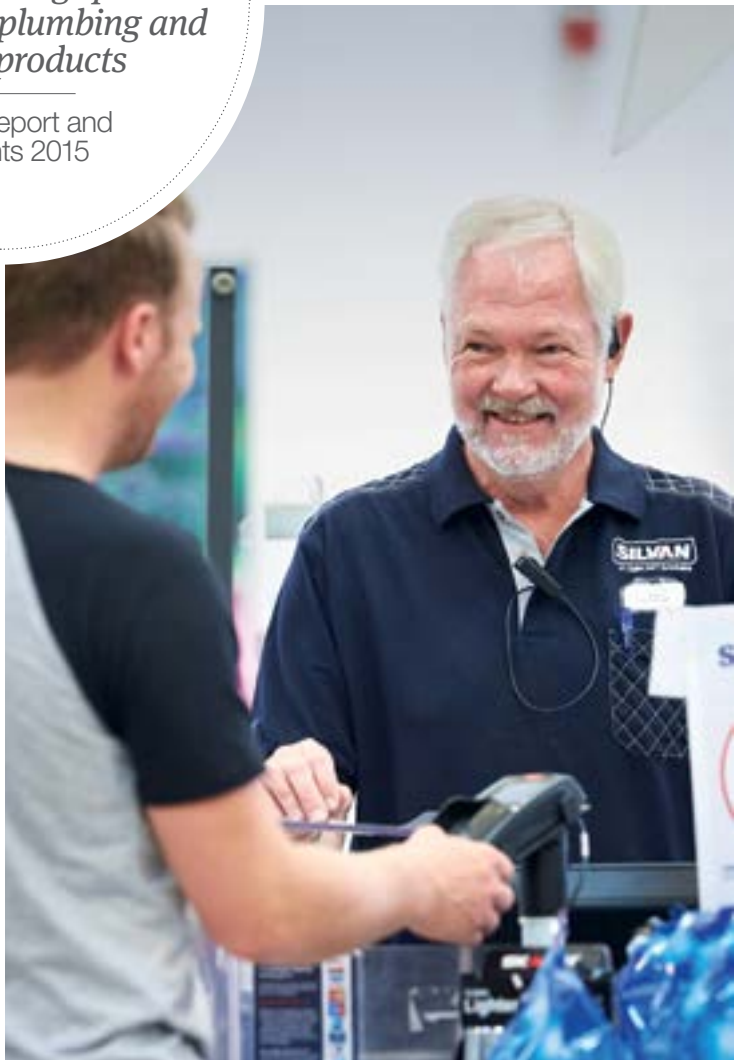




WOLSELEY

*The world's leading specialist
distributor of plumbing and
heating products*

Annual Report and
Accounts 2015



Performance highlights

(ongoing businesses¹)

Group revenue

£13,300m
+7.1%²

Gross margin

28.0%
+0.1%

Trading profit

£857m³
+14.0%

Ordinary dividend per share


90.75p
+10.0%

Headline earnings per share

230.2p
+18.1%

Injury rate per 100,000 hours worked

1.43
2.1% improvement

 For all our key performance indicators see **pages 16 and 17**

The following terms are used throughout the report:

1 – Ongoing businesses and continuing operations

Ongoing businesses exclude all businesses or groups of branches that have been disposed of, closed or are classified as held for sale. Continuing operations only exclude businesses which have been classified as discontinued operations under IFRS 5. See note 2 of the consolidated financial statements for a reconciliation from ongoing businesses to continuing operations for revenue and trading profit. Throughout this Annual Report all financial information is presented on an ongoing basis, and 2015 refers to the financial year ended 31 July 2015, unless otherwise stated.

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.

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Glossary

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

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

Why invest in Wolseley?

We are the world's leading specialist plumbing and heating distributor focused primarily on the Repair, Maintenance and Improvement ("RMI") markets.

These markets are attractive and fragmented with excellent growth opportunities. Our knowledge, local coverage and national scale enable us to operate efficiently and provide a high level of customer service.

Our strategy is to drive profitable growth in our businesses and deliver great, sustainable returns for our shareholders.



Great returns

Sustained good trading profit margins

6.4%
 +0.1%

Trading margin

Excellent returns on capital

16.9%
 +2.1%

Return on gross capital employed

Dependable and progressive ordinary dividends

90.75p
 +10.0%

Total ordinary dividend

Surplus capital returns

£250m

Share buyback completed this year

Why invest in Wolseley?

- *Largest plumbing and heating distributor in the world*
- *Benefits of scale in procurement, operations, supply chain and technology*
- *Market leading positions (83 per cent of revenue generated through No. 1 or No. 2 market share positions)*

Benefits of scale

Example in the USA: **Expanding in the New York metro area**

In 2012, our Ferguson business served five per cent of the \$6 billion New York metro market with 22 branches and 400 people. This presented a great expansion opportunity that our scale has enabled us to capitalise on. We have now invested £100 million in bolt-on M&A activity and £65 million in building a highly effective supply chain, which we completed this year with the opening of our Secaucus ship hub. The ship hub has increased our efficiency as it enables us to operate all outbound logistics, including customer deliveries, from a single site rather than from numerous locations across the branch network. Today we are the local market leader with nine per cent market share, 40 branches (21 of which are showrooms) and 820 people. There is significant opportunity for growth through this strategy in New York and also in 19 additional regions which we are targeting for further expansion.

Why invest in Wolseley?

- *Strong sales culture*
- *Fragmented markets*
- *Low risk bolt-on M&A opportunities*
- *Quick, reliable payback from branch expansion*

Attractive growth opportunities

Example in the Nordic region: **Combining Starkki and Puukeskus**

Last year we acquired Puukeskus, a Finnish building materials distributor with a strong market position in timber and related products. The acquisition was an excellent fit with our existing business in the region, Starkki. During the year, we integrated the two businesses into a single business – Stark Finland, an existing brand with strong values that created a common identity among all the employees. Three new customer promises were launched: accessibility, availability and a delivery guarantee. Stark Finland is now the largest building products chain in Finland that serves both professional builders and consumers. The business now has a strong presence across all the major cities in Finland.

Why invest in Wolseley?

Example in the UK: **Investing in the utilities market**

In May 2015, Wolseley UK completed the integration of Fusion Provida, the UK's leading supply chain partner for utilities and utility infrastructure providers. The acquisition enabled us to expand our existing distribution model across the utilities and infrastructure marketplace. The market, which serves civil and utility contractors, is attractive due to its contract nature. This gives us good order visibility and low volatility through the economic cycle and we achieve similar margins to those available in the plumbing and heating market. We have improved our offering to our utilities customers and benefited from significant synergies in back office functions and supplier consolidation.

Low volatility

- *Sustained gross margins*
- *Strong investment grade balance sheet*
- *Little pension exposure and low level of operating leases*
- *Strong free cash flow through the economic cycle*

Why invest in Wolseley?

Example in the USA: **Moving forward with e-commerce**

In May, Ferguson launched the new Ferguson.com website to generate leads, drive professional contractors and potential customers to Ferguson branches, attract new online customers and sell more. In addition to a new look, the site also has improved functionality, which includes user-friendly navigation and an online catalogue of 50,000 stock products. Pricing is designed to be competitive with other online retailers. It will also allow Ferguson to offer a customised shopping experience through a variety of channels: 1) Ferguson Online for our customers with trade accounts. 2) Shop.ferguson.com for our showroom customers and their clients. 3) Ferguson.com for new customers that are not aware of Ferguson today. These changes lay the foundation of Ferguson's e-commerce strategy.

Strong execution culture

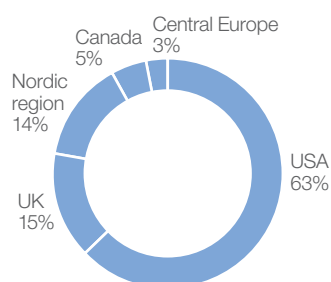
- *Strong people and service culture*
- *Systematically driving performance*
- *Best-in-class e-commerce*
- *Constantly developing our business model to enhance service and margins*

Group at a glance (ongoing businesses¹)

Our business is organised and managed regionally to ensure both the sourcing of products and the individual requirements of customers in the local markets are best served.

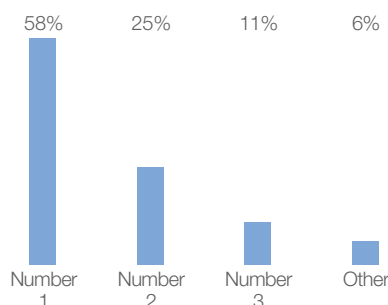
Group revenue by region

2015 % revenue



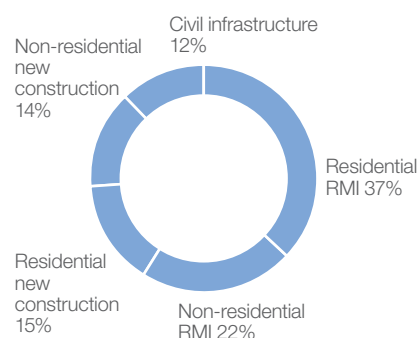
Market leading positions

2015 % revenue



Revenue by market sector

2015 % revenue (continuing operations¹)



Regional highlights...

USA

Revenue

£8,337m
+9.6%²

Key brands

FERGUSON

build.com
Smarter Home Improvement

UK

Revenue

£1,987m
+3.6%²

Key brands

PLUMB CENTER

PARTS CENTER

PIPE CENTER

CLIMATE CENTER

DRAIN CENTER

BURDENS

BATHMPIRE
LUXURY BATHROOMS FOR LESS

Nordic region

Revenue

£1,863m
+5.5%²

Key brands

STARK

BEIJER BYGGMATERIAL

NEUMANN
NEUMANN BYGG AS-EN VIRKSOMHET I DT GROUP

SILVAN

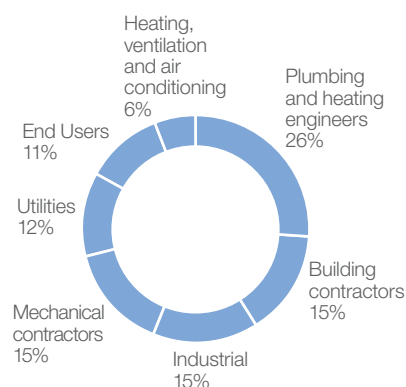
For more information
see pages 20 to 23

For more information
see pages 24 and 25

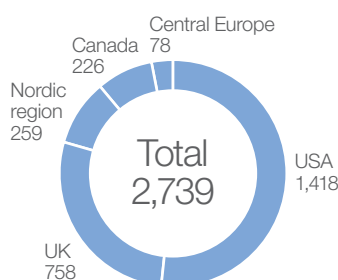
For more information
see pages 26 and 27

Customer mix

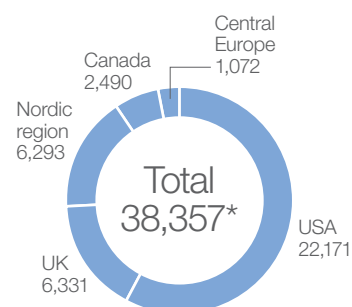
2015 % revenue (continuing operations¹)



Branches by region



Employees by region



* In addition, there are central employees of 107.

Canada

Revenue

£708m
 -0.3%²

Key brands

WOLSELEY

Central Europe

Revenue

£405m
 -1.4%²

Key brands

TOBLER
WASCO

1 – Ongoing businesses and continuing operations

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2 – Like-for-like change in revenue

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“We are very positive about our ability to capitalise on the opportunity to out-perform our markets over the long term while at the same time improving returns.”



In summary

- ▶ Strong earnings per share growth of 18.1 per cent.
- ▶ Increased total ordinary dividend to 90.75 pence (2013/14: 82.50 pence).
- ▶ £250 million share buyback programme completed.
- ▶ Further capital return of £300 million.

Results and strategy

I am pleased to report that 2014/15 has been another consecutive year of success for the Group with like-for-like revenue growth of 7.1 per cent to £13,300 million and a good performance in trading profit, at constant exchange rates, up 11.4 per cent to £857 million. Headline earnings per share grew by 18.1 per cent over the year to 230.2 pence (2013/14: 195.0 pence). We equalled our highest ever trading margin at 6.4 per cent (2013/14: 6.3 per cent) and delivered a strong cash performance over the period. This has enabled us to both invest in driving profitable growth, through organic investment or bolt-on acquisitions, and also return surplus cash to shareholders.



Read more about this year's financial performance on **pages 30 to 35**

Having broadly completed the reshaping of the Group's portfolio this year, we now have a strong set of businesses to invest in which operate in attractive and fragmented markets. For example, in the USA,

Ferguson's Blended Branches business is the market leading specialist plumbing and heating distributor with 15 per cent market share. Indeed, many of our businesses, 83 per cent by revenue, are either number one or number two in their markets.

Once again, under the stewardship of Ian Meakins and his leadership team, we have made great strides in delivering our strategy. In addition to investing in organic expansion and selected bolt-on acquisitions we remain firmly focused on developing more efficient business models. This includes investment in e-commerce, new distribution centres and hubs, technology processes and network infrastructure to support investments in operating efficiency. For example, e-commerce now accounts for £1.7 billion (13 per cent) of the Group's revenue and continues to grow. Customer service remains a key focus for the Group. We have a passion to lead in the area of customer relationship management and have made significant strides on this through the year, which Ian will cover in his overview.

We are very positive about our ability to capitalise on the opportunity to out-perform our markets over the long term while at the same time improving returns.

 Our strategy is set out on **page 10**

Your Board and Committees

It is essential that your Board has the optimum balance of skills, breadth of experience and diversity in order to provide strong leadership to the Company and effective support to the Executive team. The Nominations Committee has continued to review the composition of the Board to ensure that we get this balance correct to achieve our strategic goals. Biographical details for all Board members can be found on pages 54 and 55.

Jacky Simmonds was appointed Chair of the Remuneration Committee on 21 May 2014. In her new role she has led a review of our Remuneration Policy in consultation with major shareholders. She has guided the Committee through an in-depth analysis of our philosophy and remuneration framework. I am delighted to say that the positive outcome of the review has introduced changes which simplify the remuneration structure, drive high performance and align the Remuneration Policy more closely to the requirements of all stakeholders. Further details of the review and the new Policy can be found in the Remuneration Committee report on pages 77 to 102.

In November 2014, Darren Shapland was appointed Chairman of the Audit Committee after Michael Wareing stepped down from his position on the Board after more than five years of service and the handover of responsibilities was completed successfully. On 22 June 2015, we announced that, subject to approval by shareholders at the 2015 AGM, Deloitte is to be appointed as external auditor following completion of the audit of the accounts for the year ended 31 July 2015. The formal tender process was led by Darren Shapland and John Martin and further details concerning this process can be found in the Audit Committee report on pages 66 to 70.

Your Board will be available on 1 December 2015 at the AGM held in Zug, Switzerland to respond to any questions shareholders may raise on this report or any of the Board's activities.

Governance

Our Board and Committee effectiveness review assists us in highlighting areas in which improvements can be made and this year, in line with the recommendations of the UK Corporate Governance Code 2014, the review was conducted externally. The outcome of this review, and our progress against the areas identified for improvement in last year's internal review, are provided on page 62.

Although the Company is not required to do so as a Jersey company, it meets the requirements of the regulations published by the UK 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 continued to meet all of these disclosure requirements while also monitoring developments and best practice in corporate governance. We describe how we have applied the Code's main principles in the Governance section of this report on pages 52 to 102.

The Board believes this Annual Report to be fair, balanced and understandable. In a drive to "cut clutter" and to reduce repetition, I will reference, but not duplicate, some of the points made here in my introductory letter to the Governance section on page 53.

Priorities

The Board's priorities for 2015/16 are to continue monitoring progress against our strategy to ensure that we continue to drive growth and improve returns. We are committed to succession planning and investing in and supporting our people so that the Group maintains an appropriate balance of management skills and capabilities as it grows and develops. For more information on Board priorities please see page 60.

Shareholder returns

We are absolutely committed to maximising value for our shareholders. The Board has proposed a final dividend of 60.5 pence per share (2013/14: 55.0 pence per share) an increase of 10 per cent over last year for payment on 3 December 2015 to shareholders on the register at 23 October 2015. This will bring the total dividend for the year to 90.75 pence per share (2013/14: 82.50 pence per share).

"We are absolutely committed to maximising value for our shareholders."

Last year we announced a £250 million share buyback programme with the intention of completing this within 12 months. I'm pleased to report this was completed in July at an average price of £33.75.

Reflecting management's confidence in the business and 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 has now commenced a £300 million share buyback programme with the intention to complete this within the next 12 months.

Our people

Last, but by no means least, on behalf of the Board, I would like to thank all our employees who make our business what it is today. It is the dedication, hard work and commitment of our people that deliver strong results year-on-year and drives great value for our customers, suppliers and shareholders alike.



Gareth Davis
Chairman

We have a clear strategy to achieve sustainable profit growth

Our vision

Our vision is to be the world's best local specialist 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

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 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.

4 Drive evolution of our business model

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.

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.



 Group Chief Executive's overview
see **pages 12 to 15**

 Key performance indicators
see **page 16 and 17**

Our markets

We operate in attractive markets

As an international company, we operate across multiple markets with varying characteristics. For more information on specific regional markets please see the Regional performance section on pages 20 to 29.

Our industry

Specialist 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 **1.1 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 supplier base

The supplier base is large. Wolseley distributes the products of approximately **60,000 suppliers** across the world.



Clear need for distributors in the supply chain

Distributors **bridge the gap** between the large supplier base and the large and geographically dispersed professional customer base. This is where Wolseley operates.



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.

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

Population growth of more than 7 per cent is expected in the USA in the next decade. Population is expected to grow in 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 Department of Housing and Urban Development.



Increased comfort levels in homes

87 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 Department of Housing and Urban Development.



Sustainable development

The EU plans for all new buildings to be "nearly zero energy" by the end of 2020. 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 €567 billion** in 2015, which is greater than forecast new construction spend.

Source: Euroconstruct.

“We are now placing much greater emphasis on accelerating profitable growth and improving our business models.”



In summary

- ▶ Another strong performance in the USA with a record trading margin. Challenging markets in the rest of the Group.
- ▶ 18 bolt-on acquisitions completed.
- ▶ Continued investment in new business models, technology and infrastructure.

Chief Executive's overview and strategy

The symbols below denote the areas of the Chief Executive's overview which relate to the strategic objectives set out on **page 10**.



Performance 2

The highlight of these results was another strong performance by Ferguson in the USA where we achieved strong like-for-like revenue growth ahead of the market and a 50 basis point improvement in the trading margin to 8.2 per cent, which is a record. We continued to face challenging markets in the rest of the Group and have remained focused on improving growth rates, protecting gross margins and keeping the cost base tight.

The Group generated revenue in the ongoing business of £13,300 million, 10.1 per cent ahead of last year at constant exchange rates. Improving gross margin remains a key focus and this was 10 basis points ahead in the ongoing business. Operating expenses in the ongoing business were 10 per cent higher at constant exchange rates, including three per cent from acquisitions. Trading profit in the ongoing business was £857 million, 11.4 per cent ahead of last year on a constant exchange rate basis and we have now returned the Group to its pre-financial crisis trading margin of 6.4 per cent.

One of our key areas of focus remains on driving revenue growth and margin expansion. We saw a good improvement in like-for-like revenue growth and good gains in market share. This was driven across the Group by improvements in service, product availability, the scale and efficiency of our sales teams, and more tailored customer propositions.



For more about our performance see **pages 20 to 35**

Wolseley's investment case

The focus of this year's Annual Report is Wolseley's investment case (pages 1 to 5) and we have set out what we believe are the principal attributes that make Wolseley an attractive business to invest in for shareholders over the long term. In recent years, we have substantially reshaped the Group and today we are a focused specialist distribution business in the attractive markets of plumbing and heating and building materials. In addition, the business is supported by a very strong balance sheet which enables us to both invest in profitable growth and to maintain attractive shareholder returns.

We primarily serve the robust repairs, maintenance and improvement markets which represented 59 per cent of revenues this year. Today, our businesses operate with market leading positions which means we can generate benefits of scale particularly in the areas of procurement, operations, supply chain and technology.

Our markets are generally highly fragmented which means we have an attractive growth opportunity from both organic expansion and bolt-on acquisitions. Another inherent quality of the business today is low volatility. For example, through one of the most severe recessions in living memory, our gross margins were between 26.7 per cent and 28.0 per cent and our businesses generated strong free cash flows through the cycle (see key performance indicators on pages 16 and 17).

We have embedded a strong execution culture in our business, both in terms of our people and service, but also our ambition to constantly improve our business model to enhance service and ultimately margins.

What does this mean our shareholders can expect? Put simply, we want to generate great returns through sustained good trading margins and excellent returns on capital employed leading to dependable and progressive dividends.

Group strategy 1 6

Our strategy is unchanged and you can read about our progress this year throughout this Strategic report and our six strategic objectives are set out on page 10. Central to our approach has been embedding the process of allocating capital for investment to those businesses capable of generating the best returns for shareholders. The heavy lifting on the portfolio has been substantially completed and over the past six years we have disposed of 31 non-core businesses which generated revenue of £4.6 billion and trading losses of £138 million.

Now that we have a great set of businesses to invest in and grow, our central focus is to continue driving the strategy through each business unit, which is working well. We are placing much greater emphasis on accelerating profitable growth and improving our business model. Like last year, much of our energy and focus has centred here and I will go on to discuss some of the major work streams in more detail in this statement.

We should not forget that, in addition to organic growth, the structural growth opportunity in these markets remains significant. Due to our strong balance sheet, where appropriate, we will supplement organic growth with bolt-on acquisitions that enable us to generate synergies and create

shareholder value. In the long term, we remain very positive about the opportunities to grow the business and we are well positioned to capitalise on the significant growth potential in our markets.

Accelerating profitable growth 3

We have been focusing on a number of levers (see diagram below) in each business unit to improve our organic growth rates. Delivering excellent customer service is fundamental and we work at continuous improvement in terms of having better product availability, fast service at our counters and a broader product range than the competition. To deliver great customer service, employee engagement is also incredibly important and we aim to employ the best people in the industry, who are highly trained to serve our customers well. Our experience is that where we have managed to build this capability in our people, it gives us a real edge over competitors.

We are continuing to roll-out new customer segmentation models to develop better targeted customer propositions than our competitors. This also enables us to better match our cost to serve customers – so a large national contractor that is often tendering for work may value competitive pricing whereas a local plumber doing

Levers for accelerating profitable growth 3

Customer service	Customer segmentation	Employee engagement	Sales management	Network expansion	Pricing management
High product availability	Different needs	Best trained employees in the industry	Winning bids	Geographic expansion	Competitive and consistent
Speed of service	Tailored propositions	Engaged branch and sales employees	Problem solving and advice	Supply chain and logistics	Structured
Range	Flexible order and fulfilment options		Efficiency and productivity	Leverage cost base	Charge for services
Relationships/advice			Competitive advantage		
Price					



For more information on our Key performance indicators see pages 16 and 17

regular repairs work may value immediate product availability over price. In the UK, for example, we have created eight customer segments based on customers' size, business type, service needs and transactional behaviour (see page 23 for an example from the USA).

Given the fragmented nature of our industry, we have a significant opportunity to expand our network in all our geographies, particularly where we are under-represented and in the faster growing metro areas in the USA, Canada and Europe. For example, on page 2 you can see our approach to expanding our market share in the New York Metro area, a region where we were traditionally under-represented and which itself is a \$6 billion metropolitan market for our products. Having a large and high quality sales team who are able to solve our customers' problems is critical to winning new work. By ensuring that more sales resources are deployed more efficiently, we can drive increased market share in our businesses.

Finally, pricing management is becoming even more important as larger commercial projects return to the market as the economic recovery gathers pace. We believe being able to be competitive and consistent on price across geographies for the same regional customer will build trust and wallet share over time. In the USA, for example, we have created regional pricing centres so that all bid work is undertaken by specially trained employees who can provide a fast and efficient service on a consistent basis to our field sales teams and customers.

Drive evolution of our business model 4 5

As planned, we have stepped up the rate of investment over the last couple of years to support our organic expansion initiatives. In 2015, capital investment of £231 million was split broadly evenly between technology, freehold property acquisitions and routine maintenance expenditure to ensure our existing facilities remain well invested.

Our investment strategy for property is to ensure we own the strategically important sites such as large distribution centres which are often in critical locations to support our logistics operations. This year, investment in freehold property principally related to distribution centres and hubs and in particular, the new Coxsackie distribution centre and Secaucus ship hub supporting network expansion in New York and the North East of the USA.

Investment in technology projects supports our business model improvements. We began investment in a unified IT infrastructure several years ago to ensure we had a low cost and highly secure environment to run our business applications globally. We now have two pairs of data centres supporting our Group businesses, one pair in North America and the other in Europe. All business critical IT services operate out of a common and secure IT environment which can be rapidly recovered should the worst happen.

In the last four to five years we have also been investing in best-in-class business applications along with master data and business intelligence tools to enhance the capability of the business and improve the management information provided to our leaders. Historically, our legacy Enterprise Resource Planning ("ERP") systems have delivered effective transactional processing but have not provided the appropriate technology foundations for enhancing customer service, optimising our supply chain or supporting the introduction of new channels to market. To address this

“We have stepped up the rate of organic investment.”

The symbols below denote the areas of the Chief Executive's overview which relate to the strategic objectives set out on **page 10**.

1 2 3 4 5 6

we have connected modern databases to the “back end” of our legacy ERPs and implemented middleware solutions so we can efficiently connect the best-in-class business applications. This covers areas such as finance, warehouse management, e-commerce, customer relationship management and sales management into our legacy ERPs.

This approach has increased the adoption of common business applications across the Group, enabling the rapid transfer of best practice between business units, including new channels such as e-commerce.


Our customers are highly receptive to this channel and therefore we want to continue to have the best e-commerce applications in the industry. E-commerce today is 13 per cent of Group revenue (£1.7 billion) and growing rapidly. We see e-commerce as an efficient way to meet the needs of our customers at the appropriate cost to serve through leveraging the current branch and logistics network without added extra branch capacity. It also enables our customers to do business with us 24/7 which often suits their working practices.

Our unified technology approach is generating synergies across regions. There is a natural convergence in our approach and fast execution as we learn from standard deployments in one country which minimise cost the next time round. There is an associated investment in operating costs although naturally we expect a sensible pay back on all of our investments in terms of improved productivity.

Bolt-on acquisitions and disposals 1

During the year, we invested £105 million in 18 businesses in our existing regions with annualised revenue of £220 million. The majority of these companies were rapidly integrated into our existing operations to deliver improved returns and cost synergies as quickly as possible. We have been very clear that we will only acquire businesses that will help us achieve our strategic goals, where we can deliver rapid integration synergies and obtain a fair price.

During the year, we disposed of five non-core businesses which generated revenues of £278 million and a trading profit of £8 million. We continue to work hard on concluding the sale of our remaining Building Materials business in France and are making good progress with the sale process. You can read more about this in John Martin's Financial and operating review.

 For the Financial and operating review see **pages 30 to 35**

Sustainability 3 5

We have made some good progress across all health and safety metrics this year. Compared to last year, our injury rate improved by 2.1 per cent with lost workdays down 6.3 per cent and our collision rate 9.6 per cent lower. This is good news and shows the plans put into place last year are working. We are working hard to ensure all our branches meet the standards we expect of ourselves and will continue to improve health and safety across all areas of our business.

We also have some good news to report in terms of carbon and waste reduction. Carbon per £m revenue has reduced by 10.5 per cent and waste per £m revenue has reduced by 8.6 per cent this year. Both of these exceeded our two-year targets in the first year and we will be more ambitious in our goals going forward. Our businesses have executed many good ideas to achieve this. Wolseley Canada has moved a significant proportion of its distribution to freight trains and are now saving approximately 1,800 tonnes of carbon a year.

We do need to further focus our efforts around waste segregation. We achieved a small improvement in the proportion of our waste that is recycled from 23.5 per cent to 24.7 per cent but we have a two-year target to achieve 29 per cent. There have been a number of one-off projects (new distribution centres, new branches, branch refurbishments) which have increased waste volumes in the short term. We have redoubled our efforts in this area and hope to achieve this target next year.

 For more about our sustainability programme see **pages 36 to 43**

Looking ahead

We expect to generate good growth in the first half with like-for-like revenue growth of about 4 per cent. In the USA, we expect continued good growth in Blended Branches, Waterworks, HVAC, B2C and Fire and Fabrication underpinned by decent Commercial and Residential markets. However, Industrial markets in North America, which account for about 15 per cent of revenue in the region, were challenging in the fourth quarter and we expect this to continue. We expect a continued steady recovery of our markets in the Nordics, although the heating market in the UK is expected to remain very competitive with little growth. Overall, we expect to make continued progress in 2016.

Our people

Patrick Headon was appointed as UK Managing Director on 1 May 2015, succeeding Steve Ashmore. Ole Mikael Jensen will step down as CEO of the Nordic region on 30 September 2015 and the search for a successor is underway. The Board would like to thank Steve and Ole for their significant contribution to the business.

Finally, I'm immensely proud of the incredible skill and commitment of our people and I would like to thank everyone who has worked tirelessly over the last year to deliver this set of results. It is the continued efforts, dedication and great work of all involved at Wolseley that means our customers keep coming back which, ultimately, drives value for our shareholders. There is much more work we can do over the coming year to drive further sustainable, profitable growth and I know that our talented team is eager to capitalise on the opportunities that lie ahead.



Ian Meakins
 Group Chief Executive

Measuring progress against our strategy

	Definition	Performance	Description
<div><div>Like-for-like revenue growth</div><div>+7.1%</div><div>Related strategic objectives</div><div><div>2</div><div>3</div><div>4</div></div></div>	The percentage increase or decrease in ongoing revenue year-on-year. Ongoing revenue excludes businesses that have been closed, sold or are held for sale. Like-for-like revenue is excluding the effect of currency exchange, acquisitions and disposals, trading days and branch openings and closures.	<div><div>5.6%</div><div>4.8%</div><div>3.4%</div><div>4.8%</div><div>7.1%</div></div> <div><div>2011</div><div>2012</div><div>2013</div><div>2014</div><div>2015</div></div>	Like-for-like revenue growth was 7.1 per cent in 2015, compared to 4.8 per cent in 2014. This was driven by strong growth in the USA and Nordic region.
<div><div>Gross margin</div><div>+0.1%</div><div>Related strategic objectives</div><div><div>2</div><div>3</div><div>4</div></div></div>	The ratio of ongoing gross profit, excluding exceptional items, to ongoing revenue.	<div><div>27.3%</div><div>27.1%</div><div>27.7%</div><div>27.9%</div><div>28.0%</div></div> <div><div>2011</div><div>2012</div><div>2013</div><div>2014</div><div>2015</div></div>	Gross margin improved by 10 basis points compared to 2014 mainly as a result of the USA and Canada achieving record gross margins by focusing on an improved sales mix.
<div><div>Labour costs as % of gross profit</div><div>0.5% improvement</div><div>Related strategic objectives</div><div><div>2</div><div>3</div><div>4</div><div>5</div></div></div>	This is a measure of productivity. It is the ratio of ongoing labour costs as a percentage of ongoing gross profit, excluding exceptional items.	<div><div>48.8%</div><div>48.9%</div><div>47.9%</div><div>48.1%</div><div>47.6%</div></div> <div><div>2011</div><div>2012</div><div>2013</div><div>2014</div><div>2015</div></div>	Productivity improved to 47.6 per cent, compared to 48.1 per cent in 2014. This has been driven by productivity gains in the USA from the continued centralisation of back office branch operations and investment in branch technology. This has freed up more time for branch employees to serve customers.
<div><div>Trading margin</div><div>+0.1%</div><div>Related strategic objectives</div><div><div>1</div><div>2</div><div>3</div><div>4</div><div>5</div></div></div>	The ratio of ongoing trading profit, excluding exceptional items, to ongoing revenue.	<div><div>5.2%</div><div>5.7%</div><div>6.1%</div><div>6.3%</div><div>6.4%</div></div> <div><div>2011</div><div>2012</div><div>2013</div><div>2014</div><div>2015</div></div>	Trading margin increased from 6.3 to 6.4 per cent principally as a result of the USA achieving record trading margins through the strict control of operating expenses.
<div><div>Average cash-to-cash days</div><div>flat</div><div>Related strategic objectives</div><div><div>6</div></div></div>	The 12-month average number of days from payment for items of inventory to receipt of cash from customers in the ongoing business.	<div><div>54</div><div>53</div><div>52</div><div>49</div><div>49</div></div> <div><div>2011</div><div>2012</div><div>2013</div><div>2014</div><div>2015</div></div>	Average cash-to-cash days were flat year-on-year at 49 days. An increase in the USA due to additional investment in working capital was offset by improvements elsewhere.

	Definition	Performance	Description
<div>Return on gross capital employed</div> <div>+2.1%</div> <div>Related strategic objectives</div> <div>236</div>	<p>The ratio of trading profit to the average year-end aggregate of shareholders' funds, adjusted net debt and cumulative goodwill written off. This is for continuing and discontinued operations.</p>	<div><div>10.6%12.6%14.3%14.8%16.9%</div><div>20112012201320142015</div></div>	<p>Return on gross capital employed improved from 14.8 per cent to 16.9 per cent. This is in line with our investment case and long-term objective of generating attractive returns on capital (see page 1).</p>
<div>Employee engagement, USA</div> <div>+0.2%</div> <div>Related strategic objectives</div> <div>234</div>	<p>Engaged employees deliver excellent customer service, consequently we measure employee engagement in every region.</p> <p>Engagement surveys are periodically sent to employees at all levels asking: "How satisfied are you that Wolseley is a good company to work for?" The calculation methodology is similar to Net Promoter Score ("NPS") as described below.</p>	<div><div>82.3%86.3%90.1%89.8%90.0%</div><div>20112012201320142015</div></div>	<p>The process of tracking and reporting engagement differs by region, therefore an example is given for the USA, the largest region in the Group.</p> <p>Average engagement is 90 per cent, well above industry averages, as the USA maintains focus on this metric.</p>
<div>Customer service, USA</div> <div>flat</div> <div>Related strategic objectives</div> <div>234</div>	<p>There is a good correlation in our business between high customer loyalty scores in a branch and better financial performance.</p> <p>The NPS is a means of measuring customer service. The survey asks: "How likely is it that you would recommend Wolseley to a friend or colleague?" and customers respond with a score between zero (bad) and ten (exceptional). We look at the 12 month average of the proportion of customers who scored Wolseley nine or more, less those customers scoring Wolseley six or less.</p>	<div><div>56.458.858.764.764.7</div><div>2011¹2012201320142015²</div></div>	<p>The process of tracking and reporting customer service differs by region, therefore an example is given for the USA, the largest region in the Group.</p> <p>The net promoter score has remained flat at 64.7 compared to 2014, reflecting continuing high service levels.</p> <p><small>1 Data was collected from October 2011 onwards, therefore 2011 is a 10-month average.</small></p> <p><small>2 A change in calculation method took place this year to use the annualised figure rather than the three-month rolling average. All figures have been restated. Both calculation methods showed a consistent result this year.</small></p>
<div>Injury rate</div> <div>2.1% improvement</div> <div>Related strategic objectives</div> <div>23</div>	<p>Total number of injuries per 100,000 hours worked. The numbers are based on injuries requiring an employee to leave the workplace for medical treatment. The hours worked are calculated using full-time equivalent ("FTE") employee numbers and average work days by business and assume an eight hour working day.</p>	<div><div>1.471.561.591.461.43</div><div>20112012201320142015</div></div>	<p>Injuries requiring medical treatment per 100,000 hours worked improved by 2.1 per cent compared to the previous year. This was driven by ongoing efforts to identify and resolve risks and an increase in the number of spot checks performed across all regions.</p> <p>See Sustainability section for more details (pages 36 to 43).</p>

KPIs and strategy

The symbols below are displayed on these pages to indicate which of our strategic objectives are most directly supported by each KPI. The strategic objectives are summarised on **page 10**.



For regional performance see **pages 20 to 29**

Our business model

Wolseley is a specialist distributor, bridging the gap between 60,000 suppliers and 1.1 million customers. We market and sell a wide range of products that our customers need and provide our suppliers with access to these customers cost effectively.

Source

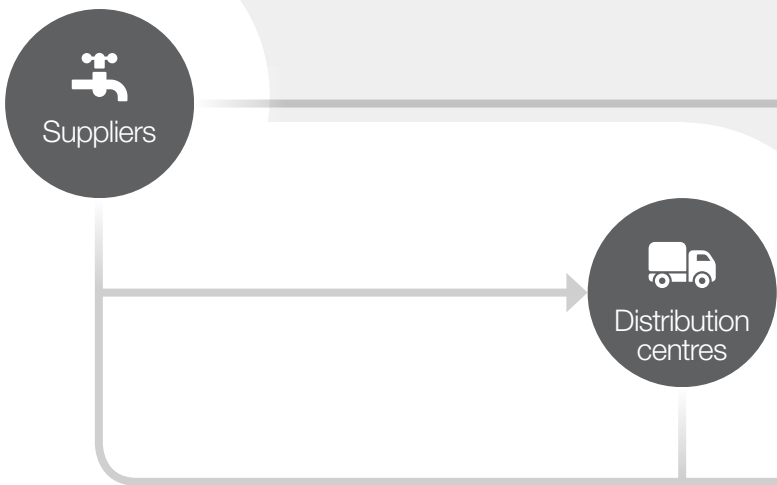
Distribute

Key resources & relationships

In order to sell our products and services, we rely on a range of fundamental assets and partnerships.

- Capital
- Suppliers
- Our people
- Customers
- Distribution network
- E-commerce
- Showrooms
- Fleet
- Call centres

Our distribution and logistics model



60,000
Suppliers

We have a **diverse supplier base** sourcing over one million products from 60,000 suppliers around the world, which gives us access to a broad range of products. Our leading market positions enable our central sourcing teams in each region to leverage our scale to negotiate competitive prices in return for access to high volume distribution to our 1.1 million customers. In plumbing and heating businesses, the model is predominantly distributing from distribution centres and branches to customers. In building material businesses, the model is more direct from supplier and branch to customer.

1 million
Products

Manufacturers deliver in bulk to our network of distribution centres, to branches or directly to our customers. Product availability is essential for customer satisfaction and **our scale, logistics know-how, rigorous stock control and large fleet** enable us to provide reliable product availability and flexible delivery options to cater for all our customers' needs.

Sell

Fulfilment channel

17% of sales delivered directly from suppliers

8% of sales delivered directly from distribution centres

44% of sales delivered from branches

31% of sales collected from branches



Branches

2,739
Branches

In total, our business units operate **2,739 branches**. This means our customers typically travel fewer than 20 miles to buy from us. The knowledge and expertise of our employees at this local level is highly valued, as many customers, from sole traders to large businesses, build a strong rapport and visit individual branches several times a week. While customers are increasingly demanding a 24/7 multi-channel experience, the majority of our business is still conducted through our branch network.

Customers

Sales through central account management

Sales through e-commerce

Sales order channels

70%
Sales through our branch network

Sales through showrooms

1.1 million
Customers

Our customers need a wide range of products with high levels of availability often for collection or delivery on the same day. Customers value quality and speed of service, range and availability of products, billing and order accuracy, competitive pricing, knowledge and relationships. They also want flexibility in terms of choosing the most suitable sales order channel when they buy from us. We aim to deliver a “best-in-industry” service for all of these categories and channels and that is why our customers keep coming back to us.

Outcomes

As a result of our activities, we create value that goes beyond just the financial returns for shareholders.

Great returns for our shareholders

See page 9

Engaged and well-trained workforce

See pages 17, 37 and 38

Loyal, satisfied customers

See page 17

Efficient branch and logistics network

See page 2

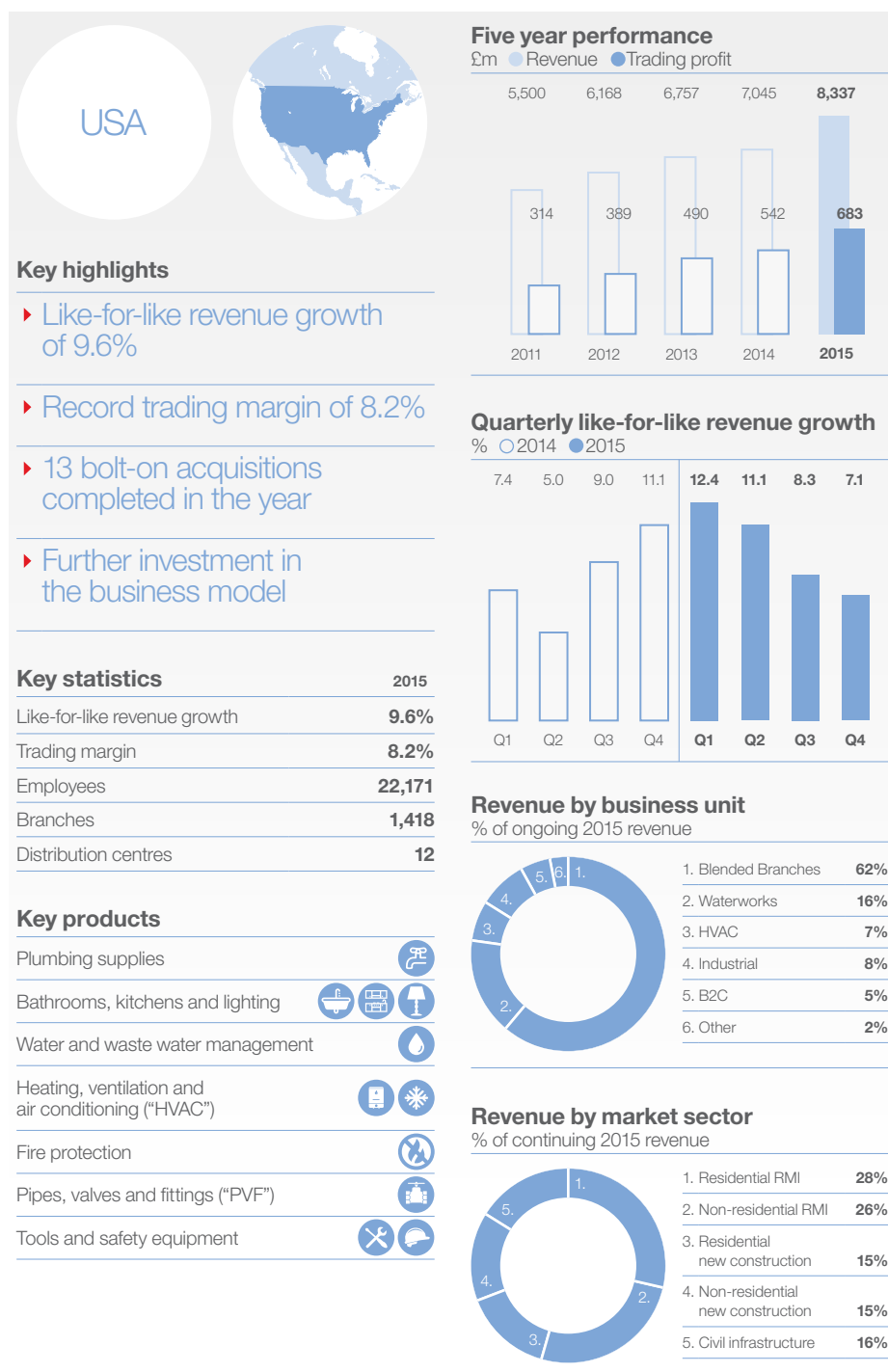
Reduced carbon emissions and waste

See pages 39 to 41

Increased adoption of eco-products

See pages 41 and 42

USA (ongoing)



Business unit portfolio and profile

The USA mainly operates in the Business to Business ("B2B") market primarily under the Ferguson brand, although a number of other brands have been retained in certain markets. There are several types of B2B business: Blended Branches, Waterworks, HVAC, Industrial, Fire and Fabrication and Maintenance, Repair and Operations ("MRO"). The USA also operates in the Business to Consumer ("B2C") market primarily under the brands Build.com and PED.com (although these websites are not exclusively for end consumers).

There are a total of 1,418 branches across all 50 states, served by 12 distribution centres, providing next day product availability. This is a key competitive advantage along with the efficiencies arising from purchasing volumes. 13 acquisitions have been made to increase market share and build up positions in adjacent markets. Ferguson predominantly serves RMI markets and has relatively low exposure to the new residential construction market.

The Blended Branches business distributes plumbing supplies to customers across the residential, commercial and industrial sectors for RMI projects and new construction. In markets that may not justify a standalone presence for our HVAC and Waterworks businesses, a Blended Branch can also provide products and services for these customers. The Blended Branches business also operates 280 showrooms which showcase products and assist customers in designing their home improvements. The showroom channel is a fast growing area.

The Waterworks business distributes PVF, hydrants, meters and related water and waste water management products to residential, commercial and municipal contractors.

“Market growth in the year was about five per cent and we increased market share in all segments of our business.”

The HVAC business distributes heating, ventilation, air conditioning and refrigeration equipment to specialist contractors, predominantly in the residential and commercial sectors for repair and replacement. Branded branches selling high quality products are an important feature for this market.

The Industrial business also 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 MRO and supplies and distributes fasteners and related production components to manufacturers.

The Fire and Fabrication business fabricates and supplies fire protection systems primarily to commercial contractors for new construction projects.

The MRO business provides products and services to customers in the facilities maintenance market including building service contractors, manufacturers and industrial customers, hospitality managers and government agencies (see page 22 for more information).

The B2C business sells home improvement products directly to consumers via websites using the product range and distribution network of the B2B business.

Market position and competitive environment

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

Market position

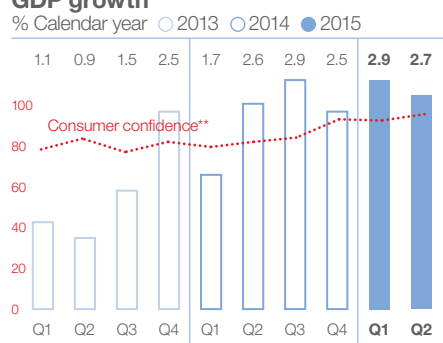
Blended Branches	1
Waterworks	2
Fire and Fabrication	2
HVAC	3
Industrial	3

Ferguson has no direct competitor that operates across all its markets; markets are fragmented with a large number of players. Each business has its own competitors which range from large national companies, including trade sales by large home improvement chains, to single branch, privately owned operations.

Management estimates Ferguson has continued to gain market share in the year, growing sales ahead of the market, by maintaining focus on customer service.

Market trends

GDP growth*

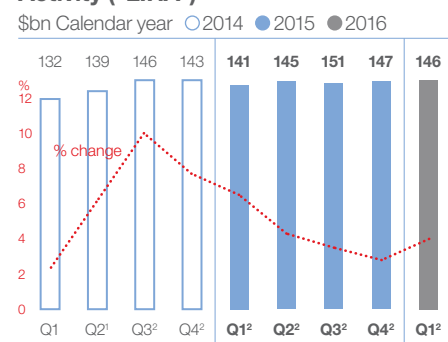


* GDP: % change compared to the same quarter of the previous calendar year. Source: OECD

**Confidence: Index of results from a consumer confidence survey measuring the level of optimism that consumers have about the performance of the economy in the next 12 months. Source: Trading Economics

GDP growth in the USA has remained relatively steady for the last 18 months, averaging 2.6 per cent, and continuing the growth trend that started in 2010. Unemployment and inflation have fallen and consumer confidence has continued to gradually improve.

Leading Indicator of Remodelling Activity (“LIRA”)*



* \$bn remodelling spend and % change compared to the same quarter of the previous calendar year.

1 Estimate

2 Projection

Source: The Joint Centre for Housing Studies

LIRA estimates homeowner spending on improvements in the current quarter and subsequent three quarters. The survey forecasts that the RMI market, which is our largest market in the USA, should continue to grow in 2016.

USA (ongoing)



The MRO opportunity

Commercial MRO is a large, \$76 billion market and today Ferguson has only a small market share. We have a tremendous opportunity to profitably grow very rapidly in this attractive market. Our commitment to date has included the addition of about 120 outside sales and sales management personnel in the field and 110 inside sales employees based at the National Sales Center. Among other investments, the addition of HP Products, acquired last year, added over 250 associates completely focused on Commercial MRO. HP Products is headquartered in Indianapolis, Indiana, and the acquisition gave Ferguson access to new categories of products in the MRO range including janitorial/sanitary products which are an important part of the overall customer offering. HP Products is now taking full advantage of Ferguson's national distribution network and economies of scale and customers will benefit from an even larger depth and breadth of product inventory for everyday items. Developing our Commercial MRO business remains a key growth opportunity for the business.

Operating performance

Ferguson, our US plumbing and heating business, grew revenue 9.6 per cent on a like-for-like basis and the trading margin of 8.2 per cent (2013/14: 7.7 per cent) was another record. Price deflation was 0.2 per cent principally due to falling commodity prices. Acquisitions contributed 2.8 per cent of additional revenue growth. The RMI, new residential and commercial markets all grew steadily. Industrial markets grew strongly in the early part of the year, but were adversely impacted in the second half by a weakening oil and gas sector and the strength of the US dollar.

Ferguson's Blended Branches continued to grow strongly across all main regions, benefiting from growing markets and continued market share gains. Waterworks grew very strongly and gained market share. The HVAC and Fire and Fabrication businesses both generated good growth. Build.com, our B2C e-commerce business, continued to grow very strongly throughout the year. Industrial, which represents about 15 per cent of Ferguson's revenues, grew strongly in the first half but declined in the fourth quarter as activity levels fell, particularly in the major oil producing states.

Market growth in the year was about 5 per cent and we increased market share in all segments of our business. We continued to drive improvements in more tailored customer propositions, sales force productivity, consistent pricing and the efficiency of the branch network. Online ordering is now an essential channel for customers giving

them flexibility to do business with us 24/7. Accordingly we have continued to invest in our B2B and B2C technology platforms which accounted for £1.5 billion (18 per cent) of Ferguson's revenue. We will continue to focus on driving improvements in product availability including availability of our high demand 'every day' products (defined as the best selling 3,000 products in a region) which was 98.8 per cent. This continues to be an important factor as we constantly improve our industry leading customer service.

We increased our gross margins and operating expenses were 11 per cent higher than last year at constant exchange rates including 3 per cent from acquisitions. Exchange rate movements were favourable and increased trading profit by £29 million. Trading profit of £683 million (2013/14: £542 million) was 19.8 per cent ahead of last year at constant exchange rates.

13 acquisitions were completed during the year and these are being integrated with our existing business units. In the final quarter we acquired eComfort, a Chicago-based HVAC company, and W R White a Waterworks business based in Salt Lake City. The businesses acquired in the year had total annualised revenue of £131 million. Since the year end we have also acquired Central Pipe and Supply, an Alabama-based Fire and Fabrication business, with annualised revenue of £5 million.

We opened a net 14 branches in the year with a further 27 arising from acquisitions. Headcount growth was 9 per cent, of which 2 per cent arose from acquisitions.

We disposed of our small, non-core Specialty Pipe business during the year and the results of this business have been excluded from the results of the ongoing business.

“We have continued to invest in our B2B and B2C technology platforms which accounted for £1.5 billion (18 per cent) of Ferguson’s revenue.”



A new way of doing business

For nearly two years, Ferguson spent hundreds of hours conducting more than 5,000 customer interviews to better understand customers’ needs, why they do business with us and their expectations. This research has helped the company identify customer price sensitivity, trust level and sales opportunities. It has also been the foundation of the customer segmentation marketing strategy. Providing the best experience to our customers starts with understanding their needs and segmentation will make sure our customers consistently receive the best service and the right price. This approach will maximise our sales and profitability and, most importantly, will improve customer satisfaction. These segments arm our sales people with the tools and information to understand their customers even better than they do today. The information is used to make sure Ferguson has the right products, programmes, prices, resources and promotions to meet each customer’s needs and importantly match our cost to serve. After a number of pilots we are now progressively rolling out the segmentation model across Ferguson.

Ferguson’s five customer segments

Deal customers resemble our typical/ traditional customer. They don’t necessarily care about the lowest price, but want a fair deal.

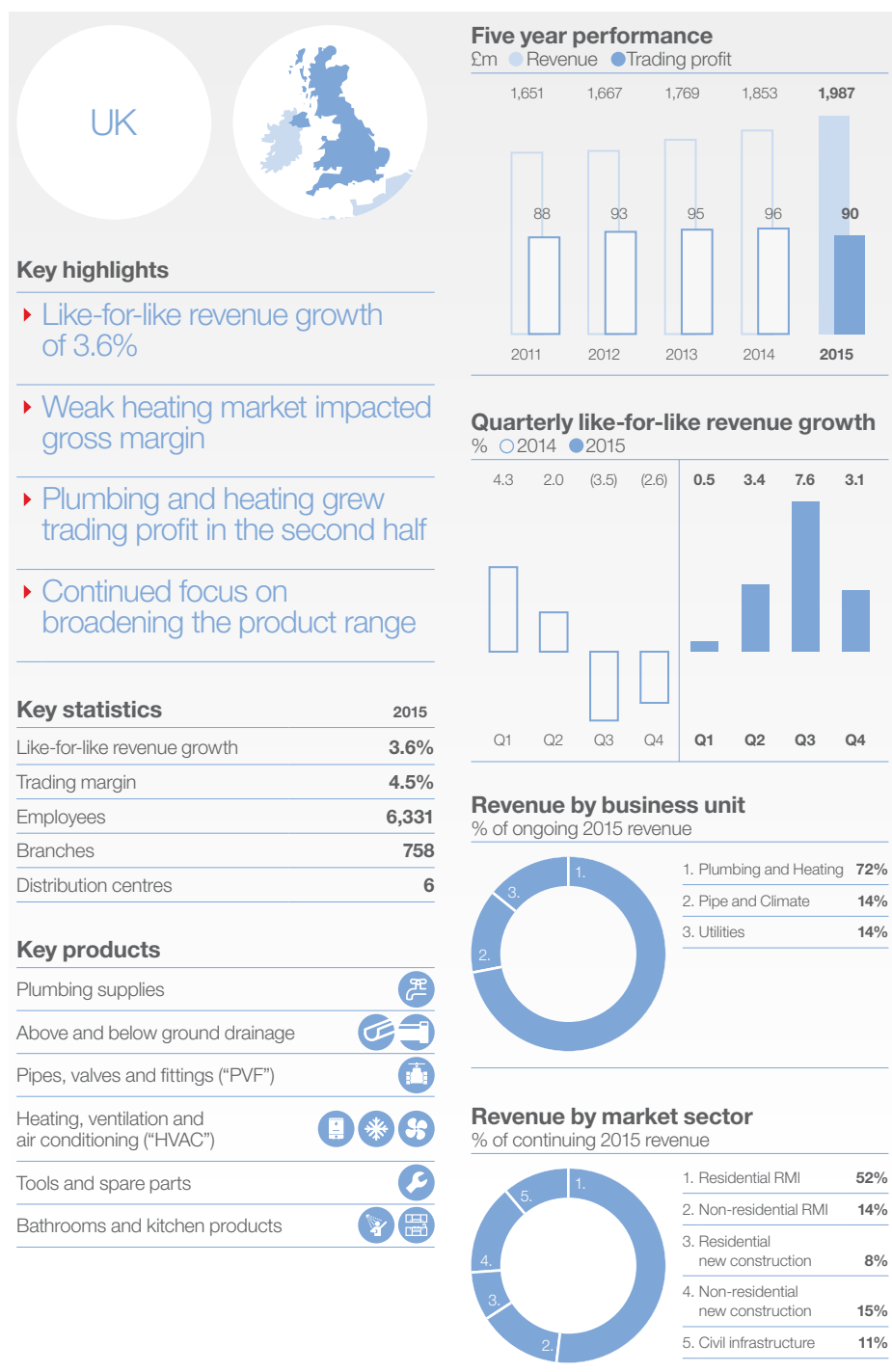
Reliability customers are very sensitive to schedules and project timelines. They rely on knowledgeable associates and they expect consistent, accurate service.

Price customers are influenced by the lowest price. They are not loyal to a single supplier and purchase from the company with the lowest price who can also provide fast service.

Partnership customers have the highest service expectations of all the segments. They expect personal attention and well-informed, trustworthy employees.

Inventory customers are extremely sensitive to fluctuations in inventory levels, as well as delays and mistakes in delivery. They expect strong inside sales support.

UK (ongoing)



Business unit portfolio and profile

The UK operates in the B2B market with three businesses: Plumbing and Heating, Pipe and Climate and Utilities (Burdens).

The business has 758 branches across the country, served by six distribution centres, providing next day product availability. This is a key competitive advantage along with the efficiencies arising from purchasing volumes. The majority of the UK's revenue is generated from the RMI market, with relatively low exposure to the new residential construction market.

The Plumbing and Heating business, which includes the Plumb Center, Parts Center and William Wilson 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 business distributes pipes, valves, fittings, air conditioning and refrigeration products to mechanical services and plant engineers and commercial HVAC and refrigeration contractors. Pipe and Climate Center generates the majority of its revenue from the non-residential new construction market.

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

In March, the UK acquired a majority shareholding in BathEmpire.com, a leading B2C online bathroom retailer.

Market position and competitive environment

Each business has its own competitors which range from large national companies, including trade sales by large home improvement chains, to single branch privately owned operations. The market positions of the main business units are estimated as follows:

Market position

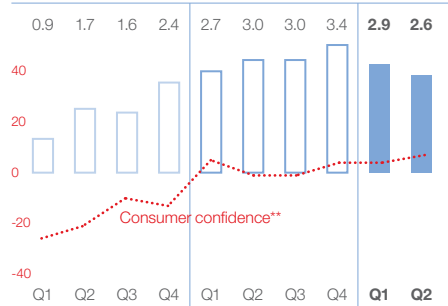
Plumbing and Heating	=1
Pipe and Climate	1
Utilities	2

Management estimates the UK businesses have maintained market share in the year.

Market trends

GDP growth*

% Calendar year ○ 2013 ○ 2014 ● 2015



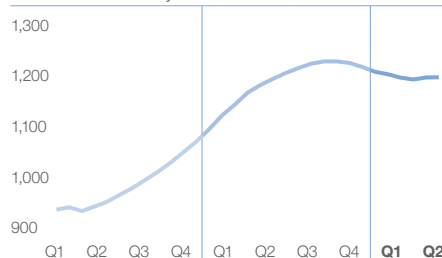
* GDP: % change compared to the same quarter of the previous calendar year. Source: OECD

**Confidence: Index of results from a consumer confidence survey measuring the level of optimism that consumers have about the performance of the economy in the next 12 months. Source: Trading Economics

Quarterly GDP growth in the UK peaked at 3.4 per cent in the last quarter of calendar year 2014 and has since fallen back. As unemployment and inflation have fallen, consumer confidence has recovered to just above zero in quarter two calendar year 2015.

Housing transactions*

No. '000 Calendar year ○ 2013 ○ 2014 ● 2015



* Total number of the last 12 months of housing transactions, each quarter, for houses above £40,000, England (seasonally adjusted). Source: HMRC

The RMI market is closely linked to the secondary housing transactions market and following the Mortgage Market Review, which imposed more stringent criteria on lenders, the number of mortgage approvals fell in the second half of 2014. This has fed through to a decrease in the number of secondary housing transactions completed in the last six months.

Operating performance

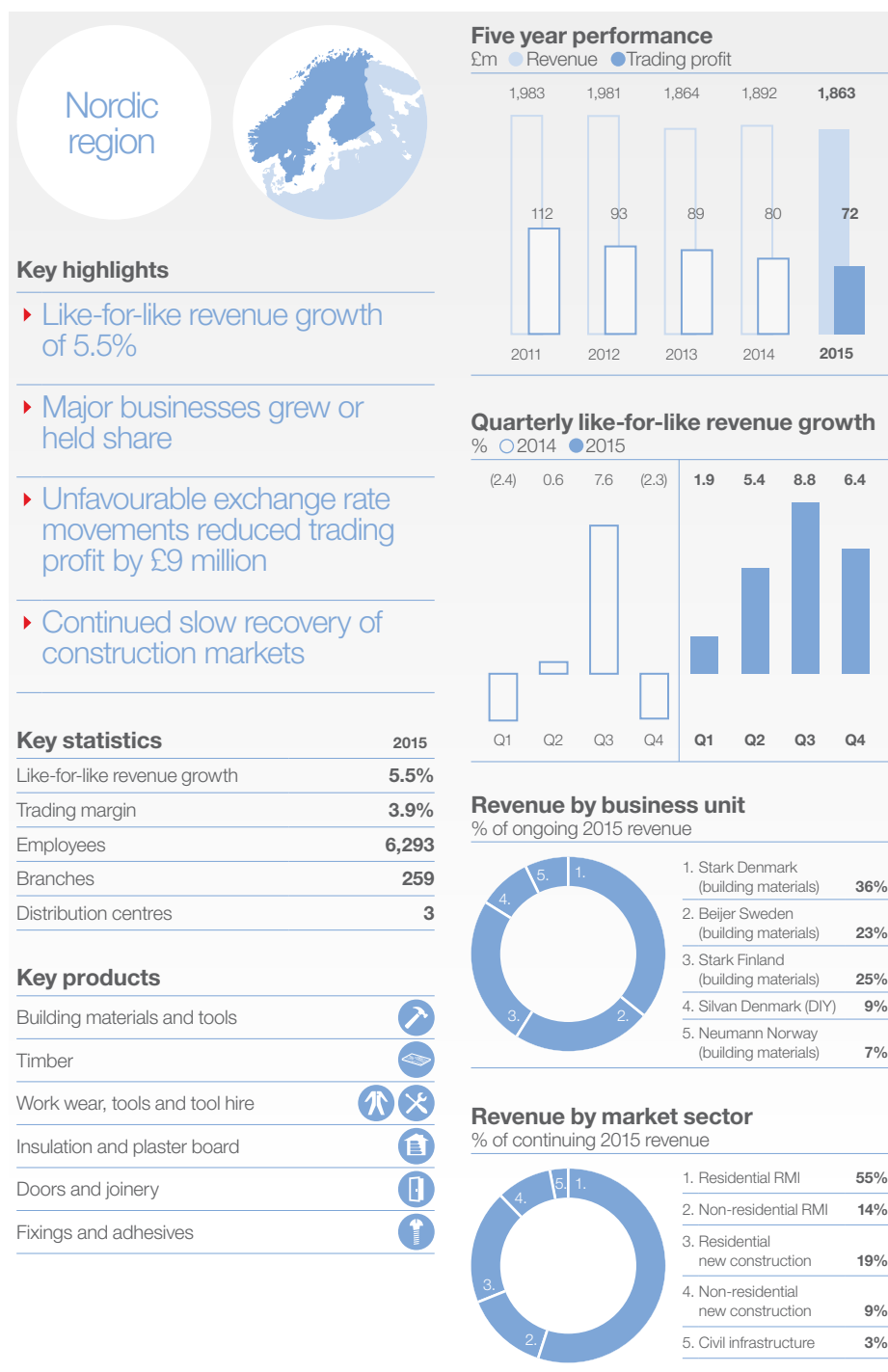
In the UK, like-for-like revenue growth in the year was 3.6 per cent, including price deflation of 0.8 per cent. Acquisitions contributed 4.1 per cent of additional revenue growth. Whilst new residential construction markets, which account for about 8 per cent of UK revenues, were strong, RMI markets, which represent 52 per cent of UK revenue, remained weak and were flat in the second half. Revenue was modestly ahead in Plumbing and Heating and Pipe and Climate and our utilities business Burdens continued to grow strongly.

Overall we made modest market share gains as the heating market weakened with low volumes from government sponsored programmes and pricing pressure continued to impact gross margins. We continued to focus on broadening our range of products including our plumbing categories which grew by 8 per cent. Operating expenses were 8 per cent higher than last year including 5 per cent from acquisitions and £2 million of one-off restructuring charges.

During the year we acquired BathEmpire.com, a B2C online bathroom retailer with annualised revenue of £26 million, and MPS, a utilities distributor, with annualised revenues of £38 million.

Overall we closed a net 10 branches in the year. Headcount was well controlled, increasing organically by 2 per cent, with a further 4 per cent growth from acquisitions. Trading profit of £90 million was £6 million below last year and the trading margin was 4.5 per cent (2013/14 : 5.2 per cent).

Nordic region (ongoing)



Business unit portfolio and profile

The Nordic region operates five business units across a network of 259 branches. It primarily serves the residential RMI and new construction markets. The product ranges of the businesses overlap, therefore there are significant synergies from economies of scale in the procurement process.

Stark Denmark 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.

Stark Finland (previously Starkki) is a leading chain of builders' merchants in Finland with a format based on large stores and well-trained specialist employees. Stark Finland principally serves professional builders, contractors and construction companies.

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

Silvan is a DIY and retail chain in Denmark. Silvan's stores are strategically placed in large towns and 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

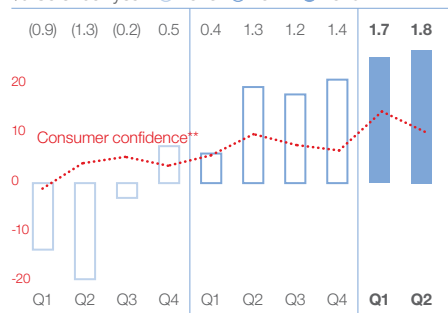
Stark Denmark (building materials)	1
Beijer Sweden (building materials)	1
Stark Finland (building materials)	2
Silvan Denmark (DIY)	3

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)*

% Calendar year ○ 2013 ○ 2014 ● 2015



* GDP: % change compared to the same quarter of the previous calendar year. Source: OECD

**Confidence: Index of results from a consumer confidence survey measuring the level of optimism that consumers have about the performance of the economy in the next 12 months. Source: Statistics Denmark

Denmark is the largest business in the Nordic region, therefore Danish data is presented. Quarterly GDP growth in Denmark has improved compared to last year, although only averaging around 1.5 per cent in the last 12 months. Consumer confidence improved marginally but remains at low levels.

Housing starts (Denmark)*

No. Calendar year ○ 2013 ○ 2014 ● 2015



* Total number of the last 12 months of housing starts, each quarter, in Denmark (seasonally adjusted). Source: Statistics Denmark

After a positive start to the year, housing starts in Denmark (an indicator of future construction activity) have returned back to previous low levels.

Operating performance

In the Nordics, like-for-like revenue was 5.5 per cent including 0.7 per cent price inflation. Acquisitions contributed 4.9 per cent of additional revenue growth. Market conditions improved progressively in the second half of the year in Denmark and Sweden but remained very challenging in Finland. We gained or held market share in all of our businesses.

Gross margins were in line with last year before the impact of acquisitions. Operating expenses increased by 10 per cent at constant exchange rates including 4 per cent from acquisitions.

During the year we acquired Hobro Ny Traelast a single builders merchant site with annualised revenue of £10 million.

Overall we closed a net 8 branches in the year. Headcount was well controlled, up 1.0 per cent. Exchange rate movements were unfavourable and reduced trading profit by £9 million. Before foreign exchange movements, trading profit for the ongoing business of £72 million was broadly flat.

The trading margin for the ongoing businesses was 3.9 per cent (2013/14: 4.2 per cent).

Canada (ongoing)

Key highlights

- ▶ Market conditions deteriorated in the second half due to falling oil and gas prices
- ▶ Tight cost control to protect profitability

Key statistics

	2015
Like-for-like revenue growth	(0.3%)
Trading margin	4.8%
Employees	2,490
Branches	226
Distribution centres	1

Revenue by market sector

% of continuing 2015 revenue



Business unit portfolio and profile

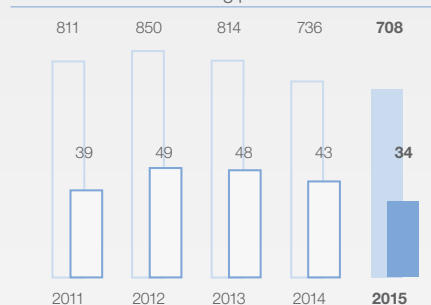
Wolseley Canada has three business units which principally operate under the Wolseley and Meridian Valves banners, although a number of other brands have been retained to service specific markets. 226 branches are supported by one distribution centre. Wolseley Canada services the residential, commercial and industrial sectors both in the RMI and new construction markets.

The Blended Branches business (76 per cent of revenue) 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 (15 per cent of revenue) supplies products and services to the construction industry

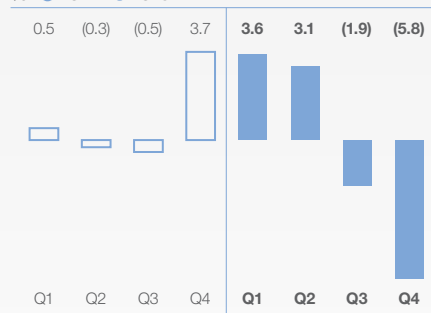
Five year performance

£m Revenue Trading profit



Quarterly like-for-like revenue growth

% 2014 2015



and water and waste water treatment systems to residential, commercial and municipal contractors.

The Industrial business (9 per cent of revenue) is a supplier of PVF 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 businesses, although these vary by region. The overall market positions of the main businesses are estimated as:

Market position

Blended Branches	2
Waterworks	2

Market trends

GDP growth in Canada has weakened in 2015 due to weakness in the oil and gas market. Consumer confidence, which had continued its upward trend, fell back in the last quarter.

The number of housing starts in Canada has remained broadly flat for two years.

Operating performance

In Canada, like-for-like revenue fell by 0.3 per cent despite price inflation of 2.3 per cent due to the impact of the strengthening of the US dollar on imports. Market conditions deteriorated sharply in the second half, particularly in the west as a result of the fall in oil prices.

Blended Branches revenue grew modestly and we held market share. Waterworks and Industrial revenue was lower in the second half. Gross margins were slightly ahead of last year. Operating expenses included £5 million of non-recurring restructuring costs, before which operating expenses were lower on a constant currency basis.

We added a net 4 new branches overall in the year and headcount was flat compared to last year. Exchange rate movements were unfavourable and reduced trading profit by £2 million. Reported trading profit of £34 million was £9 million behind last year.

We disposed of our HDPE pipe business during the year and the results of this business have been excluded from the results of the ongoing business.

During the year we acquired Goodman and QIP, two small industrial businesses with total annualised revenue of £15 million.

The trading margin in the ongoing businesses was 4.8 per cent (2013/14: 5.8 per cent).

Central Europe (ongoing)

Key highlights

- ▶ Strong performance in the Netherlands as markets improved
- ▶ Tough market conditions in Switzerland. Tight cost control to protect profitability

Key statistics

	2015
Like-for-like revenue decline	(1.4%)
Trading margin	5.2%
Employees	1,072
Branches	78
Distribution centres	2

Revenue by market sector

% of continuing 2015 revenue



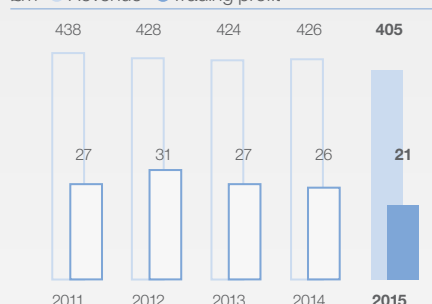
Business unit portfolio and profile

In Central Europe, we operate two businesses, one in Switzerland (60 per cent of revenue) and the other in the Netherlands (40 per cent of revenue). The two businesses operate through a network of 78 branches and two distribution centres and primarily serving the residential RMI and residential new construction markets.

Tobler is the leading distributor of heating and plumbing products in Switzerland. It continues to invest significantly in e-commerce, generating a substantial proportion of its sales online.

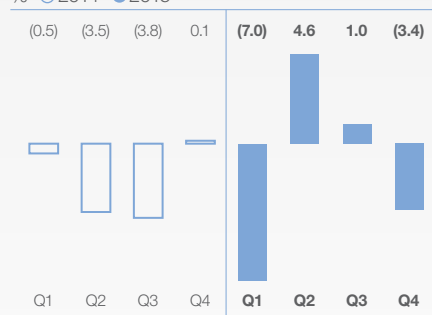
Five year performance

£m Revenue Trading profit



Quarterly like-for-like revenue growth

% 2014 2015



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

Market position and competitive environment

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

Market position

Tobler (Switzerland)	1
Wasco (Netherlands)	4

Market trends

Switzerland is the largest business in the Central Europe region, so Swiss data is presented here. Quarterly GDP growth in Switzerland has remained low but resilient at around 1.6 per cent through 2015.

Operating performance

Central Europe comprises Tobler and Wasco our plumbing and heating businesses in Switzerland and the Netherlands. Like-for-like revenue declined by 1.4 per cent in the year, due principally to price deflation. In Switzerland the market declined sharply but construction markets improved in the Netherlands.

Gross margins were lower due to mix and pricing pressure in competitive markets. Operating expenses were tightly controlled and were 1 per cent lower, including £1 million of one-off restructuring charges. In the ongoing businesses net branches increased by three in the year and headcount was 1 per cent lower compared to last year. Foreign exchange rate movements reduced trading profit by £1 million. Trading profit in the ongoing businesses was £21 million (2013/14: £26 million).

The trading margin in the ongoing businesses was 5.2 per cent (2013/14: 6.1 per cent).

“Trading margin of the ongoing business increased to 6.4 per cent, equalling the peak margin achieved in 2007.”

John Martin
Chief Financial Officer



In summary

- ▶ Like-for-like revenue growth of 7.1 per cent
- ▶ Gross margin expansion of 0.1 per cent
- ▶ Capital investment of £231 million
- ▶ Financial statements
See pages 103 to 157

Performance of the ongoing business

	Ongoing ¹ 2015 £m	Ongoing ¹ 2014 £m	Growth %	Like-for-like growth %
Revenue	13,300	11,952	+11.3%	+7.1%
Gross profit	3,721	3,337	+11.5%	–
Operating expenses	(2,864)	(2,585)	+10.8%	–
Trading profit	857	752	+14.0%	–
Gross margin	28.0%	27.9%	+0.1%	–
Trading margin	6.4%	6.3%	+0.1%	–

¹ The “ongoing business” excludes businesses that have been sold, closed or are held for sale.

The Group’s ongoing business grew well with like-for-like revenue growth of 7.1 per cent led by a strong performance from Ferguson in the USA with like-for-like growth of 9.6 per cent. Ferguson grew strongly and gained market share across all regions, with Blended Branches, Waterworks and our B2C e-commerce businesses performing particularly well. Our operations in the UK and the Nordic region generated good like-for-like growth of 3.6 per cent and 5.5 per cent respectively, although revenue declined in Canada and Central Europe due to challenging market conditions.

We continued to focus on growing gross margins which improved by 0.1 per cent to 28.0 per cent despite falling commodity prices. Gross margin gains were driven by improving the mix of higher value-added products and services and improving our purchasing terms with suppliers.

During the year, we maintained our discipline on operating expenses whilst continuing to invest in developing more efficient ways of executing our business. The Group's trading margin increased from 6.3 per cent to 6.4 per cent, equivalent to the peak margin achieved in 2007. This was driven by Ferguson which achieved another record trading margin of 8.2 per cent.

Trading profit growth was 11.4 per cent at constant currency and after including £17 million from favourable foreign exchange rate movements was 14.0 per cent.

Statutory results

The financial statements have been prepared under IFRS and the Group's accounting policies are set out on pages 108 to 111. The 2013/14 income statement has been restated for the classification of the Group's French businesses as discontinued operations under IFRS 5.

	2015 £m	Restated 2014 £m
Revenue	13,332	12,271
Operating profit	556	705
Net finance costs	(48)	(29)
Profit before tax	508	676
Taxation	(187)	(194)
Profit from continuing operations	321	482
(Loss)/profit from discontinued operations	(108)	22
Profit for the year	213	504

Reconciliation between ongoing trading profit and statutory operating profit

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.

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

	2015 £m	Restated 2014 £m
Ongoing trading profit	857	752
Losses from non-ongoing businesses	(3)	–
Trading profit	854	752
Amortisation	(56)	(46)
Impairment of acquired intangibles	(238)	–
Exceptional items	(4)	(1)
Total reported operating profit	556	705

Losses from non-ongoing business

A number of small businesses in the USA, Canada and the Nordic region were sold during the year and these generated revenue of £32 million and trading losses of £3 million.

Amortisation and impairment of acquired intangibles

Amortisation of £56 million (2013/14: £46 million) represents the normal charge relating to the Group's intangible assets. The Group reviews the carrying value of its goodwill and acquired intangibles annually and when there is an indicator of impairment. During the year, we impaired £234 million of the goodwill and intangibles relating to our Nordic businesses as a result of challenging market conditions. Following our annual impairment review we also impaired £4 million of goodwill in Canada, which reflects the difficult trading conditions in the oil and gas industry. See note 12 on pages 121 and 122 for further details. Goodwill, with a carrying value of £816 million, remains on the balance sheet and is clearly supported by our estimates of value in use.

Exceptional items

A net £4 million exceptional charge to operating profit (2013/14: £1 million) arose from gains and losses on the disposal and closure of businesses and other items.

Net finance costs include an exceptional charge of £22 million which relates to the recycling of foreign exchange differences previously recorded in reserves.

The tax charge on exceptional items amounts to £3 million (2013/14: £3 million).

Net finance costs

Net finance costs before exceptional items amount to £26 million compared with a prior year charge of £29 million, the reduction being principally due to net interest income on defined benefit pension schemes.

Discontinued operations

The French businesses have been classified as discontinued operations and the 2013/14 comparatives have been restated accordingly. During the year, the Group sold its Wood Solutions business in France which generated an exceptional loss on disposal of £59 million. The Group is in the process of selling its remaining French business and the associated assets have been written down to reflect the expected recoverable amount, resulting in an exceptional impairment charge of £67 million. In addition, the Group realised an exceptional gain of £16 million on redemption of a bond received in connection with an earlier disposal. Overall, discontinued operations generated revenue of £587 million, a trading loss of £2 million and an operating loss after exceptional items of £108 million (see note 7 on page 118).

Taxation

The Group incurred a tax charge on profit before discontinued operations of £187 million. Tax before exceptional items and the amortisation and impairment of acquired intangibles amounted to £231 million which represents an effective rate of 27.9 per cent (2013/14: 28.4 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 2015, capital allowances of £370 million are available to offset against future profits in the UK.

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 2015, the UK has losses of £246 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 42.4 per cent over the last 10 years.

The Group's operations are international with 76 per cent of the Group's ongoing trading profit generated in the USA, 14 per cent in other overseas territories and 10 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.

Earnings per share

Headline earnings per share based on trading profit increased by 18.1 per cent from 195.0 pence to 230.2 pence. Basic earnings per share from continuing operations were 123.8 pence and diluted earnings per share were 123.4 pence. Total basic earnings per share, including discontinued operations, were 82.1 pence and diluted earnings per share were 81.9 pence.

Foreign exchange rates impact

The Group reports its results in sterling though the most important trading currency is the US dollar which represents 63 per cent of the Group's ongoing revenue. 5 per cent of revenue is denominated in euros and 5 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 profit is generated. The exchange rates used for the consolidated income statement and balance sheet are set out below:

	2015	2014	Movement
Average rates:			
US dollar	1.56	1.64	5.1%
Canadian dollar	1.86	1.76	(5.4%)
Euro	1.33	1.21	(9.0%)
Closing rates:			
US dollar	1.56	1.69	8.3%
Canadian dollar	2.04	1.84	(9.9%)
Euro	1.42	1.26	(11.3%)

The strengthening of the US dollar against sterling in the year was partially offset by a weakening of the euro and Canadian dollar. These movements led to net increases in revenue and trading profit in the ongoing business of £127 million and £17 million respectively compared with 2013/14, as shown in the table below.

	Ongoing Revenue	Ongoing Trading profit
US dollar	372	29
Canadian dollar	(39)	(2)
Euro and others	(206)	(10)
Total	127	17

Cash flow

The Group has continued to generate strong cash flows with cash generated from operations of £937 million (2013/14: £678 million).

	2015 £m	2014 £m
Cash generated from operations	937	678
Interest and tax	(253)	(226)
Acquisitions and capital expenditure	(336)	(395)
Disposals	86	71
Dividends	(222)	(489)
Net purchase of shares by EBT	(10)	(21)
Net purchase of Treasury shares	(242)	–
Foreign exchange and other items	(54)	82
Movement in net debt	(94)	(300)

Acquisitions and capital expenditure

Acquisitions are an important part of our growth model and during the year we invested £105 million on 18 bolt-on acquisitions in the USA, Canada, UK and the Nordic region.

Our strategy of investing in the development of our business models is underlined by capital expenditure of £231 million (2013/14: £201 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 2015, the Group had total operating lease commitments of £861 million (2013/14: £788 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 144.

Returns to shareholders

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

- To fund profitable growth opportunities that meet the Group's investment criteria;
- To fund ordinary dividends which should grow over the cycle consistent with the Group's long-term growth rate;
- To fund bolt-on acquisitions where they meet the Group's investment criteria; and
- To return surplus cash to shareholders in the most appropriate way.

The Group paid an interim dividend of 30.25 pence per share (2013/14: 27.50 pence per share) amounting to £78 million. A final dividend of 60.5 pence per share (2013/14: 55.0 pence per share), equivalent to £156 million is proposed.

On 30 September 2014, the Group announced its intention to initiate a share buyback programme for up to £250 million. During the year to 31 July 2015, the Group purchased 7.4 million shares under the programme at a total cost of £250 million and an average cost per share of 3,375 pence. The shares purchased under the Group's buyback programme have been retained in issue as Treasury shares.

Due to continued strong cash generation, the Board has proposed a further share buyback programme for up to £300 million.

Impact of foreign exchange movement on net debt

The principal reason for the movement arising from foreign exchange is the retranslation of foreign currency borrowings into sterling. As at 31 July 2014, £724 million of the Group's net debt was held in US dollars and the US dollar appreciated by 8.3 per cent during the year.

Net debt

Net debt increased by £94 million to £805 million at 31 July 2015. The level of net debt at any point in time is affected by the working capital cycle and at 31 July 2015 net debt would have been approximately £130 million higher after taking into account short-term timing differences. Adjusting for these, net debt would be 1.0x 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. At 31 July 2015, the Group's net pension liability of £15 million (2013/14: asset of £7 million) comprises assets of £1,477 million (2013/14: £1,384 million) and liabilities of £1,492 million (2013/14: £1,377 million). 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 understand the impact of changes in these assumptions we have included key sensitivities as part of our pensions disclosure in note 1 on page 111.

Other financial matters

Supplier rebates

In response to the press notice in December 2014 from the Financial Reporting Council (FRC) which called for clarity in the reporting of certain supplier arrangements, we have provided enhanced disclosures within this financial report and within the notes to the consolidated financial statements on the matter of supplier rebates.

Supplier rebates, typically in the form of a volume-based reduction to a supplier's list price are commonly used by suppliers in our industry. Wolseley has agreements with a number of its suppliers covering volume-based rebates, marketing support and other discounts receivable in connection with the purchase of goods for resale from those suppliers. These discounts, collectively known as "supplier rebates", are recognised in the income statement when all conditions have been met and when the goods have been sold. For inventory in the Group's balance sheet at the end of the period, the associated rebate is deducted from the gross cost of inventory and this deduction is credited to the income statement when the goods have been sold.

The majority of supplier rebates are linked to individual unit sales and are calculated using a mechanical process with no judgement involved. A small proportion (less than 10 per cent) of rebates are subject to stepped targets where the net rebate percentage increases as volumes purchased reach certain levels and some judgement is required to estimate the rebate value recognised within Wolseley's financial year. This judgement is exercised consistently and prudently with historically insignificant true-ups at the end of the calendar year.

Contributions towards marketing activities represent a much smaller proportion of supplier rebates and are recognised within the income statement when all the performance conditions have been fulfilled.

The following amounts are included in the balance sheet at the year-end in relation to supplier rebates:

	2015 £m	2014 £m
Trade receivables	144	163
Inventory	(181)	(166)
Trade payables	23	16
Net balance sheet position	(14)	13

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 2015, the Group had total committed facilities of £1,715 million (2013/14: £2,197 million). Of the Group's committed facilities at 31 July, £680 million (2013/14: £1,360 million) was undrawn and £1,086 million of the total facilities mature after more than five years.

On 1 September 2015, the Group issued £512 million of US Private Placement bonds in three tranches: £160 million expiring in September 2022, £256 million expiring in September 2025 and £96 million expiring in September 2027.

Refinancing

During the year, the Group entered into a new £800 million revolving credit facility which matures in 2020. The Group also cancelled four existing revolving credit facilities amounting to £1,201 million.

Interest rates

The Group's private placement bonds, with an outstanding par value of £453 million, have a hedged average fixed interest rate of 2.7 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 on pages 44 to 51.

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 with substantial headroom.

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



John Martin
Chief Financial Officer

Building a better business

The Group's sustainability programme addresses Wolseley's main sustainability issues, mitigating the associated risks and offering business opportunities to accelerate profitable growth. The programme comprises seven components which support the Group's strategy (see page 10).

Our experience tells us that engaged employees deliver great levels of customer service – a key driver of faster profitable growth. We will continue to develop and motivate our people, embedding a strong culture of execution, to deliver our improved business models. To do this, we must above all keep our people safe and healthy.

Supplying our customers with products of ever-greater quality and performance will gain us a greater share of their business. Working closely with our customers to select the energy-efficient materials they need deepens our relationships and opens up new markets. Running operations that consume less energy and fuel reduces costs and improves margins.

During 2014/15, a comprehensive review of the Company's sustainability strategy was conducted. A wide stakeholder group was consulted including investors, customers, suppliers, employees and senior management. The review confirmed that we are focused on the right issues. Further work is planned over the next three years to improve our performance in these areas.

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 10.



Further detail on progress in 2014/15 and objectives for 2015/16
www.wolseley.com



Additional information, including case studies
www.wolseley.com



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 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 comply with our Code of Conduct.



Environmental performance

We run efficient operations that consume less energy and fuel, produce less waste and reduce any negative effects of our business activities on the environment. We explore opportunities to reduce the environmental impacts of our suppliers and customers.



Product integrity

We work with our suppliers to maintain excellent standards of product quality and safety. We expect our suppliers, 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 voluntarily contribute our time and our financial support to the communities in which we work.

Our people

1 2 3 4 5 6

Maximising opportunities

Skilled, motivated and engaged employees deliver excellent customer service, develop strong supplier 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 44 to 51.

Progress against our objectives in 2014/15

As part of our people and organisation strategy, we have identified the critical capabilities we need to drive the evolution of our future business models. These include e-commerce, pricing and sales effectiveness. Development of these new capabilities presents opportunities for our employees to learn new skills while supporting the future growth of the Company.

E-commerce

E-commerce is a relatively new capability for Wolseley and our businesses are at different levels of maturity. We have developed a framework and common language to describe each of our e-commerce roles and how our resource requirements will evolve over time as the channel grows within each business. This framework has enabled us to build on lessons learned and plan for future skills requirements in terms of the number of resources required and the relevant hiring strategy and source.

Pricing

We are investing in our pricing teams starting with strong team leaders who can develop the strategy and champion the importance of pricing so we can serve our customers better. These teams develop frameworks and conduct analysis of trends and data to inform pricing strategy or to support new initiatives. The efforts of these teams are supported by regular communications about our pricing philosophy and clearly defined roles and responsibilities regarding pricing decisions within the organisation. For further information on pricing management, see page 14.

Sales effectiveness

All our businesses are focused on the development of consistently high performing sales managers. Each sales manager must be capable of expanding sales and profits. Our reporting structure has been modified so that sales teams receive feedback and direction from their own sales managers instead of through general management. We have communicated the objectives and expectations to the sales managers as well as delivered extensive training so that our employees are knowledgeable and prepared to deliver on expectations. We have created tools and metrics to drive market share growth, margin expansion and sales productivity. A monthly dashboard showing performance and key performance indicators at the aggregate and individual levels allow us to investigate individual performance issues as well as opportunities within our comprehensive sales process.

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. Business partners and suppliers are expected to conform to Wolseley's Code of Conduct.



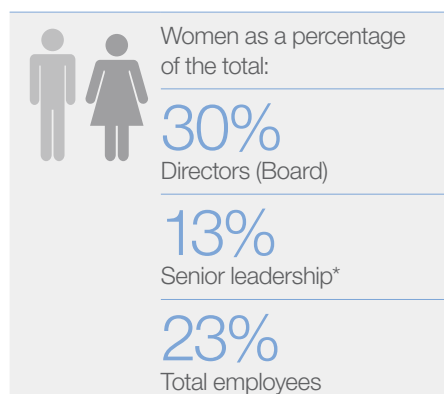
Specialised training in Ferguson

Following the acquisition of HP Products, a distributor of janitorial and sanitation products, our business in the USA provided specialist training to its employees.

Over 200 commercial Maintenance, Repair and Operation ("MRO") sales employees received a week of training and hands-on experience of the products at the HP Products headquarters in Indianapolis, Indiana.

Newly-hired MRO sales specialists also completed a week of training and spent time at the Ferguson headquarters to understand the US business processes. Particular focus was given to solution selling and customer service to ensure that Ferguson's commercial MRO sales employees are well equipped to grow the business.

Gender diversity



* 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

According to the annual Davies Report, which charts the progress of companies in appointing women to their boards, Wolseley is the second most improved firm in the FTSE 100 and in the top 25 overall. 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 71.

	Total men	Total women
Directors (Board)	7	3
Senior leadership	90	13
Total employees	30,938	9,404

Total employee numbers of 40,342 are reported above. The lower number of 38,357 reported on page 7 is the number of Full Time Equivalent employees.

Health and safety

Maximising opportunities
A robust health and safety programme is aimed at protecting and motivating our employees. It also improves productivity by reducing the number of days lost to injury and enhances profitability by reducing our liabilities.

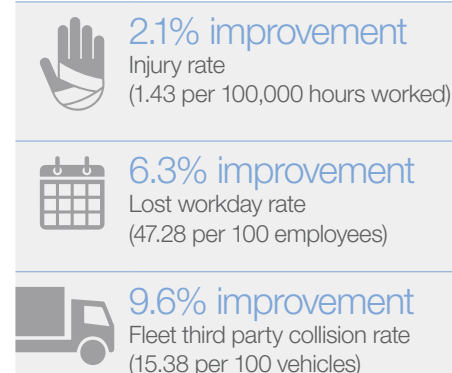
Managing risks
The principal risks relate to manual handling, working at height, the use of motorised equipment and vehicle collisions. The Group has introduced improved standards to mitigate these risks.

Health and safety risks are addressed through implementation of the Group's Minimum Standard for health and safety. This provides a framework of expected practices, while allowing standard operating procedures to be adapted to local regulations. Health and safety performance is monitored quarterly via three key performance indicators and through qualitative reviews. Performance is reported quarterly to the Executive Committee and the Board.

Progress against our objectives in 2014/15

Our primary objectives for the year were to reduce our injury, lost workday and collision rates by 2 per cent each and to embed the Group's Minimum Standard for health and safety. We are pleased to report solid performance against these targets, although we remain dissatisfied with procedures in some areas of our front-line operations. Work will continue to improve standards across all areas of our business and to further reduce our injury, lost workday and vehicle collision rates.

Injury, lost workday and collision rates



Site-level internal audits of health and safety compliance

Health and safety practices in over 700 branches were reviewed by the Company's internal audit function during the year. The audits include health and safety matters, taking into account both compliance with legal requirements and key aspects of the Group's Minimum Standard for Health and Safety. Although performance is improving, the results were disappointing and corrective action is being taken. This includes actions to improve training, standard operating procedures, infrastructure and general housekeeping.

Weaknesses identified are reported to the Managing Director of each business and to the Group Chief Executive Officer.

Branch operational audits and re-audits will continue on a rolling basis to ensure that all sites are assessed and improvements sustained.



Denotes an objective which may be directly impacted by the risk identified (see page 10 for strategic objectives)

Ethics and compliance

1 2 3 4 6

Maximising opportunities

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.

Managing risks

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 50.

Progress against our objectives in 2014/15

Our focus for 2014/15 was to continue to ensure that our compliance programmes in relation to fraud, bribery and corruption and anti-trust laws are fully embedded in business practice.

Third party screening of higher-risk business partners

Business partners providing services to Wolseley businesses were risk assessed during the year. Organisations regarded as higher risk were screened by a third party during 2014/15.

Compliance training programmes

All Wolseley businesses provide training for relevant employees on anti-corruption and anti-trust matters. This is typically provided through online training material. Face-to-face training is provided for selected employees on more complex topics such as anti-trust. Training is provided for new employees on induction.

Whistleblowing

We continue to encourage our employees to raise concerns of any nature 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.

Environmental performance

2 3

Maximising opportunities

The reduced consumption of energy, fuel and water and reduction of waste decreases costs and improves both operational efficiencies and 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 2014/15

Our objectives for 2014/15 were to reduce carbon emissions and to better manage our waste in order to achieve our two-year reduction targets of 5 per cent tCO₂e (carbon) and 5 per cent total waste by 31 July 2016 (both per £ million of revenue*). We also have a two-year target to increase the percentage of waste that is recycled from 23.5 per cent to 29 per cent.

Strong performance in carbon and waste reduction

One year into our two-year target period, we reduced carbon emissions by 10.5 per cent and tonnage of waste by 8.6 per cent (both per £ million of revenue*). We increased the percentage of waste sent for recycling from 23.5 per cent to 24.7 per cent. Examples of how the businesses have improved their environmental performance are detailed on the Wolseley plc website www.wolseley.com.

Carbon and waste data accuracy continues to improve

Data accuracy continues to improve with only 12 per cent of carbon data being based on estimated numbers in 2014/15 (16 per cent in 2013/14). Only 34 per cent of waste data (42 per cent in 2013/14) was based on estimated numbers in 2014/15. PricewaterhouseCoopers ("PwC") were engaged in the previous year (2013/14) to test the reliability of the Group's carbon and waste data and provided a limited assurance statement at that time. The Group has continued to maintain its reporting discipline in 2014/15.

Carbon emissions and waste



10.5% improvement

Carbon
(32.9 tCO₂e per £m revenue)



8.6% improvement

Total waste
(5.43 tonnes per £m revenue)



5.4% improvement

(from 23.45% to 24.71%)
% of total waste recycled

* Total revenue of £13,919 million (including discontinued businesses) is used when calculating the relative carbon and waste performance. The lower number of £13,300 million reported on the inside front cover is the revenue for the ongoing business.



Canada curbs fuel and energy consumption

Wolseley Canada moved a significant proportion of its cross-country deliveries from road to rail during the year. The change brings both supply chain efficiencies and environmental benefits as approximately 1,800 tonnes of carbon are avoided per year.

Since 2013, lighting upgrades have been taking place across the estate, so far reducing carbon emissions by approximately 330 tonnes per year.

An environmental committee, including employees from operations, finance, sourcing, legal, supply chain, facilities and communication teams, oversees a number of projects to improve the sites or activities that generate the most carbon or waste.

Carbon emissions and waste

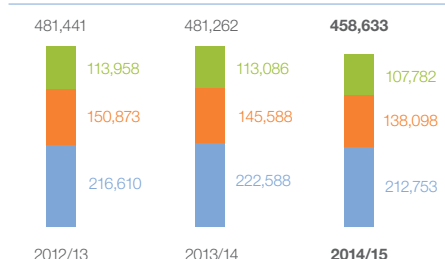
Wolseley's reported data includes all major businesses and head office locations (with 25 employees or more), representing over 99 per cent of Wolseley Group's total employee numbers. All Scope 1 and 2 emissions and selected Scope 3 emissions are reported. Scope 1 emissions include vehicle fuel emissions (from owned or leased vehicles) and fuels used for operation including natural gas, LPG, diesel, petrol,

oil and refrigerants. Scope 2 emissions include purchased electricity and heat (i.e. district heating). Scope 3 emissions include the road or rail-based transportation of goods by outsourced transport providers, road-based business travel in private vehicles and air and rail-based business travel. Further detail on the data provided can be found in the "Basis of Reporting" document on the Wolseley plc website www.wolseley.com.

	tCO ₂ e/£m revenue			
Carbon emissions	2012/13	2013/14	2014/15	One-year variance
Scope 1 and 2 emissions	27.9	28.2	25.2	-10.6%
Scope 3 emissions	8.7	8.6	7.7	-10.5%
Total emissions	36.6	36.8	32.9	-10.5%

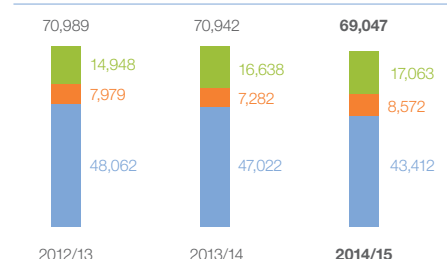
Total carbon emissions

Tonnes of CO₂ equivalent
● Scope 1 ● Scope 2 ● Scope 3



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.

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 CO₂ equivalent (abbreviated as tCO₂e), based on the Global Warming Potential ("GWP") of each of the "basket of six" greenhouse gases, as defined by the Kyoto Protocol.

Inaccuracies identified in prior year numbers resulted in immaterial adjustments to the 2013/14 carbon and waste data.

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



Denotes an objective which may be directly impacted by the risk identified (see page 10 for strategic objectives)



UK driving down emissions

The UK business attached tracking devices to its entire distribution centre fleet resulting in a 20 per cent reduction in fuel consumption. The trackers measure fuel consumption, idling time and driver behaviour. Drivers are debriefed on their performance in order to address areas for improvement such as harsh braking or acceleration. The initiative also improved driver safety as drivers are more aware of their behaviours.

Besides fleet fuel efficiencies, the UK business continues to benefit from the installation of 8,000 solar panels on the National Distribution Centre roof in Royal Leamington Spa. The installation produced over 1.7 million kW of electricity in its first year, equivalent to the electricity used by 522 homes in the UK during the same period*.

*Energy calculation based on the Ofgem average of medium home usage being 3,300 kW per annum.



Product integrity

2 3 6

Maximising opportunities

Sourcing and supplying safe, quality products improves our margins, enhances customer satisfaction and confidence and enables branch employees 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 49.

Progress against our objectives in 2014/15

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

Product Integrity managers share best practice

Product Integrity managers from across the Group met in June 2015 to discuss approaches and develop new ideas to comply with the Group minimum requirements for product and supplier due diligence. Significant progress has been made with processes and capabilities during the year, resulting in reduced risk to the Group. All businesses continue to report against a standard set of KPIs every six months and progress is monitored by the Board.

Sourcing timber responsibly

Wolseley has assessed its timber products for a number of years and works with specialist business partners to ensure that the systems we have in place meet regulatory requirements.



Sustainable construction

2 3

Maximising opportunities

Where the 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 pages 47 and 48). These risks can be mitigated by opening up new market opportunities and improving customer service.

Progress against our objectives in 2014/15

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



Nordic region mitigating risk in the supply chain

All sourcing teams across the Nordic region have access to a bespoke supplier assessment tool to support more informed sourcing decisions and to improve governance.

The tool assesses a number of factors including the suppliers' financial health, ethical history, insurance protection and product risk. The total risk score generated for each supplier informs the level of approval or consultation required in order to trade with the supplier.

The dashboard generated for each supplier supports local supplier discussions and allows each Nordic business to reduce the level of risk in their supply chain.

Helping our customers to meet their carbon obligations

Through the sale of products and active promotion of sustainable low carbon products, Wolseley businesses contribute to reduced energy consumption and consequently reduced CO₂ emissions from customer buildings. Additionally, Wolseley's sales teams offer information to customers on how to reduce energy consumption through the use of more sustainable and higher-efficiency products.

Leading by example and upgrading our own estate

Where possible, we install more energy-efficient products across our own estate to demonstrate to our customers that we recognise the value of the more sustainable products within our ranges. During 2014/15, the UK business achieved a Building Research Establishment Environmental Assessment Method ("BREEAM") rating of "Excellent" for the building management of its head office. Canada's distribution centre in Milton, Ontario, won a National Earth Award from the Building Owners and Managers Association of Canada ("BOMA") in the Light Industrial Building category.

UK helps installers to sell better products

As part of an "Energy-efficient installer" scheme, the UK business unit provides sales-training to installers to increase end customer knowledge and purchases of higher efficiency products. Wolseley UK trains customers at its Sustainable Building Center, a showcase for commercial building products and construction methods with enhanced environmental performance.



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 2014/15

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 2014/15, 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 for examples of the events and schemes our employees and businesses have supported over the last year.



Denotes an objective which may be directly impacted by the risk identified (see page 10 for strategic objectives)



Ferguson tackles labour shortage in the USA

Ferguson is working to address the increasing lack of skilled labour in the USA. The business is working alongside several trade-specific organisations to change this growing trend and to offer more opportunities for young people to enter the industry.

Ferguson is a corporate founder and a member of the Plumbing-Heating-Cooling Contractors Association ("PHCC") and for more than a decade has supported its educational programmes and scholarships.

Additionally, Ferguson works with local vocation schools and community colleges in their headquarter state of Virginia to develop solutions to address the workforce challenge both short and long term.

Governance

Accountability

The overall sustainability 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 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

Business units monitor performance against our most important sustainability issues throughout the year. Performance reports are submitted to the Executive Committee and the Board at regular intervals. For example, health and safety and fraud metrics are reported quarterly. Product integrity and environmental data is reviewed at the half-year and year-end. The Group Risk, Compliance and Sustainability team monitor performance across all areas of the sustainability programme (except for "Our people" which is overseen by the Group HR function). Wolseley's Internal Audit teams periodically test compliance with policy and adherence to procedures.

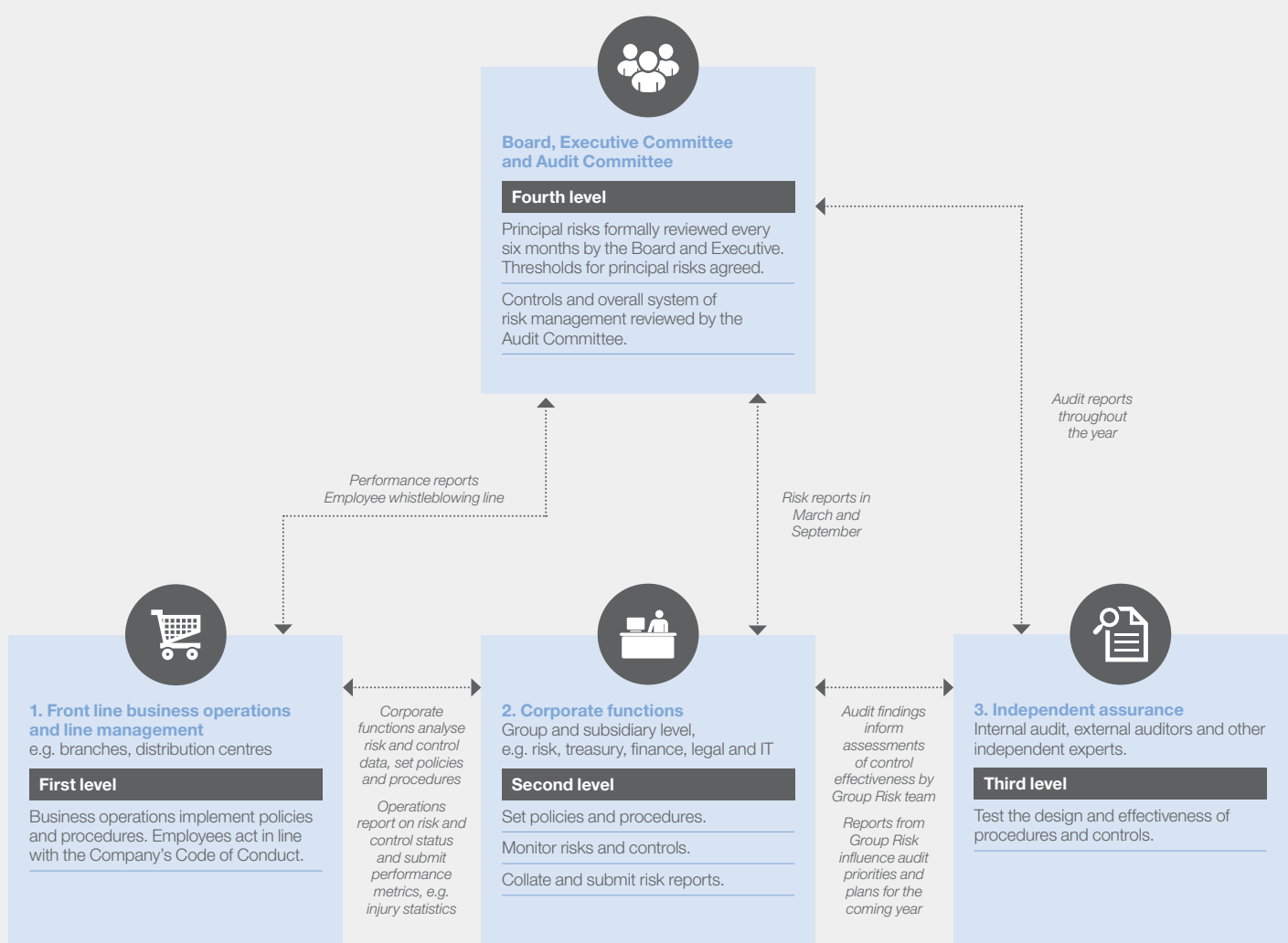
Risk management

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 44 to 51.

Risk management at Wolseley

Monitoring risk throughout the Group

The Board, Audit and Executive Committees review risk and control in the context of the Group's strategic plan and objectives. Throughout the year, information is provided directly from front line operations, via corporate functions and independent audits.



Developing risk management at Wolseley

Driving performance systematically is a key objective for the Group. This applies as much to the continuous improvement of risk management systems as to other performance-related activities. Improvements are made to the front line controls, to policies and procedures set by corporate functions and to internal audit.

Front line business operations

This year has seen reviews of operating procedures in branches across the Group in relation to cash, credit and sales controls, inventory management, security, health and safety and transportation compliance. Branch-specific improvements are underway where an individual branch has not met the standards expected of it. Standard operating procedures have been updated where needed.

Wolseley's businesses are implementing a number of Group-wide programmes designed to improve our management of key risks. The status of a number of these key programmes, for example product integrity, anti-bribery and information security, has been reviewed and improvements are being implemented.

Corporate functions

Group policies and procedures play an important role in setting the "tone at the top" and ensuring Wolseley's businesses are not exposed to unacceptable levels of risk. The Group has updated its overall policy framework to clarify expectations and to better align policies with the Group's objectives, risks and compliance requirements.

Financial and non-financial thresholds for determining acceptable levels of risk have also been reviewed.

Independent assurance

Internal Audit continues to work closely with other risk and compliance functions across the Group to plan and deliver effective assurance. Specialist external advice and audits have been obtained for certain risks.

2015 risk assessment

Wolseley formally reviews its principal Group and business unit risks every six months – at the half-year and at the year-end.

In January and July 2015, the Board provided its perspective on risks relating to the Group's strategy for 2015/16 and beyond. A number of strategic risks were re-prioritised, and greater focus was placed on information security risks. This input was combined with bottom-up risk reports received from business units in February and August 2015 to produce an overall risk report for the Group.

This risk report, listing principal and "emerging" Group risks and key business unit risks, was agreed with the Executive Committee in March and September. A discussion of "high impact, low frequency" events was also held. The principal risks and controls were then discussed with the Audit Committee.

The results of this exercise are summarised in this section.

"We have made solid improvements in how we run our business and manage risk – they are one and the same thing. But we can never be complacent and our work will continue."

Ian Meakins
 Group Chief Executive

Strategy, growth and risk appetite

The Group’s strategy is set out on page 10. As it pursues this strategy, the Company takes proportionate and considered risks to maximise profitable growth and sustainable returns for its investors. Decisions taken throughout the year by the Board and its Executive Committee have been underpinned by a number of factors.

Markets

The Group has broadly completed the reshaping of its portfolio of businesses and it is operating in attractive and fragmented markets with excellent growth opportunities. As such, the Company’s appetite for seeking growth in new geographical markets is limited. This means that the Company will likely continue to be exposed to the same market pressures and geographical concentrations of revenues and profits as in previous years.

Acquisitions

Organic growth underpins the Company’s strategy, supplemented by disciplined acquisition. The Group only acquires businesses that will help us to achieve our strategic goals, where we can deliver rapid integration synergies and where we can achieve a sensible price.

New technologies and investment

The Group has stepped up the rate of investment in new technology to support our organic expansion. This includes the continued growth of e-commerce. These initiatives bring with them risks relating to change management and information security. The Group is willing to take acceptable and managed levels of risk in introducing these changes to secure future growth. These risks may grow in the future.

Products, customer service and supply chain

The Company will accelerate growth and expand margins by increasing levels of satisfaction in its distinct customer segments. This includes providing high levels of availability of a wide range of products, including high quality own

brand products at competitive prices. In addition, the Company seeks to remain at the forefront of bringing the latest product innovations to our customers. As such, the Group’s product range is continually changing and this will continue to include a small percentage of own brand products sourced from Asia. In doing so, the Group is inherently exposed to product-related risks, such as product underperformance and product-related litigation. When mitigated, the Group is willing to accept these risks as an inherent part of its business model and strategy.

Compliance and regulation

In certain areas, the Company seeks to minimise and eliminate risk where possible. For example, the Group seeks to comply with all laws and regulations to which it is subject, including those relating to anti-competitive behaviours, anti-bribery, trade compliance or accounting regulations. The Company’s activities give rise to an inherent level of risks to the health and safety of our employees. The Group will always seek to provide a safe and healthy working environment and we will not compromise the health and safety of any individual.

Principal risks

This year’s risk assessment process took into account the factors outlined above, including the Group’s investments, new business models and the focus on accelerating profitable growth in its current portfolio of businesses.

a	Pressure on margins
b	E-business and new business models
c	Market conditions and growth
d	Information security
e	Litigation
f	Regulation
g	Business continuity

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.

The chart shows management’s assessment of material risks before mitigation. Various mitigation strategies are employed to reduce these inherent risks to an acceptable level.

The effectiveness of these mitigation strategies can change over time, for example with the acquisition or disposal of businesses. Some of these risks remain beyond the direct control of the Group. The risk management programme, including risk assessments, can therefore 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, changes in commodity prices, foreign exchange rates or employee retention and motivation. Financial risks and their management are summarised between pages 30 and 35. Further information on Wolseley’s “People Strategy” can be found on page 37. Health and safety related risks are described on page 38 in the “Sustainability” section.



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 10.

1 2 3 4 5 6

a Pressure on margins



Inherent risk level	Definition and impact	Changes during the year	Mitigation
High	Wolseley's ability to maintain attractive profit margins can be affected by a range of factors. These include levels of demand and competition in our markets, the arrival of new competitors with new business models, the flexibility of the Group's cost base, changes in the costs of commodities or goods purchased, customer or supplier consolidation or manufacturers shipping directly to customers.	Pressure on margins remained high during the period under review, primarily due to levels of competition. In Switzerland and Canada, these pressures were exacerbated by adverse foreign exchange rate movements and lower oil prices.	The Group's strategy for tackling this issue remains unchanged. This includes the following activities:
Trend			
No change		In response, the Company has further consolidated leading positions in its markets through both acquisition and organic growth. Investments were also made in adjacent sectors offering higher margins. In total, investment in organic growth totalled £220 million in the year and 18 acquisitions were made.	<ul style="list-style-type: none"> The Company has a clear programme of work to implement new business models including the growth of e-commerce revenues. Core business processes are subject to continuous monitoring and improvement, including customer service, pricing, sourcing, inventory management and credit control. The performance of each business unit is closely monitored and corrective action taken when appropriate. Certain businesses may be exited if they cannot deliver attractive returns. Disciplined acquisition procedures are in place to promote the effective identification, evaluation and integration of targets.
Related objectives			
2 3	There is a risk that the Company may not identify or respond effectively to changes in these factors. If it fails to do so, the amount of profit generated by the Company could be significantly reduced.	The Company disposed of its non-core wood treatment business in France, where it believed attractive margins were not available in the long term.	
		Gross margins for the ongoing businesses improved by 10 basis points to 28.0 per cent during the year.	

b New business models



Inherent risk level	Definition and impact	Changes during the year	Mitigation
High	To respond to changing customer needs the Group is introducing new business models. This will involve the development of e-commerce and other new technologies, creating new routes to market and making improvements in core processes.	The inherent level of risk before mitigation has risen slightly as the pace of change within the USA, the UK and the Nordic region has increased.	Each business unit has a clear strategy for continuously developing its business model and a defined programme of work to execute the strategy.
Trend			
Risk is rising		Close attention is paid to the execution of these programmes at all levels of the organisation.	Programmes of work are scoped, 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.
Related objectives			
2 3 4	The implementation of these models is now well underway in many of our key markets and will continue for several years.	The prioritisation of existing projects was reviewed in 2015 and additional resource and focus was devoted as appropriate, to ensure the increased level of change is managed effectively.	The Board reviews progress during regular updates from the Group Chief Executive and as part of its six-monthly review of principal risks.
	The Group must successfully implement these changes without disrupting existing operations.		The Group Chief Executive and Chief Financial Officer discuss progress with each business unit during regular performance reviews.
	The Group's ability to successfully execute these changes will affect its ability to grow profitably in the future.		

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

Principal risks and their management (continued)

c Market conditions and growth

Inherent risk level	Definition and impact	Changes this year	Mitigation
High	Market conditions in some of the Company's markets outside of the USA remain suppressed. Until higher levels of growth and profitability are achieved in these markets, the Group is increasingly reliant on growth in the USA to drive its overall performance.	The risk has reduced slightly as market conditions have improved in some of the Group's European businesses. However the risk remains high.	The Group cannot control market conditions but believes it has effective measures in place to respond to changes. Wolseley continues to reinforce existing measures in place, including:
Trend	A material issue in the USA could therefore affect the Group's results more than in the past.	Investments in customer service, product availability and productivity improvements have continued.	<ul style="list-style-type: none"> the development of our business model; cost control, pricing and gross margin management initiatives, including a focus on customer service and productivity improvement;
Risk is falling	Some of these factors are out of the Group's control and are difficult to forecast.	The Group continued to successfully grow its e-commerce revenues both organically and by acquisition. For example, during the year the Group acquired the online retailer BathEmpire.com.	<ul style="list-style-type: none"> planning, budgeting and forecasting processes; maintenance of a strong balance sheet; resource allocation processes; and capital expenditure controls and procedures.
Related objectives		Other routes to market were enhanced, including improved showrooms and call centre capability.	
1 2 3			

d Information security

Inherent risk level	Definition and impact	Changes during the year	Mitigation
High/medium	Technology systems and data are fundamental to the future growth and success of the Group. These digital assets are threatened by increasingly sophisticated security threats, including hacking, viruses, "phishing" or inadvertent errors.	This risk has continued to increase as a greater proportion of the Group's revenue is derived from e-commerce channels. The level and sophistication of IT security threats is constantly developing.	The Group operates an IT governance framework including a set of dedicated IT policies, procedures and standards aligned to known security and operational risks. These include behavioural procedures for employees and technical controls for IT systems. These are reviewed annually and are subject to continuous improvement.
Trend	Data breaches in our industry sector and others indicate that such events are highly likely and difficult to prevent.	For the first time, major data breaches were reported in Wolseley's industry sector.	Certain of these controls are tested by business units, by the Group IT function and by Internal Audit. External specialists are also employed as appropriate to test the security of our technology systems, e.g. penetration tests.
Risk is rising	Sensitive employee, customer or other data may be stolen and distributed or used illegally, leading to increased operating costs, litigation and fines or penalties.	The Group is undertaking a number of improvement programmes to address this risk. These include improving security awareness amongst employees and enhancing data ownership and classification. Technical IT projects are in progress to deliver enhancements to the Group's digital security systems and infrastructure.	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. Crisis management and communications plans are regularly updated.
Related objectives	The technology systems on which our branches, distribution centres and e-commerce businesses rely may be disrupted for several hours or days. As a result, Wolseley could forego revenue or profit margins as we are unable to trade.	Briefings on this topic have been provided to the Board and the Executive Committee.	Insurance coverage is in place, including coverage for "cyber" risks.
2 3 4 5 6			

▲ Risk is rising

◀▶ Risk is unchanged

▼ Risk is falling

⊕ Issue has been added to the list of top Group risks this year

1 2 3 4 5 6

Denotes an objective which may be directly impacted by the risk identified (see page 10 for strategic objectives)

e Litigation



Inherent risk level

Medium/high

Trend

No change

Related objectives

2 3 6

Definition and impact

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.

Wolseley's people, its product ranges and the terms it negotiates with its suppliers are fundamental to securing the profitable growth of the Group. Equally, it is in these areas where the potential risk of litigation may be greatest.

Acquisitions and disposals and the restructuring of under-performing businesses may also give rise to litigation.

For more information on specific litigation affecting the Group, see pages 109, 110, 132 and 144.

Changes this year

During the year, there has been no material change in the level of litigation to which the Group is exposed.

The level of contractual protection afforded to the Company under product- and employee-related contracts has improved during the year.

A review of policies and procedures relating to product liability was undertaken in 2015 and the findings were reported to the Board. Improvements are being implemented.

HR policies and procedures in the USA and elsewhere have also been updated to minimise the risks of litigation.

Contracting procedures are being reviewed in all businesses.

Internal audits have been undertaken in some businesses to test procedures and to review major contracts.

Mitigation

Contracting procedures are continuously reviewed and improved against a "good practice" framework used by all Wolseley businesses.

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 General Counsel.

The Group periodically re-assesses the level of product-related risk in all business units. Due diligence is conducted on products and suppliers considered to be high risk. Product testing is carried out in certain businesses supplying product to industrial customers.

KPIs are used to measure the level of contractual and other protection.

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.



Risk insight

Gaining insight into trends at the front line of our business is fundamental to managing our risks. This year, the Group improved its risk management information systems to better analyse and respond to risk. The new system, which went live in July 2015, tracks and analyses data on a range of

operational risk areas, including financial control, litigation, health and safety, product quality and fraud. Improved analytical capability is providing a more accurate and dynamic flow of risk-related information – from the "front line" up to the Group Board and its Committees.

f Government regulations <>			
Inherent risk level	Definition and impact	Changes during the year	Mitigation
Medium/low	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.	There has been no major change in the level of regulation applying to the Company.	The Group monitors regulations across its markets to ensure the effects of changes are minimised and the Company complies with all applicable regulation.
Trend			
No change		During the year, the Company reviewed its suite of Group-wide policies and procedures to ensure they remained aligned to the Company's strategic objectives and its principal compliance requirements. Updates were made as required, including changes to the Group's Timber Sourcing and Trade Compliance and Sanctions policies.	The Group's Code of Conduct sets out the behaviours expected of Wolseley employees. This includes clear statements that the Company does not permit bribery or the giving or receiving of improper gifts, that it does not tolerate fraud and that employees must comply with anti-trust laws.
Related objectives			
1 2 3 4 5 6	<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, timber sourcing, data protection, labour and employment practices, accounting and tax standards, 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>Breach of any legal or regulatory requirement could result in significant fines and penalties, and damage to the Company's reputation.</p>	<p>The Group continues to review its data protection practices in anticipation of the forthcoming European Union General Data Protection Regulation.</p> <p>Anti-bribery and anti-corruption practices in all businesses were reviewed during the year and the findings reported to the Executive and Audit Committees (on behalf of the Board). Improvements are being implemented.</p> <p>Further information on the Company's ethics and compliance programme can be found on page 39.</p>	<p>Briefings and training on regulatory topics and compliance issues, including anti-trust, anti-fraud and anti-corruption are undertaken throughout Wolseley businesses.</p> <p>The Group aligns Company-wide policies and procedures with its key compliance requirements and monitors their implementation.</p> <p>Where appropriate, tests are conducted to ensure the Company would respond appropriately to a regulatory investigation.</p>

▲ Risk is rising

<> Risk is unchanged

▼ Risk is falling

+ Issue has been added to the list of top Group risks this year

1 2 3 4 5 6

Denotes an objective which may be directly impacted by the risk identified (see page 10 for strategic objectives)

g Business continuity



Inherent risk level	Definition and impact	Changes during the year	Mitigation
Medium/low	The continued operation of important physical assets, such as branches, showrooms, distribution centres and offices is threatened by natural and man-made perils. For example:	Improved management information on property loss controls at key sites has promoted the implementation of improved protection measures.	The loss of an important branch or distribution centre is naturally hedged by the diversified nature of our locations, customers and suppliers.
Trend			
No change			
Related objectives			
2 3 4 5 6	<ul style="list-style-type: none"> • some of the Group's physical assets are located in areas exposed to natural catastrophe risks, such as earthquakes, hurricanes or severe storms; • the nature of our operations and the products we distribute can give rise to fire hazards; • 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. <p>The loss of a major site, such as a large distribution centre, could interrupt our business operations. This might lead to loss of revenue, increased operating costs and lower profit margins.</p>	<p>Property loss control engineers have inspected ten of the Group's most valuable sites. Recommendations for improvement are being implemented where material risks exist.</p> <p>During the year, the Group disposed of its wood treatment subsidiary in France, which had greater fire and business continuity exposures than the core distribution business. This business had previously suffered above-average fire losses.</p>	<p>The Group has formally documented and tested business continuity plans for its major distribution centres, head office buildings and data centres where the risk is considered to be greatest. Contracts have been established with external companies providing immediate support in the event of a natural catastrophe or other incident.</p> <p>In conjunction with our insurers, 10 to 15 of our highest value sites are audited each year to evaluate fire and other business continuity risks.</p> <p>A comprehensive insurance programme is purchased, covering property damage and business interruption risks.</p>

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

Ian Meakins
 Group Chief Executive

Governance

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Governance overview

Dear Shareholder

To reflect the importance to your Board of maintaining high standards of good governance, this year I have highlighted the main themes of our Governance section in my Chairman's statement on pages 8 and 9; in particular the composition of your Board, the externally facilitated effectiveness review of your Board and its Committees, the way we approach governance, our priorities for 2015/16 and the review and proposed simplification of our executive remuneration structure. To avoid duplication I will not repeat those comments in this letter. This section of our report outlines how the Board ensures that high standards of corporate governance are maintained and provides the details behind the main themes which I have highlighted in my Chairman's statement, how we have applied the principles of the UK Corporate Governance Code and other important information on governance.

Your Board is committed to fostering an effective governance framework which underpins our ability to set the overall strategic direction of the Wolseley Group and supports the Company's core values. The Company's core values and the Wolseley Group policies and procedures ensure that all businesses are acting with integrity, driving for results and improvement and valuing our people. This approach promotes excellence in governance both in the boardroom and throughout the Group.

The Company has a premium listing on the London Stock Exchange, and is therefore subject to the Listing Rules of the UK Listing Authority. 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 and complies with relevant institutional shareholder guidelines.

I hope you find our Governance report informative and I will be available at the 2015 AGM to respond to any questions shareholders may have on this report.

Gareth Davis

Gareth Davis
Chairman

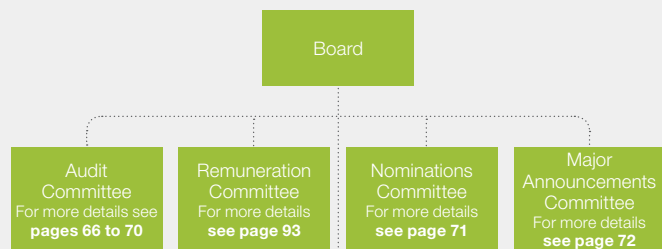
Compliance with the Code

Following the publication of the new edition of the UK Corporate Governance Code in September 2014, applicable to accounting periods beginning on or after 1 October 2014, as far as is practical the Board has taken the opportunity to implement certain changes earlier than required. We confirm that, throughout the financial year, the Company applied all of the principles set out in sections A to E of the 2012 UK Corporate Governance Code (the "Code") and has complied with the detailed provisions set out therein. The Company's auditors, PricewaterhouseCoopers LLP, are required to review whether the above statement reflects the Company's compliance with the 10 provisions of the Code specified for their review by the Listing Rules of the UK Listing Authority and to report if it does not reflect such compliance. No such report has been made. A copy of the Code can be found on the Financial Reporting Council website www.frc.org.uk.

Wolseley's governance structure

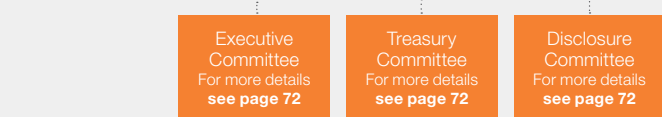
Board and Committees of the Board

These take decisions of a strategic or substantive nature.



Other committees

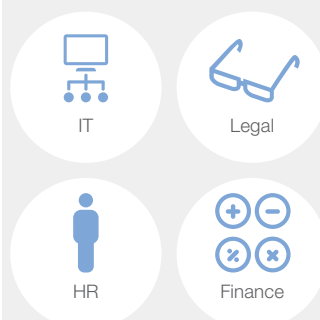
These implement strategic decisions and executive or administrative matters.



Geographic regions



Group functions



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.

Code principles – how they are applied

<p>Leadership Continued close focus on strategy and its execution.</p> <p>See pages 57 to 60</p>	<p>Effectiveness A strong, open and effective Board.</p> <p>See pages 61 to 63</p>	<p>Accountability Close scrutiny of risks and controls.</p> <p>See page 63 and Principal risks and their management on pages 44 to 51</p>	<p>Remuneration Prudent oversight of executive remuneration.</p> <p>See pages 77 to 102</p>	<p>Relations with shareholders Open engagement with shareholders.</p> <p>See pages 64 and 65</p>
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Board of Directors

as at 31 July 2015



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 Traveler 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 and Senior Independent 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 Wolsley 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 Traveler 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.



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 been a Non Executive Director of Britvic plc since January 2015 and a Non Executive Director of G4S plc since June 2015. He 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, spending five years in a variety of leadership positions. 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 Britvic plc, G4S plc and Reynolds American Inc.



Pilar López
Non Executive Director

Appointed on 1 January 2013.

Key strengths

Strong financial and international experience within global businesses.

Experience

Ms López has been the Country Manager for Microsoft Spain since March 2015. Prior to that she was Global Simplification Director for Telefónica S.A from 2014 and Chief Financial Officer for Telefónica Europe between 2007 and 2014. She was also Supervisory Board member of Telefónica Czech Republic AS and Vice Chair 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

Country Manager for Microsoft Spain.



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

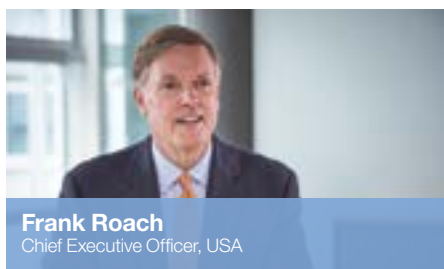
Mr Murray has been a Non Executive Director of Owens-Illinois, Inc. since May 2015, a member of the Supervisory Board of HeidelbergCement AG since 2010 and was previously a Non Executive Director of International Power plc between 2007 and 2011. Prior to that, he spent 19 years at Hanson plc and was 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

Senior Independent Director. Member of the Audit, Remuneration and Nominations Committees.

External appointments

Non Executive Director of Owens-Illinois, Inc. Member of the Supervisory Board of HeidelbergCement AG.



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.



Graham Middlemiss
 Group Company Secretary

Appointed on 1 August 2015.¹

Responsibilities

Mr Middlemiss was appointed Company Secretary of Wolseley plc on 1 August 2015. He is Secretary to the Board and all of the Committees of the Board. Mr Middlemiss, a solicitor, joined the Wolseley Group in August 2004 as the General Counsel of its UK business and was Group Deputy Company Secretary from November 2012 to July 2015.

Committee membership

Secretary to the Board and all Committees of the Board.

¹ Richard Shoyilekov stepped down from his role as Company Secretary on 31 July 2015 and Graham Middlemiss succeeded him with effect from 1 August 2015. Mr Shoyilekov is Group General Counsel and his biographical details can be found on page 56.



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 is Chairman of Poundland Group plc and was appointed Chairman of Maplin Electronics Limited in August 2014, Chairman of Topps Tiles Plc in March 2015 and Chairman of Notonthehighstreet.com in June 2015. He retired from his position as a Non Executive Director and as Chairman of the Audit Committee of Ladbrokes plc on 24 September 2015. Between 2012 and 2013 he was Chief Executive Officer of Carpetright plc. Prior to that, Mr Shapland was J Sainsbury plc Chief Financial Officer from 2005 to 2010 and 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 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 Remuneration and Nominations Committees.

External appointments

Chairman of Maplin Electronics Limited, Notonthehighstreet.com, Poundland Group plc and Topps Tiles Plc.



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 was Group HR Director of TUI Travel plc from 2010 until the end of May 2015. She was 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

Chair of the Remuneration Committee. Member of the Audit and Nominations Committees.

External appointments

None.

Executive Committee

as at 31 July 2015

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



Ian Meakins
Group Chief Executive

Key strengths

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



Tony England
Group Chief Information Officer

Key strengths

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



Patrick Headon
Managing Director, UK

Key strengths

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



Ole Mikael Jensen
Chief Executive Officer, Nordic region

Key strengths

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



John Martin
Chief Financial Officer

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.



Bob Morrison
Group HR Director

Key strengths

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



Frank Roach
Chief Executive Officer, USA

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.



Richard Shoykov
Group General Counsel

Key strengths

Extensive management experience 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 Wolesey plc website www.wolesey.com

Leadership

Board members

As at 31 July 2015, the Board was made up of 10 members consisting of the Chairman, three Executive Directors and six Non Executive Directors. Biographical details for each of the Directors in office as at 31 July 2015 are shown on pages 54 and 55.

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.

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.

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.

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 2015¹:

Board members:	Scheduled meetings: attendance and (eligibility): ¹
G Davis	6(6)
T Bamford	6(6)
J Daly	6(6)
P López	6(6)
J Martin	6(6)
I Meakins	6(6)
A Murray	6(6)
D Shapland	6(6)
J Simmonds	6(6)
F Roach	6(6)

Members who left during the year:

M Wareing ²	2(2)
------------------------	------

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

² Michael Wareing stepped down as a Non Executive Director on 25 November 2014.

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 operates.

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. This year the Board visited the Group's businesses in the Nordic region and the USA.

Board visit to Denmark and Sweden

In January 2015, the Board and Committee meetings were held in Copenhagen, Denmark. The Board met with senior executives from our Nordic businesses and received detailed updates on operational performance and major initiatives being undertaken by those businesses. Board members visited several operational sites in Denmark and Sweden to get a deeper understanding of the developments in the businesses and to meet with branch-based employees. The sites visited included Stark and Silvan branches in Denmark and Beijer branches in Sweden.

Board visit to the USA

In May 2015, the Board and Committee meetings were held in New York, USA. Senior executives from Ferguson, our business in the USA, met with the Board and discussed the business strategy and performance. The Board also visited Ferguson's newly-opened ship hub in Secaucus, New Jersey and met the facility's management and workforce to get a deeper understanding of the progress being made to expand in the New York metropolitan area. For more information on the businesses expansion in New York see page 2.

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 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 financial reporting, communication and policies, and other minor administrative matters.

The principal matters reserved for the Board are set out on page 59. 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 53. 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 can also be found on the Wolseley plc website www.wolseley.com.

Committee membership as at 31 July 2015¹:

	Audit Committee	Remuneration Committee	Nominations Committee	Major Announcements Committee ²
Gareth Davis			■	▲
Ian Meakins				▲
John Martin				■
Frank Roach				
Tessa Bamford	▲	▲	▲	
John Daly	▲	▲	▲	
Pilar López	▲	▲	▲	
Alan Murray	▲	▲	▲	
Darren Shapland	■	▲	▲	
Jacky Simmonds	▲	■	▲	

■ Chairman ▲ Member

¹ Richard Shoykov, Group General Counsel, stepped down from his role as Secretary to the Board and the Committees of the Board on 31 July 2015 and Graham Middlemiss succeeded him with effect from 1 August 2015.

² Richard Shoykov, Group General Counsel, and Mark Fearon, Group Director of Communications and Investor Relations, are also members of the Major Announcements Committee.

Key Committees of the Board

Provided below is an overview of our key committees¹:

Audit Committee

Chaired by: Darren Shapland²

Number of meetings in the year: 5

Role of the Committee

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 66 to 70

Remuneration Committee

Chaired by: Jacky Simmonds

Number of meetings in the year: 6

Role of the Committee

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 Report See pages 77 to 102

Nominations Committee

Chaired by: Gareth Davis

Number of meetings in the year: 4

Role of the Committee

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 page 71

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 succeeded Michael Wareing as Chairman of the Audit Committee on 25 November 2014. Mr Wareing also stepped down as a Non Executive Director on 25 November 2014.

Summary of principal matters reserved for the Board:

Board and Executive
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.
Determining and setting Board and senior executive remuneration.
Reviewing the performance of the Board and its Committees annually.
Succession planning and appointments to the Board and senior management.
Finance
Approval of tax and treasury policy and certain items outside the remit of the Treasury Committee.
Approval of the Group and Company financial statements.
Recommending or declaring dividends.

Strategy and management 1 2 3 4 5 6
Oversight of the management of the Wolseley Group.
Setting the overall strategic direction.
Major approvals
Approval of major changes to the Wolseley Group's corporate structure.
Approval of major corporate transactions and commitments.
Risk and governance
Approval of all key policies and material amendments to those policies, including the Code of Conduct, Health and Safety and Environmental policies.
Maintaining a sound system of internal controls and risk management.
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 2014/15 objectives and how the Board has achieved these objectives is set out below:

2014/15 objectives	Achievements
Strategy Annual strategy review. 1 2 3 4 5 6 For more information on our strategy see page 10	<p>The annual strategy review was conducted at Board meetings in May and July 2015. 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. For more information on the Group's strategy see the Strategic report starting on page 8.</p> <p>During the year, the Board regularly reviewed aspects of the strategy and how it was being implemented in the Group's businesses. In addition to receiving regular reports from management on progress made with strategic initiatives, the Board visited businesses in the Nordic region and the USA where Directors were able to see first-hand how the Group's business models are evolving. For more details on the branch visits see page 57 and on Group's business models see pages 18 and 19. In addition, the Board reviewed acquisition opportunities and several were completed during the year. For further details of acquisitions see the Group Chief Executive's overview page 15 and note 30 to the consolidated financial statements.</p>
People Regular review including maintaining the appropriate balance and depth of skills both at Board and Executive Committee level and within the management teams in all regions.	<p>Detailed reviews were completed by the Board in November 2014 and March 2015. In addition, the Board received presentations from and had the opportunity to meet Executive Committee members and management teams from the business. Details of the Board visits to the Group's businesses in the Nordic region and the USA can be found on page 57.</p>

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 2015 and completed its review of strategy in July 2015. Whilst the Group's strategy remains unchanged, the Board regularly reviews plans and initiatives which support the implementation of its strategy.



See the Group's strategy set out on **page 10** and the Group Chief Executive's overview on **pages 12 to 15**

Operations

The Board regularly reviews the operational performance of the Group's businesses, including financial and non-financial performance measures. Senior managers from the Group's major businesses periodically make in-depth presentations to the Board, which include updates on business performance.

See Regional performance on **pages 20 to 29**

People

There was continued focus on the composition of the Board. In November 2014, the Board conducted a review of the progress made against Wolseley's People Strategy. In March 2015, 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 37**

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 2015/16 budget was reviewed and approved at the July 2015 meeting.

See the Strategic report on **pages 8 to 51**

Risk

The Board maintained its focus on risk management and during the year it reviewed the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The Board also receives reports from the Audit Committee on its reviews of the effectiveness of risk management and internal control systems.

See Principal risks and their management on **pages 44 to 51**

The Board's priorities for 2015/16

The Board's priorities for the year will be:

2015/16 priorities

Strategy	Regularly review and monitor the Group's progress against its strategy and specific strategic objectives.
	Annual strategy review.
People	Continue to focus on succession plans for the Board and Senior Management.
	Regularly monitor talent development 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. In addition, the externally facilitated review of Board effectiveness concluded that the Board was very effective. Further details of the review are on page 62.

In accordance with Provision B.7.1. of the UK Corporate Governance Code, all Directors will stand for re-election at the 2015 Annual General Meeting ("AGM"). Full biographies for the Directors can be found on pages 54 and 55 and in the Notice of AGM.

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
<ul style="list-style-type: none"> 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
<ul style="list-style-type: none"> Responsible for the effective leadership of the Company. Strong and focused management and development of the Group's operations and business models. 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 sustainability.
Senior Independent Director
<ul style="list-style-type: none"> 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.

The Chairman regularly discusses the way the Board functions and broad governance matters with the Senior Independent Director and the Group Company Secretary. The Senior Independent Director separately held informal discussions with the Non Executive Directors, with and without the presence of the Chairman.

To ensure that all matters reserved for the Board and other strategic issues were discussed at the appropriate time, there was detailed planning throughout the year. The Board's 12-month rolling agenda was reviewed during the year.

Board support

The Board and its Committees are provided with sufficient resources to undertake their duties. Richard Shoylekov was Secretary to the Board and its Committees during the year and handed over to Graham Middlemiss at the start of the new financial year. He is now the Group General Counsel with overall accountability for governance. In advance of each set of meetings, papers and other information are delivered so that all Directors are 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 for his advice and services.

Composition and development of the Board

Upon appointment, all new Directors follow a comprehensive induction programme. As part of this programme, the Company Secretariat department and other Group functions provide new Directors with induction briefings. New Directors also visit a variety of businesses in order to familiarise themselves with the Group's operations. There were no new Director appointments during the year.

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.

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. 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 market environment and performance relative to competitors.	Board	Regular updates were provided to the Board concerning the performance of the Company which included updates on the relative performance of competitors when this information became available. In addition, the Board undertook in-depth reviews of the Group's major businesses, which included reports from management on the market environment in which the businesses operated.
Continued focus on the Group's growth opportunities organically through the development of its business models and through acquisitions.	Board	The Board regularly reviews growth opportunities. During the year, the Board reviewed and approved proposals for business acquisitions and for capital expenditure to support other growth opportunities.



For more information on acquisitions see the Group Chief Executive's overview on **page 15** and **note 30** to the consolidated financial statements

Board and Committee effectiveness review

This year, an externally facilitated review of the Board and its Committees was conducted by Margaret Exley of SCT Consultants. Ms Exley was selected to undertake the review due to her extensive experience dealing with boards of large organisations and expertise in conducting board effectiveness reviews. Neither Margaret Exley or SCT Consultants has any connection with the Company. The review was conducted through a combination of questionnaires, in-depth confidential interviews with each of the Directors and the Group General Counsel, document review and observation of the Board. Ms Exley attended the March 2015 Board and Committee meetings. The review considered the role and composition of the Board; how the Board approaches its work (strategy, performance management, people development and succession, investment reviews, communication and stakeholder engagement); the culture and dynamics of the Board; and whether it optimises and effectively uses its time to ensure that the key aspects of board effectiveness were reviewed.

The Board review undertaken by Ms Exley considered the effectiveness of each of the Committees, each Director, and the Company Secretary. The findings were reported to the Chairman. Each was found to perform effectively, with no material concerns raised.

Also during the year the Non Executive Directors, led by the Senior Independent Director, undertook the performance evaluation of the Chairman. Such evaluation also took account of the views of the Executive Directors. The Chairman's performance was highly rated.

The results of the review formed the basis of discussion of areas for further improvement by the Board and its Committees. The Board continues to consider each of the Directors to be effective and to demonstrate commitment to his or her role.

Next year, the Board effectiveness review will be facilitated internally using an online survey as with previous internally-conducted reviews. In accordance with the UK Corporate Governance Code, the next externally-facilitated effectiveness review will be conducted during the year ending 31 July 2018.

Key findings and improvement actions

The review concluded that the Board was very effective and worked well together in a climate of openness, which encouraged differences of opinion to be sought, heard and respected. The Board's work on strategy, in particular making clear and effective strategic choices, was commended. Oversight of business performance was rigorous and focused. The review praised the quality of information presented to the Board. Engagement with shareholders was also considered to be a strength. The Audit, Nominations and Remuneration Committees were well chaired and had effective terms of reference. It was noted that all Non Executive Directors were also members of the Audit, Nominations and Remuneration Committees. The Board considered that this approach to Committee membership promoted greater transparency and effective decision-making. 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 these action points into its processes and procedures.

Action	Responsibility
Performance reporting to have greater range of financial and non-financial data and key performance indicators.	Finance
Continued focus on succession planning for the Board and senior management and talent development generally in the business.	Board and Nominations Committee
Continued focus on and detailed review of progress made with the Group's strategy and specific strategic initiatives.	Board

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 73. No Director has been unable to devote sufficient time to the role during the year and each Director has attended all scheduled Board meetings.

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 principal 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 66 to 70. 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. During the year, the Board carried out a robust assessment of the principal risks facing the Company.

The principal 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 44 to 51.

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 77 to 102.

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 to both current and potential shareholders.

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.

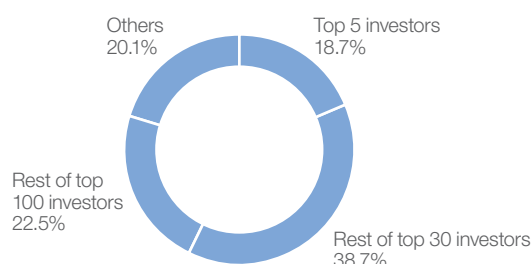
All investor communication is governed by written guidelines to ensure the appropriate governance of the processes for engaging with shareholders and financial analysts is maintained. In addition, these guidelines govern the prompt disclosure of inside information which could affect the Company's share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

Shareholder notifications

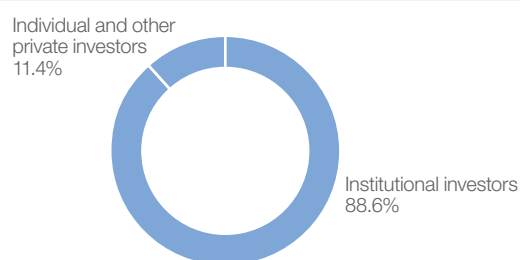
As at 31 July 2015 and as at the date of this report, the Company had received notification of the following material shareholdings pursuant to the Disclosure and Transparency Rules of the UK Listing Authority.

Name	Number of shares held (millions)	Percentage of issued voting share capital
FIL Limited	14,070,947	4.96%
AXA S.A.	13,065,225	4.60%
Legal & General Group Plc	8,361,368	3.05%

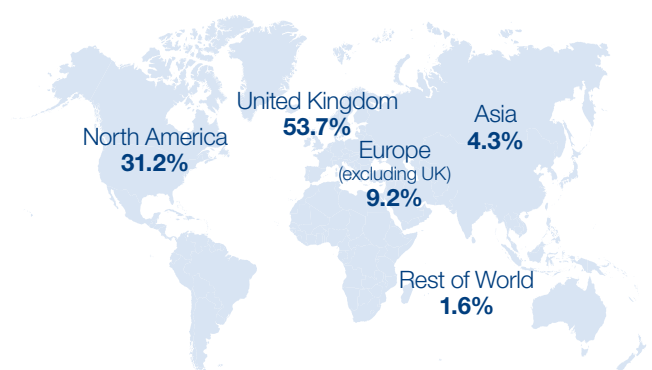
Top 100 investors concentration



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 on the financial performance of the Group incorporating revenue, profitability by region, net debt and appropriate commentary on key business trends. Jacky Simmonds, in her capacity as the Chair of the Remuneration Committee, engaged with major shareholders in relation to executive remuneration and other matters. Darren Shapland, the Chairman of the Audit Committee, also engaged with major shareholders in relation to the tendering of the Company's external audit activities.

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 and at the end of this report on pages 167 to 175.

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 65.

During the year ended 31 July 2015, there were a total of 258 meetings. Ian Meakins and John Martin (together with the Investor Relations team) attended 117 meetings, Gareth Davis (the Chairman of the Board) (together with the Investor Relations team) attended four meetings, Frank Roach (together with members of the US senior management team) attended 39 meetings and the Investor Relations team met with institutions through a further 124 meetings, conferences and calls.

The Chairman often meets with the larger institutional shareholders and 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 2015/16

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 December 2015.

On 12 November 2015, the Group will be holding a US investor day. At the meeting there will be a series of management meetings on Ferguson strategy and performance. The event is being held at the Company's new ship hub in Secaucus, New Jersey. A tour of the facility will also take place in addition to visiting a local branch. The Company plans to webcast the presentation on the Wolseley plc website www.wolseley.com.

AGM

Each year, the AGM is held in Switzerland with an audio-visual link to London. The link provides shareholders in London the ability to see and hear proceedings, and 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 the 2014 AGM and answered a wide range of questions from shareholders. Full details of the 2015 AGM are contained in the Notice of AGM and are available on the Wolseley plc website www.wolseley.com.

Audit Committee

Including the report from the Audit Committee for the financial year ended 31 July 2015



Darren Shapland
Chairman

Members and attendance (eligibility) at meetings held during the year ended 31 July 2015¹

Committee members	Meeting attendance and (eligibility)
D Shapland (Chairman) ²	5(5)
T Bamford	5(5)
J Daly ³	4(5)
P López ³	4(5)
A Murray	5(5)
J Simmonds	5(5)

Members who left during the year:

M Wareing ⁴	1(1)
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¹ As at 31 July 2015, the Committee was made up of six 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.

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

³ Mr Daly and Ms López were each unable to attend one meeting of the Committee due to scheduling conflicts.

⁴ Michael Wareing stepped down as a Non Executive Director on 25 November 2014.

Dear Shareholder

I am pleased to present the report of the Audit Committee for 2014/15. In November 2014, I was appointed as Chairman of the Audit Committee after Michael Wareing stepped down from his position on the Board after over five years of service. I would like to thank Michael for his support during the transition of his responsibilities as Chairman of the Audit Committee to me.

Each member of the Committee brings substantial skills and experience at a senior executive level and are considered to be independent in accordance with the Code criteria. I was, until 2010, Chief Financial Officer of J Sainsbury plc and I currently chair the boards of Poundland Group plc and Topps Tiles Plc and I was, until 24 September 2015, the Chairman of the Audit Committee of Ladbrokes plc. In addition, Pilar López and Alan Murray also have substantial financial experience, Pilar having been Chief Financial Officer for Telefónica Europe and Alan having been Finance Director of Hanson plc. 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 54 and 55.

At the 2015 AGM, 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 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 2014/15 objectives and how the Committee has achieved these objectives is set out below:

2014/15 objectives	Achievements
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.	The Audit Committee undertakes a review of key risks and their management in March and September each year. Feedback is provided to management as part of this review process. In May each year, the Audit Committee reviews the effectiveness of the overall risk management and internal control framework.
Continue to monitor and review cyber security and planned major changes to IT systems.	The Group's Chief Information Officer reported to the Audit Committee on the major changes to the Group's IT systems that had been implemented or were planned, the status of IT controls and the status and development of the Group's cyber security systems and procedures. Although there have been no significant cyber security issues, management continue to review and implement improvements in cyber security processes and procedures.
Continue to focus on finance systems transformation.	The Committee received updates from the Finance Directors of the Group's major regions on progress made to upgrade the Group's finance systems. The projects include the implementation of new software solutions, reviewing the efficiency of internal finance processes and operating models and developing internal reporting capabilities. The projects aimed at transforming the Group's finance systems are continuing and good progress has been made in all major regions with many projects either in progress or completed.
Prepare for and implement any relevant regulatory changes to Audit Committee governance.	Regulatory changes are considered throughout the year. The Committee considered developments in the regulation of audit tendering.
Prepare in 2014/15 for external audit tender in 2015/16.	The external audit tender process has been completed. For further details see pages 68 and 69.

Effectiveness

This year, the review of the effectiveness of the Committee was conducted by an external consultant as part of the wider review of the effectiveness of the Board and its Committees. The review concluded that the Committee was effective and well run. The evaluation process, together with the conclusions and recommendations for improvement, are summarised on page 62.

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 2014/15. 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	Jul
Financial reporting and significant financial judgements					
Full Year results and associated announcements	■				
Half Year results and associated announcements			■		
External audit					
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	■	■	■	■	
Internal audit					
Internal Audit report to the Committee	■	■	■	■	
Annual plan for internal audit				■	
Effectiveness review of internal audit				■	
Risk management					
Fraud and whistleblowing report	■	■	■	■	
Risk management report to the Committee	■		■	■	
Review of the risk sections of the Annual Report	■				
Review of risk management framework				■	
Other					
Updates on accounting and corporate governance developments	■	■			
Review of finance team succession plans				■	
Terms of reference review					■
Review of effectiveness of the Committee					■

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 for the year ended 31 July 2015 and how these issues were addressed are summarised below:

- The Committee reviewed the carrying value of goodwill and other intangible assets for impairments, including a detailed review of the analysis and assumptions underlying the value in use calculations for the businesses identified as cash generating units. The Committee agreed with management's assessment that impairment charges had arisen primarily relating to the Nordic region due to continued challenging market conditions and reduced expectations of profitability. 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.
- The Committee reviewed the recognition of supplier rebates which are significant to the Group and is an area of inherent risk due to the number of arrangements and complexity of certain 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. Additional assurance has been provided through the work of the Internal Audit department in the year who performed a number of specific reviews in this area with no material findings identified. As a result of the review process, the Committee concluded that the level of rebate income and rebate receivable as at 31 July 2015 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 2015. 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 concluding that provisions for obsolete and slow moving inventory are fairly stated in the consolidated financial statements.
- The Committee considered the provisions held and settlements made in relation to litigation disputes and potential product liability and environmental claims. The Committee addressed this issue by assessing reports from management and considering 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 2015. 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 consolidated financial statements.

At the request of the Board, we have undertaken a review to assess whether the 2014/15 Annual Report and Accounts is fair, balanced and understandable and whether it provides the necessary information for shareholders to assess the Company's position and performance, business model and strategy. When forming its opinion, the Committee reviewed the 2014/15 Annual Report to assess whether the content demonstrated the developments and challenges from the year, reflecting on information it had received and discussions that had taken place throughout the year. Following its review, the Committee advised the Board that it was satisfied that, taken as a whole, the 2014/15 Annual Report and Accounts is fair, balanced and understandable and provides the necessary information for shareholders to assess the Company's position and performance, business model and strategy. The Directors' Responsibilities Statement can be found on page 74.

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 other PwC audit team members from time to time, attended each Audit Committee meeting as representatives of the external auditors. They also attended the 2014 AGM. They provided the Committee with information and advice, as well as relevant reports on the financial statements and internal controls.

In November 2014, the Committee reviewed and approved the terms, areas of responsibility and scope of the 2014/15 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 2014/15 External Audit Plan was approved in May 2015 and has been successfully completed at the date of this report.

Auditor appointment and tendering

In 2010, the Company, which was newly incorporated, became the holding company of the Group and PwC has 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.

Last year we said that, having regard to the provisions of the UK Corporate Governance Code and the relevant regulations relating to the requirement to put the external audit out to tender every 10 years, it was the intention to tender the external audit contract during 2015/16. As announced on 22 June 2015, we have concluded the tender process for the external audit contract and, following the completion of the audit of the financial statements for the year ended 31 July 2015, Deloitte LLP will be appointed as the Company's external auditors, subject to approval by shareholders at the 2015 Annual General Meeting.

The Committee has primary responsibility for making recommendations to the Board concerning the appointment, reappointment and removal of the external auditors. The Committee created a Sub-Committee, led by myself and including Pilar López and Alan Murray, to administer the tender process. The Sub-Committee submitted a detailed timetable for the tender process to the Committee and undertook a review to identify suitable audit firms which could be invited to tender. Following review by the Committee, a formal invitation to tender document was issued to those firms identified as having the appropriate experience, expertise and resource to perform the audit to a high standard.

In addition, we sought the views of major shareholders on the tender process and the feedback we received was considered and incorporated in the process where appropriate.

Although the Committee was satisfied that PwC continued to provide an effective audit service throughout their tenure, it was decided that, due to the longevity of PwC's appointment, they would not be invited to tender and I would like to thank PwC for their dedication and significant contribution as Wolseley's auditors.

Each firm invited to tender was given access to a data room and attended detailed meetings with management to allow objective assessments to take place. The Board appointed a Committee of the Board, chaired by me, to conduct final interviews with the short-listed firms and select the firm to be recommended to shareholders for appointment as the Company's new external auditors. Accordingly, a resolution proposing the appointment of Deloitte LLP will be put to shareholders at the 2015 AGM.

There are no contractual obligations restricting the Company's choice of external auditor. The Committee will continue to review the auditor appointment and the need to tender the audit, ensuring the Group's compliance with the UK Corporate Governance Code and any related regulations.

Auditor effectiveness

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 2014 year-end survey findings as part of its review. The Committee was satisfied that PwC provided an effective audit service.

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.

During the year, 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 the Company's statutory auditor 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 engagements of the Company's statutory auditor 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 the Company's statutory auditor for non-audit work. During the year, PwC was 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.

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 the independence and objectivity of PwC.

During the tender process, Deloitte LLP provided assurances as to their independence. The Committee are satisfied with the independence and objectivity of Deloitte LLP and will continue to monitor both during the year.

Audit and non-audit fees

Fees for non-audit work carried out by PwC as a percentage of audit fees for the year ended 31 July 2015 were 50 per cent (2014: 41.2 per cent). Further disclosure of the non-audit fees paid during the year ended 31 July 2015 can be found in note 3 to the consolidated financial statements on page 115.

The non-audit services related mainly to assistance on tax compliance matters. PwC also provided consultancy advice on the Group's proposed new financial reporting system which is due to be implemented in 2015/16. 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 2015 which covers the activities to July 2016. 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 May 2015, the Committee conducted the annual review of the effectiveness of the Group's Internal Audit function, including its terms of reference, audit plans, general performance and relationship with the external auditors. This review was undertaken using guidance issued by the Chartered Institute of Internal Auditors. The Committee was satisfied with the overall effectiveness of the Group's Internal Audit function.

Risk

Risk management

Risk management reports, prepared by the Group Head of Risk and Compliance, were submitted to the Committee in September 2014 and March 2015. 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 July 2015, 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 requirements of the Code. 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 2015 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 44 to 51.

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 2015/16

2015/16 priorities

Ensure that there is an efficient and effective transition of the external audit from PwC to Deloitte LLP.

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.

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



Darren Shapland
on behalf of the Audit Committee

Nominations Committee



Gareth Davis
Chairman

Members and attendance (eligibility) at meetings held during the year ended 31 July 2015:

Committee members	Meeting attendance and (eligibility)
G Davis (Chairman)	4(4)
T Bamford	4(4)
J Daly	4(4)
P López ¹	3(4)
A Murray	4(4)
D Shapland	4(4)
J Simmonds	4(4)

Members who left during the year:

M Wareing ²	0(0)
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¹ Pilar López was unable to attend one meeting of the Committee due to a scheduling conflict.

² Michael Wareing stepped down as a Non Executive Director with effect from 25 November 2014.

Dear Shareholder

What the Committee has done during the year

Last year I reported that, following a review of the composition of the Board and its Committees, three new Non Executive Directors were appointed so the Board would benefit from having more members with retail and international experience, and from having successors for the roles of the chairs of the Audit and Remuneration Committees. I am pleased to say that the handovers of the responsibilities of the roles of the chairs of the Audit and Remuneration Committees to Darren Shapland and Jacky Simmonds, respectively, have progressed smoothly and effectively in line with the succession plans for those roles.

The Committee has continued to review the balance, experience and skills of the Board, which was one of the priorities highlighted in last year's report. The Board has a good balance of operational, international, commercial, financial, general management and people skills and experience. We will maintain our focus in this area over the coming year so that, as our businesses develop, we ensure that we continue to have the appropriate mix of skills and experience at Board level. The other priority highlighted in last year's report was to monitor executive and senior leadership succession. The Nominations Committee has met more regularly during the year to give full consideration to succession planning at Board level and for senior leadership positions. For example, during the year the Committee considered and approved the implementation of succession plans for the roles of the Group HR Director, the UK Managing Director and the Group Company Secretary. In addition

to the work of the Committee, the Board conducts detailed reviews of succession and talent development each year and this review assists the Committee when considering these matters.

Diversity

Over the last four years, we have remained supportive of the voluntary approach as an effective way to encourage companies to improve gender diversity in boardrooms. Last year we met the gender diversity recommendations set out in Lord Davies' report, "Women on Boards", one year ahead of the 2015 deadline. Lord Davies recommended that women should account for at least 25 per cent of Board membership and this year 30 per cent of your Board are women. This has increased from 12.5 per cent in July 2012.

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 38.

Effectiveness

During this financial year, the Committee participated in the externally-facilitated review of effectiveness of the Board and its Committees, further details of which can be found on page 62. The review concluded that the Committee was well run and well supported with good, clear papers and briefings being presented at the meetings. The review also highlighted areas for continued improvement: monitoring Board and senior leadership succession and long-term talent development. We have incorporated these into our priorities for 2015/16 as set out in the table below.

At the 2015 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 2015/16

2015/16 priorities

Continue to monitor Board and senior leadership succession.

Continue to monitor long-term talent development.

Gareth Davis
on behalf of the Nominations Committee

Other committees

Major Announcements Committee

Committee members during the year ended 31 July 2015

J Martin	Chief Financial Officer (Chairman)
G Davis	Chairman
M Fearon	Group Director of Communications and Investor Relations
I Meakins	Group Chief Executive
R Shoyilekov ¹	Group 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. In addition, a Committee of the Board was established to conduct final interviews and select the Company's new auditors.

Executive Committee

Committee members during the year ended 31 July 2015

I Meakins	Group Chief Executive (Chairman)
T England	Group Chief Information Officer
P Headon ²	Managing Director, UK
O M Jensen	Chief Executive Officer, Nordic Region
J Martin	Chief Financial Officer
B Morrison	Group HR Director
F Roach	Chief Executive Officer, USA
R Shoyilekov ¹	Group General Counsel

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. Details of this Committee can be found on page 56.

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 10 times during the year.

Treasury Committee

Committee members during the year ended 31 July 2015

J Martin	Chief Financial Officer (Chairman)
S Gray	Group Financial Controller
I Meakins	Group Chief Executive
R Shoyilekov ¹	Group General Counsel
M Verrier	Group Treasurer
M Wall	Group Director of Corporate Finance

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 the Group's refinancing (see page 34), financing analysis, cash pooling, counterparty exposure and guarantees, interest rate risk, currency balancing, counterparty credit limits and overdraft facilities.

Disclosure Committee

Committee members during the year ended 31 July 2015

J Martin	Chief Financial Officer (Chairman)
M Fearon	Group Director of Communications and Investor Relations
I Meakins	Group Chief Executive
R Shoyilekov ¹	Group 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.

¹ Richard Shoyilekov stepped down as Secretary to the Board and its Committees on 31 July 2015 and his title changed from Group Company Secretary and General Counsel to Group General Counsel. Graham Middlemiss succeeded him on 1 August 2015 as Group Company Secretary. Mr Shoyilekov remains a member of the Major Announcements, Executive, Treasury and Disclosure Committees.

Mr Middlemiss became Secretary to the Major Announcements, Executive, Treasury and Disclosure Committees on 1 August 2015.

² Patrick Headon replaced Steve Ashmore as Managing Director, UK on 30 April 2015.

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, removal and powers 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 2012 UK Corporate Governance Code, all continuing Directors will stand for annual election at the 2015 AGM. The Board may exercise all powers of the Company, subject to the limitations of the law and the Company's Articles of Association.

Authority to allot shares

At the 2014 AGM, authority was given to the Directors to allot new ordinary shares up to a nominal value of £19,040,960. The Directors intend to propose at the 2015 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 (excluding treasury shares), 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 (excluding treasury shares), 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 2016 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 or to sell or transfer shares out of treasury other than pro rata to existing shareholders, until the 2016 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

On 30 September 2014, the Company announced a £250 million share repurchase programme (the "2014 Buyback Programme") as a method of returning surplus capital to shareholders. The 2014 Buyback Programme was completed during the year. From 2 October 2014 to 27 July 2015, 7,407,837 ordinary shares of 10⁵³/₆₆ pence were purchased for a consideration of £250 million representing 2.78 per cent of the issued share capital of the Company as at 2 October 2014. All shares purchased were held in treasury and some were subsequently transferred from treasury to satisfy awards under the Company's share plans. Additional details concerning the 2014 Buyback Programme can be found in note 26 to the consolidated financial statements.

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 29 September 2015, the Company announced its intention to commence a £300 million share repurchase programme to be executed over the twelve month period to September 2016 (the "2015 Buyback Programme"). It is intended that a special resolution will be proposed at the 2015 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 2015 Buyback Programme and will use this authority 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 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 7,105,842 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 26,438,350 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 2015 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 £512 million US Private Placement Bonds issued on 1 September 2015, the £800 million multi-currency revolving credit facility agreement dated 3 June 2015, the amended US\$600 million receivables facility agreement originally entered into on 31 July 2013 and the US\$664 million US private placement Bonds issued on 16 November 2005 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 Group consolidated financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. The Directors are also responsible for preparing the 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 Group 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 Strategic report and the Directors' Report contained in this report include 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 2014/15 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 position and performance, business model and strategy.

The Directors of Wolseley plc as at the date of this Annual Report are as set out below¹:

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*

*Non Executive Director

¹ Michael Wareing stepped down as a Non Executive Director on 25 November 2014.

Employees

The Group actively encourages employee involvement in driving our current and future success and places particular importance on keeping employees regularly informed about 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 15 EWC representatives, of which nine 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 all-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 and for giving full and fair consideration to applications for employment by disabled persons, having regard to their particular attributes and abilities.

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 Company Secretary 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 and the Company Secretary 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

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 2015, there is no relevant audit information of which PricewaterhouseCoopers LLP ("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 2015, of any relevant audit information and to establish that PwC are aware of that information.

Deloitte LLP is willing to act as auditors of the Company, and resolutions concerning their appointment and the determination of their remuneration will be proposed at the 2015 Annual General Meeting.

Management report

The management report for the year, as required by the Disclosure and Transparency Rules, is incorporated within pages 1 to 76 of the Annual Report and Accounts.

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

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 to the consolidated financial statements. As at 31 July 2015, there were 266,592,678 fully paid ordinary shares of 10^{53/66} pence each in issue and listed on the London Stock Exchange, of which 7,105,842 ordinary shares were held in treasury. The voting rights of treasury shares are automatically suspended. Accordingly, the total voting rights were 259,486,836 as at 31 July 2015.

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.

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

During the financial year ended 31 July 2015, options were exercised pursuant to the Company's share option schemes resulting in the allotment of 60,881 ordinary 10^{53/66} pence shares and the transfer of 301,995 ordinary 10^{53/66} pence shares for an aggregate consideration of £10 million from treasury. A further 12,706 ordinary 10^{53/66} pence shares have been allotted and no ordinary 10^{53/66} pence shares have been transferred from treasury 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. The Plan has been closed 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 three Company-nominated trustees, three member-nominated trustees, who are all UK-based employees of the Group, and one independent trustee, Wayne Phelan of PS Independent Trustees Limited, chairman of the trustees. In April 2015, one of the member-nominated trustees left the employment of the Wolseley Group and a selection process to appoint a replacement will be undertaken before the end of 2015. 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.

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.

The information required to be disclosed by LR9.8.4R can be found on the following pages of this Annual Report:

Section	Topic	Page reference
(1)	Capitalised interest	76
(2)	Publication of unaudited financial information	N/A
(3)	Smaller related party transactions	N/A
(4)	Details of long term incentive schemes established specifically to recruit or retain a Director	N/A
(5) and (6)	Waiver of emoluments by a Director	N/A
(7) and (8)	Allotments of equity securities for cash	73
(9)	Participation in a placing of equity securities	N/A
(10)	Contracts of significance	73
(11) and (14)	Controlling shareholder disclosures	N/A
(12) and (13)	Dividend waiver	102

Capitalised interest

The Group does not have capitalised interest of any significance on its balance sheet.

Dividends

Details of the Company's proposed final dividend payment for the year ended 31 July 2015 are set out on page 33.

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 35.

Future developments within the Group

The Strategic report, starting on page 8, contains details of likely future developments within the Group.

Greenhouse gas emissions

Disclosures concerning greenhouse gas emissions can be found on page 40.


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 2015 can be found on page 31.

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 8 to 102, was approved by the Board and signed on its behalf by:



Graham Middlemiss
Group Company Secretary

28 September 2015

Remuneration Report introduction

For the year ended 31 July 2015



Jacky Simmonds
Chair of the
Remuneration Committee

Dear Shareholder

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 July 2015.

I was delighted to be appointed to the Wolseley plc Board in May 2014 and as Chair of the Remuneration Committee from the end of July 2014. My thanks go to Alan Murray, who previously served as Chairman of the Committee, for his support when I took over the role.

In my first annual statement to shareholders, I would like to share with you both the corporate performance and relative incentive outcomes for 2014/15 and our thinking on our longer term approach towards executive remuneration. We informed shareholders when we published our Directors' Remuneration Report last year that the Committee would undertake a review of our Remuneration Policy (the "Policy") during the year against the needs of the business and emerging reporting practice. The Committee took the opportunity to consider its reward principles and conducted its review to ensure that any future remuneration arrangements are aligned with them. The principles are:

- to provide remuneration packages that fairly reward Executive Directors and senior executives for the contribution they make to the business, having regard to the size and complexity of the Group's business operations and the need to attract, retain and motivate executives of the highest quality;
- to have remuneration packages which comprise salary, short-term bonuses, share options, long term incentive awards, benefits-in-kind and pension provision; and
- to aim to provide a total cash award of base salary and bonus at the median of the market, with the opportunity to earn a higher reward subject to sustained superior financial and individual performance.

Performance in 2014/15

During the year ended 31 July 2015, the Company has continued to perform strongly and our experienced management team has driven significant performance improvements. The remuneration received for the year ended 31 July 2015 recognises this strong performance against stretching bonus, 2012 ESOP and 2012 LTIP targets.

In the financial year ended 31 July 2015, the Group generated a strong trading profit performance which contributed to an increase in headline EPS of 18.1 per cent to 230.2 pence (2014: 195.0 pence per share (restated)). As a result, ESOP awards granted in 2012 have vested in full. The Company's consolidated financial statements for the year ended 31 July 2014 have been restated to present the French businesses as discontinued operations under IFRS5 and we explain the restatement in more details under the heading "ESOP" on page 98.

In addition to profitable growth, the Company also places a strong emphasis on generating strong cash flow since it enables us to reward shareholders with sustainable and progressive dividends. The interim dividend paid to shareholders on 1 May 2015 was 10 per cent higher than last year and the 2015 proposed final dividend of 60.5 pence per share is 10 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 89.3 per cent of their maximum levels.

In the three years to 31 July 2015, Total Shareholder Return ("TSR") growth enjoyed by shareholders was 24.47 per cent. As a result, the Company achieved a TSR ranking of twenty-third against our FTSE 100 comparator group and therefore 75 per cent of the performance shares awarded under the 2012 LTIP in 2012/13 have vested.

Executive Directors' remuneration review

During the year, we engaged in consultation with, and sought the views of, our major shareholders and their representative bodies as we developed our thinking on proposed changes to the Policy at each stage of the process. The review and feedback received concluded that the current arrangements were too complex, were unable to deliver top quartile pay for top quartile performance and could be better aligned with shareholders' interests. We listened to all of the feedback that we received and, as a result, we refined our proposals where appropriate. I would like to thank our key stakeholders for the useful feedback which they provided. In summary, our changes are intended to:

- ensure the Policy remains aligned with the Company's overall pay philosophy, its strategy and long-term objectives;
- promote the long-term success of the Company;
- simplify the remuneration structure and make it more easily understood;
- drive high performance;
- allow flexibility to meet the needs of the business for at least three years, including, should the need arise, the recruitment of Executive Directors without the need to amend the Policy;
- align the Policy more closely to the requirements of all stakeholders, governance bodies, the Executive Directors and the Committee; and
- reflect the status of the Group which has well regarded USA and UK-based Executive Directors and has grown to be one of the 50 largest UK-listed companies.

Key changes to the Policy

The key changes to our Policy are:

- the introduction of a new 2015 Long Term Incentive Plan ("2015 LTIP") with performance conditions which are relevant and stretching. Under the 2015 LTIP, the maximum share award will be 350 per cent of base salary at the date of grant and the three performance measures to be applied for the 2015/16 grant are a combination of total shareholder return ("TSR"), adjusted earnings per share ("EPS") and cash flow from operating activities ("OpCF"). The plan includes recovery and withholding provisions. If the revised Policy and the 2015 LTIP are approved by shareholders at the 2015 AGM, no further grants or awards will be made to

Executive Directors under the current 2012 ESOP and 2012 LTIP plans. The proposed award levels for the 2015/16 grant are set out in the Annual report on remuneration. In summary, they are unchanged for Ian Meakins and John Martin on an expected value basis. However, for Frank Roach, a higher level has been set. This has been done to rebalance his package towards longer-term performance and reflects the 61 per cent growth in revenues in the US business since FY2009/10. This should ensure it remains competitive in the context of similarly sized businesses in the USA market if Wolseley's long-term performance targets are met;

- the introduction of a plan to defer any bonus amounts achieved in excess of target levels into shares for a period of three years if an Executive Director's shareholding guidelines have not been met. The plan includes recovery and withholding provisions which will apply to the annual and deferred bonus in a number of specific circumstances when it is in the interests of the shareholders to do so;
- increased levels of shareholding through shareholding guidelines which require Executive Directors to hold shares for a two-year period after vesting for shares acquired under the 2015 LTIP. The Committee also took the opportunity to increase the level of the shareholding guidelines and this was implemented during 2014/15; and
- an increase in maximum opportunity under the Annual Bonus Plan to 150 per cent of base salary.

We intend to maintain our modest approach to bonus levels and the Committee has no current intention to award up to the maximum opportunity for the variable awards within the revised Policy. This will instead be available for future appointments should the need arise. The levels of proposed awards to be made in 2015/16 are set out on pages 91 to 92.

Following the review, we have agreed that Executive Committee members who are not also Executive Directors will receive share awards under the 2015 LTIP. This alignment across the top level of management of the Group provides a consistent approach to remuneration to foster a collegiate approach within the senior management team and to ensure all individuals at that level are focused on the same strategic outcomes.

We believe that our revised Policy is appropriate and on behalf of the Committee we recommend it for shareholder support at the forthcoming AGM.

Looking ahead to the year ending 31 July 2016

On the basis that the Policy set out in this report is approved at the 2015 AGM, the new remuneration arrangements will apply from this financial year onwards and it is intended that awards under the 2015 LTIP will be made to Executive Directors shortly after the 2015 AGM. The weighting of the performance measures for the first share awards under the 2015 LTIP (TSR, EPS and OpCF) will be applied in equal proportions of one-third.

In line with our Policy, the Committee undertook an annual review of the Executive Directors' base salaries. For the year ahead, these will be increased by no more than the average base salary increases for all Wolseley employees in the jurisdiction in which the Executive Director is based – for the Group Chief Executive this is an increase

of 1.5 per cent, for the Chief Financial Officer (who also has duties in Canada) an increase of 1.2 per cent, and for the Chief Executive Officer, USA an increase of 2.5 per cent.

As a Committee we continue to keep ourselves aware of developments in corporate governance and remuneration. We will continue to monitor such developments and, where appropriate, consider whether it is in the best interests of Wolseley and its shareholders to adopt them.

On behalf of the Committee I thank you for your continued support and trust that you find the Directors' Remuneration Report informative. I very much hope that we will receive your support at the 2015 AGM and I will be available at the meeting to respond to your questions on any aspect of this Report.

Jacky Simmonds

Jacky Simmonds
Chair of the Remuneration Committee

Glossary of terms in Directors' Remuneration Report 2015


AGM	Annual General Meeting
Code	UK Corporate Governance Code
EPS	Adjusted Earnings Per Share
ESPP	Employee Share Purchase Plan
ISP	International Sharesave Plan
2012 ESOP	Executive Share Option Plan 2012
2012 LTIP	Long Term Incentive Plan 2012
2015 LTIP	Proposed Long Term Incentive Plan 2015
LTI plans	2015 LTIP, 2012 ESOP and 2012 LTIP
OpCF	Cash flow from operating activities
OSP	Ordinary Share Plan 2011
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 79 to 91



 Annual report on remuneration
on pages 91 to 102

-  Summary of the Group's financial performance during the year ended 31 July 2015 see pages 6 to 7

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 2014.

Remuneration policy

1. Introduction

This section of the Directors' Remuneration Report has been prepared in accordance with the Regulations. During the year, the Committee completed a review of executive remuneration which sought to ensure continued alignment with the Company's strategy and that, going forward, it remains a simplified package more closely aligned to the requirements of all stakeholders. Following the review, the Committee proposes to make a number of changes to the Policy, which was approved by the shareholders at the 2014 AGM.

This section sets out the revised Policy, which will be put forward for shareholder approval at the AGM on 1 December 2015 ("2015 AGM"). If the revised Policy is approved, it will take effect immediately following the 2015 AGM, and it is intended to apply for a period of at least three years from the 2015 AGM. It contains details of the Company's Policy to govern future payments that will be made to Directors. All remuneration and loss of office payments will only be made if they are consistent with the approved Policy.

Subject to shareholder approval, this revised Policy will apply to any remuneration and loss of office payments made on or after

1 December 2015. Details of how the Company will implement the existing and revised Policy set out below for this financial year are provided in the Annual report on remuneration section starting on page 91.

The overall aim of the Policy is to support and promote the long-term success of the Company. Within this, the key objective 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. 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, the importance of securing the best person for the role, as well as considering the wider pay environment both internally and externally.

The Annual report on remuneration provides, in the section entitled "Report for the year ended 31 July 2015", details of the remuneration paid to Directors in accordance with the Policy approved at the 2014 AGM.

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"> • To pay Executive Directors at a level commensurate with their contribution to the Company and appropriately based on skill, experience and performance achieved. • 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 challenging international environment in which it operates. 	<ul style="list-style-type: none"> • 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. • Base salary is paid monthly in cash in the currency specified in the employment contract. • 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 of base salary by the Committee although an out-of-cycle review may be conducted if the Committee determines it appropriate. The review will take into account individual and corporate performance, percentage increases awarded to the general workforce, prevailing market and economic conditions and governance practices. • 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 a new or expanded role with further scope and responsibility). If it is considered appropriate, larger increases may be phased over more than one year. • 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. • The base salaries for the Executive Directors for the current year are set out in the Annual report on remuneration.
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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 operation and opportunity 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.

Purpose and link to strategy

Operation and opportunity

Future policy table: Executive Directors (continued)

Taxable benefits

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| <ul style="list-style-type: none"> • To provide a range of market competitive benefits to encourage retention and which enable an Executive Director to perform his or her duties. | <ul style="list-style-type: none"> • A range of benefits are provided that, depending on the location of the individual, may include: <ul style="list-style-type: none"> – life assurance cover; – critical illness cover; – private medical cover for Executive Directors and their dependants; – car, driver, car allowance; – professional tax and financial advice (including assistance in relation to tax filings); – relocation assistance (where necessary); – tax equalisation arrangements in relation to additional international tax and social security contributions; and – other reasonable ancillary benefits, where necessary. • The travel and other business expenses incurred in relation to their duties as Executive Directors may be reimbursed or paid for by the Company directly, as appropriate (including any relevant tax payable). • In addition, the Executive Directors have the benefit of Directors' and Officers' Liability Insurance and an indemnity from the Company. • 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. • Benefits are typically paid monthly and their value assessed at the end of each financial year for tax purposes. • Benefits are monitored, controlled and reviewed on a periodic basis. • 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 asked to relocate, or is recruited, from overseas). • The benefits for the Executive Directors for the current year are set out in the Annual report on remuneration. |
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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.

Pension

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| <ul style="list-style-type: none"> • To provide a market-competitive benefit for retirement which rewards sustained contribution and to encourage the recruitment and retention of high performing Executive Directors. | <ul style="list-style-type: none"> • 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. • Pension contribution or cash salary supplement is paid monthly. • The entitlement is reviewed annually and may be increased each year (in line with salary changes). • 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. |
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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 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

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| <ul style="list-style-type: none"> • To reward achievement of annual financial and operational goals consistent with the strategic direction of the business. | <ul style="list-style-type: none"> • 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 an annual bonus which is based on an assessment of financial and personal performance in the relevant financial year. • The annual bonus earned up to the target level of payout by an Executive Director shall be paid in cash and, if shareholding guidelines have been met at the time the bonus is awarded, any amounts of annual bonus earned in excess of target will also be paid in cash. If shareholding guidelines have not been met, the Deferred Bonus Plan policy on page 82 will apply. • The annual bonus is not pensionable. • The annual bonus is normally reviewed annually and the opportunity available may be adjusted each year up to the maximum. The maximum opportunity is 150 per cent of base salary. The annual bonus opportunities for each of the Executive Director roles for the current year are set out in the Annual report on remuneration. 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 threshold and maximum 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 set out in the Annual report on remuneration. |
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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; a cash generation-related measure helps the Group to generate attractive returns for shareholders; 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: for bonuses paid for the 2015/16 financial year, and subsequently, recovery and withholding provisions will apply. The Committee has the right to recover from Executive Directors any amount of the bonus paid at any time before the second 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 financial 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 Executive Director: (i) conducted him/herself in a way which resulted in significant reputational damage to the Company; or (ii) was guilty of negligence or gross misconduct. The Committee also has the right to recover from an Executive Director any amount of the bonus paid in the event a fraud was effected by or with the knowledge of the Executive Director during the financial year in respect of which the bonus was paid. There is no time limit on the application of recovery or withholding provisions in the event of fraud during a year to which a bonus payment relates.

Purpose and link to strategy

Operation and opportunity

Future policy table: Executive Directors (continued)

Deferred Bonus Plan (“DBP”)

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| <ul style="list-style-type: none"> • To encourage Executive Directors to build up a shareholding in value equivalent to a set multiple of base salary and to facilitate share ownership to provide further alignment with shareholders. • 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. | <ul style="list-style-type: none"> • Executive Directors who have not met their shareholding guidelines requirement in any financial year in which an annual bonus is paid will be granted an award under the DBP as set out below. • In any given year, the annual bonus earned up to the target level of payout by an Executive Director shall be paid in cash. If shareholding guidelines have not been met at the time the bonus is awarded, amounts earned in excess of target by an Executive Director will be deferred into shares and held subject to the terms of the DBP (“DBP shares”) and subject to forfeiture for three years (or such other period as the Committee considers appropriate) from the date the bonus is awarded. • Awards of DBP shares will normally be made in the form of nil-cost options but may be awarded in other forms allowed under the DBP rules (if appropriate). • Dividend equivalent payments may be made in relation to the DBP shares in cash or shares equal in value to the value of dividends that would have been payable on the DBP shares during the period between grant and vesting of an award. |
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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 DBP: for DBP shares awarded in respect of bonus awards made for the 2015/16 financial year, and subsequently, recovery and withholding provisions will apply. The Committee has the right to recover or withhold from Executive Directors any award of DBP shares at any time before the second anniversary of the date on which they vested in the following circumstances: (a) there has been a material financial misstatement of the Company's audited financial accounts (other than as a result of a change in accounting practice); and/or (b) (i) the Executive Director conducted him/herself in a way which resulted in or was reasonably likely to result in significant reputational damage to the Company; or (ii) was guilty of negligence or gross misconduct. The Committee also has the right to recover from an Executive Director any award of DBP shares in the event a fraud was effected by or with the knowledge of the Executive Director. There is no time limit on the application of recovery or withholding provisions in the event of fraud during a year to which a bonus payment relates.

Purpose and link to strategy

Operation and opportunity

Future policy table: Executive Directors (continued)

Long Term Incentive Plan ("2015 LTIP") (subject to shareholder approval of the 2015 LTIP rules and the Policy at the 2015 AGM)

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| <ul style="list-style-type: none"> • To align the interests of Executive Directors and those of shareholders in developing the long-term sustainable growth of the business and execution and delivery of the Group's strategy. • To facilitate share ownership to provide further alignment with shareholders. | <ul style="list-style-type: none"> • Executive Directors are eligible to participate (subject to selection by the Committee) in the 2015 LTIP approved by shareholders. • Awards are typically 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. • Vesting of awards is subject to the Company meeting performance targets measured over at least three financial years, typically starting with the financial year in which the grant takes place. • The Committee retains the discretion to award up to the maximum award that may be granted under the 2015 LTIP rules which is 350 per cent of base salary (in shares valued on or around the date of grant), although the Committee will not increase awards for each Executive Director role above any prior year award levels under the 2015 LTIP without prior consultation with the Company's major shareholders. • For each performance target, 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. • The shareholding guidelines require Executive Directors to retain vested shares (after taking into account any shares sold to pay tax, social security or similar liabilities) received from awards made under the 2015 LTIP on or after 1 December 2015 for two years from the vesting date (except in exceptional circumstances and with the approval of the Committee). For awards granted as options, it will be sufficient to hold the vested but unexercised options for this period. • Dividend equivalent payments may be made in accordance with the 2015 LTIP rules on the shares which are the subject of the award (to the extent they vest) in cash or shares with a value equal to the value of dividends that would have been payable during the period between grant and vesting of an award. • The proposed 2015 LTIP awards to be granted to the Executive Directors are set out in the Annual report on remuneration. |
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Framework to assess performance measures and for recovery of sums paid

Assessment of performance measures: metrics will be assessed each year and will be set by the Committee prior to grant to ensure they remain appropriate. The Committee may adjust in limited circumstances the proposed EPS and OpCF targets or introduce alternative or additional measures to those set out in the Annual report on remuneration at page 91 but would consult with major shareholders before doing so. The Committee may also vary: (i) weightings between measures provided that no single measure will have a weighting of more than 40 per cent; and (ii) the targets from a previous year, although the metrics will not be materially less challenging than those contained in the 2015 LTIP rules.

Recovery of sums paid or the withholding of any payment to be made relating to LTIP: for awards granted after the 2015 AGM onwards, the Committee may, in its discretion, at any time before the fifth anniversary of the date of grant, recover from Executive Directors any vested 2015 LTIP shares and/or cash paid and withhold any unvested awards or reduce future grants 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) any conduct of the Executive Director which results in or is reasonably likely to result in significant reputational damage to the Company; and (iii) the negligence or gross misconduct of the Executive Director. The Committee may, in its discretion, recover from an Executive Director any vested 2015 LTIP shares and/or cash paid and withhold any unvested awards or reduce future grants in the event of a fraud effected by or with the knowledge of the Executive Director. There is no time limit on the application of recovery or withholding provisions in the event of a fraud.

Purpose and link to strategy

Operation and opportunity

Future policy table: Executive Directors (continued)

All-employee share plans

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| <ul style="list-style-type: none"> • To foster wider employee share ownership and to allow Directors to voluntarily invest in the Company. | <ul style="list-style-type: none"> • Executive Directors are entitled to participate in the Company's all-employee share plan applicable to the jurisdiction in which they are based on the same terms as other eligible employees. • 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 or other period set by any relevant tax authority 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 for both ISP and ESPP plans. The savings limit used each year will be reviewed by the Board and set annually at an amount up to, but not exceeding, the maximum opportunity. |
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Framework to assess performance measures and for recovery of sums paid

Assessment of performance measures: not applicable as these are all-employee share plans (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 plans.

Shareholding guidelines

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|--|---|
| <ul style="list-style-type: none"> • To encourage Executive Directors to build up a shareholding in value equivalent to a set multiple of base salary. • To align interests of Directors and shareholders in developing the sustainable long-term growth of the business and the execution and delivery of the Group's strategy. | <ul style="list-style-type: none"> • All Directors are required to hold shares equivalent in value to a prescribed percentage of their base salary. • All Directors are advised of the required target percentage, a timeline to achieve the target and requirements for maintaining the shareholding in line with salary or fee 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). • Executive Directors are required to retain vested shares (after taking into account any shares sold to pay tax, social security and similar liabilities) received from awards made under the 2015 LTIP for two years from the vesting date (except in exceptional circumstances and with the approval of the Committee) and while employed by the Group. For awards granted as options, it will be sufficient to hold the vested but unexercised options for this period. • Details of the actual guidelines and targets set for the current year are set out in the Annual report on remuneration. |
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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.

Purpose and link to strategy

Operation and opportunity

Future policy table: Non Executive Directors

Fees

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| <ul style="list-style-type: none"> • To remunerate Non Executive Directors to reflect their level of responsibility and time commitments. | <ul style="list-style-type: none"> • The Chairman is paid a basic fee determined by the Remuneration Committee. • 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. • 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. • 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. • 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 generally and in comparable companies. Fee increases, if applicable, are normally effective from 1 August each year. • The fees payable to the Chairman and Non Executive Directors for the current year are set out in the Annual report on remuneration. |
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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 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"> • To enable a Non Executive Director to perform his or her duties. | <ul style="list-style-type: none"> • 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"> – they receive assistance with their tax affairs arising from the Company's tax residence in Switzerland; and – 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). |
|--|---|

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"> • To encourage Non Executive Directors to build up a shareholding in value equivalent to a set multiple of their basic fee. • To align interests of Non Executive Directors and shareholders in developing the sustainable long-term growth of the business and overseeing the execution and delivery of the Group's strategy. | <ul style="list-style-type: none"> • All Non Executive Directors are required to hold shares equivalent in value to a prescribed percentage of their fees. • All Non Executive Directors are advised of the required target percentage, a timeline to achieve the target and requirements for maintaining the shareholding in line with salary or fees increases. • Details of the actual guidelines set for 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: 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.

Notes to the policy table

Changes made to the Policy

Following the review of the remuneration arrangements for Executive Directors, a number of changes to the existing Policy have been proposed. The Committee introduced the DBP and made changes to the annual bonus and long term incentive awards.

The aim of and basis of the rationale for those changes is to simplify the structure of remuneration, retain alignment between the Policy and the Company's pay philosophy, increase alignment between the Policy and the requirements of all stakeholders, and ensure the Policy is sufficiently flexible to meet the Company's needs for at least the next three years.

If the Policy is approved at the 2015 AGM, the components of remuneration that will change are as follows:

Annual bonus

- Increase in maximum opportunity from 140 per cent of salary to 150 per cent of salary.
- Any bonus paid will be subject to a two-year recovery provision (previously one year).
- If an Executive Director has not met their shareholding guidelines at the time that the bonus is awarded, any bonus amount earned in excess of target payout will be deferred into shares and held subject to the terms of the DBP, subject to forfeiture, for three years (or such other period as the Committee considers appropriate) from the date the bonus is awarded. Any deferred shares will be subject to a recovery provision which will apply for two years after vesting, save that there is no time limit on the application of recovery or withholding provisions in the event of fraud during the year to which the bonus relates.

Long-term incentives

- No future grants will be made under the 2012 LTIP or the 2012 ESOP to Executive Directors. In future, awards will be made under the 2015 LTIP, subject to its approval at the 2015 AGM. Under the 2015 LTIP, the maximum opportunity will be 350 per cent of base salary.
- Under the shareholding guidelines, Directors will not generally be permitted to sell any shares from awards made under the 2015 LTIP on or after 1 December 2015 that vest (other than to satisfy tax or similar liabilities) for two years after the vesting date (except in exceptional circumstances and with the approval of the Committee) and while employed by the Group. This does not apply to earlier awards granted under historical long term incentive plans.
- Awards under the 2015 LTIP will vest based on performance against measures set by the Committee – the three performance measures to be applied initially are the relative TSR, EPS growth and OpCF, and are set out in more detail in the Annual report on remuneration.
- Recovery and withholding provisions will apply to awards granted under the 2015 LTIP for up to two years after they have vested. There is no time limit on the application of recovery or withholding provisions in the event of fraud.

Legacy arrangements

In approving this Policy, authority is given for the duration of the Policy 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 (provided that such payments or promises were consistent with any Remuneration Policy of the Company which was approved by shareholders and was in effect at the time they were made); 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 paid, promised to be paid or awarded as financial consideration of that individual becoming a Director of the Company, even where such commitments are inconsistent with the provisions of the revised Policy.

For the avoidance of doubt, this includes all awards granted under the 2012 LTIP and 2012 ESOP (together the "2012 LTI plans") in accordance with the Policy approved at the 2014 AGM and all awards granted under the OSP to employees of the Company who are not Directors at the date of grant. Outstanding share awards that remain unvested or unexercised at the date of this report (including for current Executive Directors as detailed on page 101 of the Annual report on remuneration), remain eligible for vesting or exercise based on their original award terms.

Awards granted under the 2012 ESOP are subject to EPS growth targets measured over three financial years starting with the financial year in which they are granted. Awards granted under the 2012 LTIP are subject to relative TSR performance targets measured over three financial years starting with the financial year in which they are granted. For awards granted under the 2012 LTI plans from December onwards, the Committee may, in its discretion, decide that any cash payable or shares awarded be reduced 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. If the 2015 LTIP and the Policy are approved by shareholders at the 2015 AGM, no further grants will be made under the 2012 LTI plans.

The Policy approved by shareholders at the 2014 AGM ("current policy") will continue to apply until this proposed Policy is approved at the 2015 AGM. If this proposed Policy is not approved at the 2015 AGM, the current policy will continue to apply in accordance with its terms.

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, the non-application of the DBP 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 2015 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.

3. Recruitment policy

Executive Directors

As noted earlier, the Committee will consider the need to attract the best talent whilst aiming to pay no more than is appropriate or necessary in the circumstances. 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)

A newly appointed Executive Director will be offered a base salary, benefits and pension package in line with the Policy set out on pages 79 to 80. 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 81 to 84. The maximum level of variable remuneration (annual bonus and 2015 LTIP awards) which may be awarded to new Executive Directors is limited to 500 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 and 2015 LTIP up to the approved Policy maxima.

Depending on the timing of the appointment, the Committee may set different annual bonus performance criteria for the first year of appointment. 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 (including pension) obligations existing prior to the appointment would be able to 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 structure of 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.

The Committee will, where possible, facilitate such awards through the Company's current incentive plans, but it may be necessary to use the exemption permitted within the Listing Rules.

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 85.

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 and terms of incentive plans 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 and/or settle claims brought against the Company in relation to a termination. 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.

It is the Company's policy for the period of notice from the Company to the Executive Directors not to exceed 12 months and for Non Executive Directors to the Company not to exceed six months.

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"> • 12 months' notice from the Company. • Six months' notice from the Executive. 	Six months' notice by either party.
Termination payment	<ul style="list-style-type: none"> • 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"> – 12 months' base salary and benefits; and – 12 months' pension contributions or cash pension supplement. • The Company would seek to ensure that any termination payment is mitigated in the event that the Executive Director starts alternative employment within the notice period. • In the case of the UK-based Executive Directors, the Company may pay a lump sum in respect of six months and the remaining six months in monthly instalments subject to reductions if the Executive Director commences alternative employment with a base salary/fee of at least £20,000. • No payment will be made to Executive Directors in the event of gross misconduct. 	Fees and expenses accrued up to the termination date only.
Post-termination covenants	<ul style="list-style-type: none"> • Non-compete and non-solicitation covenants apply for a period of 12 months after the termination date. 	Not applicable.

The policy on loss of office and contractual provisions above would be applied to any new Director's service contract or letter of appointment.

Executive Directors

On loss of office, there is no automatic entitlement to a bonus. Executive Directors may receive a bonus in respect of the year of cessation of employment based on, and subject to, performance conditions and pro-rated to reflect the actual period of service in the year of cessation (except pro-ration may not be applied in exceptional circumstances such as death in service or ill-health). 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 2012 LTIP and 2012 ESOP plans as approved under the 2014 Remuneration Policy and the 2015 LTIP (together the "LTI plans"), together with awards under all-employee plans and, if applicable the DBP, would be determined by the relevant leaver provisions in accordance with the plan rules.

Under the LTI plans, any unvested awards will lapse at cessation unless the individual has "good leaver" status (namely for reasons of death, 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.

Under the all-employee plans, any unvested awards will lapse at cessation unless the individual has a "good leaver" status – for UK Executive Directors this will be specifically as prescribed by HMRC in the SAYE appendix of the relevant plan rules and for Executive Directors in other jurisdictions as set out in the relevant section of the applicable plan rules.

Under the DBP, any unvested awards will be forfeited if an Executive Director ceases to be an employee of the Group by reason of misconduct or if the Company becomes aware, after termination, of facts or circumstances which would have entitled it to dismiss the Executive Director for misconduct. If an Executive Director ceases to be an employee for any other reason, an award shall vest in full at the end of the deferral period unless the reason for cessation is death or other circumstances which the Committee considers sufficiently exceptional, the award shall vest in full at the date of death or cessation of employment.

5. Discretion, flexibility and judgement of the Committee

The Committee operates the annual bonus plan, DBP, LTI plans and all-employee plans, according to their respective rules and in accordance with tax authorities' 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. Matters considered when determining the Policy

Shareholder views

The Committee's aim is to have an ongoing and open dialogue with major shareholders. The Chair of the Committee will usually consult 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 the Policy, the Chair of the Committee will inform major shareholders in advance, and offer a meeting to discuss the proposed changes. As part of the detailed review in 2015 of remuneration arrangements, a consultation was undertaken with shareholder views given due consideration when finalising the Policy to be put to the 2015 AGM. 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

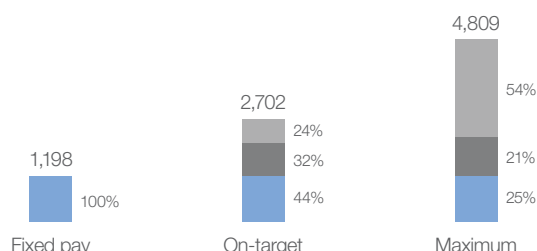
Our policy for both Executive Directors and employees across the Group is to provide remuneration at mid-market levels. On promotion or appointment, senior executives may be initially remunerated below market levels and then increased to mid-market levels over time, once performance has been established. 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 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.

7. Illustrations of the Remuneration Policy (2015/16)

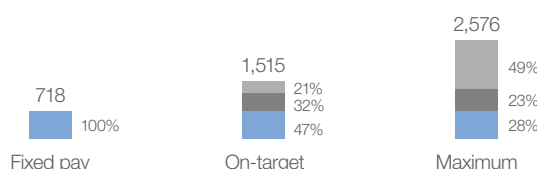
Group Chief Executive: Ian Meakins

£000 ● Fixed pay ● Bonus ● Long term share awards



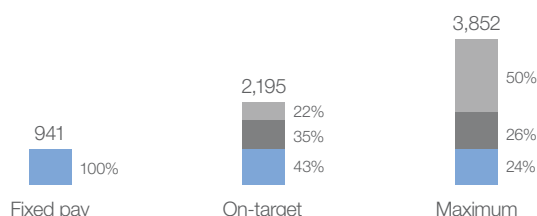
Chief Financial Officer: John Martin

£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 revised Policy in respect of minimum (fixed pay), on-target and maximum performance and based on assumptions set out on this page and are presented for illustrative purposes only. The assumptions do not incorporate any share price appreciation, any all-employee share plan awards 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 2015/16.
- Benefits received for 2014/15 (as set out in the Remuneration table on page 96).
- Pension using the current policy (as set out in the Future policy table on page 80) and applied to 2015/16 base salary.

For the non-fixed elements of remuneration:

- In relation to the annual bonus, the scenarios are based on bonus opportunity to be made in accordance with implementation of the Policy for 2015/16.
- In relation to long-term incentive awards, the scenarios are based on the awards to be made in accordance with implementation of the Policy for 2015/16.

In each case the assumptions for on-target and maximum performance are applied in the table below.

Annual bonus	LTIP
On-target	
Paid at (as a percentage of base salary):	Threshold vesting, at 25 per cent of an award expressed as a percentage of the base salary ¹ used for calculating the award:
<ul style="list-style-type: none"> • 100 per cent for Ian Meakins • 90 per cent for John Martin • 110 per cent for Frank Roach 	<ul style="list-style-type: none"> • 75.0 per cent for Ian Meakins • 60.0 per cent for John Martin • 68.74 per cent for Frank Roach
Maximum	
Paid at (as a percentage of base salary):	Full vesting at 100 per cent of the award expressed as a percentage of the base salary ¹ used for calculating the award:
<ul style="list-style-type: none"> • 120 per cent for Ian Meakins • 110 per cent for John Martin • 140 per cent for Frank Roach 	<ul style="list-style-type: none"> • 300 per cent for Ian Meakins • 240 per cent for John Martin • 275 per cent for Frank Roach

¹ Awards will be granted by reference to a percentage of the Executives' 2015/16 base salary and this table calculates the value of the awards on that basis. These values are used in the scenarios.

Annual report on remuneration

Implementation of Policy for the year ending 31 July 2016

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 2015 of \$1.5599:£1 (for the year ended 31 July 2014 of \$1.6422:£1); and
- (2) any estimated share values are determined using a share price of 4099 pence, being the average closing mid-market quotation for Wolseley plc shares for the three-month period ended 31 July 2015.

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 2015, as set out below. Current base salary levels, and those which applied during the year ended 31 July 2015, are as follows:

	Annualised base salary		
	2015/16 (£000) ³	2014/15 (£000)	% increase
I Meakins (Group CEO)	859.8	847.1	1.5%
J Martin (Group CFO)	531.0	524.7	1.2%
F Roach (CEO, USA)	701.6 ¹	684.5 ²	2.5%

1 The total to be received by Frank Roach in 2015/16 will be paid in US dollars as \$1,094,391.

2 The total received by Frank Roach in 2014/15 was paid in US dollars as \$1,067,698.

3 For context, the average Group wide salary increase was 1.5 per cent. For UK-based employees the average salary increase was 1.5 per cent, whilst for USA-based employees it was 2.5 per cent.

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. Frank Roach's current year pension benefits include a 401k plan and Ferguson Executive Retirement Plan ("FERP") arrangements. These plans have a normal retirement age of 65. 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 96.

Annual bonus

The threshold, target and maximum bonus opportunities for each of the Executive Directors are set out in the table below.

	Threshold	Target	Maximum
	As % of salary		
I Meakins (Group CEO)	80%	100%	120%
J Martin (Group CFO)	70%	90%	110%
F Roach (CEO, USA)	80%	110%	140%

Performance targets are set as 80 per cent of bonus opportunity 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 of bonus opportunity on personal strategic objectives. Specific individual objectives were set at the beginning of the 2015/16 financial year.

For the 2015/16 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 2014/15 financial year on a constant currency basis, with the exception of Canada.

The Board considers that the performance targets for 2015/16 are commercially sensitive and they are not included for this reason. The Committee will disclose 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 after the 2015 AGM (subject to shareholder approval of the 2015 LTIP rules and the Policy) at the levels set out in the table below:

	2015 LTIP (award value as % of salary)
I Meakins (Group CEO)	300%
J Martin (Group CFO)	240%
F Roach (CEO, USA)	275%

The award levels for Ian Meakins and John Martin are unchanged from those granted in 2014/15 (under the existing schemes) on an expected value basis (assuming 2.5 options under the 2012 ESOP are exchanged for one award under the 2015 LTIP). However, for Frank Roach, a higher level has been set. This has been done to rebalance his package towards longer-term performance and reflects the 61 per cent growth in revenues in the US business since FY2009/10. This should ensure it remains competitive in the context of similarly sized businesses in the USA market if Wolseley's long-term performance targets are met.

The extent to which the 2015 LTIP awards (proposed to be granted in December 2015) will vest will be dependent on the following performance targets: comparative TSR; EPS growth; and cash flow from operating activities ("OpCF").

The awards will be subject to the three performance conditions, each with a weighting of one-third of award opportunity.

The TSR element of the 2015 LTIP awards will vest as set out in the table below (comprising one-third of the total award opportunity):

Wolseley's TSR position in comparator group ¹	Percentage of award subject to TSR which will vest
Upper quartile	100%
Between median and upper quartile ²	25–100%
At median	25%
Below median	0%

1 Full constituent members of the FTSE 100 index at the beginning of the performance period, with no additions or exclusions.

2 Awards vest on a straight-line basis between 25 per cent and 100 per cent.

For 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 beginning of the performance period, with no additions or exclusions.

The TSR measure is considered appropriate as it ensures that the interests of the Executive Directors are closely aligned with those of the Company's shareholders over the long term and incentivises 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. Further details of our strategic objectives can be found on page 10.

The EPS¹ element of the LTIP awards will vest as set out in the table below (comprising one-third of the total award opportunity):

Total margin of EPS growth over UK inflation after three years (RPI)	Percentage of award subject to EPS which will vest ²
30% and above	100%
Between 9% and 30%	25%–100%
9%	25%
Below 9%	0%

¹ Headline earnings per share as presented in the audited Wolseley plc Annual Report and Accounts (subject to such adjustments as the Committee deems appropriate to ensure it reflects underlying business performance)

² Awards will vest on a straight-line basis between 25 per cent and 100 per cent.

For EPS growth targets, the Committee sets the EPS growth range having due regard to the Group's budget and strategic business plan every year as well as market expectations, the Group's trading environment and the consensus of analysts' forecast trading profit.

The EPS measure is considered appropriate as it requires substantial improvement in the Group's financial performance and is a key metric used by investors to assess the Group's performance. It is linked particularly 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. Further details of our strategic objectives can be found on page 10.

The OpCF element of the LTIP awards will vest as set out in the table below (comprising one-third of the total award opportunity):

Operating cash flow ^{1,3}	Percentage of award subject to free cash flow which will vest ²
£2.65 billion	100%
Between £2.25 billion and £2.65 billion	25–100%
£2.25 billion	25%
Below £2.25 billion	0%

¹ Cash generated from operations (before interest and tax) as presented in the audited annual group cash flow statement in the Wolseley plc Annual Report and Accounts (subject to such adjustments as the Committee deems appropriate to ensure it reflects underlying business performance).

² Awards will vest on a straight-line basis between 25 per cent and 100 per cent.

³ The cumulative three-year figure for OpCF as taken from the Wolseley plc Annual Report and Accounts for the last three years equals £2.25 billion.

For OpCF generation, the Committee sets the cumulative OpCF target having due regard to the Group's budget and strategic plan every year as well as market expectations and the Group's trading environment.

The OpCF measure is considered appropriate as it encourages long-term generation of cash to fund investment and returns to shareholders. It is linked particularly to the strategic objectives of maintenance of a strong balance sheet, driving systematic performance across the Group, and delivering Group synergies.

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:

	2015/16 (£000)	2014/15 (£000)
Chairman's fee ¹	368	360.5
Non Executive Director base fee ²	64	63
Additional fees ² :		
Senior Independent Director	12.5	12
Chairman of Audit Committee	18.5	18
Chairman of Remuneration Committee	15.5	15

¹ The increase in the Chairman's fee for Gareth Davis is the first increase since his appointment in 2010/11.

² All increases to Non Executive Director fees were broadly in line with Executive increases to base salary.

Our vision, values and strategy

The performance conditions under the 2015 LTIP are linked to our strategic objectives which are summarised on page 10.



Report for the year ended 31 July 2015

The Remuneration Committee

The Committee met regularly during the year. There were six meetings in total 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 2015 and can be found on the Wolseley plc website at www.wolseley.com.

The annual review of the effectiveness of the Committee was conducted during the year and considered at the July 2015 meeting. The review concluded that the Committee was working effectively and minor recommendations to improve effectiveness were made.

Members and attendance (eligibility) at meetings held during the year ended 31 July 2015¹

Committee members	Meeting attendance and (eligibility)
J Simmonds (Chair)	6(6)
T Bamford	6(6)
J Daly	6(6)
P López ²	5(6)
A Murray	6(6)
D Shapland	6(6)
Members who left during the year:	
M Wareing ³	2(2)

¹ As at 31 July 2015, the Committee is made up of six Non Executive Directors. The Board considers that the Chair and each member of the Committee is independent within the definition set out in the Code.

² Pilar López was unable to attend the July Committee meeting due to scheduling conflicts.

³ Michael Wareing stepped down as a Non Executive Director on 25 November 2014.

Allocation of time spent during the year

During 2014/15, the Committee considered, amongst other things, the following at its scheduled meetings:

	Sept	Nov	Mar	May	July
Governance					
Approval of Directors' Remuneration Report 2013/14	■				
Annual governance and compliance review	■				
Directors' Remuneration Report 2014/15				■	■
Salary and fees review					
Review of executive pay		■	■	■	■
Remuneration proposals for Executive Directors and Executive Committee					■
Review of Chairman's fees					■
Annual bonus					
Assessment of performance against 2013/14 targets and objectives for 2014/15 targets	■				
Review bonus structure for financial year 2015/16				■	■
Discretionary share plans and all-employee plans					
Agree discretionary share plan awards for 2014/15	■				
Confirmation of vesting of discretionary share plan awards granted in 2011	■	■			
Agree process for 2014/15 grants under all-employee Sharesave plans		■			
Annual reviews					
Remuneration advisers		■			
Share headroom in accordance with Investment Association guidelines				■	
Effectiveness of the Committee					■
Directors' shareholding guidelines				■	
Committee's terms of reference					■
Other matters					
Other issues considered as required	■	■	■	■	■

An additional meeting was held in January 2015 to approve the remuneration package of a senior executive below Board level who was changing roles.

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 is appointed by the Committee and its performance is reviewed by the Committee on an annual basis. The Committee reviewed the performance of NBS in November 2014. The Committee was satisfied with its performance and that advice received from NBS was independent and objective, and reappointed NBS as its remuneration adviser. NBS also provided remuneration consultancy services to the Company during the year. 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 £159,685.

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 £14,250. 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 a new LTIP plan and the Deferred Bonus Plan. 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 £53,067. 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 25 November 2014, shareholders voted to approve the Remuneration Report. The number of votes cast totalled 180,107,999. The number of votes for totalled 177,299,200 (being 98.44 per cent of number of votes cast), the number of votes against totalled 2,808,799 (being 1.56 per cent of number of votes cast) and the abstentions/votes withheld totalled 11,578,484.

At the same meeting, shareholders voted to approve the Policy. The number of votes cast totalled 182,190,717. The number of votes for totalled 170,538,505 (being 93.6 per cent of number of votes cast), the number of votes against totalled 11,652,212 (being 6.4 per cent of number of votes cast) and the abstentions/votes withheld totalled 9,495,766.

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
Chairman			
G Davis	29 May 2003	1 July 2003 20 January 2011 (as Chairman)	20 January 2017
Executive Directors			
I Meakins	8 June 2009	13 July 2009	–
J Martin	25 January 2010	1 April 2010	–
F Roach ¹	27 February 2006	16 December 2005	–
Non Executive Directors²			
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

¹ Frank Roach has been employed within the Group since 1976. The date of his service agreement is that of his latest agreement.

² Details of all Directors can be found on pages 54 and 55. 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.

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 2015 AGM.

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 2015.

	Year	Salary (£000)	Taxable benefits ¹ (£000)	Bonuses (£000)	Value of LTI vesting ^{2,3,4,5} (£000)	Pension benefits ⁶ (£000)	Total remuneration ⁴ (£000)
Executive Directors							
I Meakins	2014/15	847.1	62.6	876.7	2,332.7	271.1	4,390.2
	2013/14	830.5	60.2	966.7	3,767.0	265.8	5,890.2
J Martin	2014/15	524.7	54.4	490.9	1,271.7	131.2	2,472.9
	2013/14	514.4	54.3	485.9	2,056.8	128.6	3,240.0
F Roach	2014/15	684.5	77.8	927.1	1,472.9	157.4	3,319.7
	2013/14	637.4	64.8	806.5	2,331.2	146.6	3,986.5
Total	2014/15	2,056.3	194.8	2,294.7	5,077.3	559.7	10,182.8
	2013/14	1,982.3	179.3	2,259.1	8,155.0	541.0	13,116.7

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 ESOP and LTIP grants were made in December 2012 and January 2013 respectively. The ESOP awards will vest at 100 per cent in December 2015 and the LTIP awards will vest at 75 per cent in January 2016.

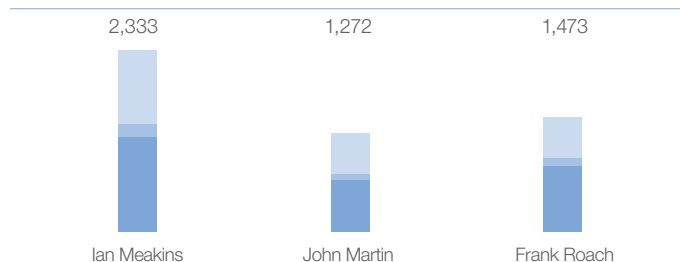
3 The figure for total remuneration includes share price appreciation for the value of LTI vesting and the value of dividend equivalents on vested LTIP awards. As the ESOP and LTIP grants made in December 2012 and January 2013 will not vest until December 2015 and January 2016 respectively, the values of long term incentive awards vesting in the graph opposite include share price appreciation determined using the share price of 4,099 pence noted on page 91 under the heading "Information".

4 Value shown for 2014/15 represents estimated value of share awards granted in 2012 that are expected to vest in December 2015 and January 2016. The estimate assumes 100 per cent vesting of ESOP awards and 75 per cent vesting of LTIP awards using the three-month average share price for the period ended 31 July 2015 of 4,099 pence. Value shown for 2013/14 represents the actual vesting of the ESOP and LTIP awards which vested in November 2014, using the share price of 3,434 pence.

5 The values in the illustrations of policy charts on page 90 show target and maximum indicative levels of remuneration for 2015/16, 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 2012/13 and vesting in 2015/16. Therefore, the figures above should not be directly compared with those on page 90. 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 (2015)

£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 £157,427 (\$245,571). For the year ended 31 July 2014, the cost was £146,605 (\$240,755). During the year ended 31 July 2015, 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 each of the Chairman and the Non Executive Directors who served during the year ended 31 July 2015.

Chairman and Non Executive Directors	Fees (£000) 2014/15	Fees (£000) 2013/14
G Davis	360.5	360.5
Non Executive Directors (current as at the date of this report)		
T Bamford	63.0	63.0
J Daly	63.0	12.3
P López	63.0	63.0
A Murray	75.0	88.0
D Shapland	75.3	15.8
J Simmonds	78.0	12.3
Non Executive Directors who stepped down during the year		
M Wareing ¹	25.7	81.0
Total remuneration	803.5	695.9

1 The annual fee amount received was pro rated from the beginning of the financial year (1 August 2014) up to the date Michael Wareing stepped down from the Board (25 November 2014).

Additional disclosures in respect of the Remuneration table (Audited)

Annual bonus

The annual bonuses awarded to Executive Directors for the year ended 31 July 2015 are shown in the Remuneration table on page 96 and the bonuses are calculated as follows:

Ian Meakins 2014/15

Performance	Proportion of total bonus available		Actual performance achieved ¹	Resulting bonus outturn	
	% of maximum	% of salary		% of maximum	% of salary
Group ongoing trading profit £746.6 million – £825.2 million	30.0%	36.0%	£806.4m	27.6%	33.1%
Group ongoing gross profit £3,432.6 million – £3,608.7 million	30.0%	36.0%	£3,555.3m	27.0%	32.4%
Group cash-to-cash days (average) 49.5–48.5 days	20.0%	24.0%	49.0	16.7%	20.0%
Personal objectives ²	20.0%	24.0%	15%	15.0%	18.0%
Total	100.0%	120.0%	–	86.3%	103.5%

¹ Group ongoing trading profit and Group ongoing gross profit figures adjusted for exceptional items and calculated using Company budgeted foreign exchange rates.

² Ian Meakins' personal objectives were based on achievement of specific organic growth and customer services targets, and on strategic measures in relation to productivity and operating efficiency.

John Martin 2014/15

Performance	Proportion of total bonus available		Actual performance achieved ¹	Resulting bonus outturn	
	% of maximum	% of salary		% of maximum	% of salary
Group ongoing trading profit £746.6 million – £825.2 million	21.0%	23.1%	£806.4m	19.2%	21.1%
Canada ongoing trading profit £39.5 million – £41.6 million	9.0%	9.9%	£39.6m	5.9%	6.5%
Group ongoing gross profit £3,432.6 million – £3,608.7 million	21.0%	23.1%	£3,555.3m	18.7%	20.6%
Canada ongoing gross profit £191.4 million – £197.3 million	9.0%	9.9%	£192.9m	6.6%	7.2%
Group cash-to-cash days (average) 49.5–48.5 days	14.0%	15.4%	49.0	11.4%	12.5%
Canada cash-to-cash days (average) 69.1–65.1 days	6.0%	6.6%	65.5	5.8%	6.4%
Personal objectives ²	20.0%	22.0%	17.5%	17.5%	19.3%
Total	100.0%	110.0%	–	85.1%	93.6%

¹ Group ongoing trading profit, Canada ongoing trading profit, Group ongoing gross profit and Canada ongoing gross profit figures adjusted for exceptional items and calculated using Company budgeted foreign exchange rates.

² John Martin's personal objectives were based on achievement of specific organic growth and customer services targets, and on strategic measures in relation to Finance departments across the Group based around productivity and operating efficiency.

Frank Roach 2014/15

Performance	Proportion of total bonus available		Actual performance achieved ¹	Resulting bonus outturn	
	% of maximum	% of salary		% of maximum	% of salary
Group ongoing trading profit £746.6 million – £825.2 million	6.0%	8.4%	£806.4m	5.4%	7.5%
USA ongoing trading profit £533.4 million – £613.7 million	24.0%	33.6%	£626.5m	24.0%	33.6%
Group ongoing gross profit £3,432.6 million – £3,608.7 million	6.0%	8.4%	£3,555.3m	5.2%	7.3%
USA ongoing gross profit £2,103.8 million – £2,233.9 million	24.0%	33.6%	£2,249.7m	24.0%	33.6%
Group cash-to-cash days (average) 49.5–48.5 days	4.0%	5.6%	49.0	3.1%	4.4%
USA cash-to-cash days (average) 60.5–59.5 days	16.0%	22.4%	59.5	16.0%	22.4%
Personal objectives ²	20.0%	28.0%	19.0%	19.0%	26.6%
Total	100.0%	140.0%	–	96.7%	135.4%

¹ Group ongoing trading profit, USA ongoing trading profit, Group ongoing gross profit and USA ongoing gross profit adjusted for exceptional items and calculated using Company budgeted foreign exchange rates.

² Frank Roach's personal objectives were based on achievement of specific organic growth and customer services targets, and on strategic measures in relation to the USA business based around productivity and operating efficiency.

The specific targets set for personal objectives are considered to be commercially sensitive as they relate to internal operational and strategic measures which could be used by competitors to gain an advantage if disclosed. The Committee will consider disclosing the information if these sensitivities fall away in future periods.

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 matters 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.

Long term incentives

Long term incentives awarded to Executive Directors under the ESOP and LTIP in December 2012 and January 2013 will vest in December 2015 and January 2016 respectively. The vesting of both awards is subject to the performance conditions shown in the tables that follow.

ESOP

In addition to the restatement noted in last year's consolidated financial statements due to the adoption of IAS 19 (Revised), the Company's consolidated financial statements for the year ended 31 July 2014 (see page 104) have been restated to present the French businesses as discontinued operations under IFRS 5. This 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 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 2012, 2013 and 2014 ESOP awards were restated.

Vested awards

Targets set were based on headline EPS growth over three years. Actual headline EPS was 230.2 pence in 2014/15. Restated headline EPS in 2011/12 was 156.8 pence (168.4 pence prior to restatement), this represents growth of 46.8 per cent. Over the same three-year period RPI growth was 4.0 per cent. The growth above RPI in the period was therefore 42.8 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)	
Value of shares under option as a multiple of salary	Performance required	Target achieved
First 100% of salary	9%	Yes
Second 100% of salary	18%	Yes
Next 50% of salary	27%	Yes

Accordingly, the total percentage of executive options vesting (subject to continued service to December 2015) is set out below:

	Total number of shares subject to option	Percentage of award vesting	Number of shares vesting	Value of shares vesting (£000) ¹
I Meakins	72,803	100%	72,803	949
J Martin	40,582	100%	40,582	529
F Roach	40,278	100%	40,278	525

¹ Value determined using the share price noted on page 91 under the heading "Information" less exercise price of 2,796 pence.

Unvested awards

Vestings of awards under ESOP are subject to performance targets based on growth in the Company's headline 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 2013 to 2014

Value of shares under option as multiple of salary	Performance conditions detailed in plan rules	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%
Next 150% of salary	12%	18%
Next 50% of salary	15%	30%
Greater than 250% of salary	15–21%	n/a

LTIP

Vested awards

The performance condition which applied to the award made in January 2013 ended on 31 July 2015 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	23rd ¹	75%

Accordingly, the total percentage of shares vesting (subject to continued service to January 2016) is set out below:

	Total number of shares granted	Percentage of award vesting	Number of shares vesting	Value of shares vesting (£000) ²
I Meakins	42,540	75%	31,905	1,384
J Martin	22,834	75%	17,125	742
F Roach	29,139	75%	21,854	948

¹ Value determined using the share price noted on page 91 under the heading "Information".

² Dividend equivalents have accrued on the 2012 share awards and will be paid out in cash after vesting of the awards. The value above includes the cash payment.

Unvested awards

The performance conditions set out in the table on page 91 apply for unvested share awards made under the 2012 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 2015:

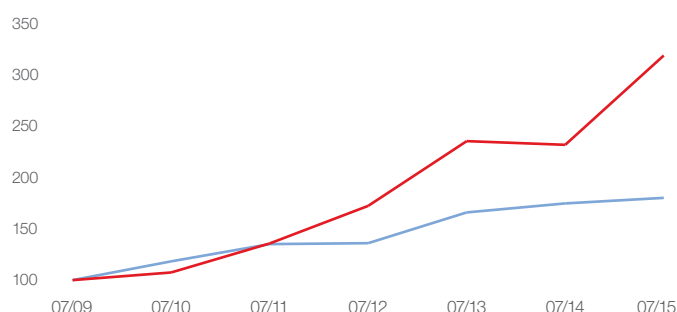
Year of award	Year of vesting	Indicative vesting percentage based on performance as at 31 July 2015
2013	2016	50% (performance at 24 months)
2014	2017	73.1% (performance at 12 months)

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 six years from 31 July 2009 to 31 July 2015.

Total Return Indices – Wolseley and FTSE 100

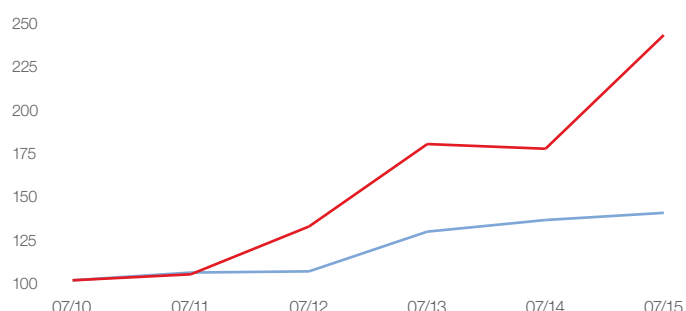
● Wolseley Return Index ● FTSE 100 Return Index



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 2015.

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 2014/15. No other payments have been made to past Directors that have not already been included in the Remuneration table set out on page 96.

Group Chief Executive pay table

The table below shows the total remuneration of the Group Chief Executive¹ for the six-year period from 1 August 2009 to 31 July 2015.

Year ended	Single figure of total remuneration (£000) ²	Annual bonus award rates against maximum opportunity	Long term incentive vesting rates against maximum opportunity	
			LTIP	ESOP
31 July 2015	4,390	86%	75%	100%
31 July 2014	5,890 ³	97%	88%	100%
31 July 2013	5,109	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%

¹ The Group Chief Executive during the six-year period was Ian Meakins.

² The single figure for all six years is calculated on the same basis as that used in the Remuneration table on page 96.

³ The single figure for the year ended 31 July 2014 has now been adjusted from the value of £5,628 million estimated in last year's report to reflect the actual value of LTI at the date of vesting in November 2014.

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 2015 and the previous financial year for the Group Chief Executive compared to the average for UK-based employees¹.

	% change in base salary	% change in benefits	% change in annual bonus ²
Group Chief Executive	2.0%	7.8%	–9.3%
Average for all UK-based employees	3.2%	–4.8%	–19.0%

¹ 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.

² 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, dividends and returns of capital for the year ended 31 July 2015 compared to the year ended 31 July 2014.

	Year ended 31 July 2015 £m	Year ended 31 July 2014 £m	Percentage change
Total employee remuneration costs ¹	1,832	1,706 ¹	+7.4%
Ordinary dividends paid ²	222	191	+16.2%
Special dividends paid ²	0	298	–
Share buyback ³	250	0	–

¹ Further details on employee remuneration can be found in note 11 of the consolidated financial statements on page 120. The 2014 figure has been restated and further details can be found in note 11 of the consolidated financial statements.

² Further details of dividends paid can be found in note 8 of the consolidated financial statements on page 118.

³ Further details of the share buyback programme can be found in note 26(ii) of the consolidated financial statements on page 136.

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 2015 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 2015	Shareholding guideline (as a multiple of salary/fees) ^{1,2}	Vested (unexercised) share awards ^{3,4}	Unvested share awards		
				LTIP ⁵	ESOP ⁵	Sharesave ⁵
Executive Directors						
I Meakins	134,293	2.5	261,012	145,332	198,428	1,277
J Martin	66,044	2	40,582	70,917	110,608	957
F Roach	36,229	2	110,358	82,041	109,449	88
Chairman and Non Executive Directors						
G Davis	15,346	1	—	—	—	—
T Bamford	2,048	1	—	—	—	—
J Daly	2,050	1	—	—	—	—
P López	2,002	1	—	—	—	—
A Murray	2,500	1	—	—	—	—
D Shapland	2,000	1	—	—	—	—
J Simmonds	2,000	1	—	—	—	—

1 All Directors have a five-year time period from the date of appointment or promotion to meet the shareholding target. If not met within that timeframe the individual Director would discuss plans with the Committee to ensure that the target is met over an acceptable timeframe. Under the proposed Policy, Executive Directors would defer amounts in excess of target bonus into shares under the DBP. Beneficially owned shares count towards the guideline whilst unvested awards of shares or share options do not. Vested share awards do not count towards the guideline until exercised.

2 All Directors have met their shareholding guideline targets. During the year, the opportunity was taken to review and update the shareholding guidelines, as explained on page 78, and the opportunity was taken at that time to retest all of the Directors' shareholdings against the guidelines. Ordinarily, 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 and are re-tested annually until met. 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 101.

5 LTIP and ESOP awards are subject to performance conditions but Sharesave awards are not. LTIP awards are awarded in the form of nil cost options to Ian Meakins and John Martin and in the form of conditional share awards to Frank Roach. ESOP awards are awarded to all Executive Directors in the form of market value options. Further details of the LTIP and ESOP awards are set out on page 98.

Scheme interests awarded during the financial year (Audited)

Awards under the 2012 LTIP and 2012 ESOP were made on 7 November 2014. 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 page 98.

The awards are summarised below:

Director	Award	Type of award	Number of shares ¹	Face value ^{2,3} of award (£000)	Performance criteria period	Threshold performance	Performance condition
I Meakins	ESOP	Share options	62,992	2,117.8	1 August 2014 and ending 31 July 2017	25% of award vesting	Growth in EPS above RPI target
	LTIP	Nil cost options	52,802	1,694.2		25% of award vesting	Comparator TSR target against FTSE 100
J Martin	ESOP	Share options	35,113	1,180.5	1 August 2014 and ending 31 July 2017	25% of award vesting	Growth in EPS above RPI target
	LTIP	Nil cost options	24,527	787.0		25% of award vesting	Comparator TSR target against FTSE 100
F Roach	ESOP	Share options	33,842	1,137.8	1 August 2014 and ending 31 July 2017	25% of award vesting	Growth in EPS above RPI target
	LTIP	Conditional shares	26,341	845.2		25% of award vesting	Comparator TSR target against FTSE 100

1 For each Executive Director, 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).

2 The share price used to calculate the face value of the ESOP share option awards granted on 7 November 2014 was 3,362 pence which was the share price at the date of grant. The exercise price for the ESOP share options was also 3,362 pence. The share price used to calculate the face value of the LTIP share awards granted on 7 November 2014 was 3,208.7 pence 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. 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. Dividend equivalents also accrue on the LTIP awards and the amount which may be due to an Executive Director is not included in the calculation of face value.

3 The maximum dilution which may arise through issue of shares to satisfy the entitlement to these ESOP and LTIP scheme interests would be 0.0009 per cent calculated as at 31 July 2015.

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 2014	Granted during year	Lapsed during year	Exercised during year ¹	Interests/ options held at 31 July 2015	Option price (p) or market value per share at date of grant (p)	Earliest date of exercise or vesting	Expiry date
I Meakins²									
ESOP	06.11.09	152,679	—	—	—	152,679	1,269	06.11.12	05.11.19
	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	18.12.22
	07.11.13	62,633	—	—	—	62,633	3,315	07.11.16	07.11.23
	07.11.14	—	62,992	—	—	62,992	3,362	07.11.17	07.11.24
LTIP	15.11.11	68,731	—	8,111	60,620	—	1,777	15.11.14	15.11.14
	03.01.13	42,540	—	—	—	42,540	2,871	03.01.16	03.01.23
	07.11.13	50,710	—	—	—	50,710	3,275.5	07.11.16	07.11.23
	07.11.14	—	52,082	—	—	52,082	3,208.7	07.11.17	07.11.24
UK Sharesave	22.04.10	1,277	—	—	—	1,277	1,276	01.06.17	30.11.17
J Martin^{1,2}									
ESOP	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	18.12.22
	07.11.13	34,913	—	—	—	34,913	3,315	07.11.16	07.11.23
	07.11.14	—	35,113	—	—	35,113	3,362	07.11.17	07.11.24
LTIP	15.11.11	36,893	—	4,354	32,539	—	1,777	15.11.14	15.11.14
	03.01.13	22,834	—	—	—	22,834	2,871	03.01.16	03.01.23
	07.11.13	23,556	—	—	—	23,556	3,275.5	07.11.16	07.11.23
	07.11.14	—	24,527	—	—	24,527	3,208.7	07.11.17	07.11.24
UK Sharesave	28.04.11	957	—	—	—	957	1,692	01.06.18	30.11.18
F Roach²									
ESOP	04.11.04	4,162	—	4,162	—	—	3,957	04.11.07	03.11.14
	09.12.10	51,112	—	—	—	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	18.12.22
	07.11.13	35,329	—	—	—	35,329	3,315	07.11.16	07.11.23
	07.11.14	—	33,842	—	—	33,842	3,362	07.11.17	07.11.24
LTIP	15.11.11	46,538	—	5,492	41,046	—	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
	07.11.14	—	26,341	—	—	26,341	3,208.7	07.11.17	07.11.17
ESPP	24.04.14	98	—	—	98	—	2,894	01.05.15	30.05.15
	24.04.15	—	88	—	—	88	3,348	01.05.16	30.05.16

¹ The aggregate gain made by John Martin on the exercise of options in the year was £939,282.

² 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 £4,609,187.

Detail of Employee Benefit Trusts

The Wolseley plc 2011 Employee Benefit Trust ("Jersey Trust") and Wolseley plc US Trust ("US Trust") (together, "the Trusts") were established in connection with the obligation to satisfy historical and future share awards under the ESOP, LTIP and OSP and any other employee incentive schemes ("Share Awards").

The trustees of each of the Trusts have waived their rights to receive dividends on any shares held by them. As at 31 July 2015, the Jersey Trust held 639,231 ordinary shares of 10^{53/66} pence and £54,527 in cash; and the US Trust held 1,380,146 ordinary shares of 10^{53/66} pence. The number of shares held by the Trusts represented 0.76 per cent of the Company's issued share capital at 31 July 2015.

On 19 November 2014, shares were purchased by both the Jersey Trust and US Trust to ensure that they continue to have sufficient shares to satisfy Share Awards. The Jersey Trust purchased 40,000 ordinary shares of 10^{53/66} pence and paid £1.38 million. The US Trust purchased 390,000 ordinary shares of 10^{53/66} pence and paid £13.39 million. The Company provided funds to the Trusts to enable them to make the purchases. The number of shares purchased represented 0.16 per cent of the Company's issued share capital at that date.

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 Investment Association guidelines, 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 2015, the headroom under the Company's 10 per cent and 5 per cent limits was 4.78 per cent and 2.81 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 the issue of new 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 and Senior Independent Director of Centrica plc and receives a fee of £85,000 per annum for his services (2013/14: £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



Jacky Simmonds
Chair of the Remuneration Committee
28 September 2015

Financials

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Group income statement

Year ended 31 July 2015

							*Restated
	Notes	2015 Before exceptional items £m	2015 Exceptional items (note 4) £m	2015 Total £m	2014 Before exceptional items £m	2014 Exceptional items (note 4) £m	2014 Total £m
Revenue	2	13,332	–	13,332	12,271	–	12,271
Cost of sales		(9,604)	–	(9,604)	(8,855)	(8)	(8,863)
Gross profit		3,728	–	3,728	3,416	(8)	3,408
Operating costs:							
amortisation of acquired intangibles		(56)	–	(56)	(46)	–	(46)
impairment of acquired intangibles		(238)	–	(238)	–	–	–
other		(2,874)	(4)	(2,878)	(2,664)	7	(2,657)
Operating costs	3	(3,168)	(4)	(3,172)	(2,710)	7	(2,703)
Operating profit	2, 3	560	(4)	556	706	(1)	705
Finance income		1	–	1	1	–	1
Finance costs	5	(27)	(22)	(49)	(30)	–	(30)
Profit before tax		534	(26)	508	677	(1)	676
Taxation	6	(184)	(3)	(187)	(191)	(3)	(194)
Profit from continuing operations		350	(29)	321	486	(4)	482
(Loss)/profit from discontinued operations	7	(1)	(107)	(108)	2	20	22
Profit for the year attributable to shareholders of the Company		349	(136)	213	488	16	504
Earnings per share	10						
<i>Continuing operations and discontinued operations</i>							
Basic earnings per share				82.1p			189.8p
Diluted earnings per share				81.9p			188.8p
<i>Continuing operations only</i>							
Basic earnings per share				123.8p			181.5p
Diluted earnings per share				123.4p			180.5p
Non-GAAP performance measures							
Trading profit from ongoing operations		857			752		
Trading loss from non-ongoing operations		(3)			–		
Trading profit from continuing operations	9	854			752		
EBITDA before exceptional items	9	971			847		
Profit before tax, exceptional items and the amortisation and impairment of acquired intangibles	9	828			723		
Headline earnings per share	10	230.2p			195.0p		
Headline diluted earnings per share	10	229.4p			194.0p		

*Restated to present the French businesses as discontinued operations under IFRS 5.

Group statement of comprehensive income

Year ended 31 July 2015

	Notes	2015 £m	2014 £m
Profit for the year		213	504
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange gain/(loss) on translation of overseas operations		10	(340)
Exchange (loss)/gain on translation of borrowings and derivatives designated as hedges of overseas operations		(46)	77
Cumulative currency translation differences on disposals		26	(12)
Items that will not be reclassified subsequently to profit or loss:			
Actuarial (loss)/gain on retirement benefit plans	25	(61)	85
Tax credit/(charge) on items that will not be reclassified to profit or loss	6, 25	15	(15)
Other comprehensive expense for the year		(56)	(205)
Total comprehensive income for the year		157	299
Total comprehensive income/(expense) attributable to:			
Continuing operations		276	297
Discontinued operations		(119)	2
Total comprehensive income for the year		157	299

Group statement of changes in equity

	Notes	Share capital £m	Share premium £m	Translation reserve £m	Treasury shares £m	Own shares £m	Reserves Profit and loss account £m	Non-controlling interest £m	Total equity £m
Year ended 31 July 2015									
Total comprehensive (expense)/income		–	–	(10)	–	–	167	–	157
New share capital subscribed		–	1	–	–	–	–	–	1
Purchase of own shares by Employee Benefit Trusts		–	–	–	–	(15)	–	–	(15)
Issue of own shares by Employee Benefit Trusts		–	–	–	–	45	(40)	–	5
Credit to equity for share-based payments	27	–	–	–	–	–	20	–	20
Taxation relating to share-based payments	6	–	–	–	–	–	10	–	10
Purchase of Treasury shares	26	–	–	–	(250)	–	–	–	(250)
Disposal of Treasury shares	26	–	–	–	10	–	(2)	–	8
Dividends paid	8	–	–	–	–	–	(222)	–	(222)
Changes in non-controlling interest in subsidiaries		–	–	–	–	–	–	7	7
Net addition to/(reduction in) shareholders' equity		–	1	(10)	(240)	30	(67)	7	(279)
Opening shareholders' equity		29	41	127	–	(93)	2,782	–	2,886
Closing shareholders' equity		29	42	117	(240)	(63)	2,715	7	2,607

	Notes	Share capital £m	Share premium £m	Translation reserve £m	Own shares £m	Reserves Profit and loss account £m	Total equity £m
Year ended 31 July 2014							
Total comprehensive (expense)/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 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

Group balance sheet

As at 31 July 2015

	Notes	2015 £m	2014 £m
Assets			
Non-current assets			
Intangible assets: goodwill	12	816	912
Intangible assets: other	13	195	286
Property, plant and equipment	14	1,164	1,226
Financial assets		16	17
Retirement benefit assets	25	57	96
Deferred tax assets	15	115	119
Trade and other receivables	16	172	162
Derivative financial assets	17	24	31
		2,559	2,849
Current assets			
Inventories		1,688	1,638
Trade and other receivables	16	1,915	1,965
Current tax receivable		4	16
Derivative financial assets	17	10	11
Cash and cash equivalents	18	1,105	240
		4,722	3,870
Assets held for sale	19	201	29
Total assets		7,482	6,748
Liabilities			
Current liabilities			
Trade and other payables	20	2,281	2,259
Current tax payable		58	69
Bank loans and overdrafts	21	1,001	159
Obligations under finance leases	23	4	7
Derivative financial liabilities	17	1	–
Provisions	24	78	98
Retirement benefit obligations	25	8	8
		3,431	2,600
Non-current liabilities			
Trade and other payables	20	125	111
Bank loans	21	913	791
Obligations under finance leases	23	25	36
Deferred tax liabilities	15	53	93
Provisions	24	128	149
Retirement benefit obligations	25	64	81
		1,308	1,261
Liabilities held for sale	19	136	1
Total liabilities		4,875	3,862
Net assets		2,607	2,886
Equity			
Share capital	26	29	29
Share premium account	28	42	41
Reserves	28	2,529	2,816
Equity attributable to shareholders of the Company		2,600	2,886
Non-controlling interest	28	7	–
Total equity		2,607	2,886

The accompanying notes are an integral part of these consolidated financial statements. The consolidated financial statements on pages 104 to 157 were approved by the Board of Directors on 28 September 2015 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 2015

	Notes	2015 £m	2014 £m
Cash flows from operating activities			
Cash generated from operations	29	937	678
Interest received		2	2
Interest paid		(45)	(36)
Tax paid		(210)	(192)
Net cash generated from operating activities		684	452
Cash flows from investing activities			
Acquisition of businesses (net of cash acquired)	30	(105)	(194)
Disposals of businesses (net of cash disposed of)	31	35	34
Purchases of property, plant and equipment		(205)	(182)
Proceeds from sale of property, plant and equipment and assets held for sale		20	37
Purchases of intangible assets		(26)	(19)
Disposals of investments		31	–
Net cash used in investing activities		(250)	(324)
Cash flows from financing activities			
Proceeds from the issue of shares to shareholders	26	1	15
Purchase of shares by Employee Benefit Trusts		(15)	(26)
Purchase of Treasury shares		(250)	–
Proceeds from the sale of shares by Employee Benefit Trusts		5	5
Proceeds from the sale of Treasury shares		8	–
Proceeds from borrowings and derivatives		533	262
Repayments of borrowings		(324)	(7)
Finance lease capital payments		(4)	(11)
Dividends paid to shareholders		(222)	(489)
Net cash used by financing activities		(268)	(251)
Net cash generated/(used)		166	(123)
Effects of exchange rate changes		(77)	(13)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		89	(136)
Cash, cash equivalents and bank overdrafts at the beginning of the year	32	167	303
Cash, cash equivalents and bank overdrafts at the end of the year		256	167
		2015 £m	2014 £m
Cash, cash equivalents and bank overdrafts at the end of the year in the Group balance sheet	32	257	167
Bank balances and overdrafts in liabilities held for sale	19	(1)	–
Cash, cash equivalents and bank overdrafts at the end of the year		256	167

Notes to the consolidated financial statements

Year ended 31 July 2015

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.

The consolidated financial statements and affected notes for the year ended 31 July 2014 have been restated to present the French businesses as discontinued operations under IFRS 5.

Accounting developments and changes

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(i) on pages 145 to 150.

The following standards have been published, but not yet applied:

- IFRS 9 "Financial Instruments"
- IFRS 15 "Revenue from Contracts with Customers"

The Group will apply these standards when they become applicable, currently expected to be in the year ending 31 July 2019.

The Directors anticipate that the adoption of these standards 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

Several 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.

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 disposal costs and value in use, which in turn is the present value of the future cash flows expected to be generated from the asset. Where carrying value exceeds the recoverable amount a provision for the impairment is established with a charge included in the income statement.

The recoverable amount of goodwill and acquired intangible assets is assessed on the basis of the value in use estimate for the cash generating unit ("CGU") or where appropriate aggregation of CGUs 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 for 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 an impairment charge in respect of goodwill and other intangible assets of £238 million in the year ended 31 July 2015 (2014: £nil) (note 12).

Supplier rebates

In line with industry practice, the Group has agreements ("Supplier Rebates") with a number of its suppliers whereby volume-based rebates, marketing support and other discounts are received in connection with the purchase of goods for resale from those suppliers.

1. Accounting policies and critical estimates and judgements continued

Supplier rebates continued

Volume-based rebates

Volume-based rebates are recognised based on purchase volumes in accordance with the supplier contract and are calculated by applying a contractually agreed percentage to the gross purchase price of the goods as specified in the supplier's invoice. An amount due in respect of Supplier Rebates is not recognised within the income statement until all the relevant performance criteria, where applicable, have been met and the goods have been sold to a third party.

The majority of volume-based rebates are determined by reference to guaranteed rates of rebate. These are calculated through a mechanical process with minimal judgement required to determine the amount recorded in the income statement. A small proportion of volume-based rebates are subject to stepped targets where the rebate percentage increases as volumes purchased reach agreed targets within a set period of time. The majority of rebate agreements apply to purchases in a calendar year and therefore judgement is required to estimate the rebate amount recorded in the income statement at the end of the period. The Group assesses the probability that targeted volumes will be achieved in the year based on forecasts which are informed by historical trading patterns, current performance and trends. This judgement is exercised consistently and prudently with historically insignificant true-ups at the end of the period.

Marketing support

Marketing support, which represents a smaller element of the Group's overall Supplier Rebates, is recognised in the income statement when all performance conditions have been fulfilled.

Cost of sales

Rebates relating to the purchase of goods for resale are accrued as earned and are recorded initially as a deduction in inventory with a subsequent reduction in cost of sales when the related product is sold.

Supplier rebates receivable

Judgement is also required over the recoverability of receivables relating to stepped target rebates. This risk of misstatement of the estimate is mitigated by regular invoicing and timely collection of amounts receivable.

Where supplier rebates are netted off the amounts owing to that supplier, any outstanding amount at the balance sheet date is included within trade payables. Where the Supplier Rebates are not offset against amounts owing to a supplier, the outstanding amount is included within prepayments and accrued income. The carrying value of inventory is reduced by the relevant amount where the inventory has not been sold by the balance sheet date.

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 2015 amounting to £103 million (2014: £113 million).

The gross value of inventory is reduced to reflect Supplier Rebates where the inventory has not been sold. As at 31 July 2015, this deduction to gross inventory amounted to £181 million (2014: £166 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 2015, the provision for claims arising from this insurance was £41 million (2014: £41 million).

1. Accounting policies and critical estimates and judgements continued

Provisions continued

Provisions for legal, environmental and related exposures and contingent liabilities

The Group provides 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 can 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 2015, legal, environmental and other provisions amounted to £133 million (2014: £151 million). Where the Group has insurance cover that it is virtually certain will settle a provision, 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 is included in the financial statements but no provision is made where the contingent liability cannot be quantified.

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 2015, the provision for onerous leases was £29 million (2014: £42 million).

Taxation

The Group is subject to income taxes in numerous jurisdictions. Judgement is required in determining the worldwide provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Pensions and other post-retirement benefits

The Group operates defined benefit pension plans 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 benefit obligation is calculated annually for each plan 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 discount rate used to measure the defined benefit net asset or liability at the beginning of the period. The pension plan 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.

1. Accounting policies and critical estimates and judgements continued

Pensions and other post-retirement benefits continued

The table below shows the impact of the sensitivities on the net asset/liability.

Assumptions at 31 July 2015	Change %	Impact on UK £m	Impact on non-UK £m	Change %	Impact on UK £m	Impact on non-UK £m
Discount rate	+0.25	61	10	(0.25)	(65)	(11)
Inflation	+0.25	(49)	(3)	(0.25)	50	3
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 £48 million in the UK and by £7 million in non-UK plans.

For the UK defined benefit pension plan, 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.

In the year ended 31 July 2014, Central Europe and France were reported in a single segment. In 2015, following the reclassification of the French businesses into discontinued operations, this segment has been renamed "Central Europe" and all comparatives have been restated for consistency and comparability.

Revenue by reportable segment for continuing operations is as follows:

	2015 £m	2014 £m
USA	8,343	7,070
UK	1,987	1,853
Nordic	1,864	1,935
Canada	733	779
Central Europe	405	634
Group	13,332	12,271

2. Segmental analysis continued

Trading profit/(loss) (note 9) and operating profit/(loss) by reportable segment for continuing operations for the year ended 31 July 2015 are as follows:

	Trading profit/(loss) £m	Exceptional items £m	Amortisation and impairment of acquired intangibles £m	Operating profit/(loss) £m
USA	681	6	(27)	660
UK	90	2	(13)	79
Nordic	71	(2)	(249)	(180)
Canada	34	(9)	(5)	20
Central Europe	21	–	–	21
Central and other costs	(43)	(1)	–	(44)
Group	854	(4)	(294)	556
Finance income				1
Finance costs				(49)
Profit before tax				508

Trading profit/(loss) (note 9) and operating profit/(loss) by reportable segment for continuing operations for the year ended 31 July 2014 have been restated as follows:

	Trading profit/(loss) £m	Exceptional items £m	Amortisation and impairment of acquired intangibles £m	Operating profit/(loss) £m
USA	546	–	(14)	532
UK	96	17	(1)	112
Nordic	73	(28)	(31)	14
Canada	44	–	–	44
Central Europe	28	7	–	35
Central and other costs	(35)	3	–	(32)
Group	752	(1)	(46)	705
Finance income				1
Finance costs				(30)
Profit before tax				676

The changes in revenue and trading profit for continuing operations between the years ended 31 July 2014 and 31 July 2015 comprises of changes in exchange rates, disposals, acquisitions and organic change.

Where businesses 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.

Revenue by reportable segment for continuing operations is as follows:

	2014 £m	Exchange £m	Disposals £m	Acquisitions £m	Organic change £m	2015 £m
Analysis of change in revenue						
USA	7,070	373	(13)	208	705	8,343
UK	1,853	–	–	76	58	1,987
Nordic	1,935	(197)	(6)	83	49	1,864
Canada	779	(41)	(2)	11	(14)	733
Central Europe	634	(34)	(189)	–	(6)	405
Group	12,271	101	(210)	378	792	13,332

2. Segmental analysis continued

Analysis of change in trading profit (note 9)	2014 £m	Exchange £m	Disposals £m	Acquisitions £m	Organic change £m	2015 £m
USA	546	29	(6)	9	103	681
UK	96	–	–	4	(10)	90
Nordic	73	(7)	–	1	4	71
Canada	44	(2)	–	1	(9)	34
Central Europe	28	(1)	–	–	(6)	21
Central and other costs	(35)	–	–	–	(8)	(43)
Group	752	19	(6)	15	74	854

In 2014 and 2015, a number of Group businesses 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 businesses and branches ("ongoing segments") are analysed in the following table. The prior year comparative figures have been restated. This is non-GAAP information.

	Revenue		Trading profit	
	2015 £m	2014 £m	2015 £m	2014 £m
Ongoing segments				
USA	8,337	7,045	683	542
UK	1,987	1,853	90	96
Nordic	1,863	1,892	72	80
Canada	708	736	34	43
Central Europe	405	426	21	26
Central and other costs	–	–	(43)	(35)
Total ongoing segments	13,300	11,952	857	752
Entities disposed of, closed or classified as held for sale	32	319	(3)	–
Continuing operations	13,332	12,271	854	752

Other information on assets and liabilities by segment is set out in the tables below:

Segment assets and liabilities	2015			2014		
	Segment assets £m	Segment liabilities £m	Segment net assets £m	Segment assets £m	Segment liabilities £m	Segment net assets £m
USA	3,451	(1,345)	2,106	2,899	(1,119)	1,780
UK	1,046	(510)	536	1,024	(477)	547
Nordic	1,032	(520)	512	1,422	(581)	841
Canada	284	(126)	158	350	(155)	195
Central Europe	194	(69)	125	195	(71)	124
Central and other costs	19	(86)	(67)	27	(81)	(54)
Discontinued	198	(164)	34	414	(223)	191
Total	6,224	(2,820)	3,404	6,331	(2,707)	3,624
Taxation assets and liabilities	119	(111)	8	135	(162)	(27)
Net cash/(debt)	1,139	(1,944)	(805)	282	(993)	(711)
Group assets/(liabilities)	7,482	(4,875)	2,607	6,748	(3,862)	2,886

2. Segmental analysis continued

	2015				2014			
	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	24	28	12	125	32	54	5	85
UK	29	14	6	24	22	–	5	27
Nordic	–	1	3	33	7	5	3	40
Canada	4	2	1	4	–	–	4	8
Central Europe	–	–	2	4	–	–	1	8
Central and other costs	–	–	2	1	–	–	–	–
Discontinued	–	–	–	16	–	–	1	14
Group	57	45	26	207	61	59	19	182

	2015				2014			
	Impairment of goodwill and other acquired intangibles £m	Amortisation of other acquired intangibles £m	Amortisation of non-acquired intangibles £m	Depreciation and impairment of property, plant and equipment £m	Impairment of goodwill and other acquired intangibles £m	Amortisation of other acquired intangibles £m	Amortisation of non-acquired intangibles £m	Depreciation and impairment of property, plant and equipment £m
USA	–	27	6	55	–	14	5	41
UK	–	13	4	16	–	1	3	13
Nordic	234	15	1	22	–	31	–	21
Canada	4	1	–	4	–	–	–	4
Central Europe	–	–	1	5	–	–	1	6
Central and other costs	–	–	1	2	–	–	1	–
Discontinued	–	–	–	4	–	–	1	13
Group	238	56	13	108	–	46	11	98

3. Operating costs

Amounts charged/(credited) in arriving at operating profit include:

	2015 £m	Restated 2014 £m
Depreciation of property, plant and equipment (note 14)	103	85
Impairment of property, plant and equipment (note 14)	1	–
Loss/(gain) on disposal and closure of businesses and revaluations of held for sale disposal groups	5	(15)
Profit on disposal of property, plant and equipment and assets held for sale	(3)	(14)
Staff costs (note 11)	1,832	1,706
Amortisation of non-acquired intangible assets (note 13)	13	10
Amortisation of acquired intangible assets (note 13)	56	46
Impairment of goodwill and acquired intangible assets (notes 12 and 13)	238	–
Operating lease rentals: land and buildings	160	149
Operating lease rentals: plant and machinery	54	49
Amounts included in costs of goods sold with respect to inventory	9,497	8,779
Amounts (credited)/charged to write inventory down to net realisable value	(2)	3
Trade receivables impairment	19	16
During the year, the Group obtained the following services from the Company's auditor and its associates:		
Fees for the audit of the parent company and consolidated financial statements	0.9	0.9
Other services		
– Fees for the audit of the Company's subsidiaries pursuant to legislation	2.5	2.5
Total fees for audit related services	3.4	3.4
– Other assurance services	0.1	0.2
– Taxation – compliance services	1.0	0.7
– Taxation – advisory services	0.2	0.5
– Other non-audit services	0.4	–
Total fee for non-audit related services	1.7	1.4
Total fees payable to the auditors	5.1	4.8

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:

	2015 £m	Restated 2014 £m
Gain on disposal of businesses	–	26
Loss on closure of businesses	(5)	(11)
Other exceptional items	1	(16)
Total included in operating profit	(4)	(1)

For the year ended 31 July 2015, a loss on disposal of a small industrial business in Canada offset a gain on a small industrial business in the USA.

Exceptional items in 2014 have been restated to exclude a credit of £19 million which is classified within discontinued operations. The gain on disposal of businesses in 2014 principally relates to write-backs on consideration received in the form of loan notes for disposals in previous years. Loss on closure of businesses includes the impairment of assets from branch closures in the Nordic region. Other exceptional items represent integration costs for an acquisition in Finland.

The net cash outflow from exceptional items was £1 million (2014: £2 million).

Exceptional items relating to finance costs are detailed in note 5 and exceptional items relating to discontinued operations are detailed in note 7.

5. Finance costs

	2015 £m	Restated 2014 £m
Interest payable		
– Bank loans and overdrafts	39	39
– Unwind of fair value adjustment to senior unsecured loan notes	(12)	(13)
– Finance lease charges	2	2
Net interest (income)/expense on defined benefit obligation (note 25)	(2)	3
Valuation gains on financial instruments		
– Derivatives held at fair value through profit and loss	–	(1)
	27	30
Exceptional finance expense	22	–
Total finance costs	49	30

The £22 million exceptional finance expense is due to the recycling of deferred foreign exchange translation losses in accordance with IAS 21 "The effects of changes in foreign exchange rates", following the liquidation of a number of dormant financing companies. Finance costs from discontinued operations are detailed in note 7.

6. Taxation

	2015 £m	Restated 2014 £m
The tax charge for the year comprises:		
Current year tax charge	215	182
Adjustments to tax charge in respect of prior years	(8)	7
Total current tax charge	207	189
Deferred tax (credit)/charge: origination and reversal of temporary differences	(20)	5
Tax charge	187	194

An exceptional tax charge of £3 million was recorded in relation to exceptional items in 2015 (2014: £3 million). The deferred tax credit of £20 million (2014: charge £5 million) includes a credit of £2 million (2014: £5 million) resulting from changes in tax rates.

	2015 £m	Restated 2014 £m
Tax on items credited/(charged) to the statement of other comprehensive income:		
Deferred tax credit/(charge) on actuarial loss/(gain) on retirement benefits	14	(17)
Current tax credit on actuarial loss on retirement benefits	1	–
Deferred tax credit on losses	–	2
Total tax on items credited/(charged) to other comprehensive income	15	(15)

None of the £15 million credit relating to the actuarial loss on retirement benefits results from changes in tax rates.

	2015 £m	Restated 2014 £m
Tax on items credited to equity:		
Current tax credit/(charge) on share-based payments	8	(1)
Deferred tax credit on share-based payments	2	8
Total tax on items credited to equity	10	7

	2015 %	Restated 2014 %
Tax reconciliation:		
Weighted average tax rate	28	26
Prior year amounts	1	1
Non-taxable amortisation and exceptional items	6	1
Tax rate change	(1)	(1)
Other non-deductible and non-taxable items	3	1
Tax rate on profit before tax	37	28

The 2 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

During the year, the Group sold its Wood Solutions business in France and incurred an exceptional loss on disposal of £59 million, including £4 million arising from the recycling of deferred foreign exchange translation losses.

The Group is in the process of selling its remaining business and property assets (the “disposal group”) in France and, in accordance with IFRS 5 “Non-current assets held for sale and discontinued operations”, the disposal group has been classified as discontinued and prior periods have been restated to reflect this. The Group is in negotiations to finalise the disposals. The disposal group has been assessed against its recoverable amount and has been written down to its estimated fair value, less costs to sell. The impairment resulting from this assessment is £67 million which has been categorised as an exceptional item as disclosed below. The business disposal is expected to complete in 2015/16 and any gain or loss on disposal will depend on the change in net current assets arising from subsequent trading activities and the final consideration.

An exceptional gain of £16 million has been recognised within finance income. This gain relates to the disposal of a convertible bond received from a disposal in the prior year.

The results from discontinued operations, which have been included in the Group income statement, are set out below.

	2015			2014		
	Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items £m	Exceptional items £m	Total £m
Revenue	587	–	587	859	–	859
Cost of sales	(411)	–	(411)	(598)	–	(598)
Gross profit	176	–	176	261	–	261
Operating costs:						
(loss)/gain on disposal of businesses	–	(59)	(59)	–	6	6
impairment of net assets	–	(67)	(67)	–	–	–
other	(178)	3	(175)	(258)	13	(245)
Operating costs	(178)	(123)	(301)	(258)	19	(239)
Operating (loss)/profit	(2)	(123)	(125)	3	19	22
Finance income	1	16	17	–	1	1
Finance costs	–	–	–	(1)	–	(1)
(Loss)/profit from discontinued operations	(1)	(107)	(108)	2	20	22
Basic (loss)/earnings per share	(0.4p)	(41.3p)	(41.7p)	0.8p	7.5p	8.3p
Diluted (loss)/earnings per share	(0.4p)	(41.1p)	(41.5p)	0.8p	7.5p	8.3p

No tax charge or credit was generated from discontinued operations in the current or previous year. During the year, discontinued operations generated £17 million (2014: £7 million) of the Group’s net operating cash flows, £22 million (2014: £8 million) in respect of investing activities and £15 million (2014: used £10 million) in respect of financing activities.

8. Dividends

	2015		2014	
	£m	Pence per share	£m	Pence per share
Amounts recognised as distributions to equity shareholders:				
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
Final dividend for the year ended 31 July 2014	144	55p	–	–
Interim dividend for the year ended 31 July 2015	78	30.25p	–	–
Dividends paid	222	85.25p	489	181.5p

8. Dividends continued

Since the end of the financial year, the Directors have proposed a final ordinary dividend of £156 million (60.5 pence per share). The dividend is subject to approval by shareholders at the Annual General Meeting and therefore, in accordance with accounting standards, 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 156, 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.

	2015 £m	Restated 2014 £m
Continuing operations		
Operating profit	556	705
Add back: amortisation and impairment of acquired intangibles	294	46
Add back: exceptional items in operating profit	4	1
Trading profit	854	752
Depreciation, amortisation and impairment of property, plant and equipment and software excluding exceptional items in operating profit	117	95
EBITDA before exceptional items	971	847
Profit before tax	508	676
Add back: amortisation and impairment of acquired intangibles	294	46
Add back: exceptional charges in profit before tax	26	1
Profit before tax and exceptional items and the amortisation and impairment of acquired intangibles	828	723
Tax expense	(187)	(194)
Deduct: deferred tax credit on the amortisation and impairment of acquired intangibles	(47)	(17)
Add back: tax charge on exceptional items	3	3
Add back: non-recurring tax charge relating to prior years	–	3
Adjusted tax expense	(231)	(205)
Net profit from continuing operations	321	482
Add back: amortisation and impairment of acquired intangibles after tax	247	29
Add back: exceptional charges net of tax	29	4
Add back: non-recurring tax charge relating to prior years	–	3
Headline profit after tax from continuing operations	597	518

Applying the adjusted tax expense of £231 million to the profit before tax, exceptional items and the amortisation of acquired intangibles of £828 million gives an effective tax rate of 27.9 per cent (2014: 28.4 per cent).

10. Earnings per share

	2015			Restated 2014		
	Earnings £m	Basic earnings per share pence	Diluted earnings per share pence	Earnings £m	Basic earnings per share pence	Diluted earnings per share pence
Headline profit after tax from continuing operations	597	230.2	229.4	518	195.0	194.0
Exceptional items (net of tax)	(29)	(11.2)	(11.1)	(4)	(1.5)	(1.5)
Amortisation and impairment of acquired intangibles (net of deferred tax)	(247)	(95.2)	(94.9)	(29)	(10.9)	(10.9)
Non-recurring tax charge relating to prior years	–	–	–	(3)	(1.1)	(1.1)
Profit from continuing operations	321	123.8	123.4	482	181.5	180.5
(Loss)/profit from discontinued operations	(108)	(41.7)	(41.5)	22	8.3	8.3
Profit from continuing and discontinued operations	213	82.1	81.9	504	189.8	188.8

The weighted average number of ordinary shares in issue during the year, excluding those held by Employee Benefit Trusts and those held by the Company as treasury shares, was 259.3 million (2014: 265.6 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 260.2 million (2014: 267.0 million). Share options are dilutive at the profit from continuing operations level and so, in accordance with IAS 33, share options included within discontinued operations have been treated as dilutive for the purpose of the diluted earnings per share calculation.

11. Employee information and Directors' remuneration

	2015 £m	Restated 2014 £m
Wages and salaries	1,630	1,495
Social security costs	116	117
Pension costs – defined contribution plans	59	58
Pension costs – defined benefit plans (note 25)	7	14
Share-based payments (note 27)	20	22
Total staff costs	1,832	1,706

Further details of Directors' remuneration and share options are set out in the Remuneration Report on pages 77 to 102, which form part of these financial statements. The aggregate emoluments for all key management are set out in note 34.

The total staff cost including discontinued operations was £1,934 million (2014: £1,850 million).

Average number of employees	2015	Restated 2014
USA	21,239	19,328
UK	6,081	5,901
Nordic	6,021	5,939
Canada	2,521	2,484
Central Europe	1,084	1,778
Central and other	108	105
Group	37,054	35,535

The average number of employees including discontinued operations was 40,375 (2014: 39,454).

12. Intangible assets – goodwill

	2015 £m	2014 £m
Cost		
At 1 August	1,663	1,790
Exchange rate adjustment	(76)	(186)
Acquisitions	57	61
Adjustment to fair value on prior year acquisitions	(16)	–
Disposal of businesses	(43)	–
Reclassification as held for sale	(181)	(2)
At 31 July	1,404	1,663
Accumulated impairment losses		
At 1 August	751	838
Exchange rate adjustment	(85)	(87)
Impairment charge for the year	138	–
Disposal of businesses	(35)	–
Reclassification as held for sale	(181)	–
At 31 July	588	751
Net book amount at 31 July	816	912

The carrying value of goodwill by segment is as follows:

	2015 £m	2014 £m
USA	511	452
UK	119	101
Nordic	77	235
Canada	68	84
Central Europe	41	40
Group	816	912

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 segmental level; however, impairment reviews were performed for each individual CGU during the year ended 31 July 2015.

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 9.0 per cent to 15.2 per cent. The equivalent post-tax discount rate ranges from 7.2 per cent to 9.1 per cent.
- The 30-year long-term growth rate by country, as published by the IMF in April 2015 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.

12. Intangible assets – goodwill continued

Nordic

The impairment review for the Nordic segment has resulted in an impairment charge of £234 million. In allocating the impairment charge we have considered the impairment of all assets as well as goodwill. This has been allocated as follows:

CGU	Goodwill £m	Acquired intangibles £m	Total £m	Impairment £m	Remaining goodwill and intangibles £m	Post-tax discount rate %
Stark, Denmark	49	55	104	(104)	–	7.9
Silvan, Denmark	–	21	21	(21)	–	7.9
Stark, Finland (previously Starkki)	57	24	81	(81)	–	7.7
Beijer, Sweden	92	22	114	(28)	86	7.8
Total	198	122	320	(234)	86	

An impairment trigger arose for the Danish and Swedish businesses based on expectations at January 2015. Whilst some improvement has occurred since then, there continues to be uncertainty over the economies and business performance going forward. As a result, expectations of future profitability for these businesses were significantly reduced, resulting in the impairment charges for Stark Denmark, Silvan and Beijer as reflected in the table above.

Finnish markets deteriorated further during the year. Given the challenging market conditions, expectations of reduced future profitability were reflected in the value in use calculation generating an impairment charge for Stark Finland of £81 million.

Management has performed a sensitivity analysis on each key assumption (like-for-like revenue growth, post-tax discount rate and long-term growth rate), keeping all other assumptions constant. Two CGUs within the Nordic region still hold goodwill and acquired intangibles at the year-end: Neumann (Norway) and Beijer (Sweden), both of which have limited headroom at 31 July 2015.

We have disclosed the sensitivity analysis below. The results in the table show the amounts by which the related assumptions can vary such that the carrying value of goodwill and other intangible assets equal their recoverable amount.

31 July 2015	Goodwill and intangibles carrying value	Headroom	Like-for-like revenue growth		Post-tax discount rate		Long-term growth rates	
CGU	£m	£m	Assumption	Sensitivity	Assumption	Sensitivity	Assumption	Sensitivity
Neumann, Norway	17	2	4.1%	(1.1)%	8.2%	0.3%	1.5%	(0.4)%
Beijer, Sweden	86	4	1.0%	(0.5)%	7.8%	0.2%	1.0%	(0.2)%

Whilst management believes the assumptions are realistic, it is possible that an impairment charge would be identified if the key assumptions above changed significantly.

Canada

Market conditions for the Canadian Pipes, Valves and Fittings (“PVF”) CGU, which operates in the oil and gas sector, have been challenging and expectations of future profitability for this business have been reduced. The value in use calculation generated an impairment charge of £4 million for the total PVF goodwill balance.

13. Intangible assets – other

	Acquired intangibles				Total £m
	Software £m	Trade names and brands £m	Customer relationships £m	Other £m	
Cost					
At 1 August 2014	109	289	464	51	913
Exchange rate adjustment	(1)	(28)	(11)	3	(37)
Acquisitions	–	3	36	6	45
Adjustment to fair value on prior year acquisitions	–	–	12	1	13
Additions	26	–	–	–	26
Disposal of businesses	(2)	–	(9)	–	(11)
Disposals and transfers	(4)	–	(3)	–	(7)
Reclassification as held for sale	(3)	–	(8)	–	(11)
At 31 July 2015	125	264	481	61	931
Accumulated amortisation and impairment losses					
At 1 August 2014	76	162	358	31	627
Exchange rate adjustment	(2)	(22)	(13)	2	(35)
Amortisation charge for the year	13	13	39	4	69
Impairment charge for the year (note 12)	–	81	19	–	100
Disposal of businesses	(1)	–	(9)	–	(10)
Disposals and transfers	(2)	–	(3)	–	(5)
Reclassification as held for sale	(2)	–	(8)	–	(10)
At 31 July 2015	82	234	383	37	736
Net book amount at 31 July 2015	43	30	98	24	195

	Acquired intangibles				Total £m
	Software £m	Trade names and brands £m	Customer relationships £m	Other £m	
Cost					
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
Accumulated amortisation and impairment losses					
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

The amortisation charge includes £nil (2014: £1 million) in respect of discontinued operations.

14. Property, plant and equipment

	Land and buildings			Plant machinery and equipment £m	Total £m
	Freehold £m	Finance lease £m	Operating leasehold improvements £m		
Cost					
At 1 August 2014	1,180	51	273	707	2,211
Exchange rate adjustment	(61)	–	12	6	(43)
Acquisitions	6	–	–	3	9
Adjustments to fair value on prior year acquisitions	3	–	–	–	3
Additions	72	–	37	98	207
Disposal of businesses	(25)	(2)	(3)	(46)	(76)
Disposals	(8)	(2)	(13)	(56)	(79)
Transfers	24	(16)	(11)	3	–
Reclassification as held for sale	(115)	(3)	(17)	(78)	(213)
At 31 July 2015	1,076	28	278	637	2,019
Accumulated depreciation					
At 1 August 2014	255	12	177	541	985
Exchange rate adjustment	(9)	–	7	5	3
Depreciation charge for the year	28	1	17	61	107
Impairment charge	1	–	–	–	1
Disposal of businesses	(13)	–	(1)	(34)	(48)
Disposals	–	(2)	(8)	(57)	(67)
Transfers	(1)	(3)	4	–	–
Reclassification as held for sale	(42)	(1)	(14)	(69)	(126)
At 31 July 2015	219	7	182	447	855
Owned assets	857	–	96	182	1,135
Assets under finance leases	–	21	–	8	29
Net book amount – 31 July 2015	857	21	96	190	1,164
Net book amount – 1 August 2014	925	39	96	166	1,226

At 31 July 2015, the book value of property, plant and equipment that had been pledged as security for liabilities was £491 million (2014: £573 million).

The depreciation charge for the year includes £4 million (2014: £10 million) relating to discontinued operations. The impairment charge includes £nil (2014: £3 million) relating to discontinued operations.

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
Cost					
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)
Reclassification as held for sale	(5)	–	–	–	(5)
At 31 July 2014	1,180	51	273	707	2,211
Accumulated depreciation					
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)
Reclassification 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

15. Deferred tax assets and liabilities

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

	2015 £m	2014 £m
Deferred tax		
Deferred tax assets	115	119
Deferred tax liabilities	(53)	(93)
	62	26
Current	(50)	(51)
Non-current	112	77
	62	26

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 2013	(96)	21	(7)	56	(87)	87	42	16
(Charge)/credit to income	8	(10)	4	(2)	4	(10)	1	(5)
(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	(74)	18	3	30	(74)	97	26	26
Credit/(charge) to income	35	(1)	4	3	5	(27)	1	20
Credit to other comprehensive income	–	–	–	14	–	–	–	14
Credit to equity	–	2	–	–	–	–	–	2
Acquisitions	(8)	–	–	–	–	–	1	(7)
Transfers between categories	–	–	–	(4)	–	(11)	15	–
Exchange rate adjustment	–	2	9	2	(6)	(1)	1	7
At 31 July 2015	(47)	21	16	45	(75)	58	44	62

The standard rate of UK corporation tax in the year changed from 21 per cent to 20 per cent with effect 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 £77 million (2014: £46 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. These deferred tax assets have not been recognised on the basis that we are not expecting France 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 £200 million (2014: £207 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.

16. Trade and other receivables

	2015 £m	2014 £m
Current		
Trade receivables	1,681	1,675
Less: provision for impairment	(35)	(39)
Net trade receivables	1,646	1,636
Other receivables	72	121
Prepayments and accrued income	197	208
	1,915	1,965
Non-current		
Other receivables	172	162

Included in prepayments and accrued income is £144 million (2014: £163 million) due in relation to Supplier Rebates where there is no right to offset against trade payable balances.

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

	2015 £m	2014 £m
At 1 August	39	46
Net charge for the year	21	20
Utilised in the year	(18)	(23)
Reclassified as held for sale	(5)	–
Exchange rate adjustment	(2)	(4)
At 31 July	35	39

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 collectable in full, because of known financial difficulties of the debtor or evidence of default or delinquency in payment, amounting to £16 million at 31 July 2015 (2014: £17 million); and a provision based on historic experience of non-collectability of receivables, amounting to £19 million at 31 July 2015 (2014: £22 million).

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

	2015 £m	2014 £m
Amounts not yet due	544	680
Past due not more than one month	748	654
Past due more than one month and less than three months	330	286
Past due more than three months and less than six months	23	22
Past due more than six months	20	16
Amounts individually determined to be impaired	16	17
	1,681	1,675

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:

	2015 £m	2014 £m
Non-current assets		
Interest rate swaps	24	31
Current assets		
Interest rate swaps	10	11
Current liabilities		
Currency swaps	(1)	–

The Group's accounting and risk management policies, and further information about the derivative financial instruments that it uses, are set out on pages 145 to 156.

18. Cash and cash equivalents

	2015 £m	2014 £m
Cash and cash equivalents	1,105	240

Included in the balance at 31 July 2015 is an amount of £786 million which is part of the Group's cash pooling arrangements where there is an equal and opposite balance included within bank overdrafts (note 21). The amounts are subject to an enforceable master netting arrangement.

Restricted cash held by the Group at the balance sheet date amounted to £7 million (2014: £5 million).

19. Assets and liabilities held for sale

	2015 £m	2014 £m
Properties awaiting disposal	28	15
Assets of disposal groups held for sale	173	14
Assets held for sale	201	29
Liabilities of disposal groups held for sale	136	1

During the year, the Group announced its decision to sell its remaining business in France. As at 31 July 2015, the sales process had commenced and accordingly the net assets of this business have been classified as disposal groups held for sale.

The assets and liabilities of disposal groups held for sale consist of:

	2015 £m	2014 £m
Intangible assets	–	3
Property, plant and equipment	54	3
Inventories	16	6
Trade and other receivables	93	2
Tax receivables	10	–
Bank balances and overdrafts	(1)	–
Finance leases	(12)	–
Trade and other payables	(105)	(1)
Provisions and retirement benefit obligations	(14)	–
Tax payables	(4)	–
	37	13

20. Trade and other payables

Current	2015 £m	2014 £m
Trade payables	1,829	1,746
Bills of exchange payable	–	37
Tax and social security	85	84
Other payables	67	105
Accruals	293	279
Deferred income	7	8
Total trade and other payables	2,281	2,259
Non-current	2015 £m	2014 £m
Other payables	125	111

Trade payables are stated net of £23 million (2014: £16 million) due from suppliers with respect to Supplier Rebates where an agreement exists that allows these to be net settled.

21. Bank loans and overdrafts

Current	2015 £m	2014 £m
Bank overdrafts	848	73
Bank loans	–	75
Senior unsecured loan notes	153	11
Total bank loans and overdrafts	1,001	159

Included in bank overdrafts at 31 July 2015 is an amount of £786 million which is part of the Group's cash pooling arrangements where there is an equal and opposite balance included within cash and cash equivalents (note 18). The amounts are subject to an enforceable master netting arrangement.

Non-current	2015 £m	2014 £m
Bank loans	613	372
Senior unsecured loan notes	300	419
Total bank loans	913	791

£109 million of bank loans are secured against the Group's freehold property (2014: £197 million). £384 million (US\$600 million) of bank loans are secured against trade receivables.

Non-current loans are repayable as follows:

	2015 £m	2014 £m
Due in one to two years	8	392
Due in two to three years	489	7
Due in three to four years	4	97
Due in four to five years	4	3
Due in over five years	408	292
Total	913	791

The carrying value of the senior unsecured loan notes of £453 million comprises a par value of £425 million and a fair value adjustment of £28 million (2014: £430 million, £393 million and £37 million respectively). The fair value adjustment arose before 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.

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 145 to 156.

22. Financial instruments and financial risk management

Capital structure

To assess the appropriateness of its capital structure based on 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 remains within 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 2015, the Group entered into a new £800 million revolving credit facility which matures in September 2020. The Group also cancelled four existing revolving credit facilities totalling £1,201 million.

As at 31 July 2015, £120 million was drawn under the new £800 million facility and £384 million was fully drawn under the trade receivables facility.

As at 31 July 2015, the Group had undrawn facilities as follows:

	2015 £m	2014 £m
Less than one year	–	–
Between one and two years	–	250
Between two and three years	–	1,110
Between three and four years	–	–
Between four and five years	–	–
Greater than five years	680	–
Total	680	1,360

On 1 September 2015, the Group issued £512 million (US\$800 million) of US Private Placement bonds in three tranches: £160 million (US\$250 million) expiring in September 2022, £256 million (US\$400 million) expiring in September 2025 and £96 million (US\$150 million) expiring in September 2027.

Foreign currency

Net debt at 31 July 2015 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
As at 31 July 2015					
Pounds sterling	–	(3)	(208)	(127)	(338)
US dollars	34	(7)	(529)	–	(502)
Euro, Danish kroner and Swedish kronor	–	–	(57)	126	69
Other currencies	–	(19)	(15)	–	(34)
Total	34	(29)	(809)	(1)	(805)

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
As at 31 July 2014					
Pounds sterling	–	(3)	242	(128)	111
US dollars	42	(6)	(760)	–	(724)
Euro, Danish kroner and Swedish kronor	–	(15)	(147)	128	(34)
Other currencies	–	(19)	(45)	–	(64)
Total	42	(43)	(710)	–	(711)

22. Financial instruments and financial risk management continued

Interest rates

The interest rate profile of the Group's net debt including the effect of interest rate swaps is set out in the following tables:

As at 31 July 2015	Floating £m	Fixed £m	Total £m
Pounds sterling	(335)	(3)	(338)
US dollars	(76)	(426)	(502)
Euro, Danish kroner and Swedish kronor	175	(106)	69
Other currencies	(15)	(19)	(34)
Total	(251)	(554)	(805)

As at 31 July 2014	Floating £m	Fixed £m	Total £m
Pounds sterling	114	(3)	111
US dollars	(325)	(399)	(724)
Euro, Danish kroner and Swedish kronor	98	(132)	(34)
Other currencies	(45)	(19)	(64)
Total	(158)	(553)	(711)

Fixed rate borrowings at 31 July 2015 carried a weighted average interest rate of 2.5 per cent fixed for a weighted average duration of 6.5 years (31 July 2014: 2.4 per cent for 5.5 years). Floating rate cash at 31 July 2015 carried a weighted average interest rate of 0.5 per cent (31 July 2014: 0.4 per cent). Floating rate borrowings at 31 July 2015 carried a weighted average interest rate of 0.9% (31 July 2014: 1.1%).

23. Obligations under finance leases

	Gross 2015 £m	Gross 2014 £m	Net 2015 £m	Net 2014 £m
Due within one year	5	9	4	7
Due in one to five years	11	26	8	19
Due in over five years	20	19	17	17
	36	54	29	43
Less: future finance charges	(7)	(11)		
Present value of finance lease obligations	29	43		
Current			4	7
Non-current			25	36
Total obligations under finance leases			29	43

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 1 August 2013	87	51	72	60	270
Utilised in the year	(5)	(21)	(26)	(6)	(58)
Amortisation of discount	3	–	–	–	3
Charge for the year	1	15	19	11	46
Acquisitions of businesses	3	–	–	3	6
Disposal of businesses and reclassified as held for sale	2	–	(5)	4	1
Exchange differences	(6)	(4)	(5)	(6)	(21)
At 31 July 2014	85	41	55	66	247
Adjustment to fair value on prior year acquisitions	(2)	–	–	–	(2)
Utilised in the year	(12)	(13)	(22)	(6)	(53)
Amortisation of discount	(3)	–	–	–	(3)
Charge for the year	6	11	4	3	24
Acquisition of businesses	–	–	–	1	1
Disposal of businesses and reclassified as held for sale	(7)	–	(4)	2	(9)
Exchange differences	3	2	(1)	(3)	1
At 31 July 2015	70	41	32	63	206

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

	Environmental and legal £m	Wolseley Insurance £m	Restructuring £m	Other provisions £m	Total £m
At 31 July 2015					
Current	16	14	18	30	78
Non-current	54	27	14	33	128
Total provisions	70	41	32	63	206

	Environmental and legal £m	Wolseley Insurance £m	Restructuring £m	Other provisions £m	Total £m
At 31 July 2014					
Current	28	18	32	20	98
Non-current	57	23	23	46	149
Total provisions	85	41	55	66	247

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 (2014: £49 million) for the estimated liability for asbestos litigation on a discounted basis using a long-term discount rate of 2.2 per cent (2014: 2.6 per cent). This amount has been actuarially determined as at 31 July 2015 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 three years.

Other provisions include warranty 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.

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 plans in other jurisdictions, providing pensions or other long-term benefits such as long service or termination awards. More information about the plans operated by the Group is set out on page 157.

(ii) Financial impact of plans

As disclosed in the balance sheet	2015 £m	2014 £m
Non-current asset	57	96
Total asset	57	96
Current liability	(8)	(8)
Non-current liability	(64)	(81)
Total liability	(72)	(89)
Net (liability)/asset	(15)	7

Analysis of balance sheet net (liability)/asset	2015 £m	2014 £m
Fair value of plan assets:		
UK	1,262	1,167
Non-UK	215	217
	1,477	1,384
Present value of defined benefit obligation:		
UK	(1,206)	(1,071)
Non-UK	(286)	(306)
	(1,492)	(1,377)
Net (liability)/asset	(15)	7

Analysis of total expense recognised in the income statement	2015 £m	Restated 2014 £m
Current service cost	6	12
Administration costs	2	2
Past service gain from settlements	(1)	–
Charged to operating costs	7	14
(Credited)/charged to finance costs (note 5)	(2)	3
Total expense recognised in the income statement	5	17

Expected employer contributions to the defined benefit plans for the year ending 31 July 2016 are £11 million. The remeasurement of the defined benefit net liability/asset is included in the statement of comprehensive income.

25. Retirement benefit obligations continued

(ii) Financial impact of plans continued

	2015 £m	2014 £m
Analysis of amount recognised in the statement of comprehensive income		
The return on plan assets (excluding amounts included in net interest expense)	70	44
Actuarial gains arising from changes in demographic assumptions	5	12
Actuarial (losses)/gains arising from changes in financial assumptions	(149)	2
Actuarial gains arising from experience adjustments	13	27
Taxation	15	(17)
Total amount recognised in the statement of comprehensive income	(46)	68

The cumulative amount of actuarial losses recognised in the statement of comprehensive income is £249 million (2014: £188 million).

The fair value of plan assets is as follows:

	UK 2015 £m	Non-UK 2015 £m	Total 2015 £m	UK 2014 £m	Non-UK 2014 £m	Total 2014 £m
Fair value of plan assets						
At 1 August	1,167	217	1,384	1,086	220	1,306
Interest income	48	8	56	49	8	57
Employer's contributions	18	7	25	33	7	40
Participants' contributions	–	3	3	–	4	4
Benefit payments	(34)	(12)	(46)	(31)	(12)	(43)
Settlement payments	–	(12)	(12)	–	–	–
Insurance premiums	–	(1)	(1)	–	–	–
Remeasurement gain:						
Return on plan assets (excluding amounts included in net interest expense)	63	7	70	30	14	44
Currency translation	–	(2)	(2)	–	(24)	(24)
At 31 July	1,262	215	1,477	1,167	217	1,384
Actual return on plan assets	111	15	126	79	22	101

Employer's contributions included £16 million (2014: £23 million) of special funding contributions.

At 31 July 2015, 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:

		UK Value at 31 July 2015 £m	Non-UK Value at 31 July 2015 £m	UK Value at 31 July 2014 £m	Non-UK Value at 31 July 2014 £m
Equity type assets	quoted	709	73	744	77
Government bonds	quoted	216	20	204	25
Corporate bonds	quoted	171	65	151	63
Real estate		–	22	4	21
Cash		61	6	23	3
Other including insurance policies		105	29	41	28
Total market value of assets		1,262	215	1,167	217

There were no unquoted plan assets in either the current or previous year.

25. Retirement benefit obligations continued

(ii) Financial impact of plans continued

	UK 2015 £m	Non-UK 2015 £m	Total 2015 £m	UK 2014 £m	Non-UK 2014 £m	Total 2014 £m
Present value of defined benefit obligation						
At 1 August	1,071	306	1,377	1,108	331	1,439
Current service cost	2	6	8	10	4	14
Past service gain	(1)	–	(1)	–	–	–
Interest cost	45	9	54	49	11	60
Benefit payments	(34)	(12)	(46)	(31)	(12)	(43)
Settlement and curtailment payments	–	(13)	(13)	–	–	–
Participants' contributions	–	3	3	–	3	3
Insurance premiums	–	(1)	(1)	–	–	–
Remeasurement (gains)/losses:						
Actuarial (gains)/losses arising from changes in demographic assumptions	(6)	1	(5)	(22)	10	(12)
Actuarial losses/(gains) arising from changes in financial assumptions	137	12	149	(16)	14	(2)
Actuarial gains arising from experience adjustments	(8)	(5)	(13)	(27)	–	(27)
Disposals and reclassified as held for sale	–	(11)	(11)	–	(15)	(15)
Currency translation	–	(9)	(9)	–	(40)	(40)
At 31 July	1,206	286	1,492	1,071	306	1,377
Analysis of present value of defined benefit obligation					2015 £m	2014 £m
Amounts arising from wholly unfunded plans					42	49
Amounts arising from plans that are wholly or partly funded					1,450	1,328
					1,492	1,377

(iii) Valuation assumptions

The financial assumptions used to estimate defined benefit obligations are:

	2015		2014	
	UK	Non-UK	UK	Non-UK
Discount rate	3.6%	2.9%	4.3%	3.4%
Inflation rate	3.2%	1.6%	3.3%	1.7%
Increase to deferred benefits during deferment	2.2%	2.0%	2.3%	2.0%
Increases to pensions in payment	2.9%	2.0%	2.9%	1.4%
Salary increases	3.2%	1.9%	3.3%	2.6%

The life expectancy assumptions used to estimate defined benefit obligations are:

	2015		2014	
	UK	Non-UK	UK	Non-UK
Current pensioners (at age 65) – male	22	22	22	22
Current pensioners (at age 65) – female	24	24	24	24
Future pensioners (at age 65) – male	24	23	24	23
Future pensioners (at age 65) – female	27	26	27	25

The weighted average duration of the defined benefit obligation is 21.4 years (2014: 20.9 years).

25. Retirement benefit obligations continued

(iv) Plan risks

As described on page 157, the defined benefit plans typically expose the Company to the following actuarial risks which are managed for the UK plan 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 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

(i) Ordinary shares in issue

	Authorised numbers		Allotted and issued numbers	
	2015	2014	2015	2014
Number of ordinary 10 ^{53/66} pence shares in the Company (million)	463	463	267	267
Nominal value of ordinary 10 ^{53/66} pence shares in the Company (£ million)	50	50	29	29

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

A summary of the movements in the year is detailed in the following table:

	2015	2014
Number of 10 ^{53/66} (2014: 10 ^{5/11}) pence ordinary shares in the Company in issue at 1 August	266,531,797	274,361,228
Effect of share consolidation	–	(8,856,602)
New shares issued to settle share options	60,881	1,027,171
Number of 10 ^{53/66} pence ordinary shares in the Company in issue at 31 July	266,592,678	266,531,797

Consideration received in respect of shares issued to participants in the long-term incentive plans and all-employees sharesave plans amounted to £1 million (2014: £15 million). Additional information on the allotment of ordinary shares can be found in note 37(iii).

(ii) Treasury shares

During the year, the Group completed a share buyback programme of £250 million. The shares purchased under the Group's buyback programme have been retained in issue as Treasury shares and represent a deduction from equity attributable to owners of the parent. A summary of the movement in Treasury shares in the year is detailed in the following table:

Treasury shares	Number of shares	Cost £m
As at 1 August 2014	–	–
Treasury shares purchased	7,407,837	250
Disposal of Treasury shares to settle share options	(301,995)	(10)
	7,105,842	240

Consideration received in respect of shares issued to participants in the long-term incentive plans and all-employee sharesave plans amounted to £8 million (2014: £nil). After the reporting date the Directors proposed a further share buyback programme of up to £300 million.

26. Share capital continued

(iii) Own shares

Two Employee Benefit Trusts have been established in connection with the Company's discretionary share option plans and long-term incentive plans.

A summary of the movements in own shares held in Employee Benefit Trusts is detailed in the table below:

	Number of shares	Cost £m
As at 1 August 2014	2,961,394	93
New shares purchased	430,000	15
Exercise of share options	(1,372,017)	(45)
As at 31 July 2015	2,019,377	63

Consideration received in respect of shares issued to participants in the long-term incentive plans and all-employee sharesave plans amounted to £5 million (2014: £5 million). At 31 July 2015, the shares held in the trusts had a market value of £86 million (2014: £92 million).

Dividends due on shares held by the Employee Benefit Trusts are waived in accordance with the provisions of the trust deeds.

27. Share-based payments

Analysis of income statement	2015 £m	2014 £m
Executive share option plans	2	4
Ordinary share plan	13	13
Employee savings share option plans	3	2
Long-term incentive plans	2	3
	20	22

During the year, the Company amended by resolution the executive share option plans and the employee savings share option plans. The amendments incorporated technical amendments made automatically by the Finance Act 2013 and Finance Act 2014 including, but not limited to, individuals who cease to be employed by reason of retirement being treated as good leavers if they retire in accordance with the Company's retirement policy, and that the right to exercise an option is given in the event of a non-UK reorganisation.

Awards granted under the executive share 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.

The number of outstanding and exercisable share options and share awards are detailed below:

Number of shares/options	2015 000's	2014 000's
Outstanding at 1 August	5,680	8,048
Granted	1,268	1,437
Options exercised or shares vested	(1,890)	(3,415)
Surrendered or expired	(635)	(390)
Outstanding at 31 July	4,423	5,680
Exercisable at 31 July	942	1,490

In £	2015	2014
Weighted average fair value per share/option granted during the year	18.26	17.69

At 31 July 2015, 4,423,383 (2014: 4,470,526) of the shares and options outstanding had an exercise price which was below the market price. The market price at 31 July 2015 was £42.56 (2014: £30.96).

The fair value at the date of grant of options awarded during the year has been estimated by the binomial methodology for all plans except the long-term incentive plan, for which a Monte Carlo simulation was used.

27. Share-based payments continued

The fair value of shares granted under the ordinary share plan (for more information please refer to page 149) 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 plans	
	2015	2014	2015	2014	2015	2014
Risk free interest rate	1.6%	1.8%	0.8%	1.6%	1.0%	0.4%
Expected dividend yield	3.3%	2.5%	2.5%	2.9%	0.0%	0.0%
Expected volatility	32%	43%	22%	29%	23%	29%
Expected life	5.7 years	5.7 years	1-6 years	1-6 years	3 years	3 years

Expected volatility has been estimated on the basis of historical 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 3.3 per cent and an expected life of three years.

28. Shareholders' equity and statement of changes in equity

	Share capital £m	Share premium £m	Translation reserve £m	Treasury shares £m	Own shares £m	Reserves Profit and loss account £m	Non-controlling interest £m	Total equity £m
For the year ended 31 July 2015								
Profit for the year attributable to shareholders of the Company	–	–	–	–	–	213	–	213
Exchange on translation of overseas operations	–	–	10	–	–	–	–	10
Exchange on translation of borrowings and derivatives designated as hedges of overseas operations	–	–	(46)	–	–	–	–	(46)
Cumulative currency translation differences on disposals	–	–	26	–	–	–	–	26
Actuarial loss on retirement benefit plans	–	–	–	–	–	(61)	–	(61)
Tax on gains and losses not recognised in the income statement	–	–	–	–	–	15	–	15
Total comprehensive (expenses)/income	–	–	(10)	–	–	167	–	157
New share capital subscribed	–	1	–	–	–	–	–	1
Purchase of own shares by Employee Benefit Trusts	–	–	–	–	(15)	–	–	(15)
Issue of own shares by Employee Benefit Trusts	–	–	–	–	45	(40)	–	5
Credit to equity for share-based payments	–	–	–	–	–	20	–	20
Taxation relating to share-based payments	–	–	–	–	–	10	–	10
Purchase of Treasury shares	–	–	–	(250)	–	–	–	(250)
Disposal of Treasury shares	–	–	–	10	–	(2)	–	8
Dividends paid	–	–	–	–	–	(222)	–	(222)
Changes in non-controlling interest in subsidiaries	–	–	–	–	–	–	7	7
Net addition to/(reduction in) shareholders' equity	–	1	(10)	(240)	30	(67)	7	(279)
Opening shareholders' equity	29	41	127	–	(93)	2,782	–	2,886
Closing shareholders' equity	29	42	117	(240)	(63)	2,715	7	2,607

Total reserves, which are the sum of the translation reserve, Treasury shares reserve, own shares reserve and profit and loss account were £2,529 million at 31 July 2015 (2014: £2,816 million).

28. Shareholders' equity and statement of changes in equity continued

For the year ended 31 July 2014	Share capital £m	Share premium £m	Translation reserve £m	Reserves		Total equity £m
				Own shares £m	Profit and loss account £m	
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 currency translation differences on disposals	–	–	(12)	–	–	(12)
Actuarial gain on retirement benefit plans	–	–	–	–	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

29. Reconciliation of profit to cash generated from operations

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

	2015 £m	Restated 2014 £m
Profit for the year	213	504
Net finance costs	31	29
Tax expense	187	194
Loss/(gain) on disposal and closure of businesses and revaluation of disposal groups	129	(32)
Depreciation and impairment of property, plant and equipment	108	98
Amortisation and impairment of non-acquired intangibles	13	11
Amortisation and impairment of acquired intangibles	294	46
Profit on disposal of property, plant and equipment	(3)	(14)
Increase in inventories	(113)	(70)
Increase in trade and other receivables	(54)	(82)
Increase in trade and other payables	159	19
Decrease in provisions and other liabilities	(47)	(47)
Share-based payments	20	22
Cash generated from operations	937	678

29. Reconciliation of profit to cash generated from operations continued

Trading profit is reconciled to cash generated from operations as follows:

	2015 £m	Restated 2014 £m
Trading profit	854	752
Exceptional items in operating profit	(4)	(1)
Loss/(gain) on disposal and closure of businesses and revaluation of disposal groups	129	(32)
Operating (loss)/profit from discontinued operations (note 7)	(125)	22
Depreciation and impairment of property, plant and equipment	108	98
Amortisation and impairment of non-acquired intangibles	13	11
Profit on disposal of property, plant and equipment and assets held for sale	(3)	(14)
Increase in inventories	(113)	(70)
Increase in trade and other receivables	(54)	(82)
Increase in trade and other payables	159	19
Decrease in provisions and other liabilities	(47)	(47)
Share-based payments	20	22
Cash generated from operations	937	678

30. Acquisitions

The Group acquired the following businesses in the year ended 31 July 2015. All these businesses are engaged in the distribution of plumbing and heating products and building materials. These transactions have been accounted for by the purchase method of accounting.

	Date of acquisition	Country of incorporation	% acquired
Joseph G Pollard Inc	August 2014	USA	100
Powell Pipe & Supply Co	September 2014	USA	100
Goodman Industrial	October 2014	Canada	100
City Lights Design	October 2014	USA	100
Global HVAC Distributors	November 2014	USA	100
McFarland Supply	December 2014	USA	100
Ship-Pac	December 2014	USA	100
XL-Byg Hobro NY Traelast	February 2015	Denmark	100
Builders Appliance Center, LLC	February 2015	USA	100
AR-Jay Building Products, Inc	February 2015	USA	100
Luxury for Less Ltd (t/a BathEmpire)	February 2015	UK	68
Redlon & Johnson	March 2015	USA	100
Equarius Inc	March 2015	USA	100
Arkansas Supply Inc	April 2015	USA	100
MPS Builders Merchants Ltd	May 2015	UK	100
eComfort Holdings, Inc	May 2015	USA	100
WR White Supply	May 2015	USA	100
Q.I.P. Equipment Ltd	June 2015	Canada	100

30. Acquisitions continued

Details of the assets and liabilities acquired and the consideration for all acquisitions in the period are as follows:

	Book values acquired £m	Fair value adjustments £m	Provisional fair values acquired £m
Intangible fixed assets			
– Customer relationships	–	36	36
– Trade names and brands	–	3	3
– Other	–	6	6
Property, plant and equipment	9	–	9
Inventories	31	(6)	25
Receivables	23	–	23
Cash, cash equivalents and bank overdrafts	3	–	3
Bank loans and finance leases	(12)	(1)	(13)
Payables	(22)	–	(22)
Current and deferred tax	(1)	(5)	(6)
Provisions	–	(1)	(1)
Non-controlling interest	–	(7)	(7)
Total	31	25	56
Goodwill arising			57
Consideration			113

Satisfied by:

Cash	100
Deferred consideration	13
Total consideration	113

The fair value adjustments for the period ended 31 July 2015 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.

The acquisitions contributed £103 million to revenue, £2 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 £13,449 million and Group trading profit would have been £860 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:

	2015 £m	2014 £m
Purchase consideration	100	187
Deferred and contingent consideration in respect of prior year acquisitions	8	8
Cash consideration	108	195
Cash acquired	(3)	(1)
Net cash outflow in respect of the purchase of businesses	105	194

31. Disposals

In the year ended 31 July 2015, the Group disposed of the following businesses:

Name	Country	Date of disposal	Share/asset deal
OPC	Norway	August 2014	Assets
Specialty Pipe & Tube, Inc	USA	November 2014	Shares
PBM Import SAS	France	March 2015	Shares
A.James SAS	France	April 2015	Shares
Charpentes Françaises SAS	France	April 2015	Shares
Bygg 24 AS	Norway	May 2015	Shares
EPG	Canada	July 2015	Assets

The Group recognised a total loss on disposal of the above businesses of £59 million. This arose from the sale of the French Wood Solutions businesses and is disclosed in note 7 as a discontinued exceptional loss on disposal. The net impact of the disposal of the other businesses is £nil (see note 4).

	Continuing operations £m	Discontinued operations £m	Group 2015 £m
Consideration received	29	16	45
Net assets disposed of	(29)	(68)	(97)
Disposal costs	–	(3)	(3)
Cumulative currency translation differences	–	(4)	(4)
Loss on disposal	–	(59)	(59)

Details of assets and liabilities disposed of are provided in the following table:

	Continuing operations £m	Discontinued operations £m	Group 2015 £m
Goodwill and intangible assets	8	1	9
Property, plant and equipment	3	25	28
Inventory	5	36	41
Receivables	3	41	44
Assets and liabilities held for sale	13	–	13
Payables	(1)	(28)	(29)
Pensions and provisions	(2)	(1)	(3)
Net debt	–	(6)	(6)
Total net assets disposed	29	68	97

The net inflow of cash in respect of the disposal of businesses is as follows:

	Continuing operations £m	Discontinued operations £m	Group 2015 £m
Cash consideration received for current year disposals (net of cash disposed of)	19	–	19
Disposal costs paid	–	(3)	(3)
Cash consideration received for prior year disposals	19	–	19
Net cash inflow/(outflow)	38	(3)	35

32. Reconciliation of opening to closing net debt

	At 1 August 2014 £m	Cash flows £m	Acquisitions and new finance leases £m	Disposal of businesses £m	Fair value and other adjustments £m	Reclassified as held for sale £m	Exchange movement £m	At 31 July 2015 £m
For the year ended 31 July 2015								
Cash and cash equivalents	240							1,105
Bank overdrafts	(73)							(848)
	167	173	3	(10)	–	1	(77)	257
Derivative financial instruments	42	(12)	–	–	(1)	–	4	33
Bank loans	(877)	(197)	(13)	15	12	–	(6)	(1,066)
Obligations under finance leases	(43)	4	(3)	1	–	12	–	(29)
Net debt	(711)	(32)	(13)	6	11	13	(79)	(805)

	At 1 August 2013 £m	Cash flows £m	Acquisitions and new finance leases £m	Fair value and other adjustments £m	Exchange movement £m	At 31 July 2014 £m
For the year ended 31 July 2014						
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)

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)	2015 £m	2014 £m
Salaries, bonuses and other short-term employee benefits	9	9
Termination and post-employment benefits	2	4
Share-based payments	4	4
Total compensation	15	17

More detailed disclosures on the remuneration of the Directors are provided in the Remuneration report on pages 77 to 102.

34. Operating lease commitments

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

	2015 £m	2014 £m
Within one year	219	199
Later than one year and less than five years	490	441
After five years	152	148
Total operating lease commitments	861	788

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 2015, provisions include an amount of £29 million (2014: £42 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 2015 is £7 million (2014: £14 million).

The commitments above include £20 million (2014: £31 million) of operating lease commitments relating to discontinued operations.

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

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 provision 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 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 assess properly 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

The Group issued £512 million (US\$800 million) of US Private Placement bonds on 1 September 2015. A one-year extension of the trade receivables facility for £384 million (US\$600 million) was approved on 11 September 2015.

37. Additional information

(i) 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 2015.

The trading results of business 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 the 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 a subsidiary undertaking which has a non-sterling functional currency is disposed of, 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.

37. Additional information continued

(i) 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 non-controlling 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.

Non-controlling interests

Non-controlling interests in subsidiaries are identified separately from the Group's equity. The interests of non-controlling shareholders are initially measured at fair value. Subsequent to acquisition the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests showing a deficit balance.

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.

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. For goodwill impairment testing 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.

37. Additional information continued

(i) Group accounting policies continued

Other intangible assets

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

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

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

Computer software that is not integral to an item of property, plant and equipment is recognised separately as an intangible asset and is carried at cost less accumulated amortisation and accumulated impairment losses. Costs include software licences, consulting costs attributable to the development, design and implementation of the computer software and internal costs directly attributable to the development, design and implementation of the computer software. Costs in respect of training and data conversion are expensed as incurred. Amortisation is calculated using the straight-line method so as to charge the cost of the computer software to the income statement over its estimated useful life as follows:

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.

37. Additional information continued

(i) 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 but 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 2015 in respect of impaired receivables represented 0.14 per cent of revenue (2014 restated: 0.13 per cent). The Group held a provision for impairment of receivables at 31 July 2015 amounting to £35 million (2014: £39 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

(i) 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 plans. The Group recognises a compensation cost in respect of these plans that is based on the fair value of the awards, measured using Binomial and Monte Carlo valuation methodologies. For equity-settled plans, 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 plans, 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 legal right of offset and/or no practice of net settlement with cash balances.

Cash, which is not freely available to the Group, is disclosed as restricted cash.

37. Additional information continued

(i) 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.

(ii) Additional information about financial instruments

Financial instruments by category

The accounting policies for financial instruments have been applied to the following items:

	Cash and cash equivalents £m	Deposits and receivables £m	Fair value through profit and loss £m	Total £m
Assets at 31 July 2015				
Financial assets	–	–	16	16
Trade and other receivables, excluding prepayments and accrued income	–	1,890	–	1,890
Derivative financial assets	–	–	34	34
Cash and cash equivalents	1,105	–	–	1,105
	1,105	1,890	50	3,045
Impairment losses in the year (note 16)	–	21	–	21

	Amortised cost £m	Fair value through profit and loss £m	Total £m
Liabilities at 31 July 2015			
Trade and other payables, excluding accruals, deferred income and tax and social security	2,021	–	2,021
Bank loans and overdrafts	1,914	–	1,914
Derivative financial liabilities	–	1	1
Finance leases	29	–	29
Total liabilities	3,964	1	3,965

37. Additional information continued

(ii) Additional information about financial instruments continued

Financial instruments by category continued

	Cash and cash equivalents £m	Deposits and receivables £m	Fair value through profit and loss £m	Total £m
Assets at 31 July 2014				
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 (note 16)	–	20	–	20

	Amortised cost £m	Total £m
Liabilities at 31 July 2014		
Trade and other payables, excluding accruals, deferred income and tax and social security	1,999	1,999
Loans and overdrafts	950	950
Finance leases	43	43
Total liabilities	2,992	2,992

Financial instruments by measurement basis

Financial instruments in the category “fair value through profit and loss” are 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 2015 and 31 July 2014:

Assets at 31 July 2015	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivatives at fair value through profit and loss	–	34	–	34
Loan notes held at fair value through profit and loss	–	–	16	16
Total assets	–	34	16	50

Liabilities at 31 July 2015	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivatives at fair value through profit and loss	–	1	–	1
Total liabilities	–	1	–	1

Assets at 31 July 2014	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivatives at fair value through profit and loss	–	42	–	42
Bond held at fair value through profit and loss	–	–	17	17
Total assets	–	42	17	59

There were no derivative liabilities at fair value through profit and loss at 31 July 2014.

37. Additional information continued

(ii) 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 (2014: £48 million) which has been discounted at a rate of 2.2 per cent (2014: 2.6 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:

	2015 Book value £m	2015 Fair value £m	2014 Book value £m	2014 Fair value £m
Trade and other receivables, excluding prepayments and accrued income	1,890	1,890	1,919	1,919
Trade and other payables, excluding accruals, deferred income and tax and social security	2,021	2,021	1,999	1,999
Bank loans and overdrafts	1,461	1,461	520	520
Senior unsecured notes	453	474	430	447
Finance leases	29	29	43	43

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	Non-netted amounts (d) £m	Restated amounts (e) £m
At 31 July 2015						
Financial assets						
Non-current assets						
Derivative financial assets	17	49	(25)	24	–	24
Current assets						
Derivative financial assets	17	18	(8)	10	–	10
Cash and cash equivalents	18	1,222	(117)	1,105	(786)	319
		1,289	(150)	1,139	(786)	353
Financial liabilities						
Current liabilities						
Derivative financial liabilities	17	9	(8)	1	–	1
Bank loans and overdrafts	21	1,118	(117)	1,001	(786)	215
Finance leases	23	4	–	4	–	4
Non-current liabilities						
Derivative financial liabilities	17	25	(25)	–	–	–
Bank loans	21	913	–	913	–	913
Finance leases	23	25	–	25	–	25
		2,094	(150)	1,944	(786)	1,158
Closing net debt	32	(805)	–	(805)	–	(805)

37. Additional information continued

(ii) Additional information about financial instruments continued

Financial instruments: disclosure of offsetting arrangements continued

At 31 July 2014	Notes	Gross balances (a) £m	Offset amounts (b) £m	Financial statements (c) £m
Financial assets				
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
Financial liabilities				
Current liabilities				
Derivative financial liabilities	17	9	(9)	–
Bank loans and overdrafts	21	1,314	(1,155)	159
Finance leases	23	7	–	7
Non-current liabilities				
Derivative financial liabilities	17	30	(30)	–
Bank loans	21	791	–	791
Finance leases	23	36	–	36
		2,187	(1,194)	993
Closing net debt	32	(711)	–	(711)

(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.

(d) The amounts subject to an enforceable master netting arrangement, or similar arrangement, not included in (b).

(e) The net amount after deducting the amounts in (d) from the amounts in (c).

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 2015 and 31 July 2014. 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.

37. Additional information continued

(ii) 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 2015	Trade and other payables £m	Debt £m	Interest on debt £m	Total £m
Due in less than one year	1,896	141	31	2,068
Due in one to two years	15	3	37	55
Due in two to three years	11	103	34	148
Due in three to four years	7	2	31	40
Due in four to five years	9	1	31	41
Due in over five years	83	814	113	1,010
Total	2,021	1,064	277	3,362

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

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 63 per cent of the Group's revenue is in US dollars and 5 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 168. The net effect of currency translation was to increase revenue by £101 million (0.8 per cent) (2014: decrease by £459 million, or 3.8 per cent) and to increase trading profit by £19 million (2.5 per cent) (2014: decrease by £31 million or 4.3 per cent). These currency effects reflect a movement of the average sterling exchange rate against US dollars, euro and Canadian dollars as follows:

37. Additional information continued

(ii) Additional information about financial instruments continued

Foreign currency risk continued

	2015 Strengthening/ (weakening) of sterling	2014 Strengthening/ (weakening) of sterling
US dollars	(5.0%)	5.0%
Euro	9.8%	0.3%
Canadian dollars	5.5%	11.7%

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 £1,000 million (2014: £1,260 million). The loss on translation of these financial instruments into sterling of £46 million (2014: gain of £77 million) has been taken to the translation reserve.

At 31 July 2015, the Group had the following short-term currency swaps and forward contracts which were designated and effective as hedges of overseas operations.

		Forward contracts			
		2015 Currency million	2015 £m	2014 Currency million	2014 £m
Bought/(sold)	SEK	–	–	35	3
	DKK	–	–	(28)	(3)
			–		–
		Currency swaps			
		2015 Currency million	2015 £m	2014 Currency million	2014 £m
Bought/(sold)	DKK	1,200	112	1,200	128
	EUR	20	14	–	–
	GBP	(127)	(127)	(128)	(128)
			(1)		–

Interest rate risk

To manage the Group's exposure to interest rate fluctuations, the Group's policy is to keep between 0 per cent and 50 per cent of projected borrowings required during the next two years at fixed rates. This percentage is regularly reviewed by the Board. At 31 July 2015, 52 per cent of loans were at fixed rates. This has been approved. 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 £467 million (US\$729 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 and loss. With effect from 1 December 2011, interest rate swap contracts comprising fixed interest receivable on an original notional principal of £467 million (US\$729 million) and at 31 July 2015, £425 million (US\$664 million) have been classified as held at fair value through profit and 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 (2014: 5.05 per cent and 5.32 per cent).

37. Additional information continued

(ii) Additional information about financial instruments continued

Interest rate risk continued

The table below shows the income statement movement on fair value through profit and loss.

	2015 £m	2014 £m
At fair value through profit and loss (hedge accounting not applied)		
At 1 August	42	59
Settled	(12)	(12)
Valuation gain charged to income statement	–	1
Exchange	3	(6)
At 31 July	33	42

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 2015, the maximum exposure to credit risk was £1,890 million (2014: £1,919 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 £368 million (2014: £282 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 £5 million (2014: £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 borrowings denominated in foreign currency in which the Group does business, would result in a charge to equity of £157 million (2014: £74 million), and a credit of £3 million (2014: £4 million) to the income statement, arising from the retranslation of interest rate swaps held at fair value through profit and loss.

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.

(iii) Additional information on the allotment of equity securities for cash

During the year, the Company issued 60,881 (2014: 1,027,171) ordinary shares with a nominal value of £nil (2014: £0.1 million) to participants in the long-term incentive plans and all-employee sharesave plans. The terms of issue were fixed on the respective dates of grant. The relevant dates of grants were between April 2008 and April 2014 and the market price on those dates was between £11.85 and £34.59.

37. Additional information continued

(iv) 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 strategy is to invest approximately 70 per cent of the assets in growth assets (comprising 50 per cent in equities and 20 per cent in other diversified growth assets) and 30 per cent in bonds. The investment strategy is subject to regular review by the plan trustees in consultation with the Company. For the overseas plans the investment strategy involves the investment in defined levels of predominantly equities with the remainder of the assets being invested in cash and bonds.

(v) 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.

(vi) 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 out on page 169.

Report on the Group financial statements

Our opinion

In our opinion, Wolseley PLC's (the "Group") financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's affairs as at 31 July 2015 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

The financial statements included within the Annual Report and Accounts (the "Annual Report") comprise:

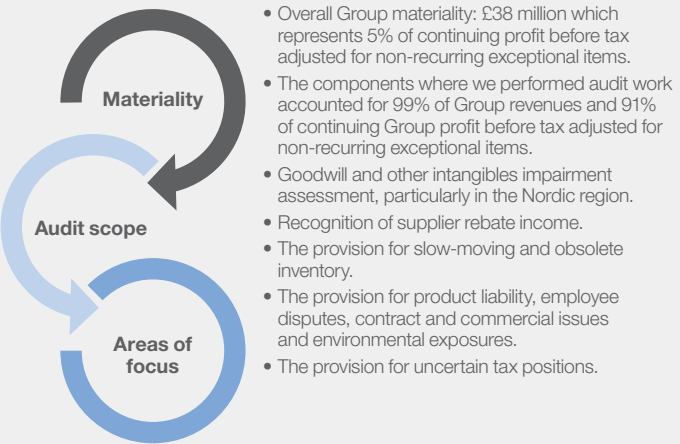
- the Group balance sheet as at 31 July 2015;
- the Group income statement and Group statement of comprehensive income for the year then ended;
- the Group cash flow statement for the year then ended;
- the Group statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, 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 represented 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 below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Goodwill and other intangibles impairment assessment, particularly in the Nordic region <i>Refer to page 68 (Audit Committee Report), page 108 (Accounting policies and critical estimates and judgements)</i> The sharp deterioration of first half profitability in the Nordic region triggered the Directors to reassess the recoverability of goodwill and other assets, which had a carrying value of £341 million prior to impairment. Following this review, an impairment charge of £234 million was recorded with respect to the Stark, Silvan, Stark Finland and Beijer businesses. We have focused on this area because the determination of whether or not an impairment charge for goodwill and other assets was necessary involved significant judgements by the Directors about the future results and plans for the Nordic businesses. In particular we focused on the reasonableness and impact of key assumptions including: <ul style="list-style-type: none">• The cash flows derived from internal forecasts and the drivers behind future performance; and• The discount rate and the long-term growth rate including the assessment of risk factors and growth expectations of the relevant territory. Under IAS 36 – <i>Impairment of assets</i> , where the impairment amount is in excess of the carrying value of goodwill, there is also judgement in determining the proportional split to allocate to other asset classes based on a separate assessment of their recoverable amount, being the higher of value-in-use and fair value less costs to sell.	We evaluated the reasonableness of the Directors' future cash flow forecasts for the Stark, Silvan, Stark Finland, Neumann and Beijer businesses. This included understanding the process by which they were drawn up, including comparing them to the latest Board approved plans and forecasts approved by the Directors. We noted no material exceptions. We tested the reliability of the Directors' budgeting process by comparing actual and budgeted profits for the past four years. We also developed independent expectations of the future cash flows of the businesses by examining historic performance and market data. This analysis did not materially differ from the Directors' conclusion. We evaluated the Directors' key assumptions for the long-term growth rates and the discount rates used in the model by comparing them against our own independently determined acceptable ranges. We did not identify any material differences. We also ascertained the extent of change in those assumptions that, either individually or collectively, would result in further impairment. We consider that a reasonably possible change in assumptions would not cause an impairment in any businesses apart from Neumann and Beijer. These businesses remain sensitive to reasonably possible changes in assumptions as disclosed by the Directors in Note 12. We examined the allocation of the excess impairment over the carrying value of goodwill against intangibles and other assets to determine whether the Directors had complied with IAS 36. Where the Directors determined that assets were not impaired, we focused on the assumptions used in the valuations prepared to support the fair value of certain assets and also the assessment of an external appraisals obtained by the Directors.

Area of focus	How our audit addressed the area of focus	Area of focus	How our audit addressed the area of focus
Recognition of supplier rebate income Refer to page 68 (Audit Committee Report), page 34 of the Finance Review and page 108 (Accounting policies and critical estimates and judgements) As is common across the industry, the Group has a number of supplier rebate agreements in place, a number of which are annual and coterminous with the calendar year rather than the Group's own financial year. Most of the Group's volume rebates are based on a flat rate. The remaining contracts are structured such that the rebate percentage increases as a proportion of the volume of purchases ("tiered agreements"). Where this is the case the Directors are required to make estimates of future purchases for the rebate year in calculating the income receivable at the year-end. Some of the agreements are also reimbursements of marketing costs rather than being tied to volume. Where rebates can be linked to a reimbursement of marketing expense, they are classified in operating costs. Due to the complexity and supplier specific nature of each arrangement, it is difficult to fully automate the rebate receivable calculation process and hence the Directors are reliant on manual processes outside the financial systems and related controls. Manual processes can lead to a higher risk of material misstatement due to error or fraud. We have focused on this area due to: <ul style="list-style-type: none"> the significant amount of audit effort required to test the accounting for these arrangements, given the volume of agreements and manual nature of the receivable calculation; the judgement involved in estimating the receivable for tiered agreements; and the judgement involved in the classification of rebates in cost of sales or operating costs. 	To test the Directors' estimated rebate receivable, we agreed a sample of rebate terms used in the receivable calculation to supplier contracts and confirmed the terms of a sample of contracts with the suppliers, noting no material exceptions. We circularised a sample of receivable balances with the suppliers, which materially agreed to the balances recorded by the Directors. In addition, we considered the historical accuracy of the Directors' rebate estimates by comparing cash receipts to the year-end rebate receivable balances in prior periods. Where there were differences, we understood the cause and considered whether the current year estimate would be affected. This comparison did not identify any differences that would lead to material changes in the current year receivable. We agreed a sample of rebate income received during the year to cash receipts and considered the patterns in overall rebate income over several years to identify any unusual trends or balances. We noted no material exceptions or unusual trends or balances. We assessed the appropriate presentation of volume and marketing rebates in cost of sales and operating costs respectively by agreeing, for a sample of rebate income, that the nature of the income in the underlying contract supported its presentation in the financial statements. We noted no material exceptions.	The provision for product liability, employee disputes, contract and commercial issues and environmental exposures Refer to page 68 (Audit Committee Report), page 109 (Accounting policies and critical estimates and judgements) and page 132 (Notes) The Group 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.	Under our direction, where applicable, our component audit teams held discussions with in-country legal advisers and obtained audit evidence locally regarding the status of ongoing investigations and claims. This evidence was coordinated by the Group audit team with Group legal counsel to understand the associated risks and the basis for provisions recorded. We identified no material exceptions to the amounts recorded by the Directors. 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. We noted no material exceptions. We obtained confirmations from external legal counsel and considered the appropriateness of the disclosure made in the Group financial statements, noting no material differences.
The provision for slow-moving and obsolete inventory Refer to page 68 (Audit Committee Report) and page 109 (Accounting policies and critical estimates and judgements) The balance of gross inventories at 31 July 2015 is £1,972 million, against which an obsolescence provision of £103 million is held. The Directors estimate this provision by comparing the level of inventory held to future sales projections. The provision is calculated within the Group's accounting systems using an automated process, however these systems are not directly linked to the underlying ledgers and require manual interfaces and inputs into the calculation. We focused on the risk that the provision was calculated incorrectly, due to the parameters set within the system or inaccurate input of the underlying data, and because of the judgement required in estimating future sales projections.	We tested the completeness of the data within the system used to generate the inventory provision by agreeing a sample of inventory in warehouses and branches to accounting records. We also tested the accuracy of the provision by reviewing the calculation criteria and recalculating it for a sample of products. We noted no material exceptions as a result of these procedures. We considered the appropriateness of the provisioning methodology based on historical experience and compared forecast sales to the last 12 months to determine reasonableness. No material exceptions were noted.	The provision for uncertain tax positions Refer to page 68 (Audit Committee Report) and page 110 (Accounting policies and critical estimates and judgements) The Group operates in a number of territories and recognises tax based on interpretation of local laws and regulations which are sometimes uncertain. The key areas of judgement made by the Directors on tax matters during the normal course of business, and the key assumptions we focused on, include transfer pricing arrangements on Group recharges and the level of debt funding within the Group. Where the amount of tax payable or receivable is uncertain the Group establishes provisions based on the Directors' judgement.	We involved our specialists in the relevant jurisdictions who have knowledge of the local tax law to understand the extent of possible exposure arising from the Group's arrangements. 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, noting that these supported management's recorded position. We met with the Directors and evaluated the appropriateness of provisions made, and identified no material exceptions to the amounts recorded.
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 is primarily structured into five geographic regions being the USA, UK, Canada, Nordic, and Central Europe. Each geographic region consists of a number of businesses which we consider components for scoping the audit. These businesses are Ferguson, Wolseley Canada, Wolseley UK, France Building Materials, Stark, Silvan, Stark Finland, Beijer, Neumann, Wasco, and Tobler. Each has a separate management reporting entity which is consolidated by Group management. The Group includes head office companies in its consolidation, principally Wolseley Limited, Wolseley Group Services, and Wolseley Insurance Limited, which we also considered to be components for the purposes of our audit. In establishing the overall approach to the Group audit, we determined that we needed to conduct audit work over the complete financial information of these 14 components. With the exception of the head office companies which were audited by the Group team, we used local PwC network firms to audit and report on the component financial information. Where the work was performed by component auditors, under our instruction, 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 team visited the US and UK components to obtain an understanding of the local environment and any audit risks arising. We directed the work of component auditors, reviewed the component auditors' working papers and participated in the closing meetings of all components. The Group consolidation, financial statement disclosures and financial statement items accounted for centrally, including derivative financial instruments and share-based payments were also audited by the Group engagement team at the head office.			

Taken together, the businesses where we performed our audit work accounted for 99 per cent of Group revenues and 91 per cent of continuing Group profit before tax adjusted for non-recurring exceptional items and impairment of goodwill and intangibles. Our audit procedures, together with additional procedures performed at the Group level, including audit of the consolidation, financial statement disclosures, derivative financial instruments and share-based payments, gave us the evidence that we needed for our opinion on the Group financial statements as a whole.

Materiality

The scope of our audit was 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 on the individual financial statement line items and disclosures 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	£38 million (2014: £33 million).
How we determined it	5% of continuing profit before tax adjusted for non-recurring exceptional items and impairment of goodwill and intangibles.
Rationale for benchmark applied	We believe that continuing profit before tax, adjusted for non-recurring exceptional items and impairment of goodwill and intangibles provides us with a consistent year-on-year basis for determining materiality by eliminating the volatility of these items.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1.5 million (2014: £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

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

<ul style="list-style-type: none">information in the Annual Report is:<ul style="list-style-type: none">materially inconsistent with the information in the audited financial statements; orapparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; orotherwise misleading.the statement given by the Directors on page 74, 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.the section of the Annual Report on page 68, 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.	<p>We have no exceptions to report arising from this responsibility.</p> <p>We have no exceptions to report arising from this responsibility.</p> <p>We have no exceptions to report arising from this responsibility.</p>
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Adequacy of information and explanations received

Under the Companies (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 10 provisions of the UK Corporate Governance Code. We have nothing to report having performed our review.

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.

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 74, 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 and Accounts (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 2015.



Stuart Watson
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Recognised Auditors
London
28 September 2015

Company profit and loss account

Year ended 31 July 2015

	2015 £m	2014 £m
Administrative expenses	(13)	(16)
Operating loss	(13)	(16)
Income from shares in Group undertakings	639	2,431
Profit on ordinary activities before interest	626	2,415
Interest receivable and similar income	–	16
Interest payable and similar charges	(10)	(6)
Profit before tax	616	2,425
Taxation	–	(3)
Profit for the financial year	616	2,422

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 2015

	Notes	2015 £m	2014 £m
Fixed assets			
Investments	3	7,607	7,586
		7,607	7,586
Current assets			
Debtors: amounts falling due within one year	4	1	2
Cash at bank and in-hand		3	27
		4	29
Creditors: amounts falling due within one year	5	(374)	(541)
Net current liabilities		(370)	(512)
Total assets less current liabilities		7,237	7,074
Capital and reserves			
Called up share capital	6	29	29
Share premium account	7	42	41
Treasury shares	8	(240)	–
Own shares reserve	9	(63)	(93)
Profit and loss account	10	7,469	7,097
Total shareholders' equity	11	7,237	7,074

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

The Company financial statements on pages 161 to 165 were approved by the Board of Directors on 28 September 2015 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 2015

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 pages 118 and 119, note 26 (Share capital) on pages 136 and 137 and note 27 (Share-based payments) on pages 137 and 138 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.

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 2014	7,586
Additions	21
At 31 July 2015	7,607

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.

The Company's direct holdings in subsidiary undertakings as at 31 July 2015 were as follows:

Company	Country of registration and operation	Principal activity	Percentage of ordinary shares held
Wolseley Limited	England and Wales	Investment	100%
Wolseley de Puerto Rico, Inc.	Commonwealth of Puerto Rico	Distributor of industrial products	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 169 of the Annual Report.

4. Debtors: amounts falling due within one year

	2015 £m	2014 £m
Other debtors	1	1
Accrued bank interest income	–	1
	1	2

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

5. Creditors: amounts falling due within one year

	2015 £m	2014 £m
Bank overdraft	–	3
Corporation tax payable	–	3
Other creditors	1	–
Amounts owed to Group companies	373	535
	374	541

The fair value of amounts included in creditors approximates to book value. Amounts owed to Group companies are interest bearing and are payable on demand.

6. Share capital

Details of the Company's share capital are set out in note 26, on pages 136 and 137, to the Wolseley plc consolidated financial statements.

7. Share premium account

	£m
At 1 August 2014	41
New share capital subscribed	1
At 31 July 2015	42

Details of new share capital subscribed are set out in note 26, on page 136, to the Wolseley plc consolidated financial statements.

8. Treasury shares

	£m
At 1 August 2014	–
New shares purchased	250
Employee share options settled from Treasury shares	(10)
At 31 July 2015	240

During the year the Group announced a £250 million share buyback programme which was completed in July 2015.

9. Own shares reserve

During the previous year, the Company contributed £15 million of cash to its US Employee Benefit Trust to purchase shares. The Treasury shares held by both of these Trusts have been consolidated within the Company's balance sheet as at 31 July 2015 and amount to £63 million (2014: £93 million).

10. Profit and loss account

	£m
At 1 August 2014	7,097
Profit for the year	616
Dividends paid	(222)
Disposal of Treasury shares	(2)
Credit for equity-settled share-based payments	20
Disposal of own shares by Employee Benefit Trusts	(40)
At 31 July 2015	7,469

11. Reconciliation of movements in shareholders' equity

	2015 £m	2014 £m
Opening shareholders' equity	7,074	5,125
Profit for the year	616	2,422
Dividends paid	(222)	(489)
New share capital subscribed	1	15
Own shares acquired by Employee Benefit Trusts (net)	(15)	(26)
Purchase of Treasury shares	(250)	–
Disposal of Treasury shares	8	–
Issue of own shares by Employee Benefit Trusts	5	5
Credit for equity-settled share-based payments	20	22
Closing shareholders' equity	7,237	7,074

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 pages 137 and 138 to the Wolseley plc consolidated financial statements. The net profit and loss charge for equity-settled share-based payments was £nil (2014: £nil). The Company charged the full amount incurred for equity-settled share-based payments of £20 million (2014: £22 million) to its subsidiary undertakings.

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 2015 was one (2014: 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 (2014: £1 million).

Fees payable to the auditors for the audit of the Company's financial statements are set out in note 3, on page 115, to the Wolseley plc consolidated financial statements.

15. Dividends

Details of the Company's dividends are set out in note 8, on pages 118 and 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. Post-balance sheet events

Details of post-balance sheet events are given in note 36, on page 144 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 2015 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 2015;
- 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 2015 (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 74, 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 2015.



Stuart Watson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants
London

28 September 2015

Five year summary

	2015 £m	Restated 2014* £m	Restated 2013* £m	Restated 2012*** £m	Restated 2011** £m
Revenue					
USA	8,343	7,070	6,785	6,168	5,500
UK	1,987	1,853	1,769	1,898	2,404
Nordic	1,864	1,935	1,916	2,125	2,128
Canada	733	779	875	850	811
Central Europe	405	634	693	714	772
Group	13,332	12,271	12,038	11,755	11,615
Trading profit					
USA	681	546	492	388	314
UK	90	96	95	94	109
Nordic	71	73	86	94	113
Canada	34	44	51	49	39
Central Europe	21	28	29	30	30
Central and other costs	(43)	(35)	(42)	(28)	(36)
Group	854	752	711	627	569
Amortisation of acquired intangibles	(56)	(46)	(55)	(59)	(73)
Impairment of acquired intangibles	(238)	–	(10)	(220)	(39)
Exceptional items	(4)	(1)	(40)	(41)	(54)
Operating profit	556	705	606	307	403
Net interest payable	(48)	(29)	(31)	(13)	(40)
Associate	–	–	–	16	–
Profit before tax	508	676	575	310	363
Tax charge	(187)	(194)	(176)	(138)	(105)
Profit on ordinary activities after tax from continuing operations	321	482	399	172	258
(Loss)/profit from discontinued operations	(108)	22	(103)	(115)	13
Profit attributable to equity shareholders	213	504	296	57	271
Ordinary dividends	(222)	(191)	(173)	(142)	(42)
Special dividend	–	(298)	(348)	–	–
Total dividends	(222)	(489)	(521)	(142)	(42)
Net assets employed					
Intangible fixed assets	1,011	1,198	1,246	1,160	1,628
Property, plant and equipment	1,164	1,226	1,263	1,195	1,249
Other net assets, excluding liquid funds	1,230	1,173	955	733	1,022
	3,405	3,597	3,464	3,088	3,899
Financed by					
Share capital	29	29	28	28	28
Share premium	42	41	27	19	6
Foreign currency translation reserve	117	127	402	244	380
Profit and loss account	2,412	2,689	2,596	2,842	2,962
Shareholders' equity	2,600	2,886	3,053	3,133	3,376
Net debt/(cash)	805	711	411	(45)	523
Net assets employed	3,405	3,597	3,464	3,088	3,899

* restated to present the French businesses as discontinued operations.

** not restated for IAS 19 (Revised) "Employee benefits".

Five year summary (continued)

	2015 £m	Restated 2014* £m	Restated 2013* £m	Restated 2012*** £m	Restated 2011*** £m
Continuing operations (unless otherwise stated)					
Like-for-like revenue growth	6.8%	4.4%	3.8%	4.4%	5.2%
Gross margin	28.0%	27.8%	27.6%	27.1%	27.4%
Trading margin	6.4%	6.1%	5.9%	5.3%	4.9%
Headline earnings per share	230.2p	195.0p	175.1p	156.8p	128.5p
Basic earnings/(loss) per share from continuing and discontinued operations	82.1p	189.8p	107.4p	20.1p	95.9p
Dividends per share (in respect of the financial year)	90.75p	82.5p	66.0p	60.0p	45.0p
Special dividend per share	–	110.0p	122.0p	–	–
Cover for ordinary dividends	2.5	2.4	2.7	2.6	2.9
Net tangible assets per ordinary share	595.1p	632.1p	659.9p	689.9p	613.3p
Return on capital employed (note 1)	33.5%	30.7%	32.2%	29.3%	25.4%
Return on gross capital employed (note 2)	16.9%	14.8%	14.3%	12.6%	10.6%
Average number of employees	37,054	35,535	34,929	36,150	38,086
Number of shares in issue at year-end (million)	267	267	274	286	285
Number of branches at year-end					
Continuing operations	2,739	2,711	2,730	2,847	3,147
Discontinued operations	168	169	298	313	690
Total branches	2,907	2,880	3,028	3,160	3,837
US dollar translation rate					
Income statement/profit and loss	1.56	1.64	1.56	1.58	1.60
Balance sheet	1.56	1.69	1.52	1.57	1.64
Canadian dollar translation rate					
Income statement/profit and loss	1.86	1.76	1.57	1.59	1.59
Balance sheet	2.04	1.84	1.56	1.57	1.57
Euro translation rate					
Income statement/profit and loss	1.33	1.21	1.20	1.19	1.16
Balance sheet	1.42	1.26	1.14	1.27	1.14

Note 1. 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 2015 has been calculated as follows:

	Capital employed 2015 £m	Capital employed 2014 £m	Average capital employed £m	Trading profit £m	Return on capital employed
Net debt	805	711			
Year-end working capital adjustment	130	90			
	935	801			
Shareholders' equity	2,600	2,886			
Goodwill and other acquired intangibles	(968)	(1,165)			
Goodwill in assets held for sale	–	(3)			
	2,567	2,519	2,543	852	33.5%

Note 2. 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 write-offs to goodwill and other acquired intangibles including amounts in assets held for sale at 31 July 2015 is £1,505 million (2014: £1,377 million) and average gross capital employed for 2015 is calculated as £5,052 million.

Group companies 2015

The Wolseley Group comprises a large number of companies. This list includes only those subsidiaries which in the Directors' opinion principally affect the figures shown in the consolidated financial statements. A full list of subsidiary undertakings are detailed below.

Principal subsidiary undertakings

Company name	Principal activity	Country of incorporation
Beijer Byggmaterial AB	Operating company	Sweden
DT Group Holdings A/S	Operating company	Denmark
Ferguson Enterprises Inc	Operating company	USA
Neumann Bygg AS	Operating company	Norway
DT Finland Oy	Operating company	Finland
Tobler Haustechnik AG	Operating company	Switzerland
Wasco Holding B.V.	Operating company	The Netherlands
Wolseley Canada Inc.	Operating company	Canada
Wolseley UK Limited	Operating company	England and Wales
Wolseley Capital, Inc.	Financing company	USA
Wolseley Finance (Switzerland) AG	Financing company	Switzerland
Wolseley Holdings (Switzerland) AG*	Investment 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) 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.

(2) All shareholdings in the above subsidiary undertakings are of ordinary shares or equity capital.

(3) A full list of related undertakings of Wolseley Limited is included in its Annual Return submitted to the UK Registrar of Companies.

(4) All subsidiary undertakings have been included in the consolidation.

Full list of subsidiary undertakings

A full list of subsidiaries, joint ventures and companies in which a Wolseley Group company has a controlling interest as at 31 July 2015. The country of incorporation and the effective percentage of equity owned (if less than 100 per cent) is also detailed below. Unless otherwise noted, the share capital comprises ordinary shares which are indirectly held by Wolseley plc.

Fully owned subsidiaries

7166800 Canada Inc. (Canada) ⁽ⁱⁱⁱ⁾	Caselco Limited (England) ^{(iii)(iv)}	Ferguson Enterprises NY-Metro, Inc. (US) ^(ix)
8933111 Canada Inc. (Canada) ^(ix)	Clayton International, LLC (US) ^(ix)	Ferguson Enterprises Real Estate, Inc (US) ⁽ⁱⁱⁱ⁾
A C Electrical Holdings Limited (England) ^(ix)	Controls Center Limited (England) ^{(iii)(ix)}	Ferguson Fire & Fabrication Inc. (US) ⁽ⁱⁱⁱ⁾
A C Electrical Wholesale Limited (England) ⁽ⁱⁱⁱ⁾	Crew-Davis Limited (England) ^{(iii)(iv)}	Ferguson Panama, S.A. (Panama) ^(ix)
A C Ferguson Limited (Scotland) ^{(iii)(iv)}	Dansk Braendimprægnering A/S (Denmark) ⁽ⁱⁱⁱ⁾	Ferguson Receivables, LLC. (US) ^(ix)
Advancechief Limited (England) ^{(iii)(iv)}	Davidson Group Leasing Co. LLC (US) ^(ix)	Firstbase (Aberdeen) Limited (Scotland) ⁽ⁱⁱⁱ⁾
AS Puukeskus (Estonia) ⁽ⁱⁱⁱ⁾	Drain Center Limited (England) ^{(iii)(iv)}	Firstbase (Borders) Limited (Scotland) ⁽ⁱⁱⁱ⁾
B Holding SAS (France) ⁽ⁱⁱⁱ⁾	DT 1 A/S (Denmark) ^{(iii)(iv)}	Firstbase (Dumfries) Limited (Scotland) ⁽ⁱⁱⁱ⁾
B Participations SAS (France) ⁽ⁱⁱⁱ⁾	DT 2 A/S (Denmark) ^{(iii)(iv)}	Firstbase (Glasgow) Limited (Scotland) ^{(iii)(iv)}
Beheersmaatchappij Wasco B.V. (Netherlands) ^{(iii)(iv)}	DT 3 A/S (Denmark) ^{(iii)(iv)}	Firstbase Timber Limited (Scotland) ^{(iii)(iv)}
Beijer Byggmaterial AB (Sweden) ⁽ⁱⁱⁱ⁾	DT 4 A/S (Denmark) ^{(iii)(iv)}	FNW, Inc. (US) ^{(iii)(ix)}
Beijer Byggmaterial i Uppsala AB (Sweden) ⁽ⁱⁱⁱ⁾	DT 5 A/S (Denmark) ^{(iii)(iv)}	Fusion Provida Holdco Limited (England) ⁽ⁱⁱⁱ⁾
Bois & Matériaux SAS (France) ⁽ⁱⁱⁱ⁾	DT Finland Oy (Finland) ⁽ⁱⁱⁱ⁾	Fusion Provida UK Limited (England) ⁽ⁱⁱⁱ⁾
Brackmills Building Supplies Limited (England) ^{(iii)(iv)}	DT Group Danmark A/S (Denmark) ⁽ⁱⁱⁱ⁾	G. L. Headley Limited (England) ^{(iii)(iv)}
British Fittings Central Limited (England) ^{(iii)(iv)}	DT Group Holdings A/S (Denmark) ⁽ⁱⁱⁱ⁾	Galley Matrix Limited (England) ^{(iii)(iv)}
British Fittings Company (North Eastern) Limited (England) ^{(iii)(ix)}	DT Holding (Sweden) AB (Sweden) ⁽ⁱⁱⁱ⁾	Glegg & Thomson Limited (Scotland) ^{(iii)(iv)}
British Fittings Limited (England) ^{(iii)(iv)}	DT Holding 1 AS (Denmark) ⁽ⁱⁱⁱ⁾	Goldfinch Limited (Guernsey) ^{(iii)(xii)}
Broughton's Limited (England) ^{(iii)(iv)}	Electro Energy A/S (Denmark) ⁽ⁱⁱⁱ⁾	Greenhow & Welch Limited (England) ^{(iii)(iv)}
Build Center Limited (England) ^{(iii)(iv)}	Endries International Canada Inc (Canada) ⁽ⁱⁱⁱ⁾	Guimier SAS (France) ⁽ⁱⁱⁱ⁾
Build.com, Inc. (US) ^(ix)	Endries International de Mexico, S.A. de C.V. (Mexico) ^(iv)	Gunn Bros. (Builders Merchants) Limited (England) ^{(iii)(iv)}
Builder Center Limited (England) ^{(iii)(iv)}	Endries International Europe BV (Netherlands) ⁽ⁱⁱⁱ⁾	H.P. Products Corporation (US) ^(ix)
Building & Engineering Plastics Limited (England) ^{(iii)(iv)}	Endries International, Inc. (US) ^{(iv)(iii)}	H.R. Sandvold AS (Norway) ⁽ⁱⁱⁱ⁾
Cal-Steam, Inc. (US) ^(ix)	Energy & Process Corporation (US) ⁽ⁱⁱⁱ⁾	Hall & Co. Limited (England) ^{(iii)(iv)}
Capstone Global Solutions AG (Switzerland) ⁽ⁱⁱⁱ⁾	Ferguson CESCO Inc (US) ^{(iii)(iv)}	Health Equipment Hire Limited (England) ^{(iii)(iv)}
	Ferguson Enterprises, Inc. (US) ^(ix)	

Fully owned subsidiaries continued

Heating Replacement Parts & Controls Limited (England)⁽ⁱ⁾⁽ⁱⁱ⁾
 Heatmerchants Limited (England)⁽ⁱ⁾⁽ⁱⁱ⁾
 Helatukku Finland Oy (Finland)⁽ⁱⁱ⁾
 Het Onderdeel BV (Netherlands)⁽ⁱⁱ⁾
 Homeoutlet Online Limited (England)⁽ⁱⁱ⁾
 Hobro Ny Træløst A/S (Denmark)⁽ⁱⁱ⁾
 HP Logistics, Inc. (US)^(ix)
 Huggjærnet 6 Kommanditbolag (Sweden)^(xii)
 J F Lord Limited (England)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
 J. O. Millar Partners Limited (Scotland)⁽ⁱⁱⁱ⁾
 Joseph G. Pollard Co. Inc. (US)^(ix)
 Julise Limited (England)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
 Keelband Limited (Guernsey)^{(ii)(xiii)}
 Keramikland AG (Switzerland)⁽ⁱⁱ⁾
 King & Company (1744) Limited (England)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
 Kommanditbolaget Näringen 8:4 (Sweden)^(ix)
 L Barclay & Company Limited (Scotland)⁽ⁱⁱⁱ⁾
 Linder Limited (Northern Ireland)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
 Lygon Holdings Limited (England)^{(ii)(ix)}
 M. A. Ray & Sons Limited (England)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
 McMillan & Lyness Limited (Northern Ireland)⁽ⁱⁱⁱ⁾
 Melanie Limited (England)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
 MPS Builders Merchants Limited (England)⁽ⁱⁱ⁾
 Neumann Bygg AS (Norway)⁽ⁱⁱ⁾
 Nevill Long Limited (England)⁽ⁱⁱ⁾
 Northern Heating Limited (Scotland)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
 Northern Heating Supplies Limited (Scotland)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
 Nu-Way Heating Plants Limited (England)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
 O.B.C. Limited (England)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
 O.B.C. Limited (Northern Ireland)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
 Oil Burner Components Limited (England)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
 P.D.M. (Plumbers Merchants) Limited (Scotland)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
 Parts Center Limited (England)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
 Pat Murphy Industrial (Sales & Service) Limited (Republic of Ireland)⁽ⁱⁱⁱ⁾
 PB&M SAS (France)⁽ⁱⁱⁱ⁾
 Pipeline Controls Limited (England)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
 Plumb-Center Limited (England)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
 Power Equipment Direct Inc. (US)^(ix)
 Promandis Limited (England)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
 Reay Electrical Distributors Limited (England)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
 Rosco Industrial Limited (Scotland)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
 Sellers of Leeds (Group Services) Limited (England)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
 Sellers of Leeds International Limited (England)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
 Sellers of Leeds Limited (England)^(viii)
 SEMSCO Barbados, LLC (US)^{(ii)(ix)}
 SEMSCO de Costa Rica LTD (Costa Rica)^{(ii)(ix)}
 Shawmac Limited (Northern Ireland)^(ix)
 Sindberg Eksport A/S (Denmark)⁽ⁱⁱ⁾
 St. Nicholas Finance Limited (England)^{(ii)(ix)}
 Stark Kalaallit Nunaat A/S (Greenland)⁽ⁱⁱ⁾
 Starkki Property Oy (Finland)⁽ⁱⁱ⁾
 Stock Loan Services LLC (US)^(ix)
 T & R Electrical Wholesalers Ltd (England)⁽ⁱⁱ⁾
 Tellum Construction, LLC (US)^(ix)
 Thames Finance Company Limited (England)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
 Thomson Brothers Limited (Scotland)⁽ⁱⁱⁱ⁾
 Tobler Haustechnik AG (Switzerland)⁽ⁱⁱ⁾
 Tobler Service AG (Switzerland)⁽ⁱⁱ⁾
 Uni-Rents Limited (England)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
 Utility Power Systems Limited (England)^(v)
 Wasco Distributiecentrum B.V. (Netherlands)⁽ⁱⁱ⁾
 Wasco Energie Centrum B.V. (Netherlands)⁽ⁱⁱ⁾
 Wasco Groothandelsgroep B.V. (Netherlands)⁽ⁱⁱ⁾
 Wasco Holding B.V. (Netherlands)⁽ⁱⁱ⁾
 Wasco Twello B.V. (Netherlands)⁽ⁱⁱ⁾

Westile (Aberdeen) Limited (Scotland)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
 Wholesale Supplies (C.I.) Ltd (Jersey)⁽ⁱⁱ⁾
 William Barker Junr. (Estd 1856) Limited (England)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
 William Wilson & Co. (Aberdeen) Limited (Scotland)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
 William Wilson & Company (Glasgow) Limited (Scotland)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
 William Wilson (Rugby) Limited (England)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
 William Wilson Holdings Limited (Scotland)^(v)
 William Wilson Ltd (Scotland)⁽ⁱⁱ⁾
 Willow (Guernsey) Limited (Guernsey)^{(ii)(xiii)}
 Wilson Realisations Limited (Scotland)⁽ⁱⁱ⁾
 WM. C. Yuille & Company Limited (Scotland)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
 Wolseley (Barbados) Ltd (Barbados)⁽ⁱⁱ⁾
 Wolseley (Group Services) Limited (England)⁽ⁱⁱ⁾
 Wolseley Bristol Limited (England)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
 Wolseley Canada Inc. (Canada)^(ix)
 Wolseley Capital, Inc. (US)^(vi)
 Wolseley Centers Limited (England)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
 Wolseley Centres Limited (England)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
 Wolseley de Puerto Rico, Inc. (Puerto Rico)^{(ii)(ix)}
 Wolseley Developments Limited (England)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
 Wolseley Directors Limited (England)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
 Wolseley ECD Limited (Northern Ireland)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
 Wolseley ECL Limited (England)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
 Wolseley Engineering Limited (England)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
 Wolseley Europe Limited (England)⁽ⁱⁱ⁾
 Wolseley Finance (Isle of Man) Limited (Isle of Man)^{(vi)(xiii)}
 Wolseley Finance (Switzerland) AG (Switzerland)⁽ⁱⁱ⁾
 Wolseley Finance (Thames) Limited (England)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
 Wolseley Finance (Theale) Limited (England)^{(ii)(vi)}
 Wolseley France Bois et Matériaux SNC (France)⁽ⁱⁱ⁾
 Wolseley France Logistique SAS (France)⁽ⁱⁱ⁾
 Wolseley France SAS (France)⁽ⁱⁱ⁾
 Wolseley Green Deal Services Limited (England)⁽ⁱⁱ⁾
 Wolseley Group Holdings Limited (England)⁽ⁱⁱ⁾
 Wolseley Haworth Limited (England)⁽ⁱⁱ⁾
 Wolseley Holding A/S (Denmark)⁽ⁱⁱ⁾
 Wolseley Holdings (Ireland) (Republic of Ireland)^{(ii)(iii)(xiii)}
 Wolseley Holdings (Switzerland) AG (Switzerland)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
 Wolseley Holdings Canada Inc. (Canada)^(ix)
 Wolseley Industrial Canada Inc. (Canada)⁽ⁱⁱ⁾
 Wolseley Insurance Limited (Isle of Man)^(ix)
 Wolseley Integrated de Mexico, S.A. de C.V. (Mexico)^(iv)
 Wolseley International Limited (England)⁽ⁱⁱ⁾
 Wolseley Investments Limited (England)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
 Wolseley Investments North America, Inc. (US)⁽ⁱⁱ⁾
 Wolseley Investments, Inc. (US)⁽ⁱⁱ⁾
 Wolseley Liegenschaftsverwaltung GmbH (Austria)⁽ⁱⁱ⁾
 Wolseley Limited (England)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
 Wolseley NA Construction Services, LLC (US)^(ix)
 Wolseley Nordic Holdings AB (Sweden)⁽ⁱⁱ⁾
 Wolseley North America, Inc. (US)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
 Wolseley Overseas Holdings Limited (England)⁽ⁱⁱ⁾
 Wolseley Overseas Limited (England)⁽ⁱⁱ⁾
 Wolseley Pension Trustees Limited (England)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
 Wolseley Procurement, LLC (US)^(ix)
 Wolseley Properties Limited (England)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
 Wolseley QUEST Limited (England)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
 Wolseley Raven Limited (England)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾

Wolseley Sourcing (Switzerland) AG (Switzerland)⁽ⁱⁱ⁾
 Wolseley Staffing de Mexico, S.A. de C.V. (Mexico)^(iv)
 Wolseley Treasury (USD) (England)⁽ⁱⁱ⁾
 Wolseley Trinidad Ltd (Trinidad and Tobago)⁽ⁱⁱ⁾
 Wolseley UK Directors Limited (England)⁽ⁱⁱ⁾
 Wolseley UK Finance Limited (Guernsey)^{(ii)(iii)(xiii)}
 Wolseley UK Limited (England)^(viii)
 Wolseley Utilities Limited (England)⁽ⁱⁱ⁾
 Wolseley-Hughes Limited (England)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
 Wolseley-Hughes Merchants Limited (England)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
 Wright (Bedford) Limited (England)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾
 Yorkshire Heating Supplies Limited (England)⁽ⁱⁱ⁾⁽ⁱⁱⁱ⁾

Joint ventures

Duomat SAS (France, 50%)⁽ⁱⁱ⁾

Controlling interests

Luxury for Less Limited (England, 68%)^(vii)
 SCI de Lhoumaille (France, 53%)⁽ⁱⁱ⁾
 Shanghai Du De International Trading Company (China, 100%)^{(ii)(xiv)}

Notes:

- (i) Directly owned by Wolseley plc
- (ii) Dormant company
- (iii) Ownership held in ordinary shares
- (iv) Ownership held in class of A shares
- (v) Ownership held in classes of A and B shares
- (vi) Ownership held in classes of A, B, C and D shares
- (vii) Ownership held in classes of A1, A2, B, C, D, E, G shares
- (viii) Ownership held in ordinary and preference shares
- (ix) Ownership held in common stock
- (x) Ownership held in common stock and preferred stock
- (xi) Ownership held as membership interests
- (xii) Ownership held as partnership interests
- (xiii) Companies controlled by the Group based on management's assessment
- (xiv) Ownership held 100% by Luxury for Less Limited

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.

Financial calendar

Key dates for 2015/16 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.

1 December 2015, 3.00pm Swiss time	Wolseley plc 2015 Annual General Meeting
3 December 2015	2015 final dividend payment date
22 March 2016	Announcement of Half Year results for the period ending 31 January 2016
29 April 2016	2016 proposed interim dividend payment date
1 June 2016	Interim Management Statement released
31 July 2016	End of financial year 2015/16
27 September 2016	Final results for the year ending 31 July 2016

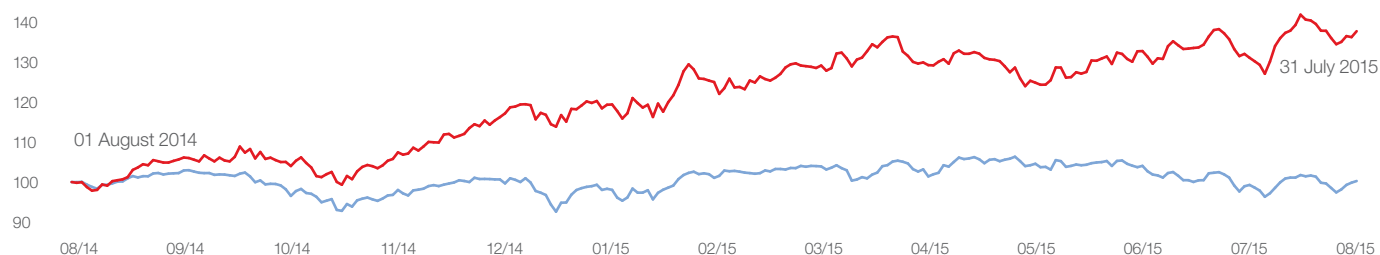
Wolseley shares

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 10⁵³/₆₆ pence.

2012 – Special dividend, share consolidation and consequential redenomination of shares as 10⁵/₁₁ 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

Telephone: Within the US toll free: +1 800 937 5449
International: +1 718 921 8124
Website: www.adr.db.com

Dividend

Proposed final dividend

60.5 pence per share

The Directors have recommended a final dividend of 60.5 pence per share. Payment of this dividend is subject to approval at the 2015 AGM.

Key dates for this dividend

Ex-dividend date	22 October 2015
Record date	23 October 2015
DRIP election date	12 November 2015
AGM (to approve final dividend)	1 December 2015
Payment date	3 December 2015
DRIP certificates posted/CREST accounts credited	8 December 2015

Dividend history

Details of dividends paid in the financial years 2013/14 and 2014/15 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
2014/15	Interim 2015	30.25	7 April 2015	30 April 2015	£38.4398
2013/14	Final 2014	55	17 October 2014	27 November 2015	£35.5665
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

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). 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 0371 384 2934. Please note that if you wish to join the DRIP in time for the 2015 final dividend, our Registrars, Equiniti, must have received the instruction by 12 November 2015.

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.

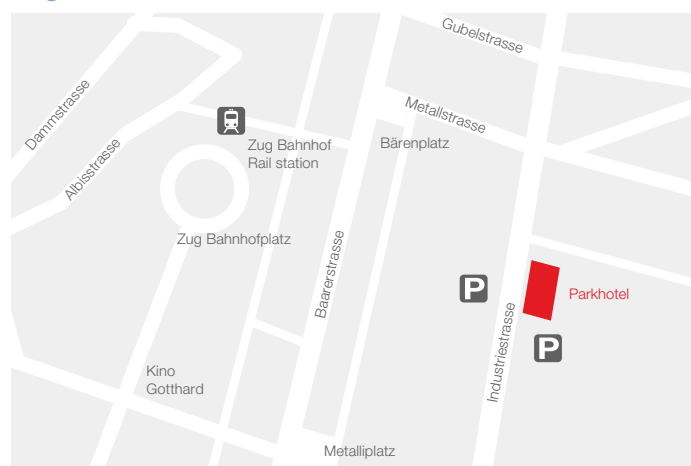
Shareholder communications

Annual General Meeting (“AGM”)

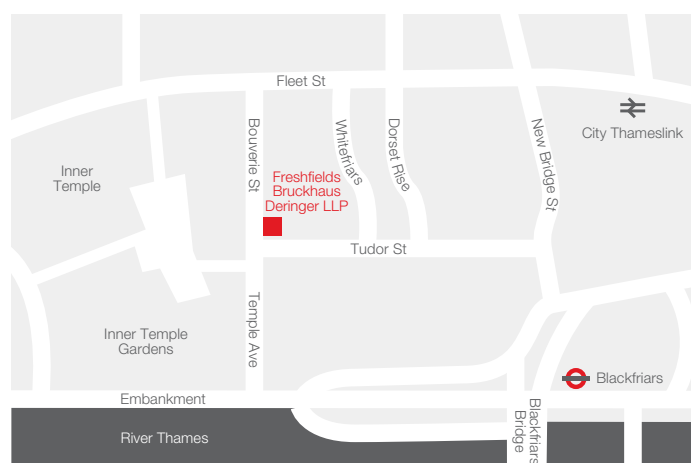
The 2015 AGM will be held on Tuesday, 1 December 2015 at Parkhotel, Industriestrasse 14, CH-6304, Zug, Switzerland and will commence at 3.00pm, Swiss time. An audio visual link to the meeting is proposed to be available at the offices of Freshfields Bruckhaus Deringer LLP, 26–28 Tudor Street, London EC4Y 0BQ, United Kingdom, commencing at 2.00pm (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, c/o Equiniti (8063), PO Box 75, 26 New Street, St Helier, Jersey JE4 3RA Channel Islands.

Telephone: 0371 384 2934 and from outside the UK +44 (0)121 415 7011

Website: www.equiniti.com

Shareview website: www.shareview.co.uk/myportfolio

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) or by calling 03456 037 037.

Group information

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

Company contacts

Investor relations (investor@wolseley.com)

Group Director of Communications and Investor Relations
Mark Fearon

Company secretariat

Group Company Secretary
Graham Middlemiss

Company advisers

Auditors

PricewaterhouseCoopers LLP

Public relations

Brunswick

Corporate brokers

Bank of America Merrill Lynch
Barclays

Solicitors

Freshfields Bruckhaus Deringer LLP

Stay informed



Main corporate site

www.wolseley.com

Key sections include Our businesses, Investors and media and Sustainability. 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

[\[annualreport2015.wolseleyplc.com\]](http://annualreport2015.wolseleyplc.com)

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

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.

Credits

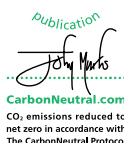
Designed and produced by Radley Yeldar
www.ry.com

Photography by George Brooks, Henry Thomas, Bill Robinson and Andy Wilson

Paper

This report is printed on Amadeus 50 Silk paper and cover board, with Amadeus 100 offset used in the financial section. Amadeus 50 Silk is made from 25 per cent de-inked post-consumer waste, 25 per cent unprinted pre-consumer waste and 50 per cent virgin fibre.

Amadeus 100 offset is made from 100 per cent de-inked post consumer waste. Both products are fully biodegradable and recyclable and produced in mills which hold ISO 9001 and ISO 14001 accreditation.



Printing

Printed by Pureprint Group. The printing inks are made with non-hazardous vegetable oil from renewable sources. Over 90 per cent of solvents and developers are recycled for further use and recycling initiatives are in place for all other waste associated with this production. Pureprint Group is FSC® with strict procedures in place to safeguard the environment through all processes.

The greenhouse gas emissions from the production and distribution of this Annual Report and Accounts have been neutralised through The Gold Standard Basa Magogo offsetting project in South Africa.

The first Gold Standard project of its kind in the world, this innovative behaviour-change programme teaches local communities in South Africa to burn coal differently in order to be more fuel efficient, thereby reducing carbon emissions. The technique, called Basa Magogo, means "Light it up! Grandmother" in Zulu. In addition to the emission reductions, the Basa Magogo technique also improves visibility and reduces health risks by producing less smoke.



Wolseley plc

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 **@wolseleyplc**