1 per cent increase in the weighted average tax rate is due to the Group's international operations and growth in the USA segment in the period.

## 7. Discontinued operations

The results from the discontinued operations, which have been included in the Group income statement, are as follows:

	2014			2013		
	Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items £m	Exceptional items £m	Total £m
Profit	–	–	–	–	11	11
Tax credit	–	–	–	–	1	1
Profit from discontinued operations	–	–	–	–	12	12

Amounts credited in the prior year to discontinued operations were generated from movements in provisions and other items arising from the sale of Stock Building Supply in 2009.

## 8. Dividends

	2014		2013	
	£m	Pence per share	£m	Pence per share
Amounts recognised as distributions to equity shareholders:				
Final dividend for the year ended 31 July 2012	–	–	114	40p
Special dividend	–	–	348	122p
Interim dividend for the year ended 31 July 2013	–	–	59	22p
Final dividend for the year ended 31 July 2013	119	44p	–	–
Special dividend	298	110p	–	–
Interim dividend for the year ended 31 July 2014	72	27.5p	–	–
Dividends paid	489	181.5p	521	184p

After the reporting date, the Directors proposed a final ordinary dividend of £145 million (55 pence per share). The dividend is subject to approval by shareholders at the Annual General Meeting and therefore, in accordance with accounting standards, it has been excluded from these financial statements.

## 9. Non-GAAP performance measures

Trading profit is defined as operating profit before exceptional items and the amortisation and impairment of acquired intangibles. It is a non-GAAP measure. As explained on page 154, the Group considers that trading profit, and other performance measures based on it, including EBITDA before exceptional items, present valuable additional information to users of the financial statements.

	2014 £m	Restated 2013 £m
<b>Operating profit</b>	<b>727</b>	496
Add back: amortisation and impairment of acquired intangibles	46	65
(Deduct)/add back: exceptional items in operating profit	(18)	164
Trading profit	755	725
Depreciation, amortisation and impairment of property, plant and equipment and software excluding exceptional items in operating profit	106	116
EBITDA before exceptional items	861	841
<b>Profit before tax</b>	<b>698</b>	460
Add back: amortisation and impairment of acquired intangibles	46	65
(Deduct)/add back: exceptional items in profit before tax	(19)	164
Profit before tax and exceptional items and the amortisation and impairment of acquired intangibles	725	689
<b>Tax expense</b>	<b>(194)</b>	(176)
(Deduct): deferred tax credit on the amortisation and impairment of acquired intangibles	(17)	(17)
Add back/(deduct): tax charge/(credit) on exceptional items	3	(10)
Add back: non-recurring tax charge relating to prior years	4	6
Adjusted tax expense	(204)	(197)
<b>Profit from continuing operations</b>	<b>504</b>	284
Add back: amortisation and impairment of acquired intangibles after tax	29	48
(Deduct)/add back: exceptional items after tax	(16)	154
Add back: non-recurring tax charge relating to prior years	4	6
Headline profit after tax from continuing operations	521	492

Applying the adjusted tax expense of £204 million to the profit before tax, exceptional items and the amortisation of acquired intangibles of £725 million gives an effective tax rate of 28.1 per cent (2013: 28.6 per cent).

## Notes to the consolidated financial statements continued

**10. Earnings per share**

	2014			Restated 2013		
	Earnings £m	Basic earnings per share £m	Diluted earnings per share £m	Earnings £m	Basic earnings per share £m	Diluted earnings per share £m
Headline profit after tax from continuing operations	521	196.2	195.2	492	178.5	176.9
Exceptional items (net of tax)	16	6.0	5.9	(154)	(55.9)	(55.3)
Amortisation and impairment of acquired intangibles (net of deferred tax)	(29)	(10.9)	(10.8)	(48)	(17.4)	(17.3)
Non-recurring tax charge relating to prior years	(4)	(1.5)	(1.5)	(6)	(2.2)	(2.2)
Profit from continuing operations	504	189.8	188.8	284	103.0	102.1
Discontinued operations	–	–	–	12	4.4	4.3
Profit from continuing and discontinued operations	504	189.8	188.8	296	107.4	106.4

The weighted average number of ordinary shares in issue during the year, excluding those held by Employee Benefit Trusts, was 265.6 million (2013: 275.6 million). 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 267.0 million (2013: 278.2 million).

On 2 December 2013, the shares of Wolseley plc were consolidated on a 30 for 31 basis. The impact of the share consolidation on the weighted average number of shares used to calculate basic and diluted earnings per share is 9 million. Further details in respect of the share consolidation are given in note 26.

**11. Employee information and Directors' remuneration**

	2014 £m	2013 £m
Wages and salaries	1,605	1,616
Social security costs	146	153
Pension costs – Defined contribution schemes	64	53
Pension costs – Defined benefit schemes (note 25)	13	17
Share-based payments (note 27)	22	22
Total employee benefit costs	1,850	1,861

Further details of Directors' remuneration and share options are set out in the Remuneration report on pages 83 to 104, which form part of these financial statements. The aggregate emoluments for all key management are set out in note 33.

Average number of employees	2014	2013
USA	19,328	18,453
Canada	2,484	2,534
UK	5,901	5,929
Nordic	5,939	5,939
Central Europe and France	5,697	7,035
Central and other	105	105
Group	39,454	39,995

## 12. Intangible assets – goodwill

	2014 £m	2013 £m
<b>Cost</b>		
At 1 August	1,790	1,603
Exchange rate adjustment	(186)	131
Acquisitions	61	58
Reclassification as held for sale	(2)	(2)
At 31 July	1,663	1,790
<b>Accumulated impairment losses</b>		
At 1 August	838	743
Exchange rate adjustment	(87)	88
Impairment charge for the year	–	9
Reclassification as held for sale	–	(2)
At 31 July	751	838
Net book amount at 31 July	912	952

The carrying value of goodwill by segment is as follows:

	2014 £m	2013 £m
USA	452	469
Canada	84	98
UK	101	80
Nordic	235	261
France and Central Europe	40	44
Group	912	952

Goodwill and intangible assets acquired during the year have been allocated to the individual cash generating units or aggregated cash generating units (together “CGUs”) which are deemed to be the smallest identifiable group of assets generating independent cash inflows. CGUs have been aggregated in the disclosure above at a regional level; however, impairment reviews were performed for each individual CGU during the year ended 31 July 2014.

The relevant inputs to the value-in-use calculations of each CGU were:

- Cash flow forecasts for years one to three are derived from the most recent Board approved strategic plan; the forecast for year five represents an estimate of “mid-cycle” trading performance for the CGU based on historic analysis. Year four is calculated as the average of the final year of the strategic plan and year five’s mid-cycle estimate.
- A risk-adjusted, pre-tax discount rate, calculated by reference to the weighted average cost of capital (“WACC”) of each country which ranges from 9.1 per cent to 15.1 per cent.
- The 30-year long-term growth rate by country, as published by the IMF in July 2014 has been used for all CGUs except for the Nordic region where a lower long-term growth rate was applied consistent with the previous year.

The strategic plan is developed based on analyses of sales, markets and costs at a regional level. Consideration is given to past events, knowledge of future contracts and the wider economy. It takes into account both current business and future initiatives.

Management performed a sensitivity analysis for each key assumption (revenue growth, discount rate and long-term growth rate), keeping all other assumptions constant. There are three CGUs all within the Nordic region with limited headroom at 31 July 2014: Stark, Neumann and Silvan. In addition, Starkki showed limited headroom at 31 January 2014 which increased in the second half following an acquisition in March 2014 (see note 30). We have disclosed the sensitivity analysis for the CGUs with limited headroom at the end of the financial year. The results presented in the table below show the amounts by which the related assumptions can vary such that the carrying value of goodwill and other intangible assets equals their recoverable amounts.

## Notes to the consolidated financial statements continued

**12. Intangible assets – goodwill continued**

31 July 2014	Carrying value	Headroom	Like-for-like revenue growth		Discount rate %		Long-term growth rates	
CGU Grouping – Nordic	£m	£m	Assumption	Sensitivity	Assumption	Sensitivity	Assumption	Sensitivity
Stark	116	60	1.8%	(3.0)%	7.9%	1.3%	1.5%	(1.8)%
Neumann	21	12	3.5%	(6.2)%	8.3%	2.2%	1.5%	(3.0)%
Silvan	24	33	1.3%	(3.8)%	7.9%	2.4%	1.5%	(3.4)%

31 July 2013	Carrying value	Headroom	Like-for-like revenue growth		Discount rate %		Long-term growth rates	
CGU Grouping – Nordic	£m	£m	Assumption	Sensitivity	Assumption	Sensitivity	Assumption	Sensitivity
Stark	141	94	3.6%	(4.7)%	8.5%	1.9%	1.5%	(2.7)%
Neumann	27	10	3.2%	(3.3)%	8.5%	1.3%	1.5%	(1.8)%
Silvan	31	12	4.5%	(1.7)%	8.5%	0.8%	1.5%	(1.1)%

The sensitivity disclosed above is the amount by which the related assumption would need to vary before an impairment is indicated. Whilst management believes the assumptions are realistic, it is possible that an impairment would be identified if the above key assumptions changed significantly.

**13. Intangible assets – other**

	Acquired intangibles				Total £m
	Software £m	Trade names and brands £m	Customer relationships £m	Other £m	
<b>Cost</b>					
At 1 August 2013	106	321	479	45	951
Exchange rate adjustment	(7)	(33)	(49)	(4)	(93)
Acquisitions	–	2	46	11	59
Additions	19	–	–	–	19
Disposal of businesses	(7)	–	–	–	(7)
Disposals and transfers	(2)	(1)	(6)	(1)	(10)
Reclassification as held for sale	–	–	(6)	–	(6)
At 31 July 2014	109	289	464	51	913
<b>Accumulated amortisation and impairment losses</b>					
At 1 August 2013	79	159	387	32	657
Exchange rate adjustment	(5)	(17)	(40)	(3)	(65)
Amortisation charge for the year	11	21	22	3	57
Disposal of businesses	(7)	–	–	–	(7)
Disposals and transfers	(2)	(1)	(6)	(1)	(10)
Reclassification as held for sale	–	–	(5)	–	(5)
At 31 July 2014	76	162	358	31	627
Net book amount at 31 July 2014	33	127	106	20	286



### 13. Intangible assets – other continued

	Acquired intangibles				Total £m
	Software £m	Trade names and brands £m	Customer relationships £m	Other £m	
<b>Cost</b>					
At 1 August 2012	103	283	452	36	874
Exchange rate adjustment	4	28	32	3	67
Acquisitions	–	12	8	7	27
Additions	12	–	–	–	12
Disposals and transfers	(13)	(2)	(13)	(1)	(29)
At 31 July 2013	106	321	479	45	951
<b>Accumulated amortisation and impairment losses</b>					
At 1 August 2012	76	126	345	27	574
Exchange rate adjustment	4	13	25	–	42
Amortisation charge for the year	12	22	27	6	67
Impairment charge for the year	–	–	1	–	1
Disposals and transfers	(13)	(2)	(11)	(1)	(27)
At 31 July 2013	79	159	387	32	657
Net book amount at 31 July 2013	27	162	92	13	294

### 14. Property, plant and equipment

	Land and buildings			Plant machinery and equipment £m	Total £m
	Freehold £m	Finance lease £m	Operating leasehold improvements £m		
<b>Cost</b>					
At 1 August 2013	1,258	61	259	771	2,349
Exchange rate adjustment	(123)	(5)	(23)	(64)	(215)
Acquisitions	25	–	1	6	32
Additions	59	–	49	74	182
Disposal of businesses	(13)	–	(3)	(23)	(39)
Disposals and transfers	(21)	(5)	(10)	(57)	(93)
Reclassified as held for sale	(5)	–	–	–	(5)
At 31 July 2014	1,180	51	273	707	2,211
<b>Accumulated depreciation</b>					
At 1 August 2013	274	13	190	609	1,086
Exchange rate adjustment	(26)	(1)	(16)	(49)	(92)
Depreciation charge for the year	29	1	15	50	95
Impairment charge	–	–	–	3	3
Disposal of businesses	(7)	–	(3)	(17)	(27)
Disposals and transfers	(15)	(1)	(9)	(55)	(80)
Reclassified as held for sale	–	–	–	–	–
At 31 July 2014	255	12	177	541	985
Owned assets	925	–	96	156	1,177
Assets under finance leases	–	39	–	10	49
Net book amount – 31 July 2014	925	39	96	166	1,226
Net book amount – 1 August 2013	984	48	69	162	1,263

At 31 July 2014, the book value of property, plant and equipment that had been pledged as security for liabilities was £573 million (2013: £615 million).

## Notes to the consolidated financial statements continued

## 14. Property, plant and equipment continued

	Land and buildings			Plant machinery and equipment	Total
	Freehold £m	Finance lease £m	Operating leasehold improvements £m	£m	£m
<b>Cost</b>					
At 1 August 2012	1,122	56	244	744	2,166
Exchange rate adjustment	86	5	9	49	149
Acquisitions	24	1	–	6	31
Additions	48	–	23	68	139
Disposal of businesses	–	–	–	(1)	(1)
Disposals and transfers	(6)	(1)	(8)	(59)	(74)
Reclassified as held for sale	(16)	–	(9)	(36)	(61)
At 31 July 2013	1,258	61	259	771	2,349
<b>Accumulated depreciation</b>					
At 1 August 2012	223	11	175	562	971
Exchange rate adjustment	17	1	6	39	63
Depreciation charge for the year	29	1	14	60	104
Impairment charge	6	–	7	31	44
Disposal of businesses	–	–	–	(1)	(1)
Disposals and transfers	1	–	(7)	(55)	(61)
Reclassified as held for sale	(2)	–	(5)	(27)	(34)
At 31 July 2013	274	13	190	609	1,086
Owned assets	984	–	69	148	1,201
Assets under finance leases	–	48	–	14	62
Net book amount – 31 July 2013	984	48	69	162	1,263
Net book amount – 1 August 2012	899	45	69	182	1,195

## 15. Deferred tax assets and liabilities

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

	2014 £m	2013 £m
Deferred tax £m		
Deferred tax assets	119	158
Deferred tax liabilities	(93)	(142)
	26	16
Current	(51)	(61)
Non-current	77	77
	26	16

## 15. Deferred tax assets and liabilities continued

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

	Goodwill and intangibles £m	Share-based payments £m	Property, plant and equipment £m	Retirement benefit obligations £m	Inventory £m	Tax losses £m	Other £m	Total £m
At 31 July 2012	(44)	15	(55)	108	(74)	41	72	63
(Charge)/credit to income	10	2	5	(4)	(11)	17	(31)	(12)
(Charge)/credit to other comprehensive income	–	–	–	(49)	–	29	–	(20)
Credit to equity	–	4	–	–	–	–	–	4
Acquisitions	(1)	–	(2)	–	–	–	–	(3)
Disposal of businesses	–	–	–	–	–	–	–	–
Transfers between categories	(53)	–	53	–	–	–	–	–
Exchange rate adjustment	(8)	–	(8)	1	(2)	–	1	(16)
At 31 July 2013	<b>(96)</b>	<b>21</b>	<b>(7)</b>	<b>56</b>	<b>(87)</b>	<b>87</b>	<b>42</b>	<b>16</b>
(Charge)/credit to income	<b>8</b>	<b>(10)</b>	<b>4</b>	<b>(2)</b>	<b>4</b>	<b>(10)</b>	<b>1</b>	<b>(5)</b>
(Charge)/credit to other comprehensive income	–	–	–	(17)	–	2	–	(15)
Credit to equity	–	7	–	–	–	–	–	7
Acquisitions	(1)	–	1	–	–	9	1	10
Disposal of businesses	6	–	(1)	(1)	1	(3)	(1)	1
Transfers between categories	–	–	–	–	–	14	(14)	–
Exchange rate adjustment	9	–	6	(6)	8	(2)	(3)	12
At 31 July 2014	<b>(74)</b>	<b>18</b>	<b>3</b>	<b>30</b>	<b>(74)</b>	<b>97</b>	<b>26</b>	<b>26</b>

The standard rate of UK corporation tax in the year changed from 23 per cent to 21 per cent with effect from 1 April 2014 and will change to 20 per cent from 1 April 2015. UK deferred tax is therefore recognised at the reduced rate of 20 per cent.

Deferred tax assets in the UK have been recognised on the basis that the UK is 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 £46 million (2013: £115 million) that have not been recognised on the basis that their future economic benefit is uncertain. The losses are in the UK and France. The UK losses relate to capital transactions and are not recognised on the basis that there are no transactions resulting in capital gains against which they can be offset. The French losses relate to asset impairments that have not been recognised on the basis that France is not forecasting to have sufficient taxable profits in the future to utilise them. None of these losses has an expiry date.

No deferred tax liability has been recognised in respect of temporary differences associated with investments in subsidiaries. However, tax may arise on £207 million (2013: £386 million) of temporary differences but the Group is in a position to control the timing of their reversal and it is probable that such differences will not reverse in the foreseeable future.

## Notes to the consolidated financial statements continued

**16. Trade and other receivables**

	2014 £m	2013 £m
Current		
Trade receivables	1,675	1,789
Less: provision for impairment	(39)	(46)
Net trade receivables	1,636	1,743
Other receivables	121	84
Prepayments and accrued income	208	207
	1,965	2,034
Non-current		
Other receivables	162	153

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

	2014 £m	2013 £m
At 1 August	46	46
Net charge for the year	20	25
Utilised in the year	(23)	(28)
Exchange rate adjustment	(4)	3
At 31 July	39	46

Provisions for impairment of receivables are made locally, and have two components comprising 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 £17 million at 31 July 2014 (2013: £33 million); and a provision based on historic experience of non-collectability of receivables, amounting to £22 million at 31 July 2014 (2013: £13 million).

Trade receivables have been aged accordingly with respect to the payment terms specified in the terms and conditions established with customers as follows:

	2014 £m	2013 £m
Amounts not yet due	680	774
Past due not more than one month	654	672
Past due more than one month and less than three months	286	280
Past due more than three months and less than six months	22	21
Past due more than six months	16	9
Amounts individually determined to be impaired	17	33
	1,675	1,789

## 17. Derivative financial instruments

The Group uses interest rate swaps to manage its exposure to interest rate movements on its borrowings, and currency swaps to hedge cash flows in respect of committed transactions or to hedge its investment in overseas operations. The fair values of derivative financial instruments are as follows:

	2014 £m	2013 £m
Current assets		
Interest rate swaps: at fair value through profit and loss	11	13
Currency swaps	–	3
Derivative financial assets	11	16

	2014 £m	2013 £m
Non-current assets		
Interest rate swaps: at fair value through profit and loss	31	46
Derivative financial assets	31	46

The Group's accounting and risk management policies, and further information about the derivative financial instruments that it uses, are set out on pages 148 to 154.

## 18. Cash and cash equivalents

	2014 £m	2013 £m
Cash and cash equivalents	240	269
Short-term deposits	–	70
Total cash and cash equivalents	240	339

Restricted cash held by the Group at the balance sheet date amounted to £5 million (2013: £7 million).

## 19. Assets and liabilities held for sale

	2014 £m	2013 £m
Properties awaiting disposal	15	22
Assets of disposal groups held for sale	14	31
Assets held for sale	29	53
Liabilities of disposal groups held for sale	1	15

As at 31 July 2014, the Group was in the process of disposing of a small but profitable non-core business in the USA. The prior year included several portfolios of branches within its Building Materials business in France which were disposed by 31 July 2014.

The assets and liabilities of disposal groups held for sale consist of:

	2014 £m	2013 £m
Intangible assets	3	–
Property, plant and equipment	3	5
Inventories	6	20
Trade and other receivables	2	6
Finance leases	–	(5)
Payables and provisions	(1)	(10)
	13	16



## Notes to the consolidated financial statements continued

**20. Trade and other payables**

	2014 £m	2013 £m
Current		
Trade payables	1,746	1,856
Bills of exchange payable	37	77
Tax and social security	84	80
Other payables	105	99
Accruals	279	326
Deferred income	8	9
<b>Total trade and other payables</b>	<b>2,259</b>	<b>2,447</b>
Non-current		
Other payables	111	103

**21. Bank loans and overdrafts**

	2014 £m	2013 £m
Current		
Bank overdrafts	73	36
Bank loans	75	1
Senior unsecured loan notes	11	13
<b>Total bank loans and overdrafts</b>	<b>159</b>	<b>50</b>
Non-current		
Bank loans	372	227
Senior unsecured loan notes	419	478
<b>Total bank loans</b>	<b>791</b>	<b>705</b>

£197 million of the bank loans are secured against the Group's freehold property (2013: £228 million).

The non-current loans are repayable as follows:

	2014 £m	2013 £m
Due in one to two years	392	99
Due in two to three years	7	160
Due in three to four years	97	8
Due in four to five years	3	109
Due in over five years	292	329
<b>Total</b>	<b>791</b>	<b>705</b>

The carrying value of the senior unsecured loan notes of £430 million comprises a par value of £393 million and a fair value adjustment of £37 million (2013: £491 million, £437 million and £54 million respectively). The fair value adjustment arose during the period until 30 November 2011, when the loan notes were hedged by a series of interest rate swaps. From 30 November 2011 the hedge relationship was de-designated, and the fair value adjustment is being released to the income statement on an amortised cost basis over the period to maturity of the notes.

## 22. Financial instruments and financial risk management

There have been no significant changes during the year to the Group's policies on accounting for, valuing and managing the risk of financial instruments. These policies are summarised on pages 148 to 154.

### Capital structure

To assess the appropriateness of its capital structure to current and forecast trading, the Group's principal measure of financial gearing is the ratio of net debt to EBITDA before exceptional items. The Group aims to operate with investment grade credit metrics and ensure this ratio does not exceed 1 to 2 times. The Group's main borrowing facilities contain a financial covenant limiting the ratio of net debt to EBITDA before exceptional items to 3.5:1.

In order to maintain or adjust the capital structure, the Group may return capital to shareholders, repurchase its own shares, issue new shares or sell assets to reduce debt.

### Liquidity

During the year ended 31 July 2014, the Group entered into a £300 million revolving facility which matures in August 2015. In addition the Group added a further £59 million (\$100 million) to the existing £296 million (\$500 million) securitisation of US trade receivables facility (maturing in October 2016).

As at 31 July 2014, £250 million was drawn under the £300 million facility mentioned above.

As at 31 July the Group had undrawn facilities as follows:

	2014 £m	2013 £m
Less than one year	–	50
Between one and two years	250	–
Between two and three years	1,110	200
Between three and four years	–	1,162
<b>Total</b>	<b>1,360</b>	<b>1,412</b>

### Foreign currency

Net debt at 31 July 2014 by currency was as follows:

	Interest rate swaps £m	Finance lease obligations £m	Cash, overdrafts and bank loans £m	Currency bought/(sold) forward £m	Total £m
<b>As at 31 July 2014</b>					
Sterling	–	(3)	242	(128)	111
US dollars	42	(6)	(760)	–	(724)
Euros, Danish kroner and Swedish kronor	–	(15)	(147)	128	(34)
Other	–	(19)	(45)	–	(64)
<b>Total</b>	<b>42</b>	<b>(43)</b>	<b>(710)</b>	<b>–</b>	<b>(711)</b>

Net debt at 31 July 2013 by currency was as follows:

	Interest rate swaps £m	Finance lease obligations £m	Cash, overdrafts and bank loans £m	Currency bought/(sold) forward £m	Total £m
<b>As at 31 July 2013</b>					
Sterling	–	(3)	214	(166)	45
US dollars	59	(8)	(448)	–	(397)
Euros, Danish kroner and Swedish kronor	–	(25)	(174)	169	(30)
Other	–	(21)	(8)	–	(29)
<b>Total</b>	<b>59</b>	<b>(57)</b>	<b>(416)</b>	<b>3</b>	<b>(411)</b>

## Notes to the consolidated financial statements continued

**22. Financial instruments and financial risk management continued****Interest rates**

The interest rate profile of the Group's net debt after including the effect of interest rate swaps is set out in the following tables.

As at 31 July 2014	Floating £m	Fixed £m	Total £m
Sterling	114	(3)	111
US dollars	(325)	(399)	(724)
Euros, Danish kroner and Swedish kronor	98	(132)	(34)
Other currencies	(45)	(19)	(64)
Total	(158)	(553)	(711)

As at 31 July 2013	Floating £m	Fixed £m	Total £m
Sterling	48	(3)	45
US dollars	44	(441)	(397)
Euros, Danish kroner and Swedish kronor	122	(152)	(30)
Other currencies	(8)	(21)	(29)
Total	206	(617)	(411)

Fixed rate borrowings at 31 July 2014 carried a weighted average interest rate of 2.4 per cent fixed for a weighted average duration of 5.5 years (31 July 2013: 2.6 per cent for 5.8 years). Floating rate net cash at 31 July 2014, carried a weighted average interest rate of 0.4 per cent (31 July 2013: 1.3 per cent).

**23. Obligations under finance leases**

	Gross 2014 £m	Gross 2013 £m	Net 2014 £m	Net 2013 £m
Due within one year	9	15	7	13
Due in one to five years	26	33	19	25
Due in over five years	19	22	17	19
	54	70	43	57
Less: future finance charges	(11)	(13)		
Present value of finance lease obligations	43	57		
Current			7	13
Non-current			36	44
Total obligations under finance leases			43	57

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.

## 24. Provisions

	Environmental and legal £m	Wolseley Insurance £m	Restructuring £m	Other provisions £m	Total £m
At 31 July 2012	65	46	48	84	243
Utilised in the year	(5)	(16)	(21)	(4)	(46)
Unwind of discount	(5)	–	–	–	(5)
Charge/(credit) for the year	28	20	42	(10)	80
Acquisition of businesses	1	–	–	–	1
Disposal of businesses and reclassified as held for sale	–	–	–	(13)	(13)
Exchange differences	3	1	3	3	10
At 1 August 2013	<b>87</b>	<b>51</b>	<b>72</b>	<b>60</b>	<b>270</b>
Utilised in the year	<b>(5)</b>	<b>(21)</b>	<b>(26)</b>	<b>(6)</b>	<b>(58)</b>
Unwind of discount	<b>3</b>	–	–	–	<b>3</b>
Charge for the year	<b>1</b>	<b>15</b>	<b>19</b>	<b>11</b>	<b>46</b>
Acquisition of businesses	<b>3</b>	–	–	<b>3</b>	<b>6</b>
Disposal of businesses and reclassified as held for sale	<b>2</b>	–	<b>(5)</b>	<b>4</b>	<b>1</b>
Exchange differences	<b>(6)</b>	<b>(4)</b>	<b>(5)</b>	<b>(6)</b>	<b>(21)</b>
At 31 July 2014	<b>85</b>	<b>41</b>	<b>55</b>	<b>66</b>	<b>247</b>

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

	Environmental and legal £m	Wolseley Insurance £m	Restructuring £m	Other provisions £m	Total £m
<b>At 31 July 2014</b>					
Current	<b>28</b>	<b>18</b>	<b>32</b>	<b>20</b>	<b>98</b>
Non-current	<b>57</b>	<b>23</b>	<b>23</b>	<b>46</b>	<b>149</b>
Total provisions	<b>85</b>	<b>41</b>	<b>55</b>	<b>66</b>	<b>247</b>

	Environmental and legal £m	Wolseley Insurance £m	Restructuring £m	Other provisions £m	Total £m
At 31 July 2013					
Current	36	26	45	16	123
Non-current	51	25	27	44	147
Total provisions	87	51	72	60	270

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 USA casualty and global property damage).

The environmental and legal provision includes £49 million (31 July 2013: £51 million) for the estimated liability for asbestos litigation on a discounted basis using a long-term discount rate of 2.6 per cent (2013: 3.3 per cent). This amount has been actuarially determined as at 31 July 2014 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.

Restructuring provisions include provisions for staff redundancy costs and future lease rentals on closed branches. 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 warranty and separation costs relating to businesses disposed of and rental commitments on vacant properties and dilapidations on leased properties. The weighted average maturity of these obligations is approximately four years.

## Notes to the consolidated financial statements continued

**25. Retirement benefit obligations****(i) Long-term benefit plans provided by the Group**

The Group has a defined benefit pension plan for certain of its UK employees. This plan was closed for future accrual on 31 December 2013. The Group operates a number of smaller schemes in other jurisdictions, providing pensions or other long-term benefits such as long service or termination awards. More information about the schemes operated by the Group is set out on page 155.

**(ii) Financial impact of plans**

As disclosed in the balance sheet	2014 £m	2013 £m
Current asset	–	–
Non-current asset	96	–
Total asset	96	–
Current liability	(8)	(29)
Non-current liability	(81)	(104)
Total liability	(89)	(133)
Net asset/(liability)	7	(133)

Analysis of balance sheet net asset/(liability)	2014 £m	2013 £m
Fair value of plan assets:		
UK	1,167	1,086
Non-UK	217	220
	1,384	1,306
Present value of defined benefit obligation:		
UK	(1,071)	(1,108)
Non-UK	(306)	(331)
	(1,377)	(1,439)
Net asset/(liability)	7	(133)

Analysis of total expense recognised in income statement	2014 £m	Restated 2013 £m
Current service cost	12	25
Administration costs	2	2
Past service cost and gain from settlements	(1)	(10)
Charged to operating costs	13	17
Charged to finance costs	3	11
Total expense recognised in income statement	16	28

Of the expense for the year £13 million (2013: £17 million) has been included in the income statement as operating costs. The net interest expense has been included within finance costs (see note 5). The expected employer contribution to the defined benefit plans for the year ending 31 July 2015 is £28 million. The re-measurement of the defined benefit net asset/liability is included in the statement of comprehensive income.



## 25. Retirement benefit obligations continued

	2014 £m	Restated 2013 £m
Analysis of amount recognised in the statement of comprehensive income		
The return on plan assets (excluding amounts included in net interest expense)	44	150
Actuarial gains/(losses) arising from changes in demographic assumptions	12	(2)
Actuarial gains/(losses) arising from changes in financial assumptions	2	(72)
Actuarial gains arising from experience adjustments	27	–
Taxation	(17)	(49)
Total amount recognised in the statement of comprehensive income	68	27

The cumulative amount of actuarial losses recognised in the statement of comprehensive income is £188 million (2013: £273 million).

The fair value of plan assets is as follows:

	UK 2014 £m	Non-UK 2014 £m	Total 2014 £m	Restated UK 2013 £m	Restated Non-UK 2013 £m	Restated Total 2013 £m
Fair value of plan assets						
At 1 August	1,086	220	1,306	767	194	961
Interest income	49	8	57	39	6	45
Re-measurement gain:						
The return on plan assets (excluding amounts included in net interest expense)	30	14	44	143	7	150
Employer's contributions	33	7	40	167	9	176
Participants' contributions	–	4	4	–	4	4
Acquisitions	–	–	–	–	2	2
Benefits paid	(31)	(11)	(42)	(30)	(10)	(40)
Currency translation	–	(25)	(25)	–	8	8
At 31 July	1,167	217	1,384	1,086	220	1,306
Actual return on plan assets	79	22	101	182	13	195

At 31 July 2014, the plan's assets were invested in a diversified portfolio that consisted predominantly of equity and debt securities and cash. The assets in the plans were:

		2014 UK Value at 31 July 2014 £m	Restated 2013 UK Value at 31 July 2013 £m	2014 Non-UK Value at 31 July 2014 £m	Restated 2013 Non-UK Value at 31 July 2013 £m
Equity type assets	quoted	744	775	77	85
Government bonds	quoted	204	172	25	20
Corporate bonds	quoted	151	130	63	61
Real estate		4	–	21	18
Cash		23	9	3	6
Other including insurance policies		41	–	28	30
Total market value of assets		1,167	1,086	217	220

There were no unquoted plan assets in either the current or prior year.

## Notes to the consolidated financial statements continued

**25. Retirement benefit obligations continued**

	UK 2014 £m	Non-UK 2014 £m	Total 2014 £m	Restated		
				UK 2013 £m	Non-UK 2013 £m	Total 2013 £m
Present value of defined benefit obligation						
At 1 August	<b>1,108</b>	<b>331</b>	<b>1,439</b>	983	336	1,319
Current service cost	<b>10</b>	<b>4</b>	<b>14</b>	19	8	27
Interest cost	<b>49</b>	<b>11</b>	<b>60</b>	45	11	56
Re-measurement (gains)/losses:						
Actuarial gains and losses arising from changes in demographic assumptions	<b>(22)</b>	<b>10</b>	<b>(12)</b>	–	2	2
Actuarial gains and losses arising from changes in financial assumptions	<b>(16)</b>	<b>14</b>	<b>(2)</b>	92	(20)	72
Actuarial gains and losses arising from experience adjustments	<b>(27)</b>	<b>–</b>	<b>(27)</b>	–	–	–
Past service cost	<b>–</b>	<b>(1)</b>	<b>(1)</b>	(1)	(9)	(10)
Participants' contributions	<b>–</b>	<b>3</b>	<b>3</b>	–	4	4
Reclassified as held for sale	<b>–</b>	<b>(15)</b>	<b>(15)</b>	–	(6)	(6)
Benefits paid	<b>(31)</b>	<b>(12)</b>	<b>(43)</b>	(30)	(13)	(43)
Acquisitions	<b>–</b>	<b>–</b>	<b>–</b>	–	2	2
Currency translation	<b>–</b>	<b>(39)</b>	<b>(39)</b>	–	16	16
At 31 July	<b>1,071</b>	<b>306</b>	<b>1,377</b>	1,108	331	1,439

	2014 £m	2013 £m
Analysis of present value of defined benefit obligation		
Amounts arising from wholly unfunded plans	<b>49</b>	70
Amounts arising from plans that are wholly or partly funded	<b>1,328</b>	1,369
	<b>1,377</b>	1,439

**(iii) Valuation assumptions**

The financial assumptions used to estimate defined benefit obligations are:

	2014		2013	
	UK	Non-UK	UK	Non-UK
Discount rate	<b>4.3%</b>	<b>3.4%</b>	4.5%	3.7%
Inflation rate	<b>3.3%</b>	<b>1.7%</b>	3.4%	1.8%
Increase to deferred benefits during deferment	<b>2.3%</b>	<b>2.0%</b>	2.4%	2.0%
Increases to pensions in payment	<b>2.9%</b>	<b>1.4%</b>	3.3%	1.5%
Salary increases	<b>3.3%</b>	<b>2.6%</b>	3.4%	2.6%

The life expectancy assumptions used to estimate defined benefit obligations are:

	2014		2013	
	UK	Non-UK	UK	Non-UK
Current pensioners (at age 65) – male	<b>22</b>	<b>22</b>	22	20
Current pensioners (at age 65) – female	<b>24</b>	<b>24</b>	24	22
Future pensioners (at age 65) – male	<b>24</b>	<b>23</b>	25	21
Future pensioners (at age 65) – female	<b>27</b>	<b>25</b>	27	23

The weighted average duration of the defined benefit obligation is 20.9 years.

## 25. Retirement benefit obligations continued

### (iv) Plan risks

As described on page 155, the defined benefit plans typically expose the Company to the following actuarial risks which are managed by a Joint Working Group, comprising the Trustees of the defined benefit plan and employees of the Company.

#### Investment risk

The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the actual return on plan assets is below this rate, it will decrease a net surplus or increase a net pension liability. Currently the plan has a relatively balanced investment in equity securities, debt instruments and property. Due to the long-term nature of the plan liabilities, the trustees of the pension plan consider it appropriate that a reasonable portion of the plan assets should be invested in equity securities and property to leverage the return generated by the fund.

#### Interest risk

A decrease in the bond interest rate will increase the plan liability, and this will be partially offset by an increase in the value of the plan's debt investments.

#### Longevity risk

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

## 26. Share capital

	Authorised numbers		Allotted and issued numbers	
	2014	2013	2014	2013
Number of ordinary 10 <sup>5</sup> / <sub>11</sub> pence shares in the Company (million)	–	478	–	274
Number of ordinary 10 <sup>53</sup> / <sub>66</sub> pence shares in the Company (million)	463	–	267	–
Total number of shares (million)	463	478	267	274
Nominal value of ordinary 10 <sup>5</sup> / <sub>11</sub> pence shares in the Company (£ million)	–	50	–	28
Nominal value of ordinary 10 <sup>53</sup> / <sub>66</sub> pence shares in the Company (£ million)	50	–	29	–
Total nominal value of shares (£ million)	50	50	29	28

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

From 1 August 2013 to 31 July 2014, shares were issued to satisfy options exercised under the Group's share schemes. Following approval at the Annual General Meeting held on 26 November 2013 and in connection with the special dividend approved at that meeting, a share consolidation under which shareholders received 30 new ordinary shares of 10<sup>53</sup>/<sub>66</sub> pence for every 31 existing ordinary shares of 10<sup>5</sup>/<sub>11</sub> pence each, became effective on 2 December 2013. The share consolidation resulted in the number of ordinary shares in issue decreasing by 8,856,602 shares.

During the year, the Company issued 1,027,171 (2013: 533,648) ordinary shares with a nominal value of £0.1 million (2013: £0.1 million) to participants in the long-term incentive schemes and all-employee sharesave plans for an aggregate consideration of £14 million (2013: £8 million). The terms of issue were fixed on the respective dates of grant. The relevant dates of grants were between November 2003 and April 2013 and the market price on those dates were between £5.30 and £32.38. This consideration was settled in cash.

A summary of the movements in the year is detailed in the following table:

	2014	2013
Number of 10 <sup>5</sup> / <sub>11</sub> pence ordinary shares in the Company in issue at 1 August	274,361,228	286,281,635
Effect of share consolidation	(8,856,602)	(12,454,055)
Exercise of executive share options	322,489	150,141
Exercise of savings related share options	704,682	383,507
Number of 10 <sup>53</sup> / <sub>66</sub> pence (2013: 10 <sup>5</sup> / <sub>11</sub> pence) ordinary shares in the Company in issue at 31 July	266,531,797	274,361,228

## Notes to the consolidated financial statements continued

## 27. Share-based payments

	2014 £m	2013 £m
Analysis of profit and loss charge		
Executive Option Schemes	4	8
Ordinary Share Plan	13	8
Employee Saving Option Schemes	2	3
LTIS and RSP	3	3
	<b>22</b>	<b>22</b>

During the year the Remuneration Committee passed a resolution with regard to the Ordinary Share Plan, that the Remuneration Committee may in the case of any eligible employee determine that the vesting date applicable to that employee's awards shall be any date after the Date of Grant, which the Remuneration Committee determines is appropriate in the circumstances. There were no other significant changes to the Group's share plans.

Awards granted under the Executive Option Schemes are subject to a condition such that they may not be exercised unless the growth in headline 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.

The number of outstanding and number of exercisable share options and share awards are detailed below.

	2014 Number of shares/ options 000's	2013 Number of shares/options 000's
Outstanding at 1 August	8,048	10,731
Granted	1,437	1,348
Options exercised or shares vested	(3,415)	(3,608)
Surrendered or expired	(390)	(423)
Outstanding at 31 July	5,680	8,048
Exercisable at 31 July	1,490	1,065

In £	2014	2013
Weighted average fair value per share/option granted during the year	17.69	17.23

At 31 July 2014, 4,470,526 (2013: 7,694,774) of the shares and options outstanding had an exercise price which was below the market price.

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 Long Term Incentive Scheme, for which a Monte Carlo simulation was used. The fair value of shares granted under the Ordinary Share Plan and Restricted Share Plan (for more information please refer to page 155) 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	
	2014	2013	2014	2013	2014	2013
Risk free interest rate	1.8%	1.1%	1.6%	0.4%	0.4%	0.7%
Expected dividend yield	2.5%	2.9%	2.9%	2.4%	0.0%	3.0%
Expected volatility	43%	42%	29%	35%	29%	33%
Expected life	5.7 years	5.7 years	1-6 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 Group's capital reorganisation and rights issue in 2009. Expected life has been estimated on the basis of historical data on the exercise pattern.

The principal assumptions for the Ordinary Share Plan are an expected dividend yield of approximately 2.5 per cent and an expected life of three years.

## 28. Shareholders' equity and statement of changes in equity

				Reserves		
	Share capital £m	Share premium £m	Translation reserve £m	Own shares £m	Profit and loss account £m	Total equity £m
<b>For the year ended 31 July 2014</b>						
Profit for the year attributable to shareholders of the Company	–	–	–	–	504	504
Exchange on translation of overseas operations	–	–	(340)	–	–	(340)
Exchange on translation of borrowings and derivatives designated as hedges of overseas operations	–	–	77	–	–	77
Cumulative translation on disposals recycled to income statement	–	–	(12)	–	–	(12)
Actuarial gain on retirement benefits	–	–	–	–	85	85
Tax on gains and losses not recognised in the income statement	–	–	–	–	(15)	(15)
Total comprehensive income	–	–	(275)	–	574	299
New share capital subscribed	1	14	–	–	–	15
Purchase of own shares by Employee Benefit Trusts	–	–	–	(26)	–	(26)
Issue of own shares by Employee Benefit Trusts	–	–	–	48	(43)	5
Credit to equity for share-based payments	–	–	–	–	22	22
Taxation relating to share-based payments	–	–	–	–	7	7
Dividends paid	–	–	–	–	(489)	(489)
Net addition to/(reduction in) shareholders' equity	1	14	(275)	22	71	(167)
Opening shareholders' equity	28	27	402	(115)	2,711	3,053
Closing shareholders' equity	29	41	127	(93)	2,782	2,886

Total reserves, which are the sum of the own shares reserve, profit and loss account and translation reserves were £2,816 million at 31 July 2014 (2013: £2,998 million).

			Reserves			
	Share capital £m	Share premium £m	Translation reserve £m	Own shares £m	Profit and loss account £m	Total equity £m
For the year ended 31 July 2013						
Profit for the year attributable to shareholders of the Company	–	–	–	–	296	296
Exchange on translation of overseas operations	–	–	201	–	–	201
Exchange on translation of borrowings and derivatives designated as hedges of overseas operations	–	–	(43)	–	–	(43)
Actuarial gain on retirement benefits	–	–	–	–	76	76
Tax on gains and losses not recognised in the income statement	–	–	–	–	(20)	(20)
Total comprehensive income – restated	–	–	158	–	352	510
New share capital subscribed	–	8	–	–	–	8
Purchase of own shares by Employee Benefit Trusts	–	–	–	(110)	–	(110)
Issue of own shares by Employee Benefit Trusts	–	–	–	73	(66)	7
Credit to equity for share-based payments	–	–	–	–	22	22
Taxation relating to share-based payments	–	–	–	–	4	4
Dividends paid	–	–	–	–	(521)	(521)
Net addition to/(reduction in) shareholders' equity	–	8	158	(37)	(209)	(80)
Opening shareholders' equity	28	19	244	(78)	2,920	3,133
Closing shareholders' equity	28	27	402	(115)	2,711	3,053



## Notes to the consolidated financial statements continued

**29. Reconciliation of profit to cash generated from operations**

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

	2014 £m	Restated 2013 £m
Profit for the year	504	296
Net finance costs	29	36
Tax expense	194	176
(Gain)/loss on disposal and closure of businesses and revaluation of disposal groups	(32)	10
Profit from discontinued operations	–	(12)
Depreciation and impairment of property, plant and equipment	98	148
Amortisation of non-acquired intangibles	11	13
(Profit)/loss on disposal of property, plant and equipment	(14)	5
Amortisation of acquired intangibles	46	65
Increase in inventories	(70)	(48)
Increase in trade and other receivables	(82)	(82)
Increase in trade and other payables	19	116
Special contribution to the UK pension plan	–	(125)
(Decrease)/increase in provisions and other liabilities	(47)	13
Share-based payments	22	22
Cash generated from operations	678	633

Trading profit is reconciled to cash generated from operations as follows:

	2014 £m	Restated 2013 £m
Trading profit	755	725
Exceptional items in operating profit	18	(164)
Profit from discontinued operations	–	12
Gain on disposal and closure of businesses and revaluation of disposal groups	(32)	(2)
Depreciation and impairment of property, plant and equipment	98	148
Amortisation of non-acquired intangibles	11	13
(Profit)/loss on disposal of property, plant and equipment and assets held for sale	(14)	5
Increase in inventories	(70)	(48)
Increase in trade and other receivables	(82)	(82)
Increase in trade and other payables	19	116
Special contribution to the UK pension plan	–	(125)
(Decrease)/increase in provisions and other liabilities	(47)	13
Share-based payments	22	22
Cash generated from operations	678	633

### 30. Acquisitions

The Group acquired 100 per cent of the following businesses in the year ended 31 July 2014. All these businesses are engaged in the distribution of plumbing and heating products or building materials. These transactions have been accounted for by the purchase method of accounting.

	<b>Date</b>	<b>Country of incorporation</b>	<b>% acquired</b>
Karl's Appliances	January 2014	USA	100%
Perssons	January 2014	Sweden	100%
Waterworks Industries	March 2014	USA	100%
Fusion*	March 2014	UK	100%
Puukeskus	March 2014	Finland	100%
Factory Direct Appliance	April 2014	USA	100%
Capstone	May 2014	Taiwan	100%
HP Products	June 2014	USA	100%

\*Clearance to proceed with the acquisition was received from the UK Competitions and Markets Authority on 20 August 2014.

Details of the assets and liabilities acquired and the consideration for all acquisitions in the period are as follows:

	<b>Book values acquired £m</b>	<b>Fair value adjustments £m</b>	<b>Provisional fair values acquired £m</b>
Intangible fixed assets			
– Customer relationships	–	46	46
– Trade names and brands	–	2	2
– Other	9	2	11
Property, plant and equipment	39	(7)	32
Inventories	47	(6)	41
Receivables	44	–	44
Cash, cash equivalents and bank overdrafts	1	–	1
Payables	(42)	–	(42)
Current and deferred tax	3	7	10
Provisions (note 24)	–	(6)	(6)
<b>Total</b>	<b>101</b>	<b>38</b>	<b>139</b>
Goodwill arising			61
<b>Consideration</b>			<b>200</b>

Satisfied by:

Cash	187
Deferred consideration	13
<b>Total consideration</b>	<b>200</b>

The fair value adjustments for the period ended 31 July 2014 are provisional figures, being the best estimates currently available. Further adjustments to goodwill may be necessary when additional information is available concerning some of the judgemental areas.

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

## Notes to the consolidated financial statements continued

### 30. Acquisitions continued

The acquisitions contributed £144 million to revenue, £5 million to trading profit and £2 million to the Group's operating profit for the period between the date of acquisition and the balance sheet date. It is not practicable to disclose profit before and after tax, as the Group manages its borrowings as a portfolio and cannot attribute an effective borrowing rate to an individual acquisition.

If each acquisition had been completed on the first day of the financial year, Group revenue would have been £13,430 million and Group trading profit would have been £769 million. It is not practicable to disclose profit before tax or profit attributable to equity shareholders, as stated above. It is not practicable to disclose operating profit as the Group cannot estimate the amount of intangible assets that would have been acquired at a date other than the acquisition date.

The net outflow of cash in respect of the purchase of businesses is as follows:

	2014 £m	2013 £m
Purchase consideration	187	113
Deferred and contingent consideration in respect of prior year acquisitions	8	5
Cash consideration	195	118
Cash acquired	(1)	(7)
Net cash outflow in respect of the purchase of businesses	194	111

### 31. Disposals

In the year ended 31 July 2014, the Group disposed of the following businesses:

Name	Country	Date of disposal	Share/asset deal
Cheapy	Sweden	April 2014	Assets
OAG	Austria	June 2014	Shares
CFM	Luxembourg	October 2013	Shares

In addition the Group disposed of a number of branches of its Building Materials business in France.

The Group recognised a total gain on the disposal of the above businesses of £32 million.

	2014 £m
Consideration received	57
Net assets disposed of	(33)
Disposal costs and provisions	(4)
Cumulative currency translation gain recycled from reserves	12
Gain on disposal	32

Details of assets and liabilities disposed of, are provided in the following table:

	2014 £m
Property, plant and equipment	12
External investments	2
Inventory	37
Receivables	35
Payables	(39)
Pensions and provisions	(14)
Total	33

### 31. Disposals continued

The net inflow of cash in respect of the disposal of businesses is as follows:

	2014 £m
Cash consideration received for current year disposals	29
Disposal costs paid	(4)
Cash consideration received for prior year disposals	13
Payments to settle liabilities for prior year disposals	(4)
Net cash inflow	34

### 32. Reconciliation of opening to closing net (debt)/cash

	At 1 August £m	Cash flows £m	Acquisitions and new finance leases £m	Fair value and other adjustments £m	Exchange movement £m	At 31 July £m
<b>For the year ended 31 July 2014</b>						
Cash and cash equivalents	339					240
Bank overdrafts	(36)					(73)
	303	(123)	–	–	(13)	167
Derivative financial instruments	62	(12)	–	(3)	(5)	42
Bank loans	(719)	(243)	–	12	73	(877)
Obligations under finance leases	(57)	11	(1)	–	4	(43)
Net (debt)	(411)	(367)	(1)	9	59	(711)

	At 1 August £m	Cash flows £m	Acquisitions and new finance leases £m	Reclassified as held for sale £m	Fair value and other adjustments £m	Exchange movement £m	At 31 July £m
<b>For the year ended 31 July 2013</b>							
Cash and cash equivalents	813						339
Bank overdrafts	(39)						(36)
	774	(461)	–	–	–	(10)	303
Derivative financial instruments	72	(14)	–	–	2	2	62
Bank loans	(748)	54	(3)	–	14	(36)	(719)
Obligations under finance leases	(53)	12	(15)	5	–	(6)	(57)
Net cash/(debt)	45	(409)	(18)	5	16	(50)	(411)

### 33. Related party transactions

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

Key management personnel compensation (including Directors)	2014 £m	2013 £m
Salaries, bonuses and other short-term employee benefits	9	8
Termination and post-employment benefits	4	4
Share-based payments	4	4
Total compensation	17	16

More detailed disclosures on the remuneration of the Directors are provided in the Remuneration report on pages 83 to 104.

## Notes to the consolidated financial statements continued

### 34. Operating lease commitments

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

	2014 £m	2013 £m
Within one year	199	217
Later than one year and less than five years	441	493
After five years	148	158
Total operating lease commitments	788	868

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 commitments shown above include commitments for onerous leases which have already been provided for. At 31 July 2014, provisions include an amount of £42 million (2013: £39 million) in respect of minimum lease payments for such onerous leases net of sublease payments expected to be received. The total minimum sublease payments expected to be received under non-cancellable subleases at 31 July 2014 is £14 million (2013: £17 million).

### 35. Contingent liabilities

Group companies are, from time to time, subject to certain claims and litigation arising in the normal course of business in relation to, among other things, the suitability of products, contract and commercial disputes and disputes with employees. Provision is made if, on the basis of current information and professional advice, liabilities are considered likely to arise. In the case of unfavourable outcomes the Group may benefit from applicable insurance recoveries. Certain claims arise as a result of the unintentional supply of defective products and these claims are usually the responsibility of the manufacturer, though defence and other costs may also be incurred by the Group.

#### Warranties and guarantees in relation to business disposals

Following a review of the appropriate allocation of the Group's resources in 2009, the Group has disposed of a number of non-core businesses and various Group companies have provided certain standard warranties and guarantees to acquirers and other third parties, including warranties regarding financial statements and taxation. Provision is made where the Group considers that a liability is likely to crystallise, though it is possible that claims in respect of which no provisions has been made could be received in the future. Group companies have also guaranteed certain property and other obligations which could be called in an event of default. As at the date of this report there are no significant outstanding claims in relation to business disposals.

#### Environmental

The operations of certain Group companies, particularly those engaged in processing, converting or treating building materials, are subject to specific environmental regulations. From time to time the Group conducts preliminary investigations through third parties to assess potential risks including potential soil or groundwater contamination of sites. Where an obligation to remediate contamination arises then this is provided for, though future liabilities could arise from sites for which no provision is made.

#### Outcome

The outcome of claims and litigation to which Group companies are party cannot readily be foreseen as, in some cases, the facts are unclear, further time is needed to properly assess the merits of the case, or they are part of continuing legal proceedings. However, based on information currently available, the Directors consider that the cost to the Group of an unfavourable outcome arising from such litigation is not expected to have a material adverse effect on the financial position of the Group.

### 36. Post balance sheet events

A one year extension of the securitisation of the US trade receivables facility was approved on 23 September 2014.



## 37. Additional information

### Group accounting policies

A summary of the principal accounting policies applied by the Group in the preparation of the consolidated financial statements is set out below. The accounting policies have been applied consistently throughout the current and preceding year.

#### Basis of preparation

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

#### Exceptional items

Exceptional items are those which are considered significant by virtue of their nature, size or incidence. These items are presented as exceptional within their relevant income statement category to assist in the understanding of the trading and financial results of the Group. In addition, management presents trading profit, headline profit and headline earnings per share to provide additional useful information on underlying trends to shareholders.

Examples of such items that are considered by the Directors for designation as exceptional items include, but are not limited to:

- Restructuring and other expenses relating to the integration of an acquired business
- Gains/losses on disposal of businesses
- Acquisition related costs principally relating to professional fees
- Costs arising as a result of material and non-recurring regulatory and litigation matters

#### Consolidation

The consolidated financial information includes the results of the parent company and its subsidiary undertakings drawn up to 31 July 2014.

The trading results of businesses operations 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, with the exception of gains/losses required under relevant IFRS accounting standards.

#### 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 net borrowings to the extent that they are used to finance or provide a hedge against foreign currency net assets as detailed above.

## Notes to the consolidated financial statements continued

### 37. Additional information continued

#### Group accounting policies continued

##### Business combinations

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.

##### 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 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 recognised in 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.

##### 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 within intangible assets. Goodwill is allocated to cash generating units or aggregations of cash generating units (together "CGUs") where synergy benefits are expected. CGUs are independent sources of income streams and represent the lowest level within the Group at which the associated goodwill is monitored for management purposes. No CGU is larger than the reporting segments determined in accordance with IFRS 8 "Operating Segments".

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.

On transition to IFRS, the balance of goodwill as measured under UK GAAP was allocated to each CGU. Goodwill arising on business combinations after 1 August 2004 has been allocated to the CGUs that are expected to benefit from that business combination.

###### 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.

## 37. Additional information continued

### Group accounting policies continued

#### Other intangible assets continued

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:

Software	3 – 5 years
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Software assets are generally either purchases from third parties or internally generated.

#### 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	20 – 50 years
Operating leasehold improvements	over the period of the lease
Plant and machinery	7 – 10 years
Computer hardware	3 – 5 years
Fixtures and fittings	5 – 7 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 period of the leases.

## Notes to the consolidated financial statements continued

### 37. Additional information continued

#### Group accounting policies continued

##### 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.

##### Impairment of assets

Assets that have an indefinite useful life, such as goodwill, are not subject to amortisation or depreciation 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 or depreciation 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. 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.

##### Inventories

Inventories, which comprise all goods purchased for resale, 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.

##### 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.

The amount relating to continuing operations charged to the income statement in 2014 in respect of impaired receivables represented 0.15 per cent of revenue (2013: 0.19 per cent). The Group held a provision for impairment of receivables at 31 July 2014 amounting to £39 million (2013: £46 million).

##### Retirement benefit obligations

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 of providing benefits is determined annually using the projected unit credit method by independent qualified actuaries. The current service cost of defined benefit plans is recorded within operating profit. Past service costs are recognised immediately in income. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. The asset/liability recognised in the balance sheet in respect of defined benefit pension plans is the fair value of plan assets less the present value of the defined benefit obligation at the end of the reporting period. Where a plan is in surplus, the asset recognised is limited to the present value of any amount which the Group expects to recover by way of refunds or a reduction in future contributions.

## 37. Additional information continued

### Group accounting policies continued

#### 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.

#### Share capital

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.

#### Share-based payments

Share-based incentives are provided to employees under the Group's executive share option, long-term incentive, employee share purchase and ordinary share plan schemes. The Group recognises a compensation cost in respect of these schemes that is based on the fair value of the awards, measured using 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 remeasured unless the conditions on which the award was granted are modified. For cash-settled schemes, the fair value is determined at the date of grant and is remeasured at each balance sheet date until the liability is settled. Generally, the compensation cost is recognised on a straight-line basis over the vesting period. Adjustments are made to reflect expected and actual forfeitures during the vesting period due to the failure to satisfy service conditions or non-market performance conditions.

#### 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 or paid.

#### 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.

Cash, which is not freely available to the Group, is disclosed as restricted cash.

## Notes to the consolidated financial statements continued

### 37. Additional information continued

#### Group accounting policies continued

##### 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.

##### 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 instruments by category

The accounting policies for financial instruments have been applied to the following items:

	Cash and cash equivalents £m	Loans and receivables £m	Fair value through profit or loss £m	Total £m
<b>Assets at 31 July 2014</b>				
Financial assets	–	–	17	17
Trade and other receivables, excluding prepayments and accrued income	–	1,919	–	1,919
Derivative financial assets	–	–	42	42
Cash and cash equivalents	240	–	–	240
	240	1,919	59	2,218
Impairment losses in the year	–	20	–	20

	Amortised cost £m	Total £m
<b>Liabilities at 31 July 2014</b>		
Trade and other payables, excluding accruals, deferred income and tax and social security	1,999	1,999
Loans and overdrafts	950	950
Obligations under finance leases	43	43
Total liabilities	2,992	2,992



## 37. Additional information continued

### Group accounting policies continued

#### Financial instruments by category continued

	Cash and cash equivalents £m	Loans and receivables £m	Fair value through profit or loss £m	Available-for-sale £m	Total £m
Assets at 31 July 2013					
Financial assets	–	–	–	2	2
Trade and other receivables, excluding prepayments and accrued income	–	1,980	–	–	1,980
Derivative financial assets	–	–	62	–	62
Cash and cash equivalents	339	–	–	–	339
	339	1,980	62	2	2,383
Impairment losses in the year	–	25	–	–	25

	Amortised cost £m	Total £m
Liabilities at 31 July 2013		
Trade and other payables, excluding accruals, deferred income and tax and social security	2,135	2,135
Loans and overdrafts	755	755
Obligations under finance leases	57	57
Total liabilities	2,947	2,947

### Additional information about financial instruments

#### 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. Fair value measurements can be classified in the following 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 2014 and 31 July 2013:

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets at 31 July 2014				
Derivatives at fair value through profit or loss	–	42	–	42
Bond held at fair value through profit or loss	–	–	17	17
Total assets	–	42	17	59

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets at 31 July 2013				
Financial assets: available-for-sale investments	2	–	–	2
Derivatives at fair value through profit or loss	–	62	–	62
Total assets	2	62	–	64

## Notes to the consolidated financial statements continued

**37. Additional information continued****Additional information about financial instruments continued**

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.

The Group's other financial instruments are measured on bases other than fair value. Other receivables include an amount of £48 million (2013: £50 million) which has been discounted at a rate of 2.6 per cent (2013: 3.3 per cent) due to the long-term nature of the receivable. Because other 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:

	2014 Book value £m	2014 Fair value £m	2013 Book value £m	2013 Fair value £m
Trade and other receivables, excluding prepayments and accrued income	1,919	1,919	1,980	1,980
Trade and other payables, excluding accruals, deferred income and other tax and social security	1,999	1,999	2,135	2,135
Bank loans and overdrafts	520	520	264	264
Senior unsecured notes	430	447	491	510
Finance lease obligations	43	43	57	57

**Financial instruments: disclosure of offsetting arrangements**

The financial instruments that have been offset in the financial statements are disclosed below:

	Notes	Gross balances (a) £m	Offset amounts (b) £m	Financial statements (c) £m
<b>At 31 July 2014</b>				
<b>Financial assets</b>				
Non-current assets				
Derivative financial assets	17	61	(30)	31
Current assets				
Derivative financial assets	17	20	(9)	11
Cash and cash equivalents	18	1,395	(1,155)	240
		1,476	(1,194)	282
<b>Financial liabilities</b>				
Current liabilities				
Derivative financial liabilities	17	30	(30)	–
Bank loans and overdrafts	21	1,314	(1,155)	159
Finance leases	23	7	–	7
Non-current liabilities				
Derivative financial liabilities	17	9	(9)	–
Bank loans	21	791	–	791
Finance leases	23	36	–	36
		2,187	(1,194)	993
<b>Closing net debt</b>	32	(711)	–	(711)

## 37. Additional information continued

### Additional information about financial instruments continued

#### Financial instruments: disclosure of offsetting arrangements (continued)

At 31 July 2013	Notes	Gross balances (a) £m	Offset amounts (b) £m	Financial statements (c) £m
<b>Financial assets</b>				
Non-current assets				
Derivative financial assets	17	89	(43)	46
Current assets				
Derivative financial assets	17	26	(10)	16
Cash and cash equivalents	18	1,762	(1,423)	339
		1,877	(1,476)	401
<b>Financial liabilities</b>				
Current liabilities				
Derivative financial liabilities	17	43	(43)	–
Bank loans and overdrafts	21	1,473	(1,423)	50
Finance leases	23	13	–	13
Non-current liabilities				
Derivative financial liabilities	17	10	(10)	–
Bank loans	21	705	–	705
Finance leases	23	44	–	44
		2,288	(1,476)	812
<b>Closing net debt</b>	32	(411)	–	(411)

(a) The gross amounts of the recognised financial assets and liabilities under an enforceable master netting agreement, or similar arrangement.

(b) The amounts offset in accordance with the criteria in IAS 32.

(c) The net amounts presented in the Group balance sheet.

#### Financial instruments: risk management policies

The Group is exposed to market risks arising from its international operations, and the financial instruments which fund them. The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk and liquidity risk. The Group has well defined policies for the management of interest rate, liquidity, foreign exchange and counterparty exposures, which have been consistently applied during the financial years ended 31 July 2014 and 31 July 2013. 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 during or since the previous year-end in the major financial risks faced by the Group.

Policies for managing each of these risks are regularly reviewed and 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. In order to maintain or adjust the capital structure the Group may pay a special dividend, return capital to shareholders, repurchase its own shares, issue new shares or sell assets to reduce debt.

## Notes to the consolidated financial statements continued

**37. Additional information continued****Additional information about financial instruments continued****Liquidity risk**

The Group maintains a policy of ensuring sufficient borrowing headroom to finance all investment and capital expenditure included in its strategic plan, with an additional contingent safety margin.

The Group has estimated its anticipated contractual cash outflows (excluding interest income and income from derivatives) including interest payable in respect of its trade and other payables and bank 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 2014	Trade and other payables £m	Debt £m	Interest on debt £m	Total £m
Due in less than one year	1,888	156	28	2,072
Due in one to two years	20	390	21	431
Due in two to three years	9	6	17	32
Due in three to four years	7	98	15	120
Due in four to five years	6	3	12	21
Due in over five years	69	303	28	400
Total	1,999	956	121	3,076

As at 31 July 2013	Trade and other payables £m	Debt £m	Interest on debt £m	Total £m
Due in less than one year	2,032	37	31	2,100
Due in one to two years	14	87	31	132
Due in two to three years	12	151	24	187
Due in three to four years	6	1	19	26
Due in four to five years	5	103	15	123
Due in over five years	66	322	43	431
Total	2,135	701	163	2,999

**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 54 per cent of the Group's revenue is in US dollars and 13 per cent in euros. The Group does not have significant transactional foreign currency cash flow exposures. However, those that do arise may be hedged with either forward contracts or currency options. The Group does not normally hedge profit translation exposure since such hedges have only temporary effect.

The Group's policy is to adjust the currencies in which its net debt is denominated to materially match the currencies in which its trading profit is generated. 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 167. The net effect of currency translation was to decrease revenue by £462 million (3.5 per cent) (2013: increase by £59 million, or 0.4 per cent) and to decrease trading profit by £31 million (4.2 per cent) (2013: increase by £5 million or 0.6 per cent). These currency effects reflect a movement of the average sterling exchange rate against US dollars, euros and Canadian dollars as follows:

## 37. Additional information continued

### Additional information about financial instruments continued

	2014 Strengthening/ (weakening) of sterling	2013 Strengthening/ (weakening) of sterling
US dollars	5.0%	(1.0%)
Euros	0.3%	0.7%
Canadian dollars	11.7%	(1.1%)

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 those financial instruments designated as hedges at the balance sheet date was £1,260 million (2013: £1,539 million). The gain on translation of these financial instruments into sterling of £77 million (2013: loss of £43 million) has been taken to the translation reserve.

At 31 July 2014, the Group had the following short-term currency swaps and forward contracts which were designated and effective as hedges of overseas operations.

	Forward Contracts	2014	Currency Swaps	2014
	Currency million	£m	Currency million	£m
Bought/(sold) forward	SEK 35	3	DKK 1,200	128
	DKK (28)	(3)	GBP (128)	(128)
		–		–

	Currency Swaps	2013
	Currency million	£m
Bought/(sold) forward	DKK 1,440	169
	GBP (166)	(166)
		3

### Interest rate risk

To manage the Group's exposure to interest rate fluctuations, the Group's policy is between 0 per cent and 50 per cent of projected borrowings required during the next two years should be at fixed rates. However, this percentage is regularly reviewed by the Board and 63 per cent of loans were at fixed rates at 31 July 2014. The Group borrows in the desired currencies principally at rates determined by reference to short-term benchmark rates applicable to the relevant currency or market, such as LIBOR. Rates which reset at least every 12 months are regarded as floating rates, and the Group then if appropriate considers interest rate swaps to generate the desired interest rate profile.

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

During November 2011, the Group entered into interest rate swap contracts comprising fixed interest payable on US\$664 million of notional principal. The contracts expire between November 2015 and November 2020 and the fixed interest rates range between 1.51 per cent and 2.94 per cent. These contracts have been held since inception at fair value through profit or loss. With effect from 1 December 2011 interest rate swap contracts comprising fixed interest receivable on an original notional principal of US\$729 million (US\$664 million at 31 July 2014) have been classified as held at fair value through profit or loss. The contracts expire between November 2015 and November 2020 and the fixed interest rates range between 5.05 per cent and 5.32 per cent (2013: 5.05 per cent and 5.32 per cent).

The table below shows the income statement movement on fair value through profit and loss.

## Notes to the consolidated financial statements continued

**37. Additional information continued****Additional information about financial instruments continued**

At fair value through profit or loss (hedge accounting not applied)	2014 £m	2013 £m
At 1 August	59	72
Transfer from hedge of fair value of fixed interest borrowings	–	–
Settled	(12)	(14)
Valuation gain/(losses) charged to income statement	1	(1)
Exchange	(6)	2
At 31 July	42	59

There are no fixed rate interest borrowings that form part of a hedge relationship.

**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. At 31 July 2014, the maximum exposure to credit risk was £1,919 million (2013: £1,980 million).

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

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 £282 million (2013: £401 million). This risk is managed by setting credit and settlement limits for a panel of approved counterparties. 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. The Group has estimated that an increase of one percentage point in the principal interest rates to which it is exposed would result in a charge to the income statement of £3 million, arising from changes in the fair value of interest rate swaps. The Group has 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 equity of £74 million (2013: £57 million), arising from the translation of borrowings denominated in foreign currency, and a credit of £4 million to the income statement, arising from the retranslation of interest rate swaps held at fair value through profit or loss (2013: £7 million).

The Group does not require operating businesses to adhere to a formalised risk management policy in respect of trade credit risk or commodity price risk, and does not consider that there is a useful way of quantifying the Group's exposure to any of the macroeconomic variables that might affect the collectability of receivables or the prices of commodities.

**Additional information about non-GAAP measures and 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 those which are considered significant by virtue of their nature, size or incidence, and are presented separately in the income statement to enable a full understanding of the Group's financial performance. In addition, the current businesses within the Group have arisen through internal organic growth and through acquisition. 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.



## 37. Additional information continued

### Additional information about pensions and other long-term employee benefits

#### Description of plans

The principal UK defined benefit plan is the Wolseley Group Retirement Benefits Plan which provides benefits based on final pensionable salaries. This plan was closed to new entrants in 2009. The assets are held in separate trustee administered funds. The Group contribution rate is calculated on the Projected Unit Method and agreed with an independent consulting actuary. The Group Retirement Benefits Plan was closed to future accrual on 31 December 2013 and was replaced by a new defined contribution plan. Obligations under the UK defined contribution plan are recognised as an operating cost in the income statement as incurred.

The principal plans operated for US employees are defined contribution plans, which are established in accordance with US 401k rules. Companies contribute to both employee compensation deferral and profit sharing plans. The Group also operates two defined benefit plans in the United States which are closed to new entrants. One of the plans is funded and 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 plan. The contribution rate is calculated on the Projected Unit (credit) Method as agreed with independent consulting actuaries.

In Canada, defined benefit plans and a defined contribution plan are operated. Most of the Canadian defined benefit plans are funded. The contribution rate is calculated on the Projected Unit (credit) Method as agreed with independent consulting actuaries.

In Europe, both defined contribution and defined benefit plans are operated. Liabilities arising under defined benefit plans are calculated in accordance with actuarial advice.

#### Investment policy

The Group's investment strategy for its funded post employment plans is decided locally and, if relevant, by 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 plan, the policy is to invest approximately 70 per cent of the assets in equities and 30 per cent in other asset classes, principally bonds. The investment strategy is subject to regular review by the scheme trustees in consultation with the Company. 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.

### Additional information about share-based payment plans

The Group currently operates three types of discretionary plans and two types of all-employee sharesave plans.

Awards granted under the Executive Option Plans are subject to a condition such that they may not be exercised unless the growth in headline 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 Plans vest over periods ranging from three to seven years, except for awards granted under the ESPP, which vest over a one year period.

The Group also operates a Long Term Incentive Plan ("LTIP") for senior executives. Under the LTIP, executives are awarded a variable number of shares depending on the level of total shareholder return over a three-year period relative to that of the FTSE 100. The vesting period is three years. The maximum award under the LTIP is determined at grant date and then adjusted at vesting date in accordance with the market performance condition. The vesting period is three years and there are no performance measures other than retained employment.

Since 2011, the Group has operated the Wolseley Group Ordinary Share Plan 2011 (the "Ordinary Share Plan") which is open to all eligible employees except Executive Directors of the Group. Under the Ordinary Share Plan, employees can be granted a variable number of awards in any form or combination of options, restricted share awards, conditional share awards or phantom share awards up to a maximum of 100 per cent of their current salary. The vesting period can be up to three years and there are no performance measures other than retained employment.

## Notes to the consolidated financial statements continued

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### 37. Additional information continued

#### Additional information about employee benefit trusts

Two Employee Benefit Trusts have been established in connection with the Company's discretionary share option plans and Long Term Incentive Plans. Bedell Trust Company Limited have been trustees of the Jersey trust since 16 March 2012, when three previous trusts were amalgamated. RBC Trust Company (Delaware) Ltd has been the trustee of the US trust since it was established on 24 October 2012. During the year the trusts purchased 793,225 shares at a cumulative cost of £26 million, and issued to employees exercising options 1,524,470 shares at a weighted average cost of £48 million, receiving £5 million in respect of the exercise price of options. At 31 July 2014, the trusts held 2,961,394 shares with a market value of £92 million (2013: 3,692,639 shares with a market value of £116 million). Dividends due on shares held by the Employee Benefit Trusts are waived in accordance with the provisions of the trust deeds.

#### Additional information about the parent company of the Group

The Company is incorporated in Jersey under the Companies (Jersey) Law 1991 and is headquartered in Switzerland. It operates as the ultimate parent company of the Wolseley Group. Its registered office is 26 New Street, St Helier, Jersey, JE2 3RA, Channel Islands.

The Group's principal subsidiary undertakings are set on page 168.

# Independent auditors' report to the members of Wolseley plc

## Report on the Group financial statements

### Our opinion

In our opinion, Wolseley PLC's Group financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's affairs as at 31 July 2014 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

### What we have audited

Wolseley PLC's financial statements comprise:

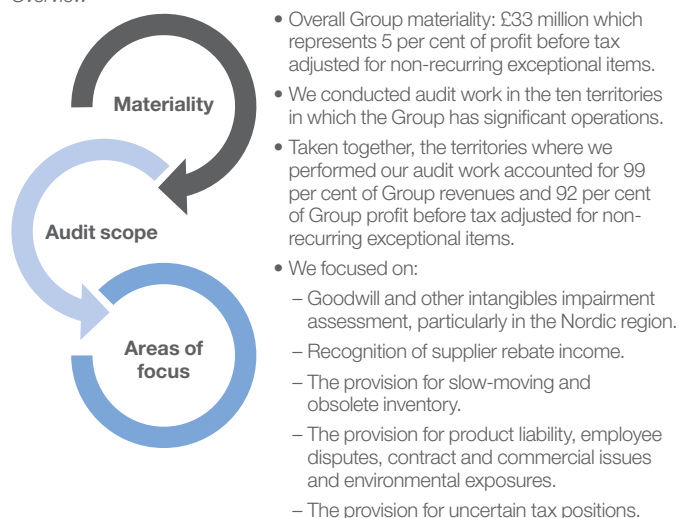
- the Group balance sheet as at 31 July 2014;
- the Group income statement and statement of comprehensive income for the year then ended;
- the Group cash flow statement for the year then ended;
- the Group statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report and Accounts (the "Annual Report"), rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

### Our audit approach

#### Overview



#### The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that may represent a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table on the next page together with an explanation of how we tailored our audit to address these specific areas. This is not a complete list of all risks identified by our audit.

#### Area of focus

### Goodwill and other intangibles impairment assessment, particularly in the Nordic region

Refer to page 72 (Audit Committee Report), page 111 (Accounting policies and critical estimates and judgements)

The carrying value of goodwill and intangibles at 31 July 2014 is £1,198 million. Of this, £1,037 million relates to businesses where there is substantial headroom between the value in use calculations and the carrying value of the net assets. The risk is that the remaining balance of £161 million is overstated.

We focused on the estimated values in use of the Stark business (£116 million goodwill and intangibles), the Silvan business (£24 million goodwill and intangibles) and the Neumann business (£21 million goodwill and intangibles), which make up this remaining balance and for which there is low headroom and where trading performance remains subdued.

We focused on this area because the calculation of the value in use in these businesses requires management to make subjective judgements about their future performance. The key assumptions for these businesses are set out in note 12.

### Recognition of supplier rebate income

Refer to page 72 (Audit Committee report) and page 111 (Accounting policies and critical estimates and judgements)

As is normal industry practice, the Group has a number of rebate agreements in place with suppliers most of which are based on the calendar year rather than the Group's own financial year. Additionally, in some cases the rebate income rises as a proportion of purchases as higher quantities or values of purchases are made.

In calculating the rebate income receivable, management is therefore required to make estimates of future purchases for the rebate year.

Due to the complexity and supplier specific nature of each arrangement, it is difficult to fully automate the rebate calculation process and hence management is reliant on processes outside the financial systems in most reporting units to calculate the rebate amounts due.

#### How our audit addressed the area of focus

We evaluated and challenged the Directors' future cash flow forecasts for the Stark, Silvan and Neumann businesses, and the process by which they were drawn up, including comparing them to the latest Board-approved three-year plans, and testing the underlying value in use calculations.

We also challenged:

- the Directors' key assumptions for near-term and long-term growth rates in the cash flow forecast by comparing them to historic trading performance and economic forecasts; and
- the discount rate by assessing the cost of capital for the Company and comparable organisations.

We performed sensitivity analyses around these key assumptions. Having ascertained the extent of change in those assumptions that either individually or collectively would be required for the goodwill and intangibles in these businesses to be impaired, we considered the likelihood of such a movement in those key assumptions arising and the adequacy of the disclosures made regarding the assumptions and sensitivities

We tested the operating effectiveness of controls in place over recording supplier rebate income. We agreed rebate terms to supplier contracts and assessed whether appropriate assumptions were used in rebate calculations. We obtained supplier circularisations and considered historic cash receipts to assess the accuracy of Directors' estimates. We took into account the patterns over several years in the overall rebate income for each major supplier and each type of agreement. In addition, we evaluated the impact of the credit-worthiness of suppliers on the likelihood of recoverability of significant rebate balances.

## Independent auditors' report to the members of Wolseley plc continued

Area of focus	How our audit addressed the area of focus
<p><b>The provision for slow-moving and obsolete inventory</b></p> <p><i>Refer to page 72 (Audit Committee report) and page 111 (Accounting policies and critical estimates and judgements)</i></p> <p>The balance of gross inventories at 31 July 2014 is £1,751 million, against which a provision of £113 million is held. The Directors estimate this provision by comparing the level of inventory held to future sales projected. The provision is calculated within the Group's accounting systems using an automated process. We focused on the accuracy and completeness of the provision because of the risk of error in the system calculation and the input of underlying data, as well as the judgements required in estimating future sales projections.</p>	<p>We tested the completeness of the data within the system used to generate the inventory provisioning by agreeing a sample of inventory in warehouses and branches to the data and recalculating subtotals. We also tested the accuracy of the resultant calculation by reviewing the calculation criteria and recalculating the provision for a sample of products.</p> <p>We examined the appropriateness of the provisioning methodology based on historical experience and future sales projections.</p>
<p><b>The provision for product liability, employee disputes, contract and commercial issues and environmental exposures</b></p> <p><i>Refer to page 72 (Audit Committee report), page 111 (Accounting policies and critical estimates and judgements) and page 131 (Notes)</i></p> <p>The Company is subject to litigation and claims in relation to product liability, employee disputes, contract and commercial issues and environmental exposure. The outcome of these claims can be inherently uncertain, as the ultimate liability for potential legal claims and other matters may be dependent upon facts that are currently uncertain or unknown, the outcome of litigation proceedings and possible settlement negotiations.</p>	<p>We evaluated the Directors' process to identify and quantify such exposures and obtained supporting evidence for the key assumptions including reports from specialists where appropriate.</p> <p>We also discussed these matters with internal legal counsel, obtained letters from external counsel and considered the appropriateness of the disclosure made in the Group financial statements.</p>
<p><b>The provision for uncertain tax positions</b></p> <p><i>Refer to page 72 (Audit Committee report) and page 112 (Accounting policies and critical estimates and judgements)</i></p> <p>The Group operates in a number of territories and recognises tax based on interpretation of local laws and regulations which are sometimes uncertain. The Group has established provisions against uncertain tax positions which requires Director judgement.</p>	<p>We involved our teams in the relevant jurisdictions who have knowledge of the local tax law to understand the extent of the exposure arising from the Group's arrangements.</p> <p>We obtained the latest correspondence between the Group and the relevant tax authorities and considered the views of the Group's external advisers on these matters where appropriate.</p> <p>We met with senior management and challenged the judgements and evaluated the appropriateness of the provisions made.</p>

### How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group's accounting process is structured around a local finance function in the 10 territories in which the Group has significant operations. These functions maintain their own accounting records and controls and report to the head office finance team through an integrated consolidation system.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed in the territories by us, as the Group engagement team, or component auditors within PwC UK and from other PwC network firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

In the current year, the Group engagement team visited the US component audit team; held a global partner meeting during the year which was attended by component team partners from the USA, UK, Canada, France, and Denmark; and had regular dialogue with the component teams throughout the year.

The Group consolidation, financial statement disclosures and a number of complex items were audited by the Group engagement team at the head office. These included derivative financial instruments, hedge accounting, impairment, litigation and share-based payments.

### Materiality

The scope of our audit is influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	£33 million (2013: £32 million).
How we determined it	5 per cent of profit before tax, adjusted for non-recurring exceptional items.
Rationale for benchmark applied	We believe that profit before tax, adjusted for non-recurring exceptional items provides us with a consistent year-on-year basis for determining materiality by eliminating the non-recurring impact of these items.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1.5 million (2013: £1.5 million), as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### Going concern

The Directors have voluntarily complied with Listing Rule 9.8.6 (R)(3) of the UK Financial Conduct Authority and provided a statement in relation to going concern, set out in the Directors' report, required for UK registered companies with a premium listing on the London Stock Exchange.

The Directors have requested that we review the statement on going concern as if the Group were a UK registered company. We have nothing to report having performed our review.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to prepare the financial statements using the going concern basis of accounting. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.

## Other required reporting

### Consistency of other information

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

<ul style="list-style-type: none"> <li>information in the Annual Report is:               <ul style="list-style-type: none"> <li>– materially inconsistent with the information in the audited financial statements; or</li> <li>– apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or</li> <li>– is otherwise misleading.</li> </ul> </li> </ul>	We have no exceptions to report arising from this responsibility.
<ul style="list-style-type: none"> <li>the statement given by the Directors on page 72, in accordance with Provision C.1.1 of the UK Corporate Governance Code (the “Code”), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group’s performance, business model and strategy is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit.</li> </ul>	We have no exceptions to report arising from this responsibility.
<ul style="list-style-type: none"> <li>the section of the Annual Report on page 71, as required by Provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.</li> </ul>	We have no exceptions to report arising from this responsibility.

### Adequacy of information and explanations received

Under the Companies Act (Jersey) Law 1991 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

### Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the parent company’s compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report having performed our review.

### Opinion on other matters

In our opinion, the information given in the Strategic report and the Directors’ Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Responsibilities for the financial statements and the audit

### Our responsibilities and those of the Directors

As explained more fully in the Directors’ responsibilities statement set out on page 79, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & 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 Article 113A of the Companies (Jersey) Law 1991 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.

### What an audit of financial statements involves

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.

We primarily focus our work in these areas by assessing the Directors’ judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Other matter

We have reported separately on the Company financial statements of Wolseley plc for the year ended 31 July 2014.



Stuart Watson (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Recognized Auditors  
London, United Kingdom

29 September 2014

## Company profit and loss account

Year ended 31 July 2014

	Notes	2014 £m	2013 £m
Administrative expenses		(16)	(11)
<b>Operating loss</b>		<b>(16)</b>	<b>(11)</b>
Income from shares in Group undertakings		2,431	500
Profit on ordinary activities before interest		2,415	489
Net income on repayment of share capital by a subsidiary		–	273
Interest receivable and similar income		16	15
Interest payable and similar charges		(6)	(2)
Profit before tax		2,425	775
Taxation		(3)	–
<b>Profit for the financial year</b>		<b>2,422</b>	<b>775</b>

The Company has no recognised gains and losses other than those included in the profit and loss account and therefore no separate statement of total recognised gains and losses has been presented.

## Company balance sheet

Year ended 31 July 2014

	Notes	2014 £m	2013 £m
<b>Fixed assets</b>			
Investments	3	7,586	5,265
		7,586	5,265
<b>Current assets</b>			
Debtors: amounts falling due within one year	4	2	24
Cash at bank and in-hand		27	4
		29	28
<b>Creditors: amounts falling due within one year</b>	5	<b>(541)</b>	<b>(65)</b>
<b>Net current liabilities</b>		<b>(512)</b>	<b>(37)</b>
<b>Total assets less current liabilities</b>		<b>7,074</b>	<b>5,228</b>
<b>Creditors: amounts falling due after one year</b>	6	<b>–</b>	<b>(103)</b>
<b>Net assets</b>		<b>7,074</b>	<b>5,125</b>
<b>Capital and reserves</b>			
Called up share capital	7	29	28
Share premium account	8	41	27
Own shares reserve	9	(93)	(115)
Profit and loss account	10	7,097	5,185
<b>Total shareholders' equity</b>	11	<b>7,074</b>	<b>5,125</b>

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

The Company financial statements on pages 160 to 164 were approved by the Board of Directors on 29 September 2014 and were signed on its behalf by



**Ian Meakins**  
Group Chief Executive



**John Martin**  
Chief Financial Officer



# Notes to the Company financial statements

Year ended 31 July 2014

## 1. Corporate information

Wolseley plc (the “Company”) was incorporated and registered in Jersey on 28 September 2010 under the Jersey Companies Law as a public company limited by shares under the name Wolseley plc with registered number 106605. The principal legislation under which the Company operates is the Companies (Jersey) Law 1991, as amended, and regulations made thereunder. The address of its registered office is 26 New Street, St Helier, Jersey, JE2 3RA, Channel Islands. It is headquartered in Switzerland.

The principal activity of the Company is to act as the ultimate holding company of the Wolseley Group of companies.

## 2. Company accounting policies

### Basis of accounting

The separate financial statements of the Company are presented in compliance with the requirements for companies whose shares are traded on the London Stock Exchange’s main market. They have been prepared on a going concern basis and under the historical cost convention, and in accordance with the Companies (Jersey) Law 1991 and United Kingdom Generally Accepted Accounting Practice (“UK GAAP”). They are presented in pounds sterling which is the functional currency of the Company.

The Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is included in the consolidated financial statements which it has prepared.

Note 8 (Dividends) on page 119, note 26 (Share capital) on page 135 and note 27 (Share-based payments) on page 136 of the Wolseley plc consolidated financial statements form part of these financial statements.

### 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 charged/credited to the profit and loss account.

### 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.

### Cash at bank and in-hand

Cash at bank and in-hand includes cash in-hand and deposits held with banks which are readily convertible to known amounts of cash. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet to the extent that there is no right of offset and intention to net settle with cash balances.

### Share capital

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

Where the Company or one of the Company’s trusts 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 disposed 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.

### Share-based payments

Share-based incentives are provided to employees under the Company’s executive share option, long-term incentive and share purchase and ordinary share plan schemes. The Company recognises a compensation cost in respect of these schemes that is based on the fair value of the awards, measured using Binomial and Monte Carlo valuation methodologies. For equity-settled schemes, the fair value is determined at the date of grant (including the impact of non-vesting conditions such as requirement for employees to save) and is not subsequently remeasured unless the conditions on which the award was granted are modified. 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.

## Notes to the Company financial statements continued

### 2. Company accounting policies continued

#### Dividends payable

Dividends on ordinary shares are recognised in the Company's financial statements in the period in which the dividends are approved by the shareholders of the Company or paid.

### 3. Fixed asset investments

	Cost £m
At 1 August 2013	5,265
Additions	2,321
At 31 July 2014	7,586

All of the above investments are in unlisted shares. The Directors believe that the carrying value of the investments is supported by the recoverable amount of their underlying assets. For more information, please refer to note 17.

The Company's direct holdings in subsidiary undertakings as at 31 July 2014 were as follows:

Company	Country of registration and operation	Principal activity	Percentage of ordinary shares held
Wolseley Limited	England and Wales	Investment	100%
Wolseley Insurance Limited	Isle of Man	Insurance	100%
Wolseley de Puerto Rico, Inc.	Commonwealth of Puerto Rico	Distributor of industrial products	100%
Wolseley Finance (Switzerland) AG	Switzerland	Finance	100%
Wolseley Holdings (Switzerland) AG	Switzerland	Investment	100%

Details of the principal subsidiary undertakings of the Company, including those that are held indirectly, are listed on page 168 of the Annual Report.

### 4. Debtors: amounts falling due within one year

	2014 £m	2013 £m
Amounts owed by Group companies	–	22
Other debtors	1	1
Accrued bank interest income	1	1
	2	24

The fair value of amounts included in debtors approximates to book value. Amounts owed by Group companies are not interest-bearing and are payable on demand.

### 5. Creditors: amounts falling due within one year

	2014 £m	2013 £m
Bank overdraft	3	5
Corporation tax payable	3	–
Amounts owed to Group companies	535	60
	541	65

The fair value of amounts included in creditors approximates to book value. Amounts owed to Group companies are not interest-bearing and are payable on demand.

## 6. Creditors: amounts falling due after one year

	2014 £m	2013 £m
Amounts owed to Group companies	–	103

## 7. Share capital

Details of the Company's share capital are set out in note 26, on page 135, to the Wolseley plc consolidated financial statements.

## 8. Share premium account

	£m
At 1 August 2013	27
New share capital subscribed	14
At 31 July 2014	41

Details of new share capital subscribed are set out in note 26, on page 135, to the Wolseley plc consolidated financial statements.

## 9. Own shares reserve

During the previous year, the Company established a new US Employee Benefit Trust with £79 million of cash to purchase shares. The existing Jersey Employee Benefit Trust has historically been funded by loans from its subsidiary company, Wolseley Limited, which contributed £14 million during the year (2013: £24 million). The treasury shares held by both of these Trusts along with the loan payable to Wolseley Limited by the Jersey Trust have been consolidated within the Company's balance sheet as at 31 July 2014 and amount to £93 million (2013: £115 million).

## 10. Profit and loss account

	£m
At 1 August 2013	5,185
Profit for the year	2,422
Dividends paid	(489)
Equity-settled employee share options	22
Disposal of own shares by Employee Benefit Trusts	(43)
At 31 July 2014	7,097

## 11. Reconciliation of movements in shareholders' equity

	2014 £m	2013 £m
Opening shareholders' equity	5,125	5,022
Profit for the year	2,422	775
Dividends paid	(489)	(521)
Share capital and share premium on new share capital subscribed	15	8
Own shares acquired by Employee Benefit Trusts (net)	22	(115)
Disposal of own shares by Employee Benefit Trusts	(43)	(66)
Credit for equity-settled share-based payments	22	22
Closing shareholders' equity	7,074	5,125

## Notes to the Company financial statements continued

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### 12. Share-based payments

Details of share awards granted by Group companies to employees, and that remain outstanding, over the Company's shares are set out in note 27 on page 136 to the Wolseley plc consolidated financial statements. The Company has no equity-settled share-based payments charge in the year (2013: £nil). Amounts charged to subsidiary companies for equity-settled share-based payments amounted to £22 million (2013: £22 million).

### 13. 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 towards satisfaction of its liability to those banks of certain subsidiary undertakings. The Company has also 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.

### 14. Employees, employee costs and auditors' remuneration

The average number of employees of the Company in the year ended 31 July 2014 was one (2013: one). Other employees of Group companies were seconded or assigned to the Company in the period, in order to fulfil their duties or to carry out the work of the Company. Each of the Non Executive Directors of the Company has an appointment letter with the Company, and the Executive Directors and certain other senior managers of the Group have assignment letters in place with the Company. Total employment costs of the Company for the period, including Non Executive Directors and seconded employees, were £1 million (2013: £1 million).

Fees payable to the auditors for the audit of the Company's financial statements are set out in note 3, on page 116, to the Wolseley plc consolidated financial statements.

### 15. Dividends

Details of the Company's dividends are set out in note 8, on page 119, to the Wolseley plc consolidated financial statements.

### 16. 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.

### 17. Other transactions

During the year, the Group undertook a restructuring and refinancing of the USA Group, which resulted in the Company increasing its investment in Wolseley Finance (Switzerland) AG by £2,319 million.

### 18. Post balance sheet events

Details of post balance sheet events are given in note 36, on page 142 of the Wolseley plc consolidated financial statements.

# Independent auditors' report to the members of Wolseley plc

## Report on the Company financial statements

### Our opinion

#### Our opinion

In our opinion Wolseley plc's Company financial statements (the "financial statements"), defined below:

- give a true and fair view of the state of the Company's affairs as at 31 July 2014 and of its profit for the year then ended; and
- have been properly prepared in accordance with United Kingdom Accounting Standards.

This opinion is to be read in the context of what we say in the remainder of this report.

### What we have audited

The financial statements comprise:

- the Company balance sheet as at 31 July 2014;
- the Company profit and loss account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards.

### What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 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.

In addition, we read all the financial and non-financial information in the Annual Report and Accounts 2014 (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Other matters on which we are required to report by exception

### Adequacy of accounting records and information and explanations received

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the parent company or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

## Other required reporting

### Other information in the Annual Report

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- otherwise misleading.

We have no exceptions to report arising from this responsibility.

## Opinion on other matter

In our opinion the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Opinion on additional disclosures

The Company voluntarily prepares a Directors' remuneration report in accordance with the provisions of the UK Companies Act 2006. The Directors have requested that we audit the part of the Directors' remuneration report specified by the UK Companies Act 2006. In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the UK Companies Act 2006.

## Responsibilities for the financial statements and the audit

### Our responsibilities and those of the Directors

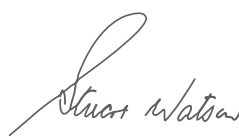
As explained more fully in the Directors' responsibilities statement set out on page 79, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & 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 terms of engagement 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.

## Other matter

We have reported separately on the Group financial statements of Wolseley plc for the year ended 31 July 2014.



**Stuart Watson** (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants  
London

29 September 2014

## Five year summary

	2014 £m	Restated 2013 £m	2012* £m	2011* £m	2010* £m
<b>Revenue</b>					
USA	7,070	6,785	6,168	5,500	5,174
Canada	779	875	850	811	765
UK	1,853	1,769	1,898	2,404	2,466
Nordic	1,935	1,916	2,125	2,128	2,012
Central Europe and France	1,493	1,809	2,380	2,715	2,786
Group	13,130	13,154	13,421	13,558	13,203
<b>Trading profit</b>					
USA	546	492	388	314	239
Canada	44	51	49	39	41
UK	96	95	94	109	91
Nordic	73	86	94	113	101
Central Europe and France	31	43	68	83	39
Central and other costs	(35)	(42)	(28)	(36)	(61)
Group	755	725	665	622	450
Amortisation of acquired intangibles	(46)	(55)	(60)	(75)	(92)
Impairment of acquired intangibles	–	(10)	(353)	(39)	(223)
Exceptional items	18	(164)	(40)	(51)	(332)
<b>Operating profit/(loss)</b>	727	496	212	457	(197)
Net interest payable	(29)	(36)	(30)	(66)	(77)
Associate	–	–	16	–	(54)
Profit/(loss) before tax	698	460	198	391	(328)
Tax charge	(194)	(176)	(138)	(110)	(38)
Profit/(loss) on ordinary activities after tax from continuing operations	504	284	60	281	(366)
Profit/(loss) from discontinued operations	–	12	(3)	(10)	26
Profit/(loss) attributable to equity shareholders	504	296	57	271	(340)
Ordinary dividends	(191)	(173)	(142)	(42)	–
Special dividend	(298)	(348)	–	–	–
Total dividends	(489)	(521)	(142)	(42)	–
<b>Net assets employed</b>					
Intangible fixed assets	1,198	1,246	1,160	1,628	1,812
Property, plant and equipment	1,226	1,263	1,195	1,249	1,409
Other net assets, excluding liquid funds	1,173	955	733	1,022	184
	3,597	3,464	3,088	3,899	3,405
<b>Financed by</b>					
Share capital	29	28	28	28	241
Share premium	41	27	19	6	1,156
Foreign currency translation reserve	127	402	244	380	300
Profit and loss account	2,689	2,596	2,842	2,962	1,362
Shareholders' equity	2,886	3,053	3,133	3,376	3,059
Net debt/(cash)	711	411	(45)	523	346
Net assets employed	3,597	3,464	3,088	3,899	3,405

\*not restated for IAS 19 (Revised) 'Employee benefits'.



	2014 £m	Restated 2013 £m	2012 £m	2011 £m	2010 £m
Continuing operations (unless stated)					
Like-for-like revenue growth	4.2%	2.9%	3.8%	5.0%	(6.0)%
Gross margin	27.9%	27.8%	27.5%	27.9%	27.7%
Trading margin	5.8%	5.5%	5.0%	4.6%	3.4%
Headline earnings per share (note 1)	196.2p	178.5p	168.4p	142.9p	74.1p
Basic earnings/(loss) per share from continuing and discontinued operations (note 1)	189.8p	107.4p	20.1p	95.9p	(120.6)p
Dividends per share (in respect of the financial year) (note 1)	82.5p	66.0p	60.0p	45.0p	–
Special dividend per share	110.0p	122.0p	–	–	–
Cover for ordinary dividends	2.4	2.7	2.8	3.2	–
Net tangible assets per ordinary share (note 1)	632.1p	659.9p	689.9p	613.3p	438.5p
Return on capital employed (note 2)	30.7%	32.2%	29.3%	25.4%	16.4%
Return on gross capital employed (note 3)	14.8%	14.3%	12.6%	10.6%	7.1%
Average number of employees	39,454	39,995	43,170	46,246	48,226
Number of shares in issue at year-end (million) (note 1)	267	274	286	285	284
<b>Number of branches at year-end</b>					
Continuing operations	2,880	3,028	3,160	3,837	4,118
Discontinued operations	–	–	–	–	–
Total branches	2,880	3,028	3,160	3,837	4,118
<b>US dollar translation rate</b>					
Income statement/profit and loss	1.64	1.56	1.58	1.60	1.57
Balance sheet	1.69	1.52	1.57	1.64	1.57
<b>Canadian dollar translation rate</b>					
Income statement/profit and loss	1.76	1.57	1.59	1.59	1.64
Balance sheet	1.84	1.56	1.57	1.57	1.61
<b>Euro translation rate</b>					
Income statement/profit and loss	1.21	1.20	1.19	1.16	1.14
Balance sheet	1.26	1.14	1.27	1.14	1.20

Note 1. Shares in issue and amounts per share for 2008 have been restated to reflect the Group's capital reorganisation in 2009.

Note 2. Return on capital employed is the ratio of trading profit to the average year-end aggregate of shareholders' funds and adjusted net debt excluding goodwill and other acquired intangible assets. Return on capital employed for 2014 has been calculated as follows:

	Capital employed 2014 £m	Capital employed 2013 £m	Average capital employed £m	Trading profit £m	Return on capital employed
Net debt	711	411			
Year-end working capital adjustment	90	160			
	801	571			
Shareholders' equity	2,886	3,053			
Goodwill and other acquired intangibles	(1,165)	(1,219)			
Goodwill in assets held for sale	(3)	–			
	2,519	2,405	2,462	755	30.7%

Note 3. Return on gross capital employed is the ratio of trading profit to the average year-end aggregate of shareholders' funds, adjusted net debt and cumulative goodwill and other acquired intangibles written off. The cumulative goodwill and other acquired intangibles written off balance at 31 July 2014 is £1,377 million (2013: £1,495 million) and average gross capital employed for 2014 is calculated as £5,091 million.

## Principal subsidiary undertakings

Company name	Principal activity	Country of incorporation
Beijer Bygghmaterial AB	Operating company	Sweden
DT Group A/S	Operating company	Denmark
Ferguson Enterprises, Inc.	Operating company	USA
Neumann Bygg AS	Operating company	Norway
Starkki Oy AB	Operating company	Finland
Tobler Haustechnik AG	Operating company	Switzerland
Wasco Holding BV	Operating company	The Netherlands
Wolseley Canada Inc	Operating company	Canada
Wolseley France SAS	Operating company	France
Wolseley UK Limited	Operating company	England and Wales
Wolseley Capital, Inc	Financing company	USA
Wolseley Finance (Switzerland) AG*	Financing company	Switzerland
Wolseley (Group Services) Limited	Service company	England and Wales
Wolseley Insurance Limited* **	Operating company	Isle of Man
Wolseley Investments North America, Inc	Investment company	USA
Wolseley Limited*	Investment company	England and Wales

(1) The Wolseley Group comprises a large number of companies and it is not practical to include them all in this list. Therefore, this list includes only those subsidiaries which in the Directors' opinion principally affect the figures shown in the Consolidated financial statements.

(2) Shareholdings in companies marked \* are held 100 per cent directly by Wolseley plc. The proportion of the voting rights in the subsidiary undertakings held directly by Wolseley plc do not differ from the proportion of the ordinary shares held. All other shareholdings in the above mentioned companies are held by intermediate subsidiary undertakings.

(3) All shareholdings in the above subsidiary undertakings are of ordinary shares or equity capital. In addition, the company marked \*\* has preference shares which are held 100 per cent directly by Wolseley plc.

(4) A full list of related undertakings of Wolseley Limited is included in its Annual Return submitted to the UK Registrar of Companies.

(5) All subsidiary undertakings have been included in the consolidation.

## Shareholder information

This section provides shareholders with key information to assist in the management of their shareholding. If you have any questions which are not answered below or on the Wolseley plc website **www.wolseley.com**, you can contact Equiniti (our registrar) or Wolseley's Investor Relations department at [investor@wolseley.com](mailto:investor@wolseley.com).

### Financial calendar

Key dates for 2014/15 are set out below. Please note that such dates are based on current expectations and all future dates should be considered as provisional and subject to change.

25 November 2014, 1.00pm Swiss time	Wolseley plc 2014 Annual General Meeting
27 November 2014	2014 final dividend payment date
24 March 2015	Announcement of Half Year results for the period ending 31 January 2015
1 May 2015	2015 proposed interim dividend payment date
2 June 2015	Interim Management Statement released
31 July 2015	End of financial year 2014/15
29 September 2015	Final results for the year ending 31 July 2015

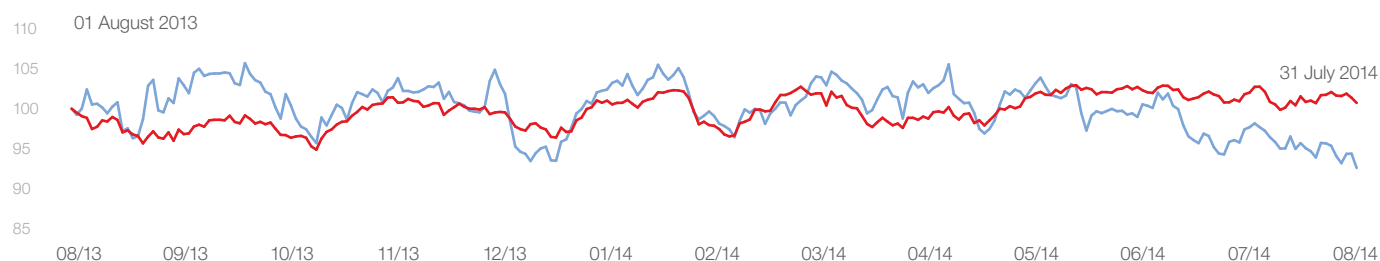
### Wolseley shares

#### Share price history

Set out below is a graph showing the performance of Wolseley's share price (using normalised share price data) compared to the FTSE 100 Index during the financial year.

#### FTSE 100 Index – Wolseley and FTSE 100

● Wolseley plc ● FTSE 100 Index



#### Recent share capital history

Since 2009 there have been four events affecting the share capital of Wolseley plc:

**2013** – Special dividend, share consolidation and consequential redenomination of shares as 10<sup>53</sup>/<sub>66</sub> pence.

**2012** – Special dividend, share consolidation and consequential redenomination of shares as 10<sup>5</sup>/<sub>11</sub> pence.

**2010** – Scheme of arrangement and redomiciliation.

**2009** – Share capitalisation and rights issue.

Further details can be found on the Wolseley plc website **www.wolseley.com**.

#### Ordinary shares and ADRs

Wolseley shares are listed on the London Stock Exchange using code "WOS".

Wolseley also has an ADR programme which trades under the symbol "WOSYY". The ADRs are listed on the premier tier of the over-the-counter market "OTCQX". For further information please contact the ADR Depositary:

Deutsche Bank Trust Company Americas  
Transfer agent: American Stock Transfer & Trust Company  
Operations Center  
6201 15th Avenue  
Brooklyn, NY 11219  
Email enquiries: [DB@amstock.com](mailto:DB@amstock.com)

Telephone: Within the US toll free: +1 800 937 5449  
International: +1 718 921 8124  
Website: [www.adr.db.com](http://www.adr.db.com)

## Shareholder information continued

### Dividend

#### Proposed final dividend

#### 55 pence per share

The Directors have recommended a final dividend of 55 pence per share. Payment of this dividend is subject to approval at the 2014 AGM.

#### Key dates for this dividend

Ex-dividend date	16 October 2014
Record date	17 October 2014
DRIP election date	6 November 2014
AGM (to approve final dividend)	25 November 2014
Payment date	27 November 2014
DRIP certificates posted/CREST accounts credited	2 December 2014

#### Dividend history

Details of dividends paid in the financial years 2012/13 and 2013/14 are set out below. For details of other historical payments, please refer to the Wolseley plc website **www.wolseley.com** under "Dividends" in the "Shareholder centre" section.

Financial Year	Dividend Period	Dividend Amount (pence per share)	Record Date	Payment Date	DRIP Share price
2013/14	Interim 2014	27.5	4 April 2014	1 May 2014	£34.4891
2013/14	Special	110	29 November 2013	16 December 2013	£33.0407
2012/13	Final 2013	44	11 October 2013	2 December 2013	£32.4426
2012/13	Interim 2013	22	5 April 2013	1 May 2013	£32.095

#### Dividend payment methods



**1. Direct payment to your bank:** You are encouraged to receive your dividends directly to your bank or building society account.

This is more convenient and helps reduce the risk of cheques becoming lost or delayed in the post. The associated tax voucher will still be sent direct to your registered address. To switch to this method of payment you can download a dividend mandate form from the Shareview website ([www.shareview.co.uk](http://www.shareview.co.uk)). Alternatively, you can contact Equiniti by telephone who will also be able to assist with any questions you may have.



**2. Overseas payment service:** If you live overseas, Equiniti offers an Overseas Payment Service which is available in certain countries. This may make it possible to receive dividends direct into your bank account in your local currency\*. Further information can be found on the Wolseley plc website, Shareview website or you can contact Equiniti by telephone.



**3. Dividend Reinvestment Plan (DRIP):** The Company offers a DRIP which gives shareholders the opportunity to use their dividend to purchase further Wolseley shares. Instead of receiving cash, shareholders receive as many whole shares as can be bought with their dividend, taking into account related purchase costs. Any residual cash will be carried forward and added to their next dividend.

If you wish to join the DRIP, you can download copies of the DRIP terms and conditions and the DRIP mandate form from the Shareview website. Simply complete the DRIP mandate form and return it to Equiniti. Should you have any questions on the DRIP or wish for a paper mandate form to be sent to you, please contact Equiniti on 0871 384 2268\*\*. Please note that if you wish to join the DRIP in time for the 2014 final dividend, our Registrars, Equiniti, must have received the instruction by 6 November 2014. Instructions received by Equiniti after this date will be applied to the next dividend.

\* Please note that a payment charge would be deducted from each individual payment before conversion into your local currency.

\*\* Calls to this number are charged at 8 pence per minute plus network extras. Lines are open from 8.30am to 5.30pm Monday to Friday, excluding UK public holidays.

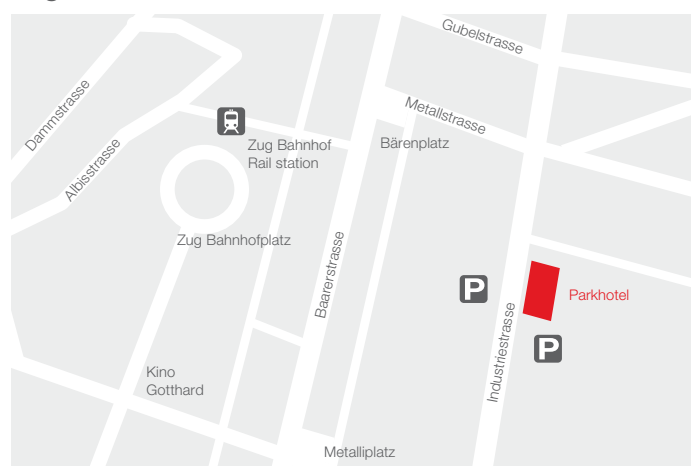
## Shareholder communications

### Annual General Meeting (“AGM”)

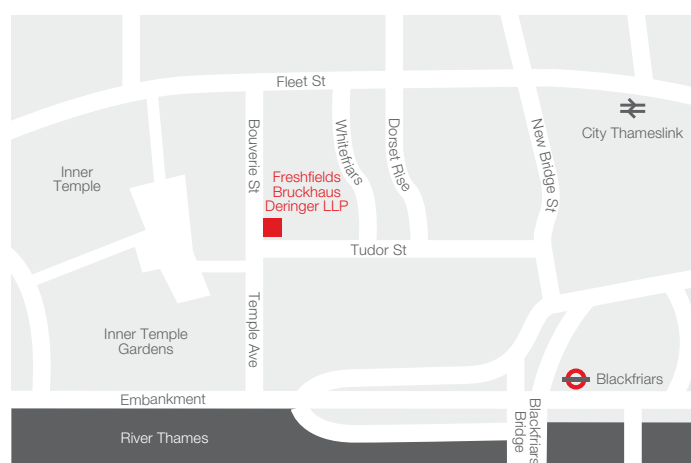
The 2014 AGM will be held on Tuesday 25 November 2014 at Parkhotel, Industriestrasse 14, CH-6304, Zug, Switzerland and will commence at 1.00pm, Swiss time. An audio visual link to the meeting is proposed to be available at the offices of Freshfields Bruckhaus Deringer LLP, 26–28 Tudor Street, London EC4Y 0BQ, United Kingdom, commencing at 12.00 noon (UK time).

The AGM provides an opportunity each year for shareholders to ask questions about the business in the Notice of AGM and to raise matters about the business of Wolseley. Full details of the AGM can be found in the Notice of AGM. Venue location maps are provided below.

#### Zug: AGM venue



#### London: audio visual link venue



#### Website

See the inside front cover for further details about the Wolseley plc website.



#### Annual report

Wolseley publishes an annual report every year. It is sent to shareholders through the post as a printed document unless the shareholder has chosen to receive e-communications (see below).



#### E-communications

The Company offers shareholders the opportunity to access shareholder documents, such as annual reports and notices of AGM, via e communications rather than receiving printed documents in the post. You will be notified by email as soon as shareholder documents are available on the website.

## Managing your shares

### Share Registration enquiries

To manage your shareholding, please contact Equiniti. They will be able to assist you in various matters including:

- changing your registered name and address;
- consolidating share certificates;
- managing your dividend payments;
- notifying the death of a shareholder;
- registering a lost share certificate and obtaining a replacement;
- registering for electronic communications; and
- transferring your shares.

You can contact Equiniti in writing, by telephone or online. Further contact details are set out below. Please use your shareholder reference number when contacting Equiniti. This can be found on your share certificate or dividend tax voucher.

If you are not already registered to view your shareholding online, you will need to register via Equiniti's Shareview website.

### Equiniti

Address: Equiniti (Jersey) Limited, 26 New Street, St Helier, Jersey JE4 3RA Channel Islands.

Telephone: 0871 384 2934\* and from outside the UK +44 (0)121 415 7011

Website: [www.equiniti.com](http://www.equiniti.com)

Shareview website: [www.shareview.co.uk/myportfolio](http://www.shareview.co.uk/myportfolio)

\* Calls to this number are charged at 8 pence per minute plus network extras. Lines are open from 8.30am to 5.30pm Monday to Friday, excluding UK public holidays.

### Share dealing

If you wish to buy or sell Wolseley shares and hold a share certificate, you can do this:

- by using the services of a stockbroker or high street bank; or
- through telephone or online services.

Equiniti also offer a share dealing service to UK-based shareholders. Further details of their telephone, internet and postal dealing services can be obtained from their Shareview website ([www.shareview.co.uk/dealing](http://www.shareview.co.uk/dealing)) or by calling 08456 037 037\*.

\* Calls to this number are charged at 8 pence minute plus network extras. Lines are open from 8.30am to 5.30pm Monday to Friday, excluding UK public holidays.

## Group information

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### Company details

#### Registered Office

Wolseley plc  
26 New Street  
St Helier  
Jersey  
JE2 3RA  
Channel Islands

Registration No. 106605 Jersey

#### Wolseley Corporate Head Office

Wolseley plc  
Grafenauweg 10  
CH-6301  
Zug  
Switzerland

Telephone: +41 (0) 41 723 2230

Fax: +41 (0) 41 723 2231

#### Wolseley Group Services 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](http://www.wolseley.com)

### Company contacts

#### Investor relations ([investor@wolseley.com](mailto:investor@wolseley.com))

Group Director of Communications and Investor Relations  
Mark Fearon

#### Company secretariat

Group Company Secretary and General Counsel  
Richard Shoylekov

### Company advisers

#### Auditors

PricewaterhouseCoopers LLP

#### Public relations

Brunswick

#### Corporate brokers

Deutsche Bank AG, London Branch  
Bank of America Merrill Lynch

#### Solicitors

Freshfields Bruckhaus Deringer LLP



## 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 market conditions and pressures on margins, changes in the level of litigation, employee motivation, the performance and resilience of the Company's systems and infrastructure, the level of government regulation and financial risks (such as fluctuations 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, the Prospectus Rules, the Disclosure Rules and the Transparency Rules of the Financial Conduct 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.

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