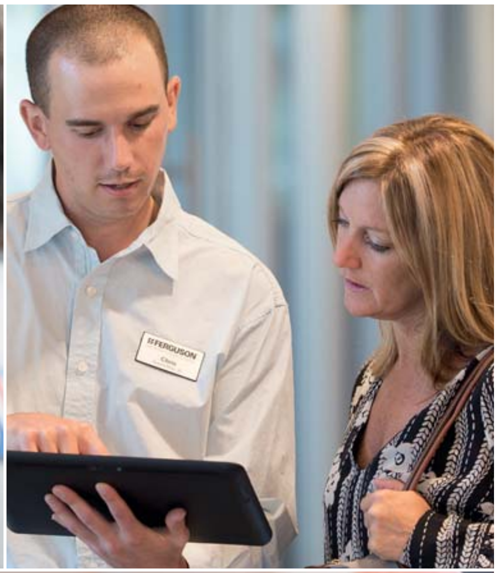
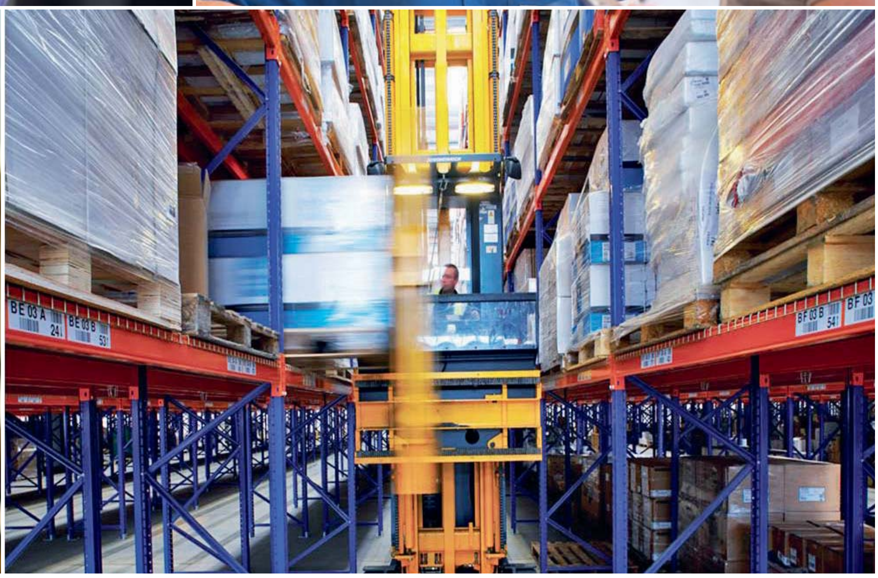
WOLSELEY

Focusing on our strengths





Annual Report
and Accounts 2016

Highlights

A year of continued improvement

£14,430m Revenue +8.5%	**28.3%** Gross margin +0.3%	**£917m** Trading profit* +7.0%
£727m Profit before tax +43.1%	**247.7p** Headline earnings per share* +7.6%	**1.47** Injury rate per 100,000 hours worked 2.6% improvement

On pages inside front cover ("ifc") to 25 all financial information is reported on an ongoing basis unless otherwise stated. For a reconciliation and definition of "ongoing" see note 2 on page 80.

*For definitions and reconciliations of Alternative Performance Measures to International Financial Reporting Standards see notes 2, 9 and 10 on pages 80, 85 and 86.

A strong investment case

Primarily plumbing and heating distribution

Principally serving Repair, Maintenance and Improvement ("RMI") markets

Adjacent market opportunities, e.g. building materials, waterworks

Benefits of scale

Largest plumbing and heating distributor in the world

Benefits of scale in procurement, operations, supply chain and technology

Market leading positions (82 per cent of revenue generated through No. 1 or No. 2 market share positions)

Attractive growth opportunities

Strong sales culture

Fragmented markets

Low risk bolt-on mergers and acquisitions ("M&A") opportunities

Quick, reliable payback from branch expansion

Low volatility

Sustained gross margins

Strong investment grade balance sheet

Limited pension exposure and low level of operating leases

Strong free cash flow through the economic cycle

Strong execution culture

Strong people and service culture

Systematically driving performance

Best-in-class e-commerce

Constantly developing our operating model to enhance service and margins

Visit our website for a complete downloadable version of the Annual Report

www.wolseley.com

A year of continued momentum and substantial change

Key highlights

Increased total ordinary dividend to 100.0 pence (2014/15: 90.75 pence)

£300 million share buyback programme completed

Orderly CEO succession completed

Performance and strategy update

The 2015/16 financial year has been one of substantial change and further progress. Our markets have been much more challenging this year, particularly in the USA where we have faced headwinds from weak industrial markets and significant commodity price deflation. The heating market in the UK weakened and consumer demand in the Nordics fell in the second half. Despite this, we have still delivered an improved trading performance.

On 1 September 2016, John Martin stepped up as our new Group Chief Executive following the retirement of Ian Meakins in August. We will continue to implement our successful strategy and John's appointment will not lead to a radical departure from this. Naturally, he will introduce his own leadership style, points of emphasis and inject further pace into our actions.

To read the Group Chief Executive's Q&A and review **see pages 3 to 5**

Board changes

During 2015/16, the focus has been on Executive succession plans following Ian's decision to retire on 31 August 2016. First, a few words on Ian's tenure. He was appointed Group Chief Executive in July 2009. During his tenure Ian made an outstanding contribution, transforming the Group's businesses to deliver excellent service to our customers, developing our people and generating great returns for our shareholders. We wish him well in his retirement and thank him for his distinguished service and leadership.

John Martin joined Wolseley in 2010 as Chief Financial Officer ("CFO") and has an impressive track record both during his time here but also in his previous Executive career. His broad international experience and strong leadership capabilities will ensure that Wolseley continues to drive improved operational performance and capitalise on the significant opportunities to generate profitable growth.

In May, we also announced that David Keltner would step up to the role of interim Group CFO on 1 September 2016. David has over 10 years of experience as CFO of Ferguson, the largest business in the Group, and we are fortunate to have such a high calibre and experienced Executive available. The selection process to appoint a permanent Group CFO is progressing well.

Governance

Although the Company is not required to do so as a Jersey company, it meets the requirements of the regulations published by the Department for Business, Innovation and Skills concerning narrative and directors' remuneration reporting. We have continued to meet all of these disclosure requirements and we continue to monitor developments and adopt 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 40 to 72. The Board places great importance in providing clear and transparent reporting and believes this Annual Report to be fair, balanced and understandable.

Dividend

The Board recommends a final dividend of 66.72 pence per share (2014/15: 60.5 pence per share), an increase of 10.3 per cent over last year for payment on 1 December 2016 to shareholders on the register at 28 October 2016. This will bring the total dividend for the year to 100.0 pence per share (2014/15: 90.75 pence per share), an increase of 10.2 per cent.

Outlook

Like-for-like revenue growth in the new financial year has been 1.5 per cent for the Group and 4.5 per cent in the USA. Demand across our markets remains mixed, with some uncertainty in the economic outlook. We will remain vigilant in controlling our costs to protect profitability while investing in attractive opportunities for profitable growth. We are confident that Wolseley will make further progress in the year ahead.

People

Finally, on behalf of the Board, I would like to thank our Wolseley colleagues who make our business what it is today. It is their dedication, hard work and commitment that deliver improving results year-on-year and great value for our customers, suppliers and shareholders alike.

Gareth Davis

Gareth Davis
Chairman

Group Chief Executive's Q&A

Focusing on our strengths

Our business units each have clear strategic plans to drive profitable growth and will continue to execute them.

To watch a video interview with John Martin visit

www.wolseley.com

Transitioning into the Group Chief Executive role in recent months, I have had a great opportunity to meet and listen to our customers, suppliers, leaders and associates. This has reinforced my view of the inherent strengths of the Wolseley business, not least the fantastic depth of talent and dedication of our associates at the front line. It has also highlighted some of the opportunities that lie ahead of us which are discussed below.

Q How would you assess the business's strengths today?

This is a people business. The quality, knowledge, dedication and service that our associates deliver to our customers and the long-term and enduring relationships they develop is a key differentiator.

Today we have a focused set of specialist distribution businesses operating in attractive markets with leading market positions. Scale, in supply chain, procurement, operations and technology is a strong source of competitive advantage. We continue to invest in these areas to maximise the benefits we can bring to service our customers and generate attractive returns.

Within our industry, long-term growth drivers remain attractive in all the geographic regions where we operate today. We predominantly serve repair, maintenance and improvement markets which are usually resilient through the economic cycle. The majority of our businesses operate in highly fragmented markets where there are good opportunities to generate organic growth and bolt-on acquisitions.

Q What are the immediate challenges Wolseley faces?

Over the past 18 months we have experienced more turbulent end markets accompanied by the collapse in the oil price, falling commodity prices and volatile exchange rates. Most notably for Wolseley in 2015/16 we've faced declining industrial markets in North America and our markets in Europe have remained weak. The UK vote to leave the European Union adds political and economic uncertainty in the UK and Europe. We will steer our businesses through these considerable changes, to develop and enhance our services in support of our customers and aim to provide the most stable, yet dynamic place for associates to work in this industry. That will continue to drive profitable growth, one of the hallmarks of our business in recent years.

Q How will this influence your approach to strategy?

Our business units each have clear strategic plans to generate profitable growth and will continue to execute them. Resource allocation, that is investing the most capital and human resources in those businesses capable of generating the best returns for our shareholders, is an important part of our DNA today. We will continue to be good custodians of our shareholders' capital both in terms of investment in organic expansion and bolt-on M&A where we can create synergies. At the same time we will maintain a strong balance sheet which will enable us to continue to grow and invest in our businesses over the long-term without worrying too much about short-term market factors.

Q So where will you focus in the next two to three years?

The key challenge for Wolseley today is to focus resources and ensure we execute our strategies much more consistently and rapidly in all of our businesses. In some businesses, like Ferguson, we have implemented strong and rapid execution deeper into the organisation with excellent results. In others however, we have not achieved the same level of traction. We will continue to build on Wolseley's considerable strengths and we now need to sharpen our focus in a few key areas to achieve better execution.

To read more on our key priorities **see pages 4 and 5**

Q What do you believe is the business's greatest asset?

We have one powerful and sustainable asset: our associates. Travelling and working around the Group, listening to them, watching the skill, knowledge and commitment they bring to servicing our customers is inspirational. We will continue to get great execution by investing constantly in their development and enabling them to deliver the best service every day for our customers.

Achieving excellent execution

We want to accelerate execution of our strategy throughout the organisation to deliver faster profitable growth in every business.

John Martin
Group Chief Executive

Performance

The Group continued to make progress in 2015/16 in challenging market conditions. Revenue of £14,430 million (2014/15: £13,300 million) was 8.5 per cent ahead and 2.4 per cent ahead on a like-for-like basis against strong prior year comparatives. Price deflation, possibly the most severe the Group has ever faced, was a significant headwind in the USA and the UK which reduced Group revenue by 1.5 per cent. We continued to work hard and made good progress with gross margins, which at 28.3 per cent (2014/15: 28.0 per cent) were ahead of last year. Operating expenses were 6.0 per cent higher at constant exchange rates including 2.0 per cent from acquisitions. Trading profit was £917 million (2014/15: £857 million), 7.0 per cent ahead of last year, including a £46 million benefit from foreign exchange movements.

To read more about our Key performance indicators **see pages 8 and 9**

Excellent execution

We want to accelerate execution of our strategy throughout the organisation to deliver faster profitable growth in every business.

In all of our businesses our objective is to grow revenue ahead of the market while generating profitable growth through a relentless focus on providing the very best service in our industry, improving gross margins and maintaining an efficient cost base.

Our businesses and markets are not homogeneous and therefore require customised strategies to provide our customers with the best possible experience.

To achieve excellent execution we have identified a number of important strategic themes which are the primary drivers for how we will win in our local markets, outperform our competitors and drive strong financial results. While these strategic themes are common, the businesses

Key strategic themes

1: Associate engagement

Well trained, highly engaged associates deliver better customer service. A relentless focus in this area drives customer loyalty.

2: Customer service

Our aim is to provide the best customer service in the industry, consistently across branches and regions.

3: Sales culture

We will continue to drive a strong sales culture. Where our associates are proud and confident about our services, and have the best tools, knowledge and data to support them, we will achieve the strongest results. They engage with existing and new customers to make sure we are front of mind when it comes to bids for work.

4: Operating model improvement

We need to ensure that our operating model is agile and flexible so it can adapt to changing customer needs. We also need to ensure our support functions provide the right service to the front end of the business and do so efficiently with the ability to flex their cost base when required.

5: E-commerce

Increasingly our customers want to deal with us online and we must ensure we have the leading e-commerce platform in each market in our industry. This provides our customers with an invaluable channel and some competitors find this hard to replicate, giving us a significant competitive advantage.

6: Private label penetration

We will systematically build upon and extend our portfolio of private label brands which in 2015/16 represented 6.4 per cent of Group revenue. We have an opportunity to offer a wider range of private label products to our customers, some of which attract a higher gross margin.

7: Pricing discipline

We will work constantly to understand our customers' needs more accurately and structure our pricing to be fair, consistent and transparent.

To read case studies about these key strategic themes **see pages 14 to 24**

To read more on our Financial and operating review **see pages 30 to 33**

To read more on our Regional performance **see pages 14 to 25**

prioritise them appropriately depending on the local market and competitive environment. For example, e-commerce growth is a priority in the UK and Canada where penetration is less than 10 per cent, whereas in Central Europe it is already over 35 per cent. So overall we want to see rapid execution of the most relevant initiatives in each business to drive the fastest improvements.

At the beginning of the 2016/17 financial year we have established three priorities against which we will allocate resources across the organisation:

- **Priority one – generate the best profitable growth in Ferguson**, our major US subsidiary. Ferguson has a clear strategy which we are executing rapidly and effectively. We will focus on accelerating revenue growth on a sustainable basis while continuing to generate attractive returns for shareholders. We will continue to target above market revenue growth supplemented by organic expansion and bolt-on M&A where we can generate valuable synergies.
- **Priority two – execute UK turnaround and repositioning plan.** In September 2016, we announced a new operational strategy focusing on the most attractive plumbing and heating categories. Going forward we will simplify our customer propositions; including one for smaller installers and one for medium and large specialist customers. At the same time we will lower the cost base and optimise the supply chain and branch network. You can read in more detail about our plans to transform the business in the UK operating review on page 20.
- **Priority three – review Nordics operational strategy and restore the business to profitable growth.** We have initiated a review of operational strategy in the Nordics to ensure that our strategy to drive the best service, grow market share and improve financial performance across the region is successful. We expect to conclude the review in the Spring of 2017.

Bolt-on acquisitions and disposals

During the year, we completed 16 bolt-on acquisitions with annualised revenue of £197 million. We will only acquire businesses that can help us achieve our strategic goals where we can achieve rapid integration synergies and generate attractive returns for shareholders. Since the year-end, we have completed two further acquisitions including Signature Hardware, a US business-to-consumer kitchen and bathroom retailer and Westfield Lighting, an Indianapolis based lighting company. The businesses generated annualised revenue of £92 million and trading profit of £19 million.

Management changes

Kath Durrant was appointed as Group HR Director in January 2016. She has broad international experience in large multi-national businesses and was until recently Group HR Director at Rolls-Royce plc. In February, Søren Olesen was appointed interim Chief Executive Officer ("CEO") of the Nordic region. Søren is a strong leader with considerable international and operational experience gained principally in the building materials industry in Europe. In July, Simon Oakland was appointed CEO of Canada and Central Europe. Simon has spent over 20 years in private equity with Alchemy Partners and Nikko Securities and has considerable international and operational experience.

Sustainability

We achieved each of our carbon and waste targets over the last two years and new five-year targets have now been set by each business. We are also pleased to report a reduction in our injury rate of 2.6 per cent. However, the deterioration in our lost workday rate (+5.6 per cent) and collision rate (+0.4 per cent) is disappointing and our businesses have plans to address these. This year we updated the Group's sustainability framework following a comprehensive review with the businesses, the Board and engagement with our stakeholders. The programme is designed to mitigate sustainability risks as well as offering our business opportunities to drive profitable growth (see the Sustainability section on page 26). We continually audit our branches against health and safety requirements and have made further investments in safer racking, machinery and other safety controls during the year.

People

I am excited by the challenges and opportunities that lie ahead and look forward to working with our 39,000 tremendously talented and dedicated associates to make Wolseley even more successful in the future.

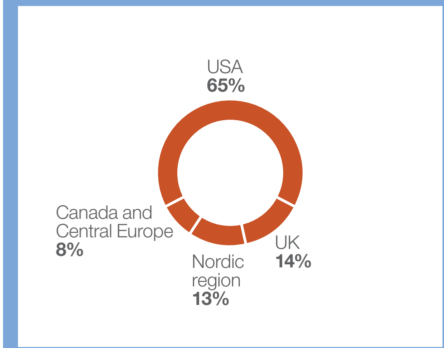
John Martin
Group Chief Executive

Group at a glance

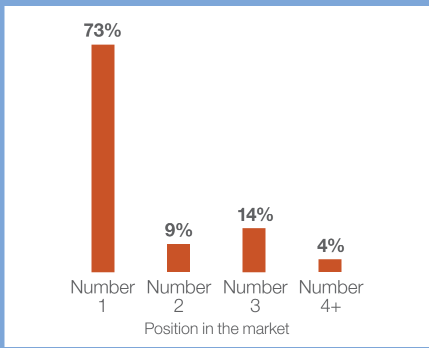
The world's leading specialist distributor

Group

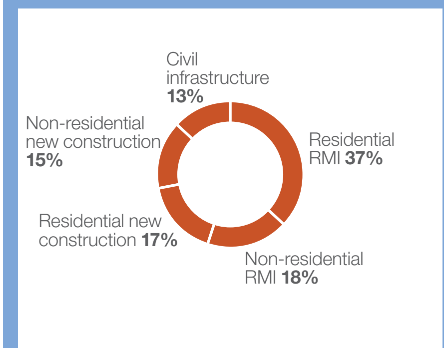
Group revenue by region
% of revenue



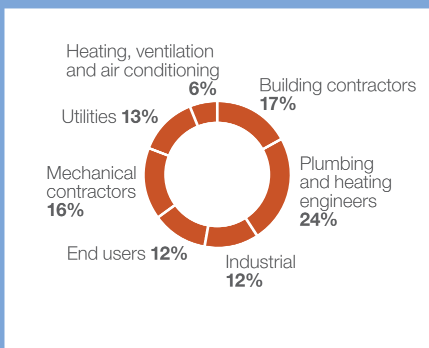
Market leading positions
% of revenue



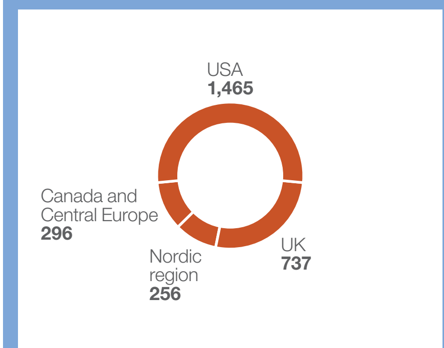
Servicing principally RMI markets
% of revenue



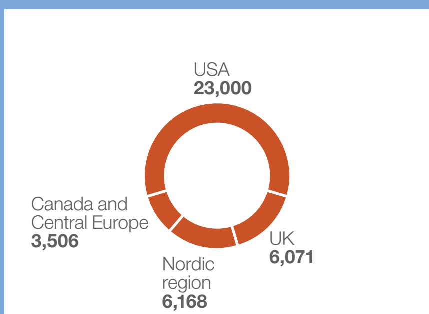
Customer mix
% of revenue



Branches by region
Total 2,754



Employees by region
Total 38,852*



*Total includes 107 central employees.

USA

Revenue
£9,456m
+4.1%[1]

Trading margin
8.2%
Flat

Key brands

FERGUSON®

build.com
Smarter Home Improvement

To read more **see page 14**

UK

Revenue

£1,996m

–1.6%[1]

Trading margin

3.7%

–0.8%

Key brands

PLUMB CENTER, PARTS CENTER, PIPE CENTER, CLIMATE CENTER, DRAIN CENTER, BURDENS, soak.com

To read more **see page 20**

Nordic region

Revenue

£1,881m

+0.6%[1]

Trading margin

3.2%

–0.7%

Key brands

STARK, BEIJER BYGGMATERIAL

To read more **see page 22**

Canada and Central Europe

Revenue

£1,097m

–1.1%[1]

Trading margin

4.8%

–0.1%

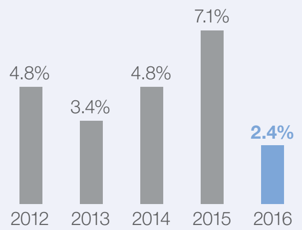
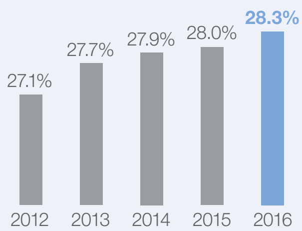
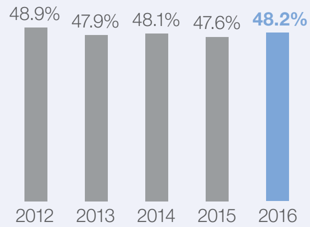
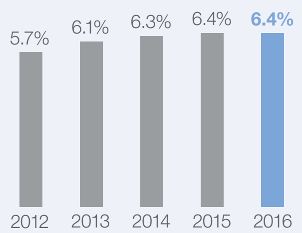
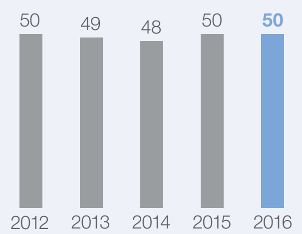
Key brands

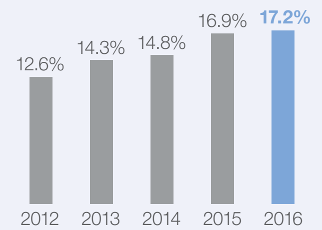
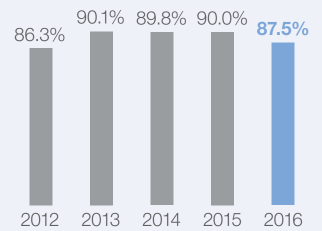
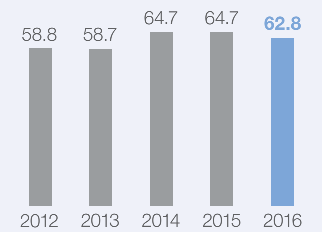
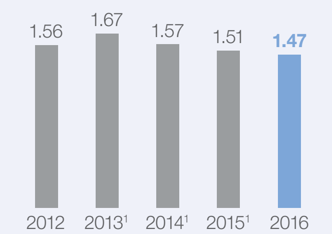
WOLSELEY, TOBLER, WASCO

1 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.

To read more **see page 24**

Measuring progress

Key performance indicator	Definition	Performance	Description
Like-for-like revenue growth **+2.4%**	The percentage increase or decrease in revenue year-on-year excluding the effect of currency exchange, acquisitions and disposals, trading days and branch openings and closures.		Like-for-like revenue **growth** was 2.4 per cent in 2015/16. The reduced growth rate from 2014/15 was due to a number of headwinds including commodity deflation, industrial declines and challenging European markets.
Gross margin **+0.3%**	The ratio of gross profit, excluding exceptional items, to revenue.		Gross margin **improved** by 30 basis points compared to 2014/15 principally as a result of the USA and UK improving their mix of business towards higher margin channels and product categories.
Labour costs as % of gross profit **0.6%** deterioration	This is a measure of productivity. It is the ratio of labour costs as a percentage of gross profit, excluding exceptional items.		Productivity **deteriorated** to 48.2 per cent, compared to 47.6 per cent in 2014/15. This is because of productivity declines in the UK and Nordics due to difficult market conditions.
Trading margin **Consistent**	The ratio of trading profit, excluding exceptional items, to revenue.		Trading margin was **consistent** at last year's record high of 6.4 per cent. The USA continued to perform well despite challenging trading conditions, with declines in the UK and Nordics.
Average cash-to-cash days **Consistent**	The 12-month average number of days from payment for items of inventory to receipt of cash from customers.		Average cash-to-cash days were **consistent** year-on-year at 50 days. All regions improved at constant exchange rates but this was offset by unfavourable foreign exchange movements in the year.

Key performance indicator	Definition	Performance	Description
Return on gross capital employed **+0.3%**	The ratio of trading profit to the average year-end aggregate of shareholders' funds, adjusted net debt and cumulative goodwill and other acquired intangible assets written off. This is for continuing and discontinued operations.		Return on gross capital employed **improved** from 16.9 per cent to 17.2 per cent. This is in line with our investment case and long-term objective of generating attractive returns on capital (see page 1).
Associate engagement, USA **–2.5%**	Engaged associates deliver excellent customer service, consequently we measure employee engagement in every region. Engagement surveys are periodically sent to associates at all levels asking: "How satisfied are you that Wolseley is a good company to work for?".		The process of tracking and reporting engagement differs by region, therefore an example is given for the USA, the largest region in the Group. Average engagement was 87.5 per cent in 2015/16, a small decline compared to 2014/15 but it remains a **very high score**, well above industry averages.
Customer service, USA **–1.9**	There is a good correlation in our business between high customer loyalty scores in a branch and better financial performance. The net promoter score 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 nine or more, less those customers scoring six or less.		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. The average net promoter score reduced slightly in 2015/16 to 62.8. This is still an **extremely good score** and is among the highest levels in the industry.
Injury rate **2.6%** improvement	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 employee numbers and average work days by business and assume an eight-hour working day.	 1 Prior years' data restated to reflect improved historic data.	Injuries requiring medical treatment per 100,000 hours worked **improved** by 2.6 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. See the Sustainability section for more details (pages 26 to 29).

Following the new Group Chief Executive appointment on 1 September 2016, the key performance indicators will be reviewed in 2016/17 to ensure they align appropriately with the new key strategic themes set out on page 4.

We operate in attractive markets

As an international company, we operate across multiple markets with varying characteristics. For more information on specific regional markets see the Regional performance section on pages 14 to 25.

Market characteristics and key growth drivers

Many customers
The customer base is fragmented. Wolseley serves 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 digital channels which complement their working patterns.

Large supplier base
The supplier base is large. Wolseley distributes the products of approximately **52,000 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.

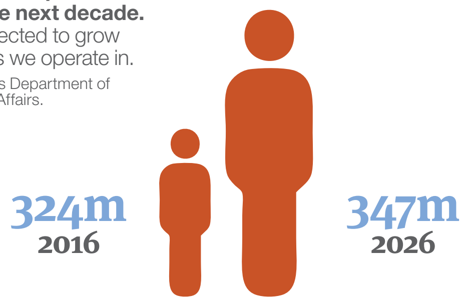
Benefits of scale
Due to **scale benefits**, market leaders can perform better through the economic cycle.

What is driving market growth?

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.



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.

Increased comfort levels in homes

86%

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.

Ageing housing stock

41 years

The median age of homes in the USA is **41 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.

Large aftermarket

€595 billion

The size of the building repair market in Western Europe* is **forecast to be €595 billion** in 2016, which is greater than forecast new construction spend.

Source: Euroconstruct.

* Western EU in Euroconstruct reports includes all our European markets (UK, Sweden, Norway, Denmark, Finland, Switzerland and the Netherlands).

Our business model

Driving value through customer focus

The resources we need

Our people
Our people are dedicated to serving our customers

Our customers
Sole traders to large construction companies

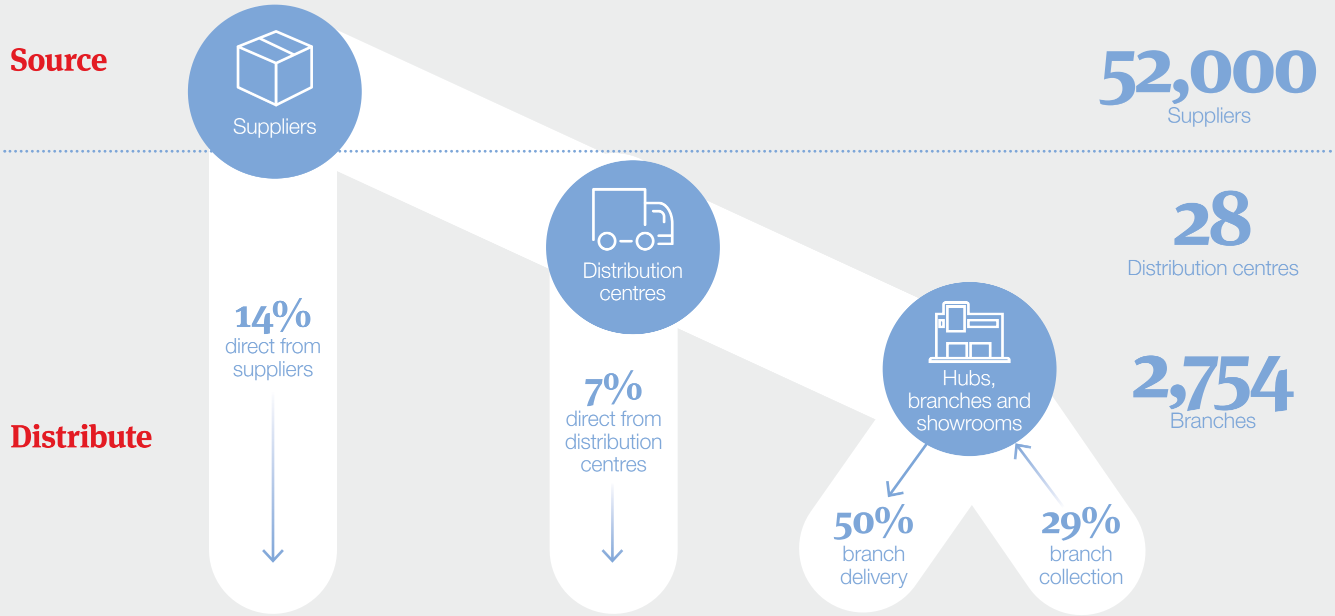
Our suppliers
Responsible supply base manufacturing over one million products worldwide

Channels to market
E-commerce, branches, showrooms and call centres

Distribution network
Distribution centres, ship hubs and vehicle fleets

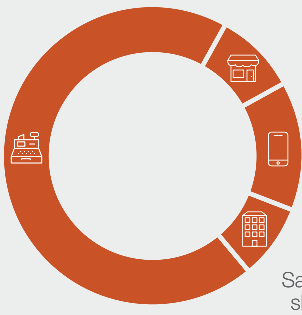
Capital
A strong balance sheet to enable ongoing investment

Our distribution and logistics model



How our customers buy

Sell



Outcomes of what we do

Great returns for our shareholders
See page ifc

Engaged and well-trained workforce
See page 12

Loyal, satisfied customers
See page 12

Efficient branch and logistics network
See page 13

Reduced carbon emissions and waste
See pages 13 and 29

Increased adoption of "eco" products
See page 29

For detail on the structure of our business and the markets in which we operate, see pages 6 to 7 and 14 to 25 respectively.

How we serve our customers

Wolseley is a specialist distributor adding value through its scale, bespoke logistics network and its people's expertise. We bridge the gap between 52,000 suppliers and 1.1 million customers, providing our suppliers a cost effective route to market and customers specialist advice and a wide range of products where and when they are required.

Case study:

Specialist training for the US sales team

New recruits to the sales team in the Heating, Ventilation and Air Conditioning ("HVAC") business at Ferguson receive in-depth training to best equip them to serve our customers. The programme takes place over five months on site at Ferguson HVAC branches and includes practical training with experienced sales colleagues, manufacturers and HVAC customers. This approach gives the sales trainees exposure to a wide range of scenarios to prepare them for success in their roles.

Our people

39,000 employees

At Wolseley our people matter.

Our teams in sales, branches, logistics and distribution centres are the customer-facing side of our business. Their relationships with both large and small customers are critical to our success, and their expert knowledge means that they are a key part of our customers' workday.

The way we organise and multi-skill our teams ensures local flexibility, reliable execution and superior productivity – very important in challenging market conditions. We are proud that our people have the passion to provide the highest levels of service for our customers.

In Ferguson we have an enduring tradition of investment in people and continue to attract talent through a very effective college recruitment process that develops them, through operational roles, to become the managers and leaders of the future. 60 per cent of the current Ferguson Executive team started on this programme. In Wolseley UK we launched a Training Academy in 2016, with our new accredited apprentice programmes now involving over 300 new and existing staff. Further investments in people development are planned.

Key to delivering outstanding levels of customer service is employee engagement. We have high expectations of the managers and leaders in our businesses to lead by example through our values (see page 27). By listening to our people, via our regular employee surveys, we understand how we can help them continue to improve and develop our business and rapidly address issues of importance to them. We continue to develop and motivate our people, embedding a strong culture of execution. We measure both employee engagement and customer satisfaction in each business and target continuous improvements in both (see key performance indicators on pages 8 and 9).

In 2015/16, we reviewed our approach to reward and established Group-wide principles that commit us to competitive pay levels, incentives that recognise superior performance and benefits structures that are valuable to people at all levels. In addition, our all-employee sharesave programme encourages our people to take a stake in our business and share in our success at a discount to the market price.

We are continuously improving the systems in place to manage the health and safety of our people, customers and others with whom we come into contact. All businesses work to a minimum standard for health and safety and site-level reviews are undertaken by our internal audit function.

We are committed to making our Company an attractive place for people to develop their careers, be rewarded for success, and enjoy contributing to a team that is making a great business even better.

For more information on health and safety
see page 28

Our customers

1.1 million customers

To be successful, our customers depend on us for high levels of availability on a broad range of products, ready for collection or delivery on the same or next day. We know our customers also value high quality and efficient service from our knowledgeable people, local relationships, competitive pricing and billing and order accuracy. They also want flexibility in choosing the most convenient way to do business with us, whether in branch, by phone or online. We aim to deliver all of these things through a "best-in-industry" service offering across all channels so our customers keep coming back.

We provide training for our customers on new products as they come to market. This helps solidify our customer relationships. When new product regulations or government incentive programmes are launched, we support our customers to understand and benefit from the opportunities that they represent. In 2015/16,

Case study:

Efficient use of our fleet

We help our suppliers avoid unnecessary travel by "backhauling" product from their factories when our trucks are returning empty to our distribution centres. In 2015/16, we saved our suppliers in the USA and UK from travelling 4.3 million miles. This equates to 6,304 tonnes of avoided carbon emissions (the equivalent of taking 1,341 passenger vehicles off the road for a year*).

*www.epa.gov

Case study:

Focus on health and safety

Wolseley UK's Distribution Centre in Measham reached a total of 500 days without an accident during 2015/16. The team encourages a positive view on health and safety and asks its employees to report near misses or concerns so that processes can be continually improved. The UK business as a whole reduced its injury rate (per 100,000 hours worked) by 19.3 per cent in 2015/16.

Wolseley UK ran a road show of 40 seminars to introduce over 3,000 customers to a government initiative to disclose energy efficiency through new Energy-related Product ("ErP") labelling on boilers, heat pumps, cylinders and solar thermal products.

Where the market demand exists, we promote sustainable products and again provide training and advice to customers to support growth in these new product categories. Our Dutch and UK businesses have built large dedicated sustainable buildings or energy-efficiency centres that act as showrooms for the latest products and serve as training facilities for our customers.

Our suppliers

52,000 suppliers

We have 52,000 reputable suppliers manufacturing over one million products around the world. This gives us access to a diverse and broad range of quality products. Our leading market positions enable our central sourcing teams in each region to leverage our scale and negotiate competitive prices in return for access to our 1.1 million customers.

We work with our suppliers to ensure that they are reliable and ethical and that their products are fully compliant with the laws and regulations of the countries they, and we, operate in. On the rare occasion that a product is faulty, customers have the confidence of knowing that we will support them. We conduct background checks on our suppliers for unethical or illegal behaviour.

For further information **see pages 28 and 29**

Channels to market

2,754 branches

Our customers increasingly expect a 24/7 multi-channel approach dealing with us through a combination of branches, showrooms, online, call centres and an outside sales force. The majority of our business is still conducted through our 2,754 branches and our extensive branch network means our customers typically travel fewer than 20 miles to buy from us and visit several times a week. Our multi-channel approach allows our customers to access products and advice 24 hours a day whenever it is required.

For detail about how we protect our information **see page 29**

Distribution network

5,800 fleet vehicles

Product availability of a wide basket of products is essential for our customers and our scale, logistical 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.

Suppliers deliver in bulk to our distribution centres, our branches or directly to our customers. In plumbing and heating businesses, we predominantly distribute from distribution centres, ship hubs and branches to customers. In building materials businesses, the model is more direct from supplier and branch to customer.

To keep our distribution network running efficiently with minimal impact on the environment, we focus on the reduction of carbon and waste and the associated costs. All businesses have targets to reduce their carbon and waste, relative to revenue. We have achieved a 14.9 per cent reduction in carbon since 2014/15 through local initiatives such as fleet upgrades, route optimisation and lighting and heating upgrades.

Where possible, we work with our suppliers to reduce their environmental impacts. For example, we reduce supplier transport emissions by "backhauling" product from their factories when our trucks would otherwise return empty to our distribution centres (see case study opposite).

For information about our environmental efficiency efforts **see page 29**

USA

1:

2:

Strategic theme:

Associate engagement and customer service

The dedicated Customer Intelligence Team at Ferguson regularly interviews, surveys and analyses customer feedback. A common theme is the significance of the relationship between Ferguson associates and its customers. These relationships are the foundation for overall Ferguson performance.

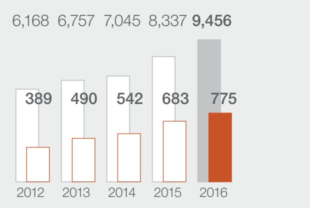
Ferguson has demonstrated through its Net Promoter Scores ("NPS"), the measurement of customer sentiment and customer feedback, that focusing on engaged associates drives customer satisfaction. It boasts best-in-class NPS and above average associate engagement scores in any industry. Attention to detail and focus on the customer have allowed Ferguson to maintain its position as the industry leader. Through Ferguson's sustained emphasis on both, we will continue to differentiate ourselves in the marketplace, performing at the highest level.

Key highlights

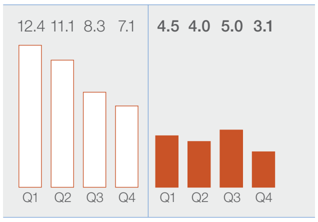
- Like-for-like revenue growth of 4.1 per cent
- Trading margin of 8.2 per cent
- Good growth in residential and commercial markets
- 13 bolt-on acquisitions completed in the year

13
Distribution centres

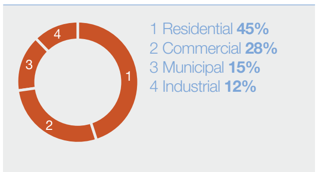
Five-year performance
£m ● Revenue ● Trading profit



Quarterly like-for-like revenue growth
% ○ 2015 ● 2016



Revenue by end market
% of revenue



Business unit portfolio and profile

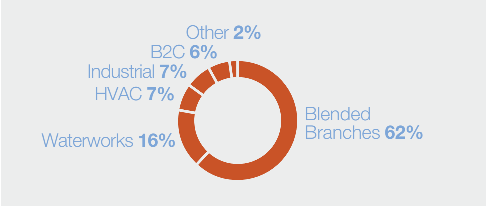
We operate seven business units in the USA, six of these mainly operate in the Business to Business ("B2B") market with one operating in the Business to Consumer ("B2C") market. Ferguson is the primary brand.

The business operates 1,465 branches across all 50 states, served by 13 distribution centres, providing same day and next day product availability, a key competitive advantage.

Ferguson predominantly serves the Repair, Maintenance and Improvement ("RMI") markets, with relatively low exposure to the new construction market. Residential end markets represent 45 per cent of sales within the USA and commercial 28 per cent, with the remainder split between municipal (15 per cent) and industrial (12 per cent).

During the year, 13 bolt-on acquisitions were made to strengthen positions in existing and adjacent markets. At the end of the year Ferguson had 23,000 employees.

Revenue by business unit
% of revenue



Blended Branches provides plumbing and heating solutions to customers across the residential and commercial sectors for RMI and new construction. In smaller markets that do not justify a standalone Heating, Ventilation and Air-Conditioning ("HVAC"), Waterworks or Industrial business, a Blended Branches location can also provide these products and services to local customers. The Blended Branches business also operates 275 showrooms which showcase bathroom, kitchen and lighting products and assist customers in designing their home improvement projects. The showroom channel is a fast growing area, as is the e-commerce channel which enables customers to be served 24/7 through their online account. In 2015/16 showroom revenue was over £1 billion.

The Waterworks business distributes pipes, valves and fittings ("PVF"), hydrants, meters and related water management products alongside related services including water line tapping and pipe fusion. Waterworks operates with governments and municipal contractors, water treatment plant contractors and waterworks contractors on residential, commercial and municipal projects across the water, sanitary sewer and storm water management markets.

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

The Industrial business distributes PVF products to industrial customers across all sectors including oil and gas, mining, chemical and power. It also provides supply chain management solutions for a full range of Maintenance, Repair and Operations ("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 Commercial MRO business provides products, services and solutions to enable reliable maintenance of facilities across multiple RMI markets including multi-family properties, government agencies, hospitality, education and healthcare.

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

USA

Photograph taken at Ferguson's Inside Sales Center in Hampton, Virginia, USA.

3:

Strategic theme:

Sales culture

Customer Connections is a comprehensive programme that brings together people, processes and technology to consistently deliver the best customer experience. It transforms the way our Inside Sales teams operate and serve our customers. A new telephony system centralising the Inside Sales Center within each district ensures that all customer calls are answered promptly and directed accurately the first time, every time. In the past, a missed call was a missed sale. Now, all calls are answered and customers have access to more associates than ever before. Inside Sales associates across the country are being equipped with customer information through a new Customer Relationship Management ("CRM") tool, giving them instant access to customer preferences to make an accurate and complete sale.

Ferguson also increased focus on developing its next level of sales leaders with training programmes on topics such as customer service, leadership and personal effectiveness and management skills. To reinforce and drive behaviour, Ferguson has catered performance reviews and sales dashboards to measure these competencies.

Case study:

Growth in Commercial MRO

As a $90 billion fragmented market growing at 3.5 per cent to 5 per cent per year, Commercial Maintenance, Repair and Operations ("MRO") represents a large growth opportunity for Ferguson. A new dedicated business group has been established to make our Commercial MRO offering a standalone business and better serve the specific needs of this market segment.

Ferguson remains the market leading distributor of plumbing and heating products in the USA.

Market position and competitive environment

Ferguson remains the market leading distributor of plumbing and heating products in the USA. The market positions of the main businesses are below:

Market position	
Blended Branches	1
Waterworks	1
Fire and Fabrication	1
HVAC	3
Industrial	3

There are no direct competitors to Ferguson that operate across all its markets. Each business unit has its own competitors which range from large national companies, including trade sales by large home improvement chains, to single branch, privately owned operations.

Blended Branches is the number one distributor of plumbing and heating products in the USA, with an estimated market share of 17 per cent. There are only three national competitors to Blended Branches with a market share above 5 per cent. The estimated combined market share of the top four companies is 40 per cent with the remainder of the market consisting of mid-size regional distributors and small, local distributors.

Blended Branches' market share varies significantly across the USA from low single digit market share in some states to high-twenties in others. There continues to be excellent opportunities to expand the business geographically, particularly in large metropolitan areas across the country.

The Waterworks market has two large distributors holding around 45 per cent market share, we estimate the Ferguson market share to be 24 per cent. No other company holds greater than 5 per cent market share.

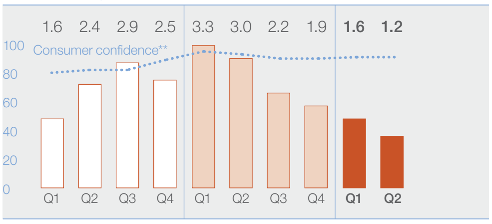
Market trends

Macroeconomic trends

GDP is one of the primary indicators used to gauge the health of a country's economy. It is equal to the total expenditures for all final goods and services produced within the country in a specific period of time.

GDP growth*

% Calendar year



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

** Confidence: Index of results from a consumer confidence survey that measures the level of optimism consumers have about the performance of the economy in the next 12 months. Source: Surveys of consumers, University of Michigan

GDP growth in the USA has been positive for the last 18 months, indicating a continued expansion in the economy. However, the rate of growth has slowed, falling in Q2 2016 to 1.2 per cent, the lowest level since 2013.

Consumer confidence has been relatively stable over the last 18 months, consistently higher than 2014 figures.

The unemployment rate has steadily fallen over the last 18 months.

Specific market trends

The four end markets that Ferguson serves have different characteristics and as such certain market data is more relevant to specific end markets.

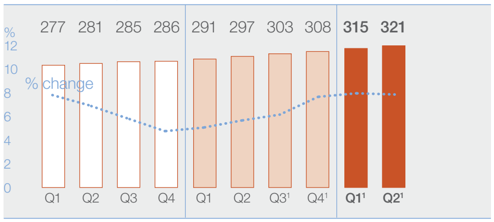
Residential markets

(45 per cent of revenue)

The Leading Indicator of Remodelling Activity ("LIRA") provides a short-term outlook of national home improvement and repair spending to owner-occupied homes. It is designed to project the annual rate of change in spending for the current quarter and subsequent four quarters. The LIRA projections have been steadily increasing over the last 18 months, indicating growth in the market in 2016/17.

Leading Indicator of Remodelling Activity ("LIRA")*

$bn Calendar year



* $bn remodelling spend and % change compared to the same quarter of the previous calendar year. The LIRA underwent a re-benchmarking in April 2016. Source: The Joint Center for Housing Studies

1 Projection.

In addition, existing single-family home sales is a good indicator for the strength of the market and tends to be a driver of remodelling spend. The number of sales has shown steady growth over the last 18 months.

USA

4:

Strategic theme:

Operating model improvement

Ferguson's Blended Branches is the largest part of our business in the USA, with the biggest opportunity. The tenured leadership, established infrastructure and market opportunity were key drivers for improving the operating model and shifting from managing the business by geography to managing by business groups and channels. The new model consolidated the previous 86 profit centres to 19 districts centred around large metropolitan areas with the greatest potential for growth. Through structural changes, operational alignment and data-driven business planning, Ferguson increased focus on growing market share.

Today, with an established business planning process, the business is much better at understanding opportunities to grow revenue and market share. With comprehensive economic and market data, coupled with strong business group and local leadership, Ferguson creates the strategy and executes in local markets to increase market share. There is a tremendous opportunity to be number one in all businesses in all geographies, making Ferguson the single largest regional player with a national scope.

The project has created a foundation for the future, by fine-tuning and developing new processes, defining a new structure across all our businesses and setting out a roadmap for further growth.

Case study:

Building for the community

Ferguson entered into a national partnership with Homes for Our Troops in 2015/16. The not-for-profit organisation builds homes which are mortgage-free and specially adapted to meet the needs of severely injured veterans. Besides financial support, Ferguson associates have participated in the ground breaking at the sites for new homes and have volunteered their time.

Commercial

(28 per cent of revenue)

The American Institute of Architects ("AIA") Billings Index – Commercial/Industrial is a leading economic indicator of construction activity and reflects, with an approximate nine to 12-month lag time, construction spending. Any score below 50 indicates a decline in business activity across the architecture profession, whereas an index score above 50 indicates growth.

The index has been above 50 and growing steadily over the last 18 months, indicating a growth in billings.

Municipal

(15 per cent of revenue)

The AIA Billings Index – Commercial/Industrial is also a good indicator for the municipal market.

Non-residential construction Put In Place is a further indicator of the strength of the market, reflecting the value spent each month on structures in the sector. The value of spend has been consistently rising year-on-year for more than 18 months by over 3 per cent, indicating the market is growing.

Industrial

(12 per cent of revenue)

A good indicator of the strength of our industrial market is the Institute of Supply Chain Management Purchase Managers Index. Any reading above 50 indicates that the manufacturing economy is generally expanding, below 50 indicates that it is generally declining. The first quarter of 2015/16 was above 50, followed by two quarters of decline with the final quarter of the year returning to a small level of growth.

Operating performance

Ferguson, our USA plumbing and heating business, grew revenue 4.1 per cent on a like-for-like basis. Price deflation was 2.2 per cent principally due to falling commodity prices. Acquisitions contributed 1.9 per cent of additional revenue. Residential and commercial markets grew well, though industrial markets, which accounted for 12 per cent of revenue, contracted throughout the year.

The revenue growth at constant exchange rates by customer end market was as follows:

	% of US revenue	Growth 2016 (change at constant exchange rates)
Residential	45%	+10%
Commercial	28%	+7%
Municipal	15%	+6%
Industrial	12%	(10%)

We have continued to invest substantially in both B2B and B2C e-commerce to improve the customer experience.

Despite deflationary headwinds Blended Branches, Waterworks, HVAC and Fire and Fabrication generated good growth and gained market share. Industrial revenues declined as activity levels remained weak, particularly in the major oil producing states.

Build.com, our B2C e-commerce business, continued to grow very strongly throughout the year. Online ordering is an essential channel for our customers, giving them even greater flexibility to do business with us at the time that is most convenient for them. We have continued to invest substantially in both B2B and B2C e-commerce to improve the customer experience. This included upgrading our technology platforms, improving the suite of apps available and adding services which help our customers manage their businesses more efficiently. E-commerce accounted for £1.8 billion (19 per cent) of Ferguson's revenue.

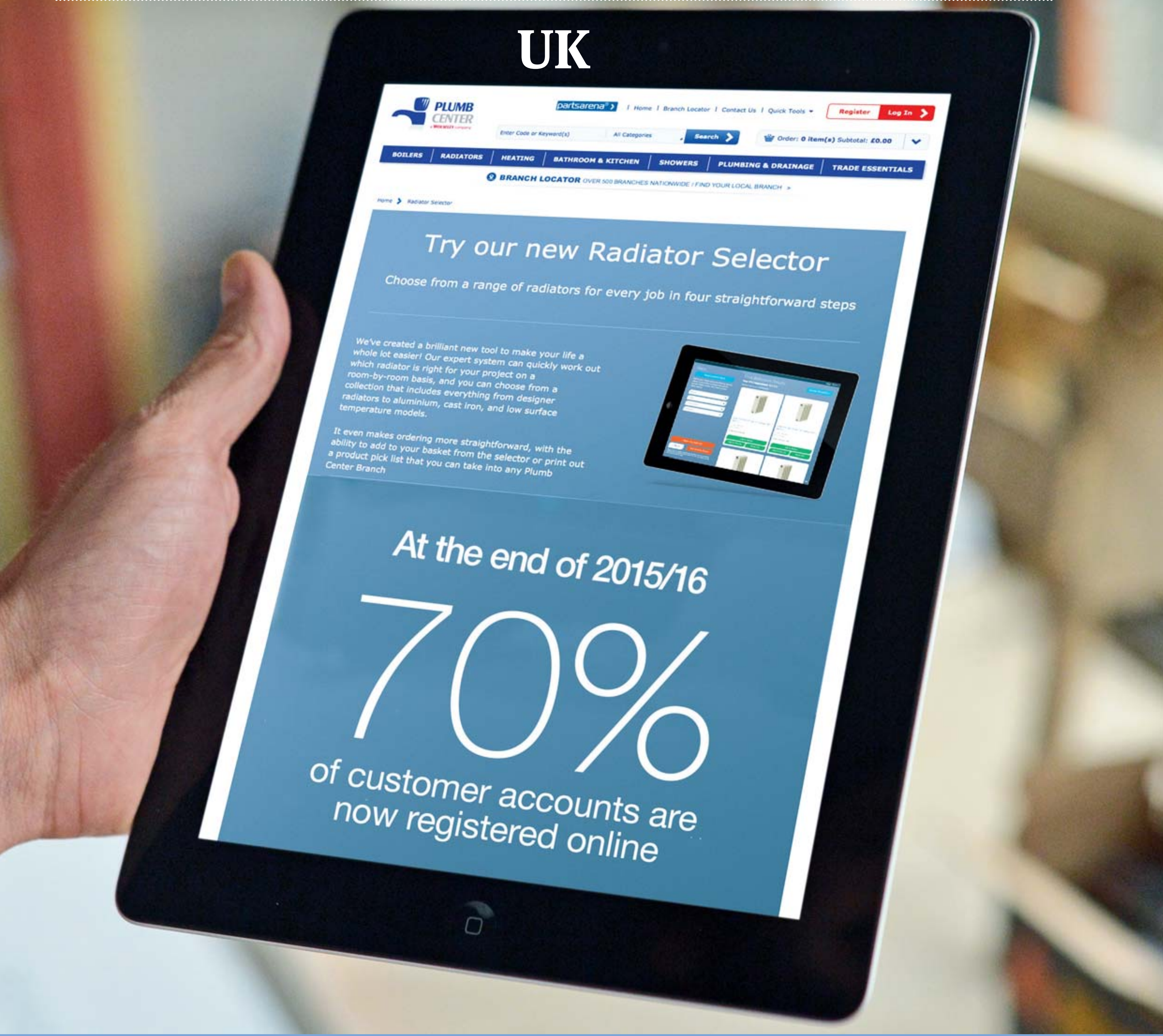
We improved our gross margins again and continued to invest in our estate, technology and brand building, with operating expenses 8 per cent higher than last year at constant exchange rates, including 2 per cent from acquisitions. Exchange rate movements were favourable and increased trading profit by £47 million. Trading profit of £775 million (2014/15: £683 million) was 6.3 per cent ahead of last year at constant exchange rates.

We completed 13 acquisitions during the year and these are being integrated with our existing business units. In the final quarter we acquired Michigan Meter Technology Group, a Waterworks business, Michigan Pipe and Valve, a pipe valves and fittings distributor, and Bruce Rogers, a plumbing, heating and air-conditioning equipment distributor. The businesses acquired in the year had total annualised revenue of £183 million. Since the year-end we have acquired Signature Hardware, a Kentucky based online private label kitchen and bathroom retailer, and Westfield Lighting, an Indianapolis based lighting company. These businesses had £92 million of annualised revenue and £19 million of annualised trading profit.

We opened a net 21 branches in the year with a further 26 arising from acquisitions. Associate numbers were 4 per cent higher, of which 2 per cent arose from acquisitions.

Ferguson maintained last year's record trading margin of 8.2 per cent.

UK



5:

Strategic theme:

E-commerce

E-commerce has grown significantly in the last 12 months with 8 per cent of UK revenue ordered via e-commerce in 2015/16.

A comprehensive internal e-commerce engagement programme supports our branch and sales colleagues sell the benefits of e-commerce to our customers: 70 per cent of accounts are now registered online.

E-commerce transforms the customer experience by allowing them to undertake a range of "Self Service Events" ("SSEs") both during and outside branch hours, giving them the information they need, when they need it. For example, over one million online stock checks were carried out by our customers in 2015/16, saving over 30,000 hours of branch time.

Wolseley UK continues to invest in digital tools which make our customers more efficient by improving their workflows. In the last 12 months we have launched a radiator selector, a heat loss calculator and an Energy Related Product ("ErP") label generator. Furthermore, our market leading parts identification tool, PartsArena, is now fully integrated into our websites, including mobile, and recently picked up a prestigious ECMOD Award for B2B e-commerce technology.

New functionality is continually being developed in e-commerce to improve the offering to our customers. By introducing even quicker and easier ways to do business and giving our teams the tools they need to talk to customers, we can help even more customers save time, money and hassle.

Key highlights

Like-for-like revenue decline of 1.6 per cent

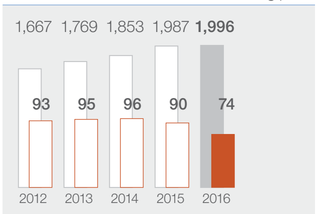
Trading margin of 3.7 per cent

Challenging markets throughout the year

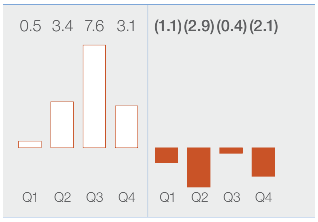
Operational strategy review completed

6,071
Employees
–4%

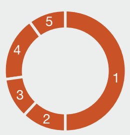
Five-year performance
£m



Quarterly like-for-like revenue growth
%



Revenue by market sector
% of revenue



1 Residential RMI **50%**
2 Non-residential RMI **12%**
3 Residential new construction **11%**
4 Non-residential new construction **17%**
5 Civil infrastructure **10%**

Business unit portfolio and profile

Wolseley UK operates three businesses in the B2B market and has 737 branches covering the whole country. These branches are served by six distribution centres providing same and next day product availability, a key service offering to our customers. The UK business predominantly serves RMI markets, and has relatively low exposure to the new residential construction market. At 31 July 2016 Wolseley UK had 6,071 employees.

The largest business, representing 71 per cent of UK revenue, is Plumbing and Heating, which includes the Plumb Center, Parts Center, William Wilson and soak.com brands. These businesses provide plumbing and heating products primarily to trade customers in the residential and commercial sectors, for RMI purposes. Drain Center also operates within Plumbing and Heating, providing specialist above ground drainage products.

Pipe and Climate (13 per cent of UK revenue) distributes pipes, valves and fittings as well as air conditioning and refrigeration products to B2B customers in the commercial sector, mainly for non-residential new construction.

Infrastructure (16 per cent of UK revenue) is a specialist in below ground drainage. Operating under the Burdens and Fusion brands, it serves the civil infrastructure and utilities markets.

Subject to employee consultation, in September 2016 we announced our intention to combine the Plumbing and Heating and Pipe and Climate businesses into a single business unit.

Market position and competitive environment

Each business has its own competitors that range in size from large national companies to single branch privately owned operations. The market positions of the main businesses are as follows:

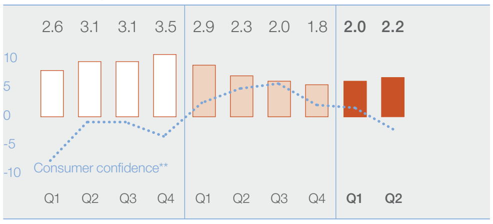
Market position	
Plumbing and Heating	= 1
Infrastructure	1
Pipe and Climate	2

Market trends

The quarterly GDP growth rate declined from calendar Q4 2013 through to Q1 2016 and has averaged 2 per cent since Q3 2015.

Consumer confidence recovered to positive levels through calendar 2015 but has dropped back below zero in 2016 indicating an expected decline in the economy over the next 12 months.

GDP growth*
% Calendar year



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

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

Operating performance

In the UK, like-for-like revenue declined 1.6 per cent and acquisitions contributed 2.7 per cent of additional revenue. Whilst new residential construction markets grew, Repair, Maintenance and Improvement markets, where we generate the majority of our trading profit, declined. Volume growth was weak.

Restructuring charges of £10 million were incurred in the year and have been classified as exceptional. An impairment charge of £94 million was made in relation to goodwill and acquired intangible assets reflecting difficult market conditions. Overall we closed 21 branches in the year and associate numbers were 4 per cent lower. Trading profit of £74 million was £16 million below last year.

The UK heating market has been relatively flat and the competitive landscape has been very challenging for some time. We have just completed a review of operating strategy to return the business to profitable growth. There are good opportunities to improve our customer propositions and transform the way we serve our customers and we have started an investment programme to enhance the customer experience and to generate better returns for shareholders.

We expect to incur restructuring charges of about £100 million, of which £70 million is cash and will be fully funded by working capital efficiencies and disposal proceeds. In addition we plan to invest an incremental £40 million over three years in refurbishment, technology and accelerating our investment in digital tools. The closure of around 80 branches and one distribution centre is expected to lead to up to 800 job losses, the impact of which we will minimise through redeployment and attrition as far as possible. The programme is subject to consultation which will commence shortly and is expected to take 90 days. Overall, the transformation will take two to three years and is expected to generate £25 million to £30 million of annualised cost savings when complete.

Nordic region

6:

Strategic theme:

Private label penetration

Almost 10 per cent of our Nordic business's revenue in 2015/16 was Private Label ("PL") with sales growing 16 per cent in the last financial year.

In 2015/16 our Nordic B2B business units added a PL Sales Manager to their respective teams to help branches with PL sales and educate our people about PL products. It also established a PL Distribution Centre ("DC") which caters to all 256 branches in the Nordics. This DC will greatly reduce delivery time, increase stock turnover and reduce stock levels in branches.

Stark Denmark has recently launched a newly developed range of almost 100 PL paint products under the RAW brand aimed at professional decorators. Traditionally, decorators in Denmark purchase paint from specialist wholesalers. Stark Denmark wants to take share in this lucrative market and has established a central team of market and technical experts and a national sales team to visit the individual customers.

The launch was promoted by national advertising in trade magazines, trade fairs, websites and brochures, with a positive market reaction. 24 of Stark Denmark's branches have been refurbished as "painter's competence centres" and were given new, larger paint departments. All Stark Denmark branches stock the PL paint, so customers never have to travel far to pick up the products. Our people in these competence centres have received extra training so they are more knowledgeable and prepared to offer the best customer service.

Key highlights

Like-for-like revenue growth of 0.6 per cent

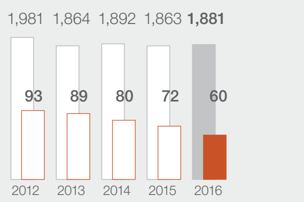
Trading margin of 3.2 per cent

Denmark markets weakened in the second half and Finland was weak throughout the year

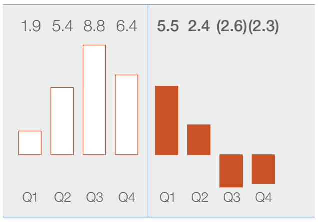
Initiated a review of the operational strategy

256
Branches
–1%

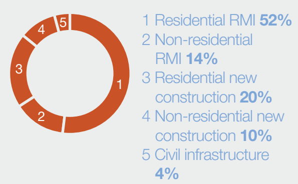
Five-year performance
£m



Quarterly like-for-like revenue growth
%



Revenue by market sector
% of revenue



Business unit portfolio and profile

The Nordic region consists of five businesses operating a total of 256 branches across four countries, supported by five distribution centres. The businesses predominantly serve residential RMI and new construction markets. At 31 July 2016 there were 6,168 employees.

Stark Denmark is the largest Nordic business with 37 per cent of total revenue. It distributes heavy timber, building materials and tools across Denmark to both professional contractors and consumers. Approximately half the stores have a DIY section.

Stark Finland (25 per cent of Nordic revenue) distributes building supplies, timber and board products, hardware, tools and interior decoration supplies to professional contractors, construction companies and consumers.

Beijer (23 per cent of Nordic revenue) is the leading builders' merchant in Sweden operating through combi-stores, serving both professional customers and consumers.

Silvan (9 per cent of Nordic revenue) is a Danish chain of DIY retail stores selling a wide range of products including building materials and garden supplies.

Neumann (6 per cent of Nordic revenue) is a builders' merchants in Norway supplying consumers and professional customers as well as industry and retailers.

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 national 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

Case study:
Better waste management

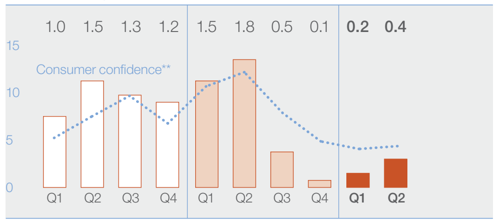
DT Group conducted a review of its waste streams and developed new guidance for its businesses to follow. Improved waste sorting facilities with clear labelling are supporting increased recycling; 57 per cent of total waste was recycled in 2015/16 from a baseline of 45 per cent in 2013/14. Waste volumes and costs are measured for each site and best practices are shared by the top performing branches.

Market trends

GDP growth rates in Denmark (46 per cent of Nordic revenue) have shown a significant decline since calendar Q2 2015, coming off from a high of 1.8 per cent to an average of 0.3 per cent over the following four quarters. Consumer confidence has declined in line with the GDP growth rates.

Finland (25 per cent of revenue) came out of recession in calendar Q2 2015 and has maintained low growth levels since. Sweden (23 per cent of revenue) has recorded good GDP growth averaging 4 per cent over the last four quarters.

GDP growth (Denmark)*
% Calendar year



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

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

Operating performance

In the Nordics like-for-like revenue growth was 0.6 per cent. Market conditions in Denmark weakened in the second half of the year and demand remained weak in Finland. Gross margins were lower in the second half mainly due to a higher mix of revenue from direct business from large contractors. Operating expenses increased by 3 per cent at constant exchange rates.

Trading profit of £60 million was £12 million below last year. In light of the challenging market conditions and disappointing performance we are initiating a review of the operating strategy of the business to restore it to profitable growth.

Canada and Central Europe

We processed **2.7m** invoices in Canada throughout 2015/16

7:

Strategic theme:

Pricing discipline

A large part of the service we offer our trade customers is to support them when they are bidding for projects in the market by ensuring we offer competitive prices so that they can successfully win business. This support means that there can often be a high degree of variability between accounts on price and our customers are used to paying a variable price depending on their size, loyalty and the volume of products they order. Given that prices are not fixed in our business, there is a huge opportunity to better understand our customers' needs and discipline ourselves so that our pricing can be more fair, consistent and transparent.

In Canada, we are implementing an industry-leading and well structured pricing framework that will lead to greater consistency and increased customer loyalty. We have recently invested in reporting and data visualisation software which allows us to pinpoint areas of strength and weakness within our pricing structure. Additionally, we are improving our customer segmentation capabilities so we can gain a much better insight into customer behaviour and ensure we better match their needs with the value we generate. In Canada, we are at the early stages of our pricing journey and believe that by driving performance in this area we can unlock margin improvements to the business and therefore future value for our shareholders.

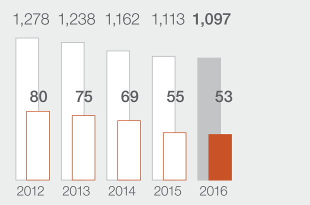
Key highlights

Like-for-like revenue decline of 1.1 per cent

Trading margin of 4.8 per cent

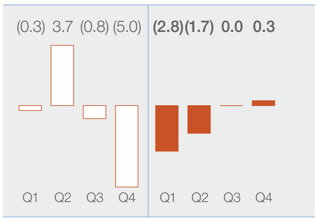
Five-year performance

£m ● Revenue ● Trading profit



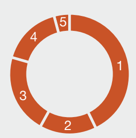
Quarterly like-for-like revenue growth

% ○ 2015 ● 2016



Revenue by market sector

% of revenue



1 Residential RMI **43%**
2 Non-residential RMI **16%**
3 Residential new construction **22%**
4 Non-residential new construction **17%**
5 Civil infrastructure **2%**

Business unit portfolio and profile

Canada and Central Europe operates across three countries, Canada, Switzerland and the Netherlands.

Wolseley Canada operates in the B2B market serving the residential, commercial and industrial sectors in both RMI and new construction. Tobler in Switzerland and Wasco in the Netherlands both serve B2B customers predominantly operating in residential RMI and residential new-construction markets. The businesses operate 296 branches with four distribution centres. At the year-end Canada and Central Europe had 3,506 employees.

Wolseley Canada (63 per cent of revenue) supplies plumbing, heating, ventilation, air conditioning and refrigeration products to residential and commercial contractors. They also supply specialist water and waste water treatment systems to residential, commercial and municipal contractors, and supply PVF solutions to oil and gas customers.

Tobler (21 per cent of revenue) is the leading distributor of plumbing and heating products in Switzerland.

Wasco (16 per cent of revenue) is a distributor of heating, plumbing and spare parts across the Netherlands.

Market position and competitive environment

Each country is a distinct market with its own national, regional and local competition. The overall market positions of the main businesses are estimated as:

Market position	
Tobler (Switzerland)	1
Wolseley Canada	2
Wasco (Netherlands)	4

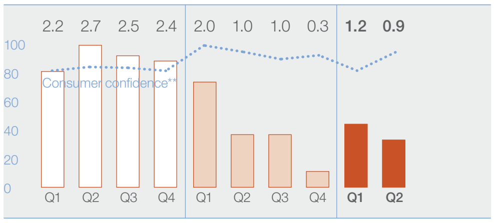
Market trends

Canadian GDP growth has declined from a peak in calendar Q2 2014 of 2.7 per cent to 0.3 per cent in Q4 2015, with a small rebound since. Consumer confidence declined in line with GDP over the same period and rebounded in the last quarter of 2015/16.

GDP growth in Switzerland has steadily declined since 2014 to below 1 per cent with the Netherlands holding steady at around 1.5 per cent.

GDP growth (Canada)*

% Calendar year ○ 2014 ● 2015 ● 2016



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

** Confidence: Index of results from a consumer confidence survey that measures the level of optimism consumers have about the performance of the economy in the next 12 months. Source: The Conference Board of Canada

Operating performance

Like-for-like revenue fell by 1.1 per cent and price inflation was 1.9 per cent due to the impact of the strengthening of the US dollar on imports to Canada, partially offset by commodity price deflation in Central Europe. Gross margins were lower due to competitive conditions in Canada.

Operating expenses were well controlled. Overall, we closed a net 12 branches in the year and headcount was 1.6 per cent lower. Exchange rate movements were unfavourable and reduced trading profit by £1 million. Reported trading profit of £53 million was £2 million behind last year.

Building a better business

Wolseley's "Better business" framework comprises 13 material issues which actively support our growth, improve employee engagement, address our top risks and compliance requirements or are important to our shareholders, customers and suppliers.

The framework was established following consultation with our stakeholders. We strive to make these issues an integral part of how we do business, which is reflected in this report. Many of the issues are not covered in this section but are instead described within the Key resources and relationships section on pages 12 and 13.

	Our material issues	Our principles
Our people	Talent management and development	We are committed to people development at every level of the organisation.
	Competitive pay and reward	We offer competitive remuneration to our people.
	Employee engagement	We value our people and actively work to improve employee engagement.
	Diversity and inclusion	We understand, respect and value personal and cultural differences.
	Health and safety	We will not compromise the health or safety of any individual.
	Ethical behaviour and human rights	We adhere to strict HR policies and comply with our own Code of Conduct.
Our products	Product quality and integrity	We work with our suppliers to maintain excellent standards of product quality and safety.
	Responsible sourcing	We expect our suppliers, contractors and agents to adhere to our Code of Conduct and to adopt similar standards.
	Promoting "eco" products	We are a positive link in the sustainable construction supply chain.
Our operations	Environmental efficiency	We run efficient operations that consume less energy and produce less waste.
	Compliance with the law	We are committed to observing both the spirit and the letter of the law.
	Protecting information	We protect both digital and physical information on behalf of our stakeholders.
Our communities	Active corporate citizen	We voluntarily contribute our time and our financial support to the communities in which we work.

Opportunities	Risks
A multi-skilled and well trained workforce will help us to deliver against our objectives and adapt to changing customer needs.	Changing operating models require us to constantly up-skill our people. A competitive marketplace puts greater emphasis on excellent career development programmes to attract and retain talent.
Well structured remuneration and incentive programmes align employee and company objectives in order to maximise results.	Attracting and retaining the best people is dependent on the strength of remuneration programmes.
Motivated and engaged people deliver excellent customer service, develop strong supplier relationships and maximise operational efficiencies.	Low employee engagement can lead to sub-optimal business results and poor retention of our people.
A diverse workforce brings with it the widest range of knowledge, skills and experience and promotes innovation. An inclusive environment allows our people to feel at ease in the workplace.	In an ever-changing market a lack of diversity can limit business progression.
A robust health and safety programme protects our people, customers and suppliers. It also improves productivity by reducing the number of days lost to injury.	Our principal health and safety risks relate to manual handling, working at height, the use of motorised equipment and vehicle collisions.
A commitment to high ethical standards strengthens our reputation with customers, suppliers and other stakeholders.	The business is exposed to risks of bribery and fraud. Compliance programmes are in place to mitigate these risks. For more detail, see page 39, Government regulations.
Sourcing and supplying safe, quality products improves our margins, enhances customer satisfaction and enables our people in branch to devote more time to service.	Product-related litigation is recognised as one of our principal risks. For more detail on how we are managing the risk, see page 39.
Working with reputable suppliers gives our stakeholders confidence in the integrity of our supply chain and reduces the risk of business interruption or reputational harm.	There is increasing focus on supply chain transparency including labour standards, modern slavery, conflict minerals and avoiding bribery and corruption.
Where the opportunity exists, we can gain market share by supplying sustainable construction products and offering training and advice to our customers.	Poor market conditions and pressure on margins are two of the Group's principal risks (see page 37). As building regulations increasingly focus on sustainable enhancements, eco products represent a growth opportunity.
Better energy and waste management decreases costs and improves operational efficiencies.	Energy costs and increasing "green" taxes can reduce Wolseley's profit margins. We have reduction targets in place to minimise these costs.
Compliance with legal regulations gives us a licence to operate.	The risk of non-compliance with increasing levels of governmental regulations is a priority. For more detail, see page 39.
Robust systems and processes together with an informed workforce reduce the risk of losing sensitive or commercial data.	Information security is one of our principal risks. For more detail, see page 38.
Engagement with the communities in which we operate promotes our business and enhances people skills and engagement.	Wolseley has many locally established competitors. Community engagement can enhance our local reputation and allow us to compete more effectively.

Governance

The overall "Better business" framework is reviewed annually to test the ongoing materiality of the issues identified. The Group's General Counsel is responsible to the Board for the overall programme. Objectives and, where appropriate, quantified targets are set for each material issue. Group-wide KPIs have not been set for all issues as it is not always practical to bring distinct local methods under one unified metric. Improved performance is the primary goal. Business units monitor performance throughout the year and performance reports are submitted to the Executive Committee and the Board at regular intervals.

Better business – Progress in 2016

The following two pages provide an overview of our progress in the year under review. It is referenced when further information on these topics can be found elsewhere in this report. A greater level of detail is available on the Wolseley plc website **www.wolseley.com**.

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.

Key highlights

We achieved our two-year reduction targets for carbon and waste and set new five-year targets

We continued to improve our injury rate, but must improve on lost workdays and collisions

We enhanced our minimum quality control procedures for sourcing from the Far East

We saved suppliers in the USA and UK from travelling 4.3 million miles by back hauling product from their factories

Case study:

Reducing product risks

Ferguson engaged a third party to conduct audits of 60 valve manufacturing plants across the globe over 15 months.

Industrial valves are a high risk product category and the audits provide additional assurance to the business and its customers.

Our people

During 2015/16 we reviewed and refined our approach to talent management, employee engagement and remuneration, and have plans in place to improve our practices further.

For further detail on these three aspects of our people strategy **see page 12**

Diversity and inclusion

One of the core Group values of Wolseley is that we value our people. We aim to recruit, retain and develop a high quality and diverse workforce. To achieve our objective, we hire the best candidates available from the widest range of knowledge, skills and experience. Our diversity policy statement can be seen on page 54.

	Total men	Total women	% women
Directors (Board)	7	3	30%
Senior leadership[1]	79	13	14%
Total employees[2]	31,127	9,383	23%

1 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.

2 Total employee numbers of 40,510 are reported above (total men plus total women). The lower number of 38,852 reported on page 6 is the number of Full Time Equivalent employees.

Health and safety

Wolseley had set a 2 per cent reduction target for each of the three health and safety metrics during the year under review.

Injury rate	2.6% improvement (1.47 per 100,000 hours worked)
Lost workday rate	5.6% deterioration (49.51 per 100 employees)
Fleet third party collision rate	0.4% deterioration (15.44 per 100 vehicles)

The increase in lost workdays and collisions is disappointing and all businesses have developed plans to reverse this trend. The Group has set itself the target of achieving a 2 per cent reduction in each metric during the coming year.

For further information **see pages 9 and 12**

Ethical behaviour and human rights

Our focus in 2015/16 was to continue to ensure that our compliance programmes in relation to fraud, bribery and corruption and anti-trust laws were fully embedded in business practice.

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), health and safety and 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. The Code of Conduct is detailed on the Wolseley plc website **www.wolseley.com**.

Our products

Product quality and integrity

During 2015/16 we continued to strengthen our controls around product sourcing. Product integrity and product sourcing managers from across the Group met in May to share best practices and to formalise enhanced minimum quality control procedures for sourcing from the Far East. Internal audits of product quality procedures were completed in all major businesses and improvement actions are being addressed.

Responsible sourcing

Each business assesses its suppliers against set criteria to provide protection to both us and our customers in the event of a product failure or breach of regulation in the supply chain.

Modern Slavery Act

The UK Modern Slavery Act 2015 ("the Act") requires Wolseley plc ("the Group") to make an annual statement outlining the steps the business is taking to identify and prevent modern slavery within our organisation and its supply chain.

Through its various business divisions, the Group sources, distributes and sells products in mature markets in North America and Western Europe. A small percentage of the Group's own label products are sourced from other regions, principally in Asia.

It is recognised that there could be a small risk of human trafficking or slavery in the manufacturing, distribution and logistics activities that are connected with our business. Wolseley has zero tolerance for such activities. The Group is undertaking a number of steps to minimise the risks of slavery occurring in our business or our supply chain.

- Training on combating modern slavery has been delivered in local language to colleagues in the Group's sourcing operations in Asia.
- Background screening of all suppliers of products and services is underway using a third party database. Screening has been completed for all organisations that we have identified as higher risk (e.g. due to geography, activity or contract value).
- Audits and site visits of suppliers in low cost countries are undertaken on their appointment and periodically thereafter. Procedures for on-boarding and evaluating such suppliers have been reviewed this year.
- The Group has maintained a Code of Conduct and a confidential whistleblowing line, applicable to all Wolseley businesses, which allow people to "speak up" in confidence and without the fear of any negative consequences.

Each business assesses its suppliers against set criteria to provide protection to both us and our customers in the event of a product failure or breach of regulation in the supply chain.

This statement is made on behalf of all subsidiaries of Wolseley plc (**www.wolseley.com**) and is made pursuant to section 54(1) of the Act and constitutes our Group's slavery and human trafficking statement for the financial year ending 31 July 2016.

Further information on the steps taken by the Group's UK subsidiary can be found at **www.wolseley.co.uk**.

Promotion of "eco" products

Energy prices and government subsidies have for the most part not supported increased sales of "eco" products during the year. However, our businesses continue to promote these products where there is customer demand.

For further information **see page 13**

Our operations

Environmental efficiency

Wolseley had set two-year targets ending in the year under review to reduce carbon and waste (both by 5 per cent per £m revenue) and to increase the percentage of waste that is recycled to 29 per cent.

Carbon	14.9% improvement (30.3 tCO_2e per £m revenue)
Total waste	5.8% improvement (5.0 tonnes per £m revenue)
% of total waste recycled	23.6% improvement (from 23.3% to 28.9%)

Total revenue of £14,640 million (including discontinued businesses and excluding Soak.com) is used when calculating the relative carbon and waste performance. The lower number of £14,430 million reported on the inside front cover is the revenue for the ongoing business.

All Scope 1 and 2 emissions and selected Scope 3 emissions are reported. Further detail on the data provided can be found in the "Basis of Reporting" document on the Wolseley plc website **www.wolseley.com**.

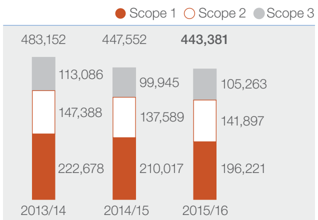
Carbon emissions	tCO₂e/£m revenue 2013/14	2014/15	2015/16	Two-year variance
Scope 1 and 2 emissions	27.3	24.1	23.1	–15.4%
Scope 3 emissions	8.3	6.9	7.2	–13.3%
Total emissions	**35.6**	**31.0**	**30.3**	**–14.9%**

Our approach to measuring carbon was developed in accordance with the Greenhouse Gas Protocol ("GHG Protocol"). Emissions are calculated using DEFRA carbon factors and are reported as tonnes of CO_2 equivalent (abbreviated as tCO_2e), based on the Global Warming Potential ("GWP") of each of the "basket of six" greenhouse gases, as defined by the Kyoto Protocol.

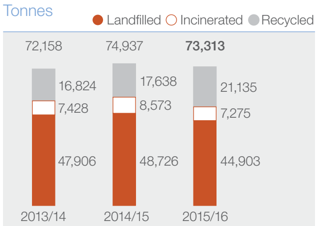
Each business has set new five-year targets for carbon and waste reduction and for the increase in the percentage of waste that is recycled. At a Group level, our targets for 2021 are a 10 per cent reduction in carbon, a 15 per cent reduction in waste (both per £m revenue) and an increase in the proportion of our recycled waste to 40 per cent.

For further information **see page 13**

Total carbon emissions
Tonnes of CO_2 equivalent



Total waste
Tonnes



Inaccuracies identified in prior year numbers resulted in immaterial adjustments to the 2013/14 and 2014/15 carbon and waste data.

Due to rounding of the figures in the bar charts there is not a precise correlation with the sub-total and total performance figures.

Compliance with the law

Legal and compliance teams across the Group work with the businesses to adhere to all legal and regulatory requirements.

Protecting information

As our channels to market develop so too does the technology that we employ and the data that we hold. We are committed to protecting the security of our systems and information so that customers can transact with us safe in the knowledge that we have the appropriate safeguards in place. The Group operates an IT governance framework, including a full set of dedicated IT policies, aligned to known security and operational risks. A broader Group information security policy determines how we protect all information wherever it exists and in whatever form (electronic or hard-copy).

Our communities

Active corporate citizen

Our businesses seek to be contributing members to the communities in which they operate. The Group supports a number of charitable organisations both at a Group and a business unit level. In 2015/16, Wolseley's businesses contributed to a range of charities, including support for the homeless, scholarships for young apprentices and provision of care for sufferers of cancer and other illnesses.

Our people engaged in numerous community and charity events. Further information and case studies of the events our employees and businesses have supported over the last year can be found at **www.wolseley.com**.

Case study:

UK races for Cancer Research

Two teams from Wolseley UK successfully completed the Yukon River Quest, raising £150,000 for Cancer Research.

It is the world's longest annual canoe and kayak race at 444 miles and is held in North West Canada.

Price deflation was a significant headwind during the year and reduced Ferguson's revenue by 2.2 per cent. Despite this, Ferguson achieved good like-for-like growth of 4.1 per cent and continued to grow market share.

David Keltner
Interim Chief Financial Officer

Key highlights

- Group revenue growth at constant exchange rates of 4.2 per cent
- Ferguson's revenue growth of 6.2 per cent at constant exchange rates
- Gross margin expansion of 0.3 per cent
- Capital investment of £218 million

Performance of the ongoing business[1]

	2016 £m	2015 £m	Growth %	Growth at constant exchange rates %
Revenue	14,430	13,300	+8.5%	+4.2%
Gross profit	4,081	3,721	+9.7%	+5.1%
Operating expenses	(3,164)	(2,864)	+10.5%	+6.1%
Trading profit	917	857	+7.0%	+1.6%
Gross margin	28.3%	28.0%	+0.3%	
Trading margin	6.4%	6.4%	–	

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

Revenue from the ongoing business was 4.2 per cent ahead at constant exchange rates and 2.4 per cent ahead on a like-for-like basis. The commercial and residential markets in the USA were good, though industrial markets remained weak throughout the year. Price deflation was a significant headwind during the year and reduced Ferguson's revenue by 2.2 per cent. Despite this, Ferguson achieved good like-for-like growth of 4.1 per cent and continued to grow market share.

Improving gross margin remained a key focus and this was 30 basis points ahead of last year. This was achieved as a result of focusing on a better mix of higher value-add products and services and improving our purchasing terms.

Trading profit from the ongoing business of £917 million (2014/15: £857 million) was a record for the Group and was 1.6 per cent ahead of last year at constant exchange rates. Favourable foreign exchange rate movements added £46 million of trading profit compared with the prior year. The trading margin for the ongoing business was consistent with last year at 6.4 per cent.

Statutory results

The financial statements have been prepared under IFRS and the Group's accounting policies are set out on pages 78 and 79.

	2016 £m	2015 £m
Revenue	14,430	13,332
Operating profit	767	556
Net finance costs	(40)	(48)
Profit before tax	727	508
Tax	(231)	(187)
Profit from continuing operations	496	321
Profit/(loss) from discontinued operations	154	(108)
Profit for the year	650	213

Our financial statements are set out on **pages 73 to 113**

Reconciliation between ongoing trading profit and statutory operating profit

Management presents trading profit, headline profit and headline earnings per share to provide additional useful information on underlying trends to shareholders. For more information refer to notes 9 and 10 on pages 85 and 86.

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

	2016 £m	2015 £m
Ongoing trading profit	917	857
Losses from non-ongoing businesses	(1)	(3)
Trading profit	916	854
Amortisation of acquired intangible assets	(53)	(56)
Impairment of acquired intangible assets	(94)	(238)
Exceptional items	(2)	(4)
Reported operating profit	767	556

Losses from non-ongoing businesses

Losses of £1 million (2014/15: £3 million) were incurred by a number of small businesses which have been disposed of.

Amortisation and impairment of acquired intangible assets

Amortisation of £53 million (2014/15: £56 million) represents the normal recurring charge of the Group's acquired intangible assets. The Group reviews the carrying value of its goodwill and acquired intangible assets annually and when there is an indicator of impairment during the year. Following the annual impairment review, an impairment charge of £94 million against the goodwill and intangible assets of the UK business was made as a result of challenging conditions in the UK market. See note 12 on pages 87 and 88 for further details. Goodwill, with a carrying value of £902 million (2014/15: £816 million), remains on the balance sheet and is supported by the value in use calculations.

Exceptional items

A net £2 million exceptional charge (2014/15: £4 million) was incurred comprising an £8 million gain relating to the disposal and closure of businesses and a £10 million charge from restructuring costs incurred in the UK during phase 1 of the UK turnaround strategy. In September 2016, phase 2 of the strategy for the UK was approved and this is expected to reduce the number of operational locations and employees by at least 10 per cent and will continue into the next financial year.

Net finance costs

Net finance costs before exceptional items were £40 million (2014/15: £26 million). The increase is principally due to the issue of the $800 million US Private Placement bonds in September 2015 at an average fixed interest rate of 3.7 per cent.

Discontinued operations

During the year, the Group sold its building materials business in France which generated an exceptional gain on disposal of £134 million. This includes a £125 million gain from the recycling of deferred foreign exchange translation differences, which are included in a translation reserve until disposal, in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates". Overall, discontinued operations generated a profit after tax and exceptional items of £154 million (2014/15: loss of £108 million) (see note 7 on page 84).

Taxation

The Group incurred a tax charge on profit before discontinued operations of £231 million (2014/15: £187 million). Tax before exceptional items, the amortisation and impairment of acquired intangible assets and the impact of changes in tax rates amounted to £248 million which represents an effective rate of 28.3 per cent (2014/15: 27.9 per cent). The Group paid £193 million (2014/15: £210 million) in corporation tax in the year.

Wolseley plc is incorporated in Jersey and is tax resident in Switzerland. The Group's operations are international with 81 per cent of the Group's ongoing trading profit generated in the USA, 11 per cent in other overseas territories and 8 per cent generated in the UK, before central costs. The Group's profits are therefore subject to different overseas tax rates ranging currently, for example, from 20 per cent in the UK to 39 per cent in the USA.

Other than intra-group financing and the recharging of shared-service administrative costs, the Group currently has no significant transfer pricing arrangements.

The Group's Tax Strategy is to maintain the highest standards of tax compliance. We support the execution of the Wolseley business strategy by managing our tax affairs in full compliance with local law and international guidelines while seeking to maximise shareholder value and serving the interests of all our stakeholders as set out in our Group Tax Strategy which can be found on the Wolseley plc website **www.wolseley.com**.

Earnings per share

Headline earnings per share increased by 7.6 per cent from 230.2 pence to 247.7 pence.

Basic earnings per share from continuing operations were 195.6 pence and diluted earnings per share were 194.4 pence. Total basic earnings per share, including discontinued operations, were 256.4 pence and total diluted earnings per share were 254.8 pence.

Impact of foreign exchange rates

The Group reports its results in pounds sterling though the most important trading currency is the US dollar which represents 65 per cent and 81 per cent of the Group's revenue and trading profit respectively. The main currency exposure arises on the translation of overseas earnings into sterling. The Group does not hedge this exposure as any earnings hedges have only a temporary effect. The Group's policy is broadly to 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 on page 123. The impact of foreign exchange rate movements on the financial statements is shown in the table below.

	Ongoing revenue £m	Ongoing trading profit £m	Net assets £m
US dollar	+569	+47	+330
Other currencies	(17)	(1)	+165
Total	+552	+46	+495

Cash flow

The Group has continued to generate strong cash flows during the year with cash generated from operations of £1,019 million (2014/15: £937 million) and an excellent cash conversion ratio of cash generated from operations/EBITDA of 96 per cent (2014/15: 96 per cent).

	2016 £m	2015 £m
Cash generated from operations	**1,019**	937
Interest and tax	**(232)**	(253)
Acquisitions and capital expenditure	**(331)**	(336)
Disposal proceeds	**65**	86
Dividends	**(238)**	(222)
Net purchase of shares by EBT	**(13)**	(10)
Net purchase of Treasury shares	**(286)**	(242)
Foreign exchange and other items	**(115)**	(54)
Movement in net debt	**(131)**	(94)

Acquisitions and capital expenditure

Acquisitions are an important part of our growth model and during the year we invested £113 million in 16 bolt-on acquisitions in the USA, Canada and the Nordic region.

The strategy of investing in the development of the Group's business models is supported by capital expenditure of £218 million (2014/15: £231 million). This investment was primarily for strategic projects to support future growth such as new distribution centres, distribution hubs, technology, processes and network infrastructure.

As at 31 July 2016, the Group had total operating lease commitments of £853 million (2014/15: £776 million). Management believes 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 33 on page 105.

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:

(i) to re-invest in organic growth opportunities;

(ii) to fund the ordinary dividend to grow in line with the Group's expectations of long-term earnings growth;

(iii) to fund bolt-on acquisitions to existing businesses where we have momentum and management bandwidth; and

(iv) if there is excess cash after these priorities, return it to shareholders promptly.

The Group paid an interim dividend of 33.28 pence per share (2014/15: 30.25 pence per share) amounting to £84 million. A final dividend of 66.72 pence per share (2014/15: 60.5 pence per share), equivalent to £167 million is proposed. This brings the total dividend for 2015/16 to 100.00 pence per share, an increase of 10.2 per cent.

On 29 September 2015, the Group announced its intention to initiate a share buyback programme for up to £300 million. During the year ended 31 July 2016, the Group purchased 7.9 million shares under the programme at a total cost of £300 million and an average cost per share of 3,815 pence. The shares purchased under the Group's buyback programme have been retained in issue as Treasury shares.

After the year-end, the Group invested £187 million in acquisitions in the USA (see note 35). Given this investment and taking into account a decent pipeline of future opportunities, the Board has decided to defer any decision on returning surplus capital to shareholders for the time being.

Net debt

Net debt increased during the year by £131 million to £936 million at 31 July 2016. One of the principal reasons for the increase is the retranslation of foreign currency borrowings into sterling. At 31 July 2016, £917 million of the Group's net debt was held in US dollars and the US dollar appreciated by 18.1 per cent during the year. The level of net debt at any point in time is affected by the working capital cycle and at 31 July 2016 net debt would have been approximately £120 million higher after taking into account short-term fluctuations in working capital at the year-end. Adjusting for these, net debt would be 1.0 times EBITDA.

Pensions

At 31 July 2016, the Group's net pension liability of £147 million (2014/15: £15 million) comprises assets of £1,558 million (2014/15: £1,477 million) and liabilities of £1,705 million (2014/15: £1,492 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 pension disclosure in note 1 on page 79.

The UK pension plan was subject to a triennial valuation during the year which is currently being finalised. As a result, the Group expects to fund additional employer pension contributions of £25 million per year for the next three years.

Other financial matters

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 large 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. More detail about the Group's supplier rebates is disclosed in note 1 on page 78.

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

	2016 £m	2015 £m
Trade receivables	**182**	144
Inventory	**(214)**	(181)
Trade payables	**15**	23
Net balance sheet position	**(17)**	(14)

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. At 31 July 2016, the Group had total committed facilities of £2,320 million (2014/15: £1,715 million). Of the Group's committed facilities at 31 July 2016, £1,159 million (2014/15: £680 million) was undrawn and £1,533 million of the total facilities mature after more than five years.

Interest rates

The Group's private placement bonds, with an outstanding par value of £936 million, have a weighted average fixed interest rate of 3.3 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 borrowing and 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 exchange 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 including counterparty and commodity risk. 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 Group's Treasury Committee and are monitored regularly. The management of customer trade 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 34 to 39.

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.

The Directors have also assessed the Group's prospects and viability over a three-year period. The viability statement can be found on page 35.

David L Keltner

David Keltner
Interim Chief Financial Officer

Risk management at Wolseley

Monitoring risk throughout the Group

The Board is ultimately accountable for the system of risk management at Wolseley. The Board, Audit Committee and Executive Committee review risks and controls 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.

Board, Audit Committee and Executive Committee

Fourth level

Principal risks formally reviewed every six months by the Board and Executive. Thresholds for principal risks agreed.

Overall system of risk management reviewed by the Audit Committee on behalf of the Board.

Audit reports throughout the year

Employee whistleblowing line

Performance reports

Risk reports in March and September

1. Front line business operations and line management

e.g. branches and distribution centres

First level

Business operations implement policies. Employees act in line with Wolseley's Code of Conduct and Group policies.

Corporate functions analyse risk and control data, set policies and procedures

Operations report on risk and control status and submit performance reports, e.g. injury statistics

2. Corporate functions

Group and subsidiary level, e.g. risk, treasury, finance, legal and IT

Second level

Set policies and procedures.

Monitor risks and controls.

Collate and submit risk reports.

Audit findings inform assessments of control effectiveness by Group Risk team

Reports from Group Risk inform audit priorities and plans for the coming year

3. Independent assurance

Internal audit, external auditors and other independent experts.

Third level

Test the design and effectiveness of procedures and controls.

Risk analysis during the year

2015/16 risk and control assessments

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 2016, the Board provided its perspective on risks relating to the Group's strategy for 2016/17 and beyond. The Board's assessment was then combined with bottom-up risk reports received from business units in February and August 2016 to produce an overall risk profile for the Group.

This risk report, listing principal and "emerging" Group risks and key business unit risks, was reviewed, amended and finalised with the Executive Committee in March and September 2016. The control frameworks in place for each principal risk were then reported to and reviewed by the Audit Committee.

Throughout the year, members of the Board, Audit Committee and Executive Committee have received updates on the Group's principal risks, as follows:

	Risk	Updates provided
a	Strategic change, new business models	Monthly performance reviews with CEO and CFO. CEO update to the Board at each Board meeting.
b	Pressure on margins	
c	Market conditions and growth	
d	Commodity price volatility	Included in monthly performance reviews with CEO and CFO.
e	New competitors and technology	Updates provided to the Executive Committee in November 2015 and to the Board in January 2016.
f	Information security	Updates were provided to the Executive Committee, the Board and the Audit Committee throughout the year.
g	Litigation	The Group General Counsel regularly provides updates to the Executive Committee and the Board on changes in legislation and any material litigation or exposures. Updates on the Group's "Product Integrity" programme were provided to the Executive Committee in September 2015 and to the Board in March and July 2016.
h	Regulation	The status of the Group's anti-bribery programme was reported to the Audit Committee in March 2016.

Longer-term viability of the Group

Building on this risk analysis, the Directors have assessed the Group's prospects and viability in light of its current financial position, strategic plan and principal risks. The Board believes that a three-year viability assessment period to July 2019 is appropriate as this timeframe aligns with the Group's planning horizon.

Strategic plans have been prepared by all business clusters and financial forecasts and budgets have been reviewed by the Board. The principal risks to the Company's strategy were formally reviewed by the Board in January and July 2016. Consideration has also been given to the strength of the Company's balance sheet and its credit facilities.

The Board considered the potential consequences of the UK referendum result to leave the European Union. The Board considered the impact on the UK and Group-wide operations and funding, taking into account the risks as currently understood and the fact that many aspects of the terms of the eventual exit of the UK from the European Union remain unknown.

Financial forecasts have been tested against an unlikely, but realistic, worst-case scenario. This incorporates a material downturn occurring simultaneously in all the Group's major markets, combined with the materialisation of one of the Group's principal operational risks. The material assumptions used in this analysis were based on a hypothetical market downturn resulting in a 20 per cent shortfall in forecast Group revenue in 2017, lasting for one year, followed by annual growth rate of 5 per cent thereafter. In addition, the materialisation of a severe operational incident was considered (such as a major product quality issue or an information security breach) leading to unexpected expenditure of £50 million. The testing took account of mitigating actions available to the business to respond to the market downturn – for example, a reduction in working capital, acquisitions and discretionary expenditure.

Based on these assumptions, and considering the Group's financial position, strategic plans and principal risks, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

The Directors' statement regarding the adoption of the going concern basis for the preparation of the financial statements can be found on page 33.

UK referendum result – June 2016

The UK referendum result of a vote to leave the European Union has resulted in some market uncertainties including a material weakening of sterling against the Group's principal trading currencies, of which the most significant is the US dollar. The weakening of sterling has had a translation impact on the Group's financial statements with a beneficial impact on results. Since the large majority of the Group's profit is derived from activities outside of the UK and Europe, the Group does not, at this point in time, envisage a material adverse impact in the future. The Company will continue to monitor developments.

Principal risks

- a Strategic change, new business models
- b Pressure on margins
- c Market conditions and growth
- d Commodity price volatility
- e New competitors and technology
- f Information security
- g Litigation
- h Regulations

Heat map (before controls)

The heat map below illustrates the relative positioning of our principal risks by severity and likelihood, before controls are applied.

Crystallisation 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 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 management. 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, certain financial risks, which are summarised on pages 30 to 33, 93 to 94 and 108 to 112. People-related risks and opportunities, including employee development and retention and health and safety risks are described in the Sustainability section starting on page 26.

a Strategic change, new business models

Inherent risk level
High

Trend
No change

Definition and impact

To respond to changing customer needs the Group is introducing new business models and changing traditional ways of working.

These changes are underway in all of our key markets and will continue for several years.

The Group must successfully implement these changes without disrupting existing operations.

The Group's ability to successfully execute these changes will affect its ability to grow profitably in the future.

Changes during the year

Execution of key strategic initiatives in each market continues. Close attention is paid to the execution of these programmes at all levels of the organisation.

To support faster execution, greater focus has been paid to a smaller number of initiatives capable of delivering the greatest value.

Mitigation

Each business unit has a clear strategy for continuously developing its business model and a defined programme of work to execute the strategy.

The Group Chief Executive and Chief Financial Officer discuss progress with each business unit during regular performance reviews.

The Board reviews progress during regular updates from the Group Chief Executive and as part of its six-monthly review of principal risks.

- Risk is rising
- Risk is unchanged
- Risk is falling
- Issue has been added to the list of top Group risks this year

b Pressure on margins

Inherent risk level
High

Trend
No change

Definition and impact

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 cost of commodities or goods purchased, customer or supplier consolidation or manufacturers shipping directly to customers.

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.

Changes during the year

Pressure on margins remained high during the period under review, primarily due to levels of competition. Commodity price deflation was significant and adversely impacted margins (see risk 'd' below).

In response, the Company continues to manage its cost base in line with changes in expected growth rates. Business unit performance, including margins achieved, were monitored monthly throughout the year.

Mitigation

The Group's strategy for tackling this issue remains unchanged. This includes continuous improvements in customer service, product availability and inventory management. Revenues from e-commerce and other growth sectors continue to expand and the Company has made acquisitions in these areas during 2015/16.

The performance of each business unit is closely monitored and corrective action taken when appropriate.

Resource allocation processes invest capital in those businesses capable of generating the best returns.

c Market conditions and growth

Inherent risk level
High

Trend
No change

Definition and impact

This risk relates to the Company's exposure to short term macro-economic conditions and market cycles in our sector (i.e. periodic market downturns).

Some of the factors driving market growth are beyond the Group's control and are difficult to forecast.

Changes this year

End markets have been more turbulent during the year. The Group has seen a notable downturn in industrial markets in North America and European markets have remained weak. The UK's vote to leave the European Union has created additional uncertainty.

The Group has maintained a strong balance sheet throughout the year and other measures have been taken to manage the cost base in line with forecast growth.

The Group has again tested its financial forecasts, including cash flow projections, against the impact of a severe market downturn.

Mitigation

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:

- the development of our business model;
- cost control, pricing and gross margin management initiatives, including a focus on customer service and productivity improvement;
- resource allocation processes; and
- capital expenditure controls and procedures.

d Commodity price volatility

Inherent risk level
High

Trend
New – increased during the year

Definition and impact

Prices of commodities such as copper, plastic (oil) and steel have fallen as global demand weakened. There is a risk that further sharp falls (or rises) in these commodities may occur too quickly for the Company to adjust its inventory levels, impacting revenue and profit margins.

Changes this year

This year has seen material deflation in the prices of certain commodities, including copper and steel. The Company's ability to fully mitigate the impact of this volatility is limited and there has been a resulting impact on the margins achieved by the Group.

Mitigation

The Company's ability to mitigate this risk is limited. Inventory levels are managed by each business and low to normal levels are maintained at times of price deflation. Large forward purchases are subject to management approval.

The Company does not actively hedge commodity prices using financial instruments.

e New competitors and technology

Inherent risk level	Definition and impact	Changes during the year	Mitigation
High/medium **Trend** New	Wholesale and distribution businesses in other industry sectors have been disrupted by the arrival of new competitors with lower-cost business models or new technologies to aggregate demand away from incumbents. There has to date been limited competitor activity in this area; however the nature of Wolseley's industry is such that its markets could be disrupted by new entrants.	An updated analysis of this risk was conducted and presented to the Executive Committee and the Board during the year. The Group made a number of acquisitions of online businesses during the year.	The Company continues to develop and invest in new business models, including e-commerce, to respond to changing customer and consumer buying patterns and needs. The development of such competitors continues to be monitored.

f Information security

Inherent risk level	Definition and impact	Changes during the year	Mitigation
High/medium **Trend** No change	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. The Company is reliant on a number of different legacy technology systems, some of which have been in place for many years or have been subject to in-house development. Data breaches in our industry sector and others indicate that such events are highly likely and difficult to prevent. Sensitive employee, customer or other data may be stolen and distributed or used illegally, leading to increased operating costs, litigation and fines or penalties. These 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 if we are unable to trade.	This risk has remained material, as a greater proportion of the Group's revenue is derived from e-commerce. The level and sophistication of IT security threats is constantly developing. During the year under review, the Group has reassessed high risk data types, their location and has reconfirmed ownership for that data. Mitigation plans have been updated for all businesses to address this risk. These include improving security awareness amongst employees and continuing to enhance data ownership and classification. Technical IT projects are in progress to deliver enhancements to the Group's digital security systems and infrastructure. Briefings on this topic were provided to the Board, the Audit Committee and the Executive Committee throughout the year. The Group reviewed the adequacy of its "cyber" insurance arrangements.	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. Certain of these controls are tested by business units and the Group IT and internal audit functions. External specialists are also employed as appropriate to test the security of our technology systems, e.g. penetration tests. 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. Insurance coverage is in place, including coverage for "cyber" risks.

Risk is rising

Risk is unchanged

Risk is falling

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

g Litigation

Inherent risk level
Medium

Trend
No change

Definition and impact

The international nature of the Group'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.

Material levels of litigation may arise from many of the Group's activities. Significant levels of litigation in our industry sector have in the past related to products, employees or major contracts.

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 79, 95 to 96 and 105.

Changes this year

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

An improved management information system was introduced to improve the reporting and analysis of actual and potential litigation.

A review of policies and procedures relating to product liability was undertaken in 2016 and the findings were reported to the Board. Internal audits have been undertaken in all major businesses to test procedures. Improvements are being implemented.

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

Contracting procedures continue to be improved in all businesses.

Mitigation

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.

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

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.

h Regulations

Inherent risk level
Medium

Trend
No change

Definition and impact

The Group's operations are affected by various statutes, regulations and standards in the countries and markets in which it operates. The amount of such regulation and the penalties can vary.

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.

Breach of any legal or regulatory requirement could result in significant fines and penalties and damage to the Company's reputation.

Changes during the year

There has been no major change in the level of regulation applying to the Company.

Anti-bribery and anti-corruption practices in all businesses were reviewed during the year and the findings reported to the Executive Committee and to the Audit Committee. Improvements are being implemented.

Further information on the Company's ethics and compliance programme can be found on page 28.

Mitigation

The Group monitors the law across its markets to ensure the effects of changes are minimised and the Company complies with all applicable laws.

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.

The Group aligns Company-wide policies and procedures with its key compliance requirements and monitors their implementation.

Briefings and training on legal and regulatory topics and compliance requirements, including anti-trust, anti-fraud and anti-corruption, are undertaken.

Where appropriate, tests are conducted to ensure that the Company would respond appropriately to a regulatory investigation.

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

John Martin
Group Chief Executive

Governance

Governance overview

I would like to take this opportunity to thank our shareholders for their continuing support and look forward to welcoming those shareholders able to attend our 2016 AGM.

Gareth Davis
Chairman

Dear Shareholder

I am pleased to present the Company's Corporate Governance Report for the financial year ended 31 July 2016. Your Board recognises that a sound governance framework, both in the boardroom and throughout the Group, is fundamental to the long-term success of the business.

We remain committed to full compliance with the UK Corporate Governance Code and to achieving high standards of corporate governance across the Group. Your Board sets the overall strategic direction of the Wolseley Group, and the Group's core values, policies and procedures create an environment in which our businesses can act with integrity and effectiveness, while driving for profitable growth. Our commitment to all our stakeholders and our people is of paramount importance throughout all our businesses.

This report explains how the Board operates and how our governance structure contributes to the achievement of the Group's long-term strategic objectives. This section, together with the reports from the Audit, Nominations and Remuneration Committees beginning on pages 50, 54 and 58 respectively, provide a description of how the Group has applied the main principles and complied with the relevant provisions of the 2014 UK Corporate Governance Code (the "Code").

We have used the core principles of the Code as the framework within which we explain our governance practices – please see the boxes below, which direct you to further detail.

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 would like to take this opportunity to thank our shareholders for their continuing support and look forward to welcoming those shareholders able to attend our 2016 AGM.

Gareth Davis
Chairman

Core principles – how they are applied

Leadership
Continued close focus on strategy and its execution.

See pages 42 to 46

Effectiveness
A strong, open and effective Board.

See pages 47 and 48

Accountability
Close scrutiny of risks and controls.

See pages 49 to 57

Remuneration
Prudent oversight of executive remuneration.

See pages 58 to 72

Relations with shareholders
Open engagement with shareholders.

See page 49

Statement of Compliance with the UK Corporate Governance Code

Throughout the financial year ended 31 July 2016, the Company has been in compliance with the Code provisions set out in the 2014 UK Corporate Governance Code (the "Code"). The Company's auditors, Deloitte LLP, are required to review whether the above statement reflects the Company's compliance with the 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.

Leadership

Board of Directors

The primary role of the Board is to provide effective and entrepreneurial leadership necessary to enable the Group's business objectives to be met and to review the overall strategic development of the Group as a whole.

Gareth Davis, Chairman

Biographies for the members of your Board as at the date of this report are as follows.

Each member served throughout the financial year ended 31 July 2016.

Gareth Davis
Chairman

Year of Appointment
2011 (appointed as Chairman)
2003 (appointed to the Board as a Non Executive Director)

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

Other principal appointments
Chairman of William Hill PLC and DS Smith Plc.

John Martin
Group Chief Executive

Year of Appointment
Appointed as Group Chief Executive on 1 September 2016
Appointed as Chief Financial Officer in April 2010

Key strengths and experience
Extensive operational and financial management experience of running large international businesses. Mr Martin has strong leadership capabilities and significant experience in strategic development and driving improvements in operational performance. He joined the Company as Chief Financial Officer and assumed management responsibility for Wolseley's Canadian business between 2013 and 2016. Previously he was a partner at Alchemy Partners, the private equity group, and prior to that was Chief Financial Officer of Travelex Group, the international payments business and Hays Plc.

Other principal appointments
None.

Frank Roach
Chief Executive Officer, USA

Year of Appointment
2005

Key strengths and experience
Strong business and operational leadership; management of subsidiaries and joint ventures. Business development and wide ranging sales experience. Mr Roach is Chief Executive Officer of Ferguson Enterprises, Inc. responsible for all of the Group's businesses based in the USA. He 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.

Other principal appointments
None.

Pilar López
Independent Non Executive Director

Year of Appointment
2013

Key strengths and experience
Strong financial and international experience within global businesses. Ms López was Global Simplification Director for Telefónica S.A from 2014 and Chief Financial Officer for Telefónica Europe (2007 to 2014). She was also a 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.

Other principal appointments
Country Manager for Microsoft Spain.

Alan Murray
Independent Non Executive Director

Year of Appointment
2013

Key strengths and experience
Considerable international operational experience and extensive executive management experience within global businesses. Mr Murray was previously a Non Executive Director of International Power plc (2007 to 2011). Prior to that, he spent 19 years at Hanson plc and was Group Chief Executive between 2002 and 2007. From 2007 until 2008, he was a member of the Management Board of HeidelbergCement AG. Mr Murray is a qualified chartered management accountant.

Other principal appointments
Non Executive Director of Owens-Illinois, Inc., and member of the Supervisory Board of HeidelbergCement AG.

Darren Shapland
Independent Non Executive Director

Year of Appointment
2014

Key strengths and experience
Considerable commercial, operational, financial management and broad public company experience in major retail businesses. Until September 2016 Mr Shapland was Chairman of Poundland Group plc. He was a Non Executive Director of Ladbrokes plc and was Chairman of its Audit Committee until 2015. Between 2012 and 2013, he was Chief Executive Officer of Carpetright plc. From 2005 to 2010, Mr Shapland was Chief Financial Officer of J Sainsbury plc and from 2010 to 2011, Group Development Director. He was also Chairman of Sainsbury's Bank. Prior to that, Mr Shapland held a variety of senior finance and operational positions at Carpetright plc, Superdrug Stores plc, the Burton Group and Arcadia.

Other principal appointments
Chairman of Maplin Electronics Limited, Notonthehighstreet.com and Topps Tiles Plc.

Tessa Bamford
Independent Non Executive Director

Year of Appointment
2011

Key strengths and experience
Extensive boardroom and City experience.
Ms Bamford has broad business experience having held senior advisory roles in both the UK and USA across a range of sectors. She was formerly a founder and Director of Cantos Communications, the online corporate communications service provider (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.

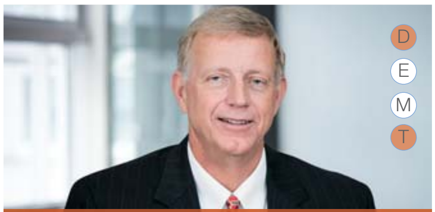
Other principal appointments
Consultant at Spencer Stuart. Non Executive Director of Barratt Developments plc.

John Daly
Independent Non Executive Director

Year of Appointment
2014

Key strengths and experience
Considerable international business and executive management experience in a variety of senior leadership roles within major international public companies. Mr Daly undertook various executive leadership positions during a 20-year career at British American Tobacco Plc ("BAT"), running large international businesses. Mr Daly recently stepped down as a Non Executive Director of Reynolds American Inc., a BAT associate company in the USA. Prior to his time with BAT, Mr Daly was Managing Director of Rothmans International's Japan and South Korea businesses.

Other principal appointments
Non Executive Director of Britvic plc and G4S plc.



David Keltner
Interim Group Chief Financial Officer

Year of Appointment
Appointed as a member of the Executive Committee in September 2016 but not a member of the Board

Key strengths and experience
A wealth of financial and risk management experience as well as in-depth knowledge and understanding of Wolseley. Mr Keltner was appointed as Interim Group Chief Financial Officer with effect from 1 September 2016 whilst the Company undertakes the selection process to appoint a permanent Chief Financial Officer ("CFO"). Mr Keltner is not a Director of the Company but will attend all Board meetings. From December 2006 until January 2009, Mr Keltner was CFO of Wolseley North America before becoming the CFO of Ferguson Enterprises Inc, the Group's largest operating subsidiary. At Ferguson he held direct responsibility for Finance, Acquisitions, Tax, Financial Services, Risk Management and Field Finance. He joined Wolseley in 1993 from the Company's acquisition of Stock Building Supply, a US building materials business, where he held an operational role. Previously he was a Vice President in the corporate banking division at NationsBank.

Jacky Simmonds
Independent Non Executive Director

Year of Appointment
2014

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

Other principal appointments
Group People Director of easyJet plc.

Key to Board Committee Membership

- A Audit
- D Disclosure
- E Executive
- N Nominations
- M Major Announcements
- R Remuneration
- T Treasury
- S Senior Independent Director
- Committee Chair

Other Board members
Ian Meakins was Group Chief Executive, Chair of the Executive Committee and a member of the Disclosure, Major Announcements and Treasury Committees throughout the financial year ended 31 July 2016 and until his retirement on 31 August 2016.

Board and Committee meetings 2015/16 attendance (eligibility)

Board members	Board	Committees Audit	Rem	Nom
Chairman				
Gareth Davis[1]	6 (6)			3 (3)
Executive Directors				
Ian Meakins[2]	6 (6)			
John Martin[3]	6 (6)			
Frank Roach	6 (6)			
Non Executive Directors				
Tessa Bamford	6 (6)	4 (4)	6 (6)	3 (3)
John Daly[4]	6 (6)	4 (4)	5 (6)	3 (3)
Pilar López	6 (6)	4 (4)	6 (6)	3 (3)
Alan Murray[5]	6 (6)	4 (4)	6 (6)	3 (3)
Darren Shapland[6]	6 (6)	4 (4)	6 (6)	3 (3)
Jacky Simmonds[7]	6 (6)	4 (4)	6 (6)	3 (3)

The Major Announcements Committee meets as required and was not required to meet during the year. Richard Shoylekov, Group General Counsel and Mark Fearon, Group Director of Communications and Investor Relations are additional members of that Committee.

1 Chair of the Nominations Committee.
2 Group Chief Executive until he retired from the Board on 31 August 2016.
3 Group Chief Financial Officer until 31 August 2016. Appointed as Group Chief Executive with effect from 1 September 2016.
4 Mr Daly was unable to attend one meeting of the Remuneration Committee due to a scheduling conflict.
5 Senior Independent Director.
6 Chair of the Audit Committee.
7 Chair of the Remuneration Committee.

Wolseley's governance structure

The Board believes that good governance comes from having an effective Board which provides strong leadership to the Company and engages well with both management and stakeholders. The clear division of responsibilities within Wolseley's governance structure ensures constructive relationships and enables the Board to work collaboratively.

The table below describes Wolseley's governance structure, an overview of the key Committees of the Board and other administrative committees and the roles and responsibilities of the Chairman, Group Chief Executive and Senior Independent Director.

Shareholders

Board and Committees of the Board
Committees of the Board support the Board in the fulfilment of its duties. These take strategic decisions of a substantive nature.

The Board

- Collectively responsible for the long-term success of the Company
- Accountable to shareholders and responsible for the proper conduct of the business
- Setting the overall strategic direction of the Company
- Oversight of effective management of the Wolseley Group ensuring the appropriate leadership and resources are in place to meet its objectives
- Reviewing the performance of the Board and its Committees and ensuring effective succession planning
- Ensuring effective financial reporting
- Approval of key strategic projects in the best interests of the Group
- Maintaining a sound system of risk and internal controls

To read more **see page 45**

Audit Committee

Oversees, monitors and makes recommendations as appropriate in relation to the Company's financial statements, accounting processes, audit (internal and external), risk and internal controls and matters relating to fraud and whistleblowing

To read more **see page 50**

Remuneration Committee

Reviews and recommends to the Board the framework and policy for the remuneration of the Chairman, the Executive Directors and the Executive Committee

Takes into account the business strategy of the Group and how the Remuneration policy reflects and supports that strategy

To read more **see page 58**

Nominations Committee

Regularly reviews the structure, size and composition of the Board and its Committees

Identifies and nominates suitable candidates to be appointed to the Board (subject to Board approval) and considers succession generally

To read more **see page 54**

Major Announcements Committee

Meets as required in exceptional circumstances to consider disclosure obligations in relation to material information where the matter is unexpected and non-routine

Other Committees
Implement strategic decisions and executive or administrative matters

Executive Committee

Addresses operational business issues

Responsible for implementing Group strategy and policies, day-to-day management and monitoring business performance

Chaired by the Group Chief Executive, Committee membership comprises:
Chief Executive Officer, USA
Interim Group Chief Financial Officer
Group Chief Information Officer
Managing Director, UK
Interim Chief Executive Officer, Nordic region
CEO, Canada and Central Europe
Group HR Director
Group General Counsel.
Biographical details for each member can be found at **www.wolseley.com**

Treasury Committee

Considers treasury policy including financial structures and investments, tax and treasury strategy, policies and certain transactions of the Group

Reviews performance and compliance of the tax and treasury function

Makes recommendations to the Board in matters such as overall financing and strategy, and currency exposure

Committee membership details can be found at **www.wolseley.com**

Disclosure Committee

Meets as required to deal with all matters relating to public announcements of the Company and the Company's obligations under the Listing and Disclosure and Transparency Rules of the UK Listing Authority and EU Market Abuse Regulation

Assists in the design, implementation and periodic evaluation of the Company's disclosure controls and procedures

Committee membership details can be found at **www.wolseley.com**

Individual roles of the Board

Chairman – Gareth Davis

- Overall leadership and governance of the Board (including induction, development and performance evaluation)
- Provides the Directors with insight of the views of the Company's major shareholders
- Promotes a culture of challenge and debate at Board and Committee meetings

Group Chief Executive – John Martin

- Effective leadership of the Company, implementing objectives and strategy agreed by the Board
- Management and development of the Group's operations and business models
- Maintaining good relationships and communications with shareholders
- 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 – Alan Murray

- Available to 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
- Chairs the Board in the absence of the Chairman
- Holds informal discussions with the Non Executive Directors, with and without the presence of the Chairman

How the Board operates

Board decision-making

The Board has a strong culture of open debate. All Directors are actively encouraged to challenge existing assumptions and to raise challenging questions. Certain strategic decisions and authorities of the Company are reserved as matters for the Board with other matters, responsibilities and authorities delegated to its Committees as detailed in the Wolseley governance structure opposite. A formal schedule of matters reserved for the Board is reviewed annually in July, a summary of which can be found at **www.wolseley.com** together with the terms of reference of each of the Audit, Remuneration and Nominations Committees.

Board and Committee Meetings

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 UK.

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 one or two-day periods. Details of Director attendance at Board and Committee meetings during the year may be found on page 43.

In order to provide the Board with greater visibility of the Group's operations, to provide further opportunities to meet senior management and to gain a deeper understanding of local market dynamics, the Board aims to visit at least one of the Group's business unit locations each year.

Board visit to the USA

In July 2016, the Board and Committee meetings were held in Virginia, USA. This provided an opportunity for the Board to visit Ferguson's recently opened National Sales Center and its new showroom facility in Newport News, Virginia. During these visits, the Board met senior executives to discuss business strategy and operational performance. The visits also enabled the Board to meet and talk to our staff based at these locations. At the National Sales Center the Board saw how the business had centralised some of its previously branch-based sales activities to support higher levels of customer service and greater efficiency in branch operations. The showroom in Newport News is an operational showroom and a "beta" facility in which new product ranging, and product and customer service strategies, are developed and tested before being rolled out to Ferguson's nationwide showroom network. The Board met with staff at the showroom to gain a deeper understanding of how this channel is an important offering for both trade customers and consumers.

The Board's priorities for 2016/17

The Board's priorities for the year will be to:

- Support the new Group Chief Executive and the Interim Group Financial Officer in their new roles
- Regularly review and monitor the Group's progress against its strategy, including the strategic priorities set out on pages 4 and 5
- Ensure there is excellent execution of major operational initiatives
- Continue to focus on Board and senior executive succession plans, and on talent development in the regions

What has the Board done during the year?

The Board has a rolling agenda programme which ensures that items relating to strategy, finance, operations, health and safety, corporate governance and compliance are covered in its meetings. Standing agenda items are discussed at each Board meeting and other items are included on the agenda at relevant times throughout the year.

Key areas of Board activity during the year are detailed below.

Strategy

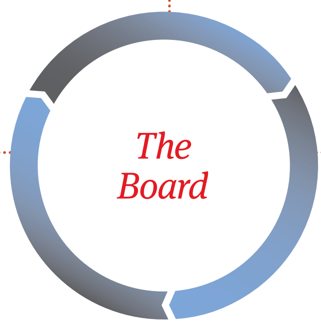
Standing agenda items:
Review of strategic initiatives

Periodic items:
Board Strategy day
Budget

Governance

Standing agenda items:
Board Committee reports
Group Legal and Company Secretariat report

Periodic items:
Succession planning and talent review
Board effectiveness
Corporate Governance review
Health and safety
Insurance review
Property, pensions and tax reviews
Risk management, Sustainability and Product Integrity
Investor feedback



Performance

Standing agenda items:
Group Chief Executive report
Chief Financial Officer report

Periodic items:
Financial results
Mergers and Acquisitions
Regional business reviews
Post-investment reviews

An overview of the Board's 2015/16 objectives and how the Board has achieved these objectives is set out below:

2015/16 objectives	Achievements
Strategy	For more information on our strategy see pages 4 and 5
Annual strategy review.	• Annual Board strategy day held • Individual business strategies reviewed during the year.
Regularly review and monitor the Group's progress against its strategic objectives, with particular focus on driving growth organically through the development of new business models and selective bolt-on acquisitions.	• Rolling agenda for reviewing major strategic programmes • Detailed reviews undertaken of progress made with initiatives such as customer service, e-commerce and sales management, in addition to receiving business-specific updates from the Group's major businesses and post-investment reviews of completed acquisitions • Board visit to USA. For more details see page 45 • The Board reviewed acquisition opportunities and 16 were completed during the year. For further details of acquisitions see the Group Chief Executive's overview on page 5 and note 29 to the consolidated financial statements.
People	For more information on succession planning see page 54
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.	• Board succession planning reviewed in detail by the Board and the Nominations Committee • Detailed reports received by the Board on people strategy and succession planning generally in December 2015 and May 2016 • The Board had the opportunity to meet with US executives on the visit to the Group's businesses in the USA, details of which can be found on page 45.

Effectiveness

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. Following the external evaluation conducted in 2015, in accordance with the Code, the next externally-facilitated effectiveness review will be conducted during the year ending 31 July 2018. Progress against the actions identified following the external review undertaken in 2015, is outlined below:

Action point	Responsibility	Outcome
Performance reporting to have greater range of financial and non-financial data and key performance indicators	Finance	The Board receives the appropriate mix of financial and non-financial data on a regular and consistent basis.
Continued focus on succession planning for the Board and senior management and talent development generally in the business	Board and Nominations Committee	During the year, the Board and the Nominations Committee reviewed succession planning in detail (see page 54). In addition, the Board received detailed reports on people strategy and succession planning generally in December 2015 and May 2016.
Continued focus on detailed review of progress made within the Group's strategy and specific strategic initiatives	Board	Throughout the year, the Board continued to oversee the execution of our strategy and to monitor progress against the 2015/16 objectives. The Board: • received updates on strategic initiatives at each Board meeting; • received business-specific updates from the Group's major businesses; • reviewed acquisition opportunities on an ongoing basis (more details on page 5); and • held the Board and Committee meetings in the USA in July 2016, taking the opportunity to learn more about our businesses in the USA (more details on page 45).

Board composition

As at the date of this report, the Board consists of nine members including the Chairman, two Executive Directors and six Non Executive Directors, each of whom served throughout the financial year ended 31 July 2016. In addition, Mr Meakins served throughout the year ended 31 July 2016 as Group Chief Executive and until his retirement on 31 August 2016.

The biographies of the Directors (on pages 42 and 43) demonstrate the strong and diverse experience possessed by the members of the Board. The Non Executive Directors play an essential role bringing a range of skills and expertise and challenging the Board to help develop Group strategy. Each of the Non Executive Directors and the Chairman are considered by the Board to be independent and free of any relationship which could materially interfere with the exercise of their independent judgement. The Code suggests that length of tenure is a factor to consider when determining the independence of the Non Executive Directors. Each of our Non Executive Directors have served for five years or less. The Board is satisfied they each continue to demonstrate independence of thought and expertise in meetings, and to support the senior management in an objective manner.

The composition of the Board is kept under review by the Nominations Committee to ensure an appropriate balance of skills, experience, independence and knowledge are maintained. There were no new Director appointments during the year.

Information and support

The Group Company Secretary is Secretary to the Board and its Committees. In advance of each set of meetings, papers and relevant information are delivered so that each Director is provided with the necessary resources to fulfil their duties. The information is published via a secure web portal, allowing remote access by Directors. Meeting support is provided by the Company Secretariat department.

All Directors have access to a "reading room" through a 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.

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. 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.

Board and Committee effectiveness review

This year, the Board effectiveness review was facilitated internally using an online survey. The survey included questions addressing the activities and concerns of the Board and the Audit, Remuneration and Nominations Committees. They encouraged comment and qualitative evaluation of the effectiveness of the Board and each Committee, the individual members and the support received from management and advisers. The results of the surveys provided discussion of areas for further improvement by the Board and the Committees.

All Directors, from the time of appointment, are aware of the time commitment expected in order to discharge their responsibilities effectively. The Chairman maintains frequent contact with all Directors and constantly monitors whether they are able to devote sufficient time to their respective roles, and he is satisfied that each Director has been able to do so. The Chairman also has regular meetings, outside of Board and Committee meetings, with the CEO and other executives to keep up to date with material developments in the business. During the financial year, each Director attended all scheduled Board meetings.

During the year, the Non Executive Directors, led by the Senior Independent Director, undertook the performance evaluation of the Chairman. The evaluation also took account of the views of the Executive Directors. The Chairman is considered to have performed strongly and to be highly effective in his role.

The Board continues to consider each of the Directors to be effective and to demonstrate commitment to his or her role and the Chairman's performance was highly rated.

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 accordance with the Code, all Directors will stand for re-election at the 2016 Annual General Meeting ("AGM"). Biographies for the Directors can be found on pages 42 and 43 and in the Notice of AGM.

Key findings and improvement actions

The key findings of the internal evaluation overall were positive. The review concluded that the Board was very effective and worked well together enabling the individual Directors to discharge their respective roles effectively. The composition of the Board was rated highly and it was noted that there was strong engagement by the Non Executive Directors with management, involving constructive challenge and support. The amount of time spent on strategic oversight and the ways in which the Board developed and monitored the Group's strategy were seen as appropriate. Performance of the Board Committees was considered to be strong and the structure, whereby each of the Non Executive Directors serves on each of the Audit, Nominations and Remuneration Committees, was regarded as being effective at supporting transparent decision-making.

Areas identified in order to improve overall effectiveness, are summarised below:

Action
Keep under review the range of skills and experience required at Board-level as the Group's strategy is implemented and its businesses develop in the future
Continue to focus on succession planning at Board and Executive level
Develop further opportunities for Board members to continue to deepen their understanding of and engagement with the Group's businesses

Accountability and relations with shareholders

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 page 53. There is a Group-wide risk management programme in place which supports the Board in assessing and managing the principal risks to strategy. During the year, the Board and its Committees carried out a robust assessment of these risks.

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 34 to 39.

Remuneration

Further details relating to the level and components of remuneration, together with the Company's policies on such matters, are provided in the Remuneration Report on pages 58 to 72.

Relations with shareholders

Engagement

The Board is fully committed to engaging with all shareholders. During the year, active dialogue was maintained with our shareholders through planned communications and annual investor programmes. The Group Director of Communications and Investor Relations (who reports to the Chief Financial Officer and Group Chief Executive) has day-to-day responsibility for all investor relations matters and for contact with all shareholders, financial analysts and the media. In interactions with shareholders, the Company ensures:

- a professional approach;
- provision of accurate data;
- timely disclosure of information to the market; and
- accessibility to both current and potential shareholders.

Communications programme

Regular dialogue with institutional shareholders and financial analysts based in Europe and North America is maintained through:

- meetings and conversations involving the Group Chief Executive and Chief Financial Officer;
- release of updates on the financial performance of the Group incorporating revenue, profitability by region, net debt and appropriate commentary on key business trends; and
- the Chairman regularly engaging with larger institutional shareholders to discuss matters including the Board, strategy, remuneration and corporate governance.

We engage with private shareholders in the following ways:

- periodic meetings are held with the UK Shareholders' Association;
- the Company responds to communications from individual shareholders;
- all documents presented at investor events are available at **www.wolseley.com**; and
- there is a Shareholder information section at **www.wolseley.com** and on pages 126 to 128 of this report.

Investor relations programme

The allocation of time spent in the UK, continental Europe and North America reflects the distribution of our shareholders.

- Shareholder meetings – during the year ended 31 July 2016, there were a total of 239 meetings. Ian Meakins and John Martin (together with the Investor Relations team) attended 109 meetings, Gareth Davis (together with the Investor Relations team) attended seven meetings, Frank Roach (together with members of the US senior management team) attended four meetings and the Investor Relations team met with institutions through a further 119 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 Group Director of Communications and Investor Relations regularly provides the Board with details of feedback received from institutional shareholders and any key issues raised.

Analyst and Investor Day, USA – 12 November 2015

The Group held an Analyst and Investor Day at the Company's new ship hub in Secaucus, New Jersey. The event was hosted by Ian Meakins and focused on our US business, Ferguson. During the day, there were a series of management meetings on Ferguson's strategy, performance and opportunities for growth. A tour of the facility took place in addition to visiting a local branch. A webcast on the presentation can be found at **www.wolseley.com**.

Plans for engagement in 2016/17

A similar investor relations programme will be run during the 2016/17 financial year.

AGM

The AGM is held in Switzerland with an audio-visual link to London so that shareholders in London are able to participate and can question the Board during the meeting. All Directors attended the 2015 AGM with the exception of John Daly. On his appointment, Mr Daly had a pre-existing business commitment which he was unable to re-schedule. During the AGM, the Board answered a wide range of questions from shareholders.

Details of the 2016 AGM are contained in the Notice of AGM and are available at **www.wolseley.com**.

Audit Committee

Including the report from the Audit Committee for the financial year ended 31 July 2016

Darren Shapland
Audit Committee Chairman

Dear Shareholder

I am pleased to present the report of the Audit Committee for 2015/16. As at 26 September 2016, the Committee was made up of six Non Executive Directors as set out in the table on page 43. There were no changes to Committee membership during the year. The Board considers that several members of the Committee, including me, have recent and relevant financial experience and that each member of the Committee is independent within the definition set out in the Code. The key strengths and experience of each member of the Committee are summarised on pages 42 and 43. Members of the Committee between them possess significant international, commercial, retail, financial and human resource skills and expertise which can be applied and are relevant to an international specialist distribution company.

This report provides an insight into the activities of the Committee during the year to demonstrate how the Committee has continued to play a key oversight role for the Board.

The Committee has principally focused on maintaining the quality and integrity of our financial reporting, and monitoring and ensuring the appropriateness of the Company's risk management systems and internal control environment. We have also overseen the smooth transition to our new external auditors, Deloitte LLP ("Deloitte"), and ensured that our governance standards are maintained. Further details of the Committee's activities during the financial year ended 31 July 2016 are set out below.

I shall be available at the 2016 AGM, to respond to any questions shareholders may raise on this report or any of the Committee's activities.

Meetings

The Committee met four times during the year as part of its standard schedule of meetings. Meetings coincide with key dates in the Company's financial reporting cycle and usually take place the day before a Board meeting to maximise efficiency of communication with the Board. Attendance at these meetings is set out on page 43. In addition to the members of the Committee, the Chairman, the Group Chief Executive, the Chief Financial Officer and the Head of Internal Audit, 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 or other senior finance managers of the Group's major regions periodically attended Committee meetings to provide the Committee with detailed updates relating to their region. The Committee periodically meets separately with the external auditors and the Head of Internal Audit without the presence of Executive Directors. The Committee also meets periodically with the Chief Financial Officer.

Committee effectiveness review

The annual review of effectiveness of the Committee was carried out in April 2016. The review concluded that the Committee continued to be effective and well run, that the work of the internal and external auditors was well co-ordinated and that their work was effectively reviewed and assessed by the Committee. Ways in which the Committee could continue to deal with an ever increasing governance and compliance environment and workload in an efficient way were identified. The report also highlighted areas for improvement and these have been incorporated into our priorities for 2016/17 as set out on page 53.

Principal matters considered by the Committee during 2015/16

The Committee has a rolling programme of agenda items to ensure that relevant matters are properly considered. The list below summarises the key items considered by the Committee during the year. The Board receives copies of the minutes of each meeting of the Committee and key issues covered are also reported to the subsequent meeting of the Board.

Control Environment
- Internal audit report
- Annual plan for internal audit
- Fraud and whistleblowing reports
- Risk management report
- Anti-bribery and corruption compliance programme
- Internal controls review
- External audit plan

Financial Results
- Full Year results and associated announcements
- Auditor's Full Year report to the Committee
- Half Year results and associated announcements
- Auditor's Half Year report to the Committee
- Review of the Annual Report

Governance
- Effectiveness review of previous external auditor
- Consideration of non-audit engagements
- Effectiveness review of internal audit
- Updates on accounting and corporate governance developments
- Terms of reference review
- Review of effectiveness of the Committee
- Review of external auditor's fees and engagement letter

Review Items
- Audit tender transition
- Updates from regional Finance Directors

What the Committee has done during the year

An overview of the Committee's 2015/16 objectives and how the Committee has achieved these objectives is set out below:

2015/16 objectives	Achievements
Ensure there is an efficient and effective transition of the external audit from PricewaterhouseCoopers LLP ("PwC") to Deloitte.	• Effective and efficient transition from PwC to Deloitte.
Continue to review and monitor the approach to risk management and the level of risk driven through changes to the operating model, industry changes and technological developments.	• Reviews undertaken in March and September of key risks and their management • The Group's principal risks and the adequacy of the mitigating controls in place were considered in detail • Feedback provided to management as part of this review process and any material changes highlighted.
Continue to monitor and review cyber security and planned major changes to IT systems.	• Updates received in January and July on the Group's IT controls • IT controls reviewed and updated and new, more robust, controls introduced as part of the Group's ongoing continuous improvement programme • Updates received in January and July on the Group's information security programme under which the Company would continue to develop and implement new processes to address, in an appropriate manner, the continued threats to information security as they develop.
Continue to focus on finance systems transformation.	• Updates received on progress made to upgrade finance systems • Projects included implementation of new software solutions, reviewing the efficiency of processes and finance operating models and developing internal reporting capabilities • Good progress made with many of the projects completed or on track and where some projects had been delayed due to technical reasons, revised plans were developed to ensure that the projects would be completed in an appropriate timescale.

Financial reporting and significant financial judgements

The Committee considered the issues summarised below as significant in the context of the 2015/16 financial statements. These were discussed and reviewed with management and the external auditors and the Committee challenged judgements and sought clarification where necessary. The Committee received a report from the external auditors on the work they had performed to arrive at their conclusions and discussed in detail all material findings contained within the report.

- The Committee reviewed the carrying value of goodwill and other intangible assets for impairment, including a detailed review of the assumptions underlying the value in use calculations for businesses identified as cash generating units. The Committee agreed with management's assessment that an impairment charge had arisen relating to the UK business due to continued challenging market conditions and significantly 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 are 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 cover a calendar year and therefore do not end at the same time as the Group's accounting year-end. This review covered the processes and controls in place during the year and the level of adherence to the Group's accounting policies and procedures. Judgements were made to forecast the expected level of volumes purchased to determine the appropriate rate at which rebate is earned as this varies dependent upon the volume or value purchased. As a result of the review process, the Committee concluded that the level of rebate income and rebate receivable as at 31 July 2016 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 2016. 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. 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.

Fair, balanced and understandable assessment

At the request of the Board, the Committee assessed whether the content of the 2015/16 Annual Report, taken as a whole, is fair, balanced and understandable. In order to make this declaration, a formal process is followed to ensure the Committee has access to all relevant information including a paper from management detailing the approach taken in the preparation of the Annual Report and Financial Statements and identifying areas where it has met the requirements of the Code. The Committee and all Board members receive drafts of the Annual Report and Financial Statements in sufficient time to allow challenge of the disclosures where necessary. The Committee advised the Board it was satisfied that, taken as a whole, the 2015/16 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 57.

External audit

Auditor appointment

Deloitte's appointment as the Company's new external auditor following the external audit tender process in June 2015 was approved by the shareholders at the 2015 Annual General Meeting. In the tender process Deloitte proposed a thorough transition plan which included a detailed assessment of the control environment in each region and made proposals to increase the use of analytical techniques as part of the audit plan. The plans have been successfully implemented and Deloitte have provided feedback to the Audit Committee. I would like to thank our previous external auditor, PwC, and Deloitte for their assistance in achieving an efficient and effective handover. Deloitte will be required to rotate the audit partner responsible for the Group audit after five years and, as a result, the current lead audit partner will be required to change after the 2020 year-end.

The Committee reviews the external auditor appointment and the need to tender the audit. The Company confirms that it complied with the provisions of the Code and the Competition and Markets Authority Order for the financial year under review. For the financial year ending 31 July 2017, the Committee has recommended to the Board that Deloitte be reappointed as the external auditor and the Directors will be proposing the reappointment of Deloitte at the 2016 Annual General Meeting.

The Committee confirms that the Company complied with the provisions of the Statutory Audit Services Order 2014 during the financial year ended 31 July 2016.

External audit processes

During the year, the Group audit partner, together with other relevant and appropriate Deloitte partners, attended all the Audit Committee meetings. They provided the Committee with information and advice including detailed reports on the financial statements and internal controls.

In January 2016, the Committee reviewed and approved the terms, areas of responsibility and scope of the 2015/16 audit as set out in the external auditors' engagement letter. During the year, Deloitte provided external audit services for regulatory and statutory reporting. Deloitte are expected to report to the Committee any material departures from Group accounting policies and procedures that are identified during the course of their audit work. No material items were found or reported in the financial year.

Deloitte's 2015/16 external audit plan was approved in March 2016 and has been successfully completed at the date of this report.

Effectiveness of the audit process

Following the issue of the Company's Annual Report, the Committee conducts an annual review of the effectiveness of the external audit. A survey of all the Group's finance teams is conducted. Each team is asked to rate the performance of the external auditor 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. This year the review was carried out in relation to PwC's last external audit of the Group for the year ended 31 July 2015 and the Committee was satisfied that PwC provided an effective audit service. A review of the effectiveness of the audit for the year ended 31 July 2016 will be conducted.

Auditor independence and objectivity

The Company has policies and procedures in place to ensure that the independence and objectivity of the external auditor are not impaired. These include restrictions on the types of services which the external auditor can provide, in line with the Audit Practices Board Ethical Standards on Auditing. Details of the services that the external auditors cannot be engaged to perform are provided at **www.wolseley.com**.

When considering the award of non-audit work to the external auditor, an assessment is made to consider if it is more effective for the work to be carried out by the external auditor who has existing knowledge of the Company and all appointments are made on a case-by-case basis. The prior consent of the Chairman of the Committee is required before the Company's external auditor is appointed to undertake non-audit work. The external auditor will not be appointed to provide non-audit services where the Committee considers it might impair their independence or objectivity in carrying out the audit. At each meeting the Committee reviews any new non-audit engagement of the Company's external auditor and reviews the level of fees for all non-audit work. Since its appointment as the Company's external auditor, Deloitte has not undertaken any new non-audit work. Deloitte was permitted to conclude a small number of minor non-audit engagements where it had already been engaged prior to its appointment as external auditor. The minor non-audit engagements related to expatriate tax and human resources and are now complete.

Deloitte 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 Deloitte.

Audit and non-audit fees

Fees for non-audit work performed by Deloitte as a percentage of audit fees for the year ended 31 July 2016 were 7 per cent (2015: the equivalent ratio was 50 per cent for non-audit work performed by PwC). Further disclosure of the non-audit fees during the year ended 31 July 2016, can be found in note 3 to the consolidated financial statements on page 82.

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 July 2016 which covers the activities to July 2017. During the year, the Head of Internal Audit attended all Committee meetings and provided the Committee with a detailed report on internal audit activities which the Committee 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 July 2016, the Committee conducted a 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 facilitated by an independent external consultant and undertaken using guidance issued by the Chartered Institute of Internal Auditors ("Institute"). The report concluded that the internal audit function was meeting the Institute's core standards, was considered to be a fit for purpose department with strong sponsorship from the Board and the Committee. The review also identified some opportunities to improve how the function operates including how it documents and provides assurance over IT risks and controls and how to enhance the structure and management of the North American audit team. Steps have already been taken to implement these and the other recommendations arising from the review.

Risk

Risk management

Risk management reports prepared by the Group Head of Risk and Compliance were submitted to the Committee in March and September 2016. 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 and, ultimately, the Board are prepared to accept. 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.

Viability Statement

The Committee also reviewed management's work in conducting a robust assessment of those risks which would threaten the future performance or liquidity of the Company, including its resilience to the threats of viability posed by certain of those risks in severe but plausible scenarios. This assessment included the stress testing of cash flow projections to evaluate the impact of an unlikely, but realistic, worst-case scenario. The Company's Viability Statement can be found on page 35.

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. 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 receives regular reports throughout the year to assure itself 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 Committee on behalf of the Board. The Committee is of the view that the Company has a well-designed system of internal control. These systems can only provide reasonable, but not absolute, assurance that risks are managed to an acceptable level.

In relation to the financial reporting process, at the business level, line management are required to implement base financial and other controls in line with a clear set of detailed policies relating to financial reporting and other accounting matters and act in accordance with the Group Code of Conduct. At Group level, the Group finance function oversees through setting the policies, requiring a self-certification from the businesses and a bi-annual assessment of implementation by the businesses. At a further level, assurance functions (Internal and External Audits) test various aspects of the processes and report to the Committee.

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 any significant failings or weaknesses 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 2016 and have continued to the date of this report.

Further information on the Company's risk management systems is set out in the section on Principal risks and their management on pages 34 to 39.

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 at **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 Committee meetings providing details of fraud losses on a half yearly basis.

Audit Committee priorities for 2016/17

2016/17 priorities
The effective and efficient transition of responsibilities to the Company's Interim Group Chief Financial Officer
Continue to review and monitor the approach to risk management and the level of risk driven through changes to the operating model, industry changes and technological developments
Continue to monitor and review the Group's approach to information security
Continue to monitor finance systems transformation
Monitor and ensure that the external auditors and internal audit continue to co-ordinate their activities effectively and that the internal audit effectiveness review action points are completed

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
Nominations Committee Chairman

Dear Shareholder

Succession

Last year I highlighted the importance the Committee placed on giving full consideration to succession planning at Board level and for senior leadership positions. One of the most important decisions a Board, supported by the Nominations Committee, has to make is the appointment of a new Chief Executive. During the year, we announced Ian Meakins' retirement and the appointment of John Martin as our new Group Chief Executive ("CEO").

As part of the Committee's succession planning process for the role of CEO, we considered external candidates in addition to John Martin, who was then our Chief Financial Officer ("CFO"). The criteria for the selection of a successor to Ian Meakins as CEO included: an ability to foster the development of our people and the diversity of our workforce; continuity, development and effective implementation of the Company's strategy; an understanding and commitment to the culture and values of the Company; and strong and effective leadership of a large, international, publicly quoted company.

After a careful and thorough review, the Committee agreed that John Martin was the most appropriate successor as CEO and recommended his appointment to the Board. John joined the Company in 2010 as CFO and worked closely with Ian Meakins, since then developing and implementing the Group's strategy. He also had management responsibility for Wolseley Canada from August 2013 until July 2016. John has significant operational and management experience and an exemplary track record in running large international businesses.

We also undertook a process to identify a successor for the role of CFO. We considered both internal and external candidates as part of a rigorous process involving interviews and assessments. The criteria for the selection process included strategic development abilities, functional capabilities, relevant sector and international experience and the ability to work effectively in and build high performing teams. In May 2016, we announced that the previously announced appointee would not take up the position of the Company's CFO and that David Keltner would be appointed as Interim Group CFO. David has been the CFO of our US business, Ferguson, since 2009 and before that was CFO for Wolseley North America from 2006. He has deep and broad finance experience, and an excellent operational knowledge of the Group's businesses in the USA and Canada. The process to identify and appoint a permanent CFO is well underway and we will give thorough consideration to both internal and external candidates during the process.

External search advisers JCA Group and Russell Reynolds Associates assisted the Nominations Committee during the year with the CEO and CFO succession processes. JCA Group and Russell Reynolds Associates have no other connections to the Company.

During the year, the Committee also considered the composition, skills and experience of, and the succession plans for, the Group's senior leaders, and approved the implementation of succession plans for senior executives. Succession for the Board and senior executives will continue to be a crucial area of focus of the Committee in the coming year and beyond to ensure that, as the Group develops, the business has the appropriate mix of skills and experience at Board and senior levels. In addition to the work of the Committee, the Board conducts a detailed review of the succession and talent review each year and this review informs and assists the Committee when carrying out its work.

Diversity

We remain supportive of the voluntary approach as an effective way to encourage companies to improve gender diversity in boardrooms. For the last three years we have met the gender diversity recommendations set out in Lord Davies' report, "Women on Boards", and, again, this year 30 per cent of your Board are women. Following Lord Davies' final update on his report, the Department of Business, Innovation and Skills has set up a further independent review panel to increase female representation at executive level in FTSE 350 companies. We take gender diversity seriously, having met the diversity recommendations well ahead of the deadline set out in Lord Davies' report, and we look forward to reviewing the recommendations of the new panel once they are published.

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 28.

Effectiveness

The annual review of the effectiveness of the Committee was carried out in April 2016. The review concluded that the Committee was well run. The review also highlighted areas for continued improvement and we have incorporated these into our priorities for 2016/17 as set out in the table below.

At the 2016 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 2016/17

2016/17 priorities
Continue to monitor Board and senior leadership succession
Regularly review long-term talent development

Gareth Davis

Gareth Davis
on behalf of the Nominations Committee

Directors' Report – other disclosures

Articles of Association

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

Appointment and removal of Directors

The Board may exercise all powers of the Company, subject to the limitations of the law and the Company's Articles of Association. The Directors may from time to time appoint one or more Directors and 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 ("AGM") and shall then be eligible for election. In addition, the Articles 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. Any Director may at any AGM retire from office and stand for re-election. However, in accordance with the provisions of the Code, the Board has agreed that all continuing Directors will stand for annual election at the 2016 AGM.

Authority to allot shares

At the 2015 AGM, authority was given to the Directors to allot new ordinary shares up to a nominal value of £18,496,980. The Directors intend to propose at the 2016 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 2017 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 as well as an additional 5 per cent, which may only be used for an acquisition or specified capital investment which is announced contemporaneously with the issue or which has taken place in the preceding six-month period and is disclosed in the announcement of the issue (in accordance with the Pre-Emption Group's Statement of Principles).

Authority to purchase shares

On 29 September 2015, the Company announced a £300 million share repurchase programme (the "2015 Buyback Programme") as a method of returning surplus capital to shareholders. The 2015 Buyback Programme was completed during the year. From 29 September 2015 to 19 May 2016, 7,862,836 ordinary shares of 10 53/66 pence were purchased for a consideration of £300 million, representing 2.95 per cent of the issued share capital of the Company as at 29 September 2015. 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 2015 Buyback Programme can be found in note 26 to the consolidated financial statements. As at 31 July 2016, the Company held 14,259,276 ordinary shares of 10 53/66 pence in Treasury.

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. It is intended that a special resolution will be proposed at the 2016 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 have no present intention of exercising this authority to purchase the Company's shares but will keep the matter under review. The Directors will use this authority to purchase shares only after careful consideration, taking into account market conditions, other investment opportunities, appropriate gearing levels and the overall financial position of the Company. The authority will enable the Directors to continue to be able to respond promptly should circumstances arise in which they consider that such a purchase would result in an increase in earnings per share and would be in the best interests of the Company. 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. The authorities to be sought by each of the resolutions noted above are intended to apply equally to shares to be held by the Company as Treasury shares and to the sale of Treasury shares. The Directors consider it desirable for these general authorities to be available to provide flexibility in the management of the Company's capital resources.

Capitalised interest

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

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 US$800 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$438 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 the 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.

Disclosures required by Listing Rule 9.8.4R

The relevant disclosures concerning capitalised interest; the allotments of equity securities for cash; contracts of significance and dividend waiver can be found on pages 55, 55 and 71 of this Annual Report respectively. The remaining disclosures required by the above Listing Rule are not applicable to the Company.

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.

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 organisational changes within the Group. There are currently 13 EWC representatives, of which eight are employee representatives and five are 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 including through participation in the Company's all-employee sharesave plans where applicable.

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. For more information on this, see pages 12 and 28.

The Group also has policies in place relating to the continuation of employment of, and appropriate retraining for, employees who become disabled, for giving full and fair consideration to applications for employment by disabled persons, having regard to their particular attributes and abilities, and for the training, career development and promotion of disabled employees.

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 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 in accordance with Jersey law to all Directors and the Company Secretary appointed since November 2010.

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

In respect of the consolidated financial statements for the financial year ended 31 July 2016, the Directors in office at the date of this report confirm that, so far as they are each aware, there is no relevant audit information of which Deloitte LLP ("Deloitte") are unaware and each Director has taken all the steps that ought to have been taken as a Director to be aware of any relevant audit information and to establish that Deloitte are aware of that information.

Deloitte 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 2016 Annual General Meeting.

Political donations

No political donations or contributions to political parties under the Companies Act 2006 have been made during the financial year. The Group policy is that no political donations be made or political expenditure be incurred.

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 on page 99.

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.

Shareholder notifications

Notifications received by the Company pursuant to the Financial Conduct Authority's ("FCA") Disclosure and Transparency Rules are published on a Regulatory Information Service and on the Company's website. As at 31 July 2016 and at the date of this report, the following information has been received in accordance with DTR5, from holders of notifiable interests in the Company's issued share capital.

Name of holder	Percentage of issued voting share capital[1]
FIL Limited	4.96%
AXA S.A.	4.60%
Legal & General Group Plc	3.05%

1 Since the disclosure date, the shareholders' interests in the Company may have changed.

Further disclosures

Further disclosures required under the Companies Act 2006, Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the FCA's Listing Rules and Disclosure and Transparency Rules can be found on the following pages of this Annual Report and are incorporated into the Directors' Report by reference:

Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company 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 applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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 enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company 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 corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors of Wolseley plc as at the date of this Annual Report are as follows[1]:

Gareth Davis, Chairman*
John Martin, Group Chief Executive
Frank Roach, Chief Executive Officer, USA
Alan Murray, Senior Independent Director*
Tessa Bamford*
John Daly*
Pilar López*
Darren Shapland*
Jacky Simmonds*

* Non Executive Director.

1 Ian Meakins stepped down as Group Chief Executive on 31 August 2016.

Each Director confirms that, to the best of their knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

The Directors' Report, comprising pages 2 to 72 was approved by the Board and signed on its behalf by:

Graham Middlemiss
Group Company Secretary

26 September 2016

Remuneration

For the year ended 31 July 2016

Jacky Simmonds
Remuneration Committee Chairman

Dear Shareholder

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 July 2016.

As detailed in last year's Report, the Committee carried out a full review of executive remuneration during 2014/15 and formulated a revised policy ("Policy") which became effective from the Annual General Meeting ("AGM") in December 2015, having received a 97.8% vote in favour.

The Committee is satisfied that the Policy continues to be appropriate for the coming year and as such no changes are being proposed this year. The full Policy, which will not be subject to a vote at the 2016 AGM, can be found in the About Us section on the Wolseley plc website at **www.wolseley.com**.

I would like to share with you both the corporate performance and relative incentive outcomes for 2015/16, and also our approach for 2016/17, which will continue to be based on the reward principles we identified last year:

- 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.

Group Chief Executive succession

As announced earlier in 2016, John Martin was appointed as Group Chief Executive with effect from 1 September 2016 in succession to Ian Meakins who retired on 31 August 2016. John has extensive operational and financial management experience running large international businesses and has, of course, been Chief Financial Officer since April 2010. His appointment on a salary of £860,000 is set at the same level as his predecessor, and will next be reviewed in August 2017. This is in line with the Policy. In the meantime we continue our search for John's replacement as Chief Financial Officer.

The Committee agreed to exercise its discretion to treat Ian Meakins as a "good leaver" for his unvested ESOP and LTIP awards, in view of his leaving Wolseley through retirement. He will receive no bonus for 2016/17 and no severance payments. His long-term incentive awards will be time pro-rated on the basis of full years worked during the relevant performance period for each award. Therefore, the awards granted to him in 2014/15 and 2015/16 will be subject to a reduction of one-third and two-thirds respectively. Further details of the termination arrangements are set out on page 66 of the Annual Report on Remuneration, and these are also in line with the Policy.

Performance in 2015/16

During the year, the Company faced challenging conditions in a number of its markets with commodity deflation and subdued market activity. However, our experienced management team has been proactive in recognising this and is undertaking restructuring in the UK. The remuneration received for the year ended 31 July 2016 recognises this mixed performance.

The Company continues to place emphasis on maintaining a strong cash flow as this enables us to reward shareholders with sustainable and progressive dividends. The interim dividend paid to shareholders in April 2016 was 10 per cent higher than last year and the 2016 proposed final dividend of 66.72 pence per share is 10.3 per cent higher than last year.

Despite strong cash flow, weaker than budgeted overall profit performance impacted the bonus payments to the Executive Directors for the year, which averaged 62.6 per cent of their maximum levels.

In the three years ended 31 July 2016, Total Shareholder Return ("TSR") growth enjoyed by shareholders was 9.23 per cent reflecting the impact upon the share price from a number of external factors, as well as the weakening of the markets we operate in. As a result, the Company achieved a TSR ranking of 37th against our FTSE 100 comparator group and therefore 46.7 per cent of the performance shares awarded under the 2012 LTIP in 2013/14 will vest in November 2016.

In the three years ended 31 July 2016, trading profit growth was strong. This contributed to an increase in headline Earnings per Share ("EPS") of 41.5 per cent to 247.7 pence, which exceeded RPI growth over the period by 36.6 per cent. As a result, ESOP awards granted in 2013 will vest in full in November 2016.

Looking ahead to the year ending 31 July 2017

The remuneration arrangements which were approved in December last year will continue to apply for this financial year and it is intended that 2016 awards under the 2015 LTIP will be made to Executive Directors in October/November 2016. The weighting of the performance measures for the first share awards under the 2015 LTIP (TSR, EPS and Operating Cash Flow) will continue to be applied in equal proportions of one-third as they were in 2015/16.

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, with his appointment having taken effect on 1 September, his salary will not be reviewed until 1 August 2017. For the Chief Executive Officer, USA, this means an increase of 2.0 per cent.

As a Committee we continue to monitor developments in corporate governance and remuneration and, where we consider it appropriate to do so, based on the best interests of Wolseley and its shareholders, we would propose 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 2016 AGM and I will be available at the meeting to respond to your questions on any aspect of this Report.

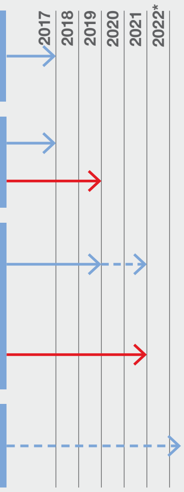
Jacky Simmonds

Jacky Simmonds
Chair of the Remuneration Committee

At a glance

Wolseley's Remuneration Policy

Link to strategy	Element	Key features of policy	How we implement policy
Support recruitment and retention of high-calibre individuals.	Base salary	Set at mid-market level against a comparator group. Any increases made are broadly in line with wider workforce.	New Group CEO salary set at the same level as predecessor. 2% salary increase for CEO, USA in line with salary increases in the region.
Linking pay to Wolseley's strategic financial and operational priorities.	Annual bonus	Maximum bonus opportunity allowed is 150% base salary. Malus and clawback provisions apply.	80% of bonus targets based on financial performance (20% cash-to-cash days; 30% trading profit; 30% gross profit) and 20% based on personal strategic objectives.
Incentivising long-term sustainable business growth.	LTIP	Maximum award level allowed is 350% base salary. Awards granted annually as nil cost options or conditional shares. Minimum three-year performance period. Malus and clawback provisions apply for five years after the grant date. Shares or awards must be retained for two years post vesting.	Award levels for 2016/17 set at 275% and 300% of base salary for the CEO, USA and Group CEO respectively. Three key performance measures: TSR relative to FTSE 100 comparator group; EPS growth; and operating cash flow ("OpCF"). Each element is equally weighted.
Alignment with shareholder interests.	Shareholding guidelines	Five years from appointment or promotion date to meet shareholding target. Shareholding targets set as a multiple of base salary.	All Directors have met their shareholding guideline targets.



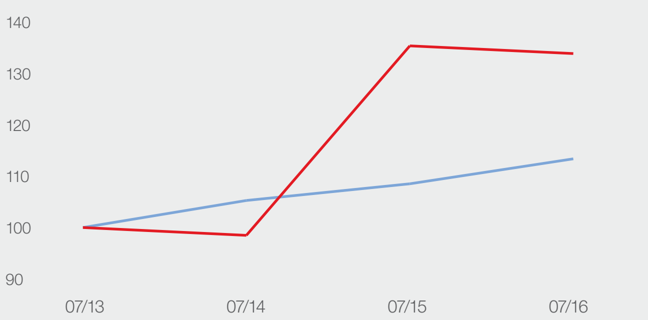
* Please note that the years used by way of example only relate to awards made in the 2016/17 financial year.

2015/16 performance summary

Group ongoing gross profit* £3,849.5m +5.0%	**Group ongoing trading profit*** £858.5m +1.4%
Group cash-to-cash days* 49.5 days 0.7 days improvement	**Headline EPS 247.7p** EPS growth over UK inflation (3 years) +36.6%

* Figures adjusted for exceptional items and calculated using Company budgeted foreign exchange rates.

Wolseley 3-year TSR performance vs the FTSE 100



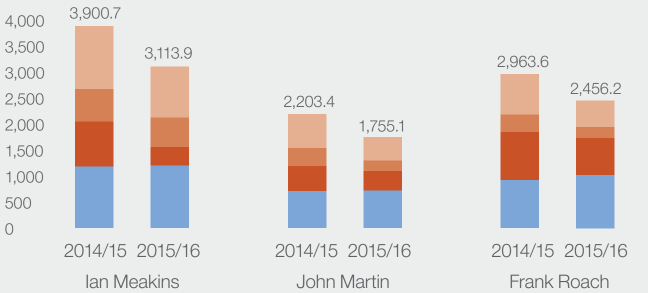
Rewarding 2015/16 performance

In line with the reward principles and the Policy, Executive Directors were fairly rewarded for performance in the year. In challenging conditions, Executive Directors' remuneration consisted of:

- base salary paid which had only been increased by the average employee salary increase;
- annual bonus awards which achieved between 55 and 68 per cent of the maximum opportunity;
- LTIP awards vesting at 46.7 per cent of the awards after longer-term performance measured against its FTSE 100 comparator group; and
- ESOP awards vesting at 100 per cent of the awards after longer-term performance measured against headline EPS growth.

The "single figure" of total remuneration is set out on page 64. The graph opposite shows Executive Directors' total remuneration made up of fixed pay and variable pay. On average 59.8 per cent of executive remuneration is performance-related variable pay with an average of 22.6 per cent coming from annual bonus and 37.2 per cent in long-term incentives.

Rewarding performance



Annual report on remuneration

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 average exchange rate for the year ended 31 July 2016 of $1.4603:£1 (for the year ended 31 July 2015 of $1.5599:£1); and

(2) any estimated share values are determined using a share price of 3,896 pence, being the average closing mid-market quotation for Wolseley plc shares for the three-month period ended 31 July 2016.

Remuneration Policy

The Policy was approved by shareholders at the AGM on 1 December 2015 and can be found on our website at **www.wolseley.com**. The Policy took effect from this date and may operate for up to three years.

The Policy remains unchanged and all remuneration and loss of office payments will only be made if they are consistent with the Policy. For convenience we include Policy Extracts on pages 70 and 71. These extracts from the Policy relate to Executive Directors to provide the context within which individual remuneration decisions have been made during the year.

Implementation of Policy for the year ending 31 July 2017

Executive Directors

Changes to the Board in 2016/17

Ian Meakins, Group Chief Executive, retired from the Board on 31 August 2016. In line with his contractual arrangements, Mr Meakins received salary, pension and benefits up to 31 August 2016 at the same level as 2015/16. He does not participate in either the Annual Bonus or Long Term Incentive Plan for 2016/17. Details relating to his unvested ESOP and LTIP awards and discretion applied by the Committee can be found on page 66.

Base salary

The Remuneration Committee agreed to an increase to the base salary level of the Chief Executive Officer, USA with effect from 1 August 2016, as set out below. Current base salary levels, and those which applied during the year ended 31 July 2016, are as follows:

	Annualised base salary		
	2016/17 (£000)	2015/16 (£000)	% increase[3]
J Martin (Group CEO)[1]	**859.8**	859.8	0.0%
F Roach (CEO, USA)[2]	**764.4**	749.4	2.0%

1 John Martin will receive one month's salary as Group CFO from 1–31 August 2016 at an annualised level of £531,000 and 11 months' salary as Group CEO from 1 September 2016 – 31 July 2017. Ian Meakins will receive one month's salary as Group CEO from 1–31 August 2016.

2 The total to be received by Frank Roach in 2016/17 will be paid in US dollars as $1,116,279. The total received by Frank Roach in 2015/16 was paid in US dollars as $1,094,391.

3 For context, the average salary increase for UK-based employees was 1.0 per cent, whilst for USA-based employees it was 2.0 per cent. The 0.0 per cent increase shown for John Martin is as compared to Ian Meakins salary as Group CEO for 2015/16.

Pension and benefits

UK-based Executive Directors receive a salary supplement in lieu of membership of the Group pension scheme, being 25 per cent of base salary for John Martin. USA-based Executive Director, Frank Roach, participates in the Ferguson defined contribution pension arrangement 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 normal retirement ages of 62 and 55 respectively. 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 64.

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
J Martin (Group CEO)[1]	80%	100%	120%
F Roach (CEO, USA)	80%	110%	140%

1 Award levels for John Martin as Group CEO are unchanged from the award made to his predecessor in 2015/16.

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 2016/17 financial year.

For the 2016/17 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 2015/16 financial year on a constant currency basis.

The Board considers that the performance targets for 2016/17 are commercially sensitive and they are not included for this reason. The Committee intends to 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

LTIP awards will be made during the 2016/17 financial year at the levels set out in the table below:

	LTIP (award value as % of salary)
J Martin (Group CEO)	300%[1]
F Roach (CEO, USA)	275%

1 Award levels for John Martin as Group CEO are unchanged from the award made to his predecessor in 2015/16.

The extent to which the LTIP awards (proposed to be granted in October/November 2016) will vest will be dependent on the following performance targets each with a weighting of one-third of award opportunity: comparative TSR; EPS growth; and cash flow from operating activities ("OpCF").

Comparative TSR

The TSR element of the award 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 will vest on a straight-line basis between 25 per cent and 100 per cent.

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.

EPS growth

The EPS[1] element of the award 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 EPS 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.

Operating cash flow ("OpCF")

The OpCF element of the award 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 operating cash flow which will vest[2]
£2.9 billion	100%
Between £2.5 billion and £2.9 billion	25%–100%
£2.5 billion	25%
Below £2.5 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 £2.63 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.

Non Executive Directors and Chairman

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:

	2016/17 (£000)	2015/16 (£000)
Chairman's fee	375.4	368.0
Non Executive Director base fee[1]	65.3	64.0
Additional fees[1]:		
Senior Independent Director	12.8	12.5
Chairman of Audit Committee	18.9	18.5
Chairman of Remuneration Committee	15.9	15.5

1 All increases to Non Executive Director/Chairman fees were broadly in line with Executive increases to base salary.

Report for the year ended 31 July 2016

Remuneration Committee

The Committee met regularly during the year. There were six meetings in total and details of attendance are shown in the table on page 43.

The activities of the Committee are governed by their terms of reference which were reviewed in May 2016 and can be found on the Wolseley plc website at **www.wolseley.com**.

During the year, the members of the Remuneration Committee were Jacky Simmonds (Chair), Tessa Bamford, John Daly, Pilar López, Alan Murray and Darren Shapland.

The annual review of the effectiveness of the Committee was conducted during the year and considered at the May 2016 meeting. The review concluded that the Committee was working effectively and minor recommendations to improve effectiveness were acted upon.

Allocation of time spent during the year

During 2015/16, the Committee considered at its meetings, amongst other issues as required, the items detailed below.

Governance

- Approval of Directors' Remuneration Report 2014/15
- Annual governance and compliance review
- Directors' Remuneration Report 2015/16

Salary and fees review

- Review of executive pay
- Remuneration proposals for Executive Directors and Executive Committee
- Review of Chairman's fees
- Approval of the remuneration package of a senior executive, below Board level, who was changing roles

Annual bonus

- Assessment of performance against 2014/15 targets and objectives for 2015/16 targets
- Review of bonus structure for financial year 2016/17

Discretionary share plans and all-employee plans

- Agree discretionary share plan awards for 2015/16
- Confirmation of vesting of discretionary share plan awards granted in 2012
- Agree process for 2015/16 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

Advisers to the Committee

During the year, the Committee received advice and/or services from various parties. Details 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. NBS is a member of the Remuneration Consultants' Group and voluntarily operates under the code of conduct in relation to remuneration consultants in the UK. The Committee has established arrangements to ensure that the advice received from NBS is independent of the advice provided to the Company. NBS is appointed by the Committee and its performance is reviewed on an annual basis. The Committee reviewed the performance of, and advice provided by, NBS in December 2015. The Committee was satisfied with its performance and that advice received was objective and independent. 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 £121,560. Fees paid to NBS for other pay-related services to the Company during the year were £45,325.

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 £10,500. 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 connection with the retirement of Ian Meakins and the consequential board changes. 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 £15,400. 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.

The Committee also seeks internal support from the Group HR Director and the Group Chief Executive together with other senior Group employees as necessary. As a part of his transition to the role of Group Chief Executive, John Martin was invited to attend some meetings during the year. Those who attend by invitation do not participate in discussions that relate to the details of their own remuneration.

Statement of shareholder voting

The following table shows the results of the full details of the voting outcomes for the remuneration-related resolutions at the AGM on 1 December 2015:

	Votes for	For %	Votes against	Against %	Total	Votes withheld (abstentions)
Remuneration Report	194,030,811	97.63	4,713,141	2.37	198,743,952	2,213,677
Remuneration Policy	195,566,771	97.79	4,428,909	2.21	199,995,680	961,949
Replacement LTIP	192,093,616	96.03	7,938,527	3.97	200,032,143	925,486

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[1]	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[2]			
J Martin[3]	25 January 2010	1 April 2010	–
F Roach[4]	27 February 2006	16 December 2005	–
Non Executive Directors			
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 2019
A Murray	11 December 2012	1 January 2013	1 January 2019
D Shapland	3 April 2014	1 May 2014	1 May 2017
J Simmonds	21 May 2014	21 May 2014	21 May 2017

1 Details of all Directors can be found on pages 42 and 43. 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 UK Corporate Governance Code ("the Code").

2 During the year Ian Meakins served as Group CEO and a Director. Mr Meakins retired on 31 August 2016 and as such is not being proposed for re-election at the AGM.

3 Since the end of the financial year John Martin has signed a new service agreement to reflect his promotion from Group CFO to Group CEO. The new service agreement was dated 31 August 2016 and the effective date of appointment was 1 September 2016.

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

Service agreements

With the exception of John Martin's appointment as Group CEO, all Executive Directors' service agreements were entered into before 27 June 2012 and have not been renewed or modified on or after that date. Remuneration payments or payments for loss of office 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 2016 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 2016.

	Year	Salary (£000)	Taxable benefits[1] (£000)	Bonuses (£000)	Value of LTI vesting[2,3,4] (£000)	Pension benefits[5] (£000)	Total remuneration[3] (£000)
Executive Directors							
I Meakins	**2015/16**	**859.8**	**65.3**	**567.9**	**1,345.8**	**275.1**	**3,113.9**
	2014/15	847.1	62.6	876.7	1,843.2	271.1	3,900.7
J Martin	**2015/16**	**531.0**	**53.7**	**378.8**	**658.9**	**132.7**	**1,755.1**
	2014/15	524.7	54.4	490.9	1,002.2	131.2	2,203.4
F Roach	**2015/16**	**749.4[6]**	**106.5**	**712.5**	**719.6**	**168.2**	**2,456.2**
	2014/15	684.5	77.8	927.1	1,116.8	157.4	2,963.6
Total	**2015/16**	**2,140.2**	**225.5**	**1,659.2**	**2,724.3**	**576.0**	**7,325.2**
	2014/15	2,056.3	194.8	2,294.7	3,962.2	559.7	9,067.7

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. During the year Frank Roach received an award under the Employee Share Purchase Plan. He participated on the same terms as all US-based employees, receiving a 15% discount to the share price. A value of £538.20 has been included in respect of this participation.

2 The ESOP and LTIP grants were made in November 2013. The ESOP awards will vest at 100 per cent in November 2016 and the LTIP awards will vest at 46.7 per cent in November 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 November 2013 will not vest until November 2016, the values of long-term incentive awards vesting in the graph opposite include share price appreciation determined using the share price of 3,896 pence noted on page 60 under the heading "Information".

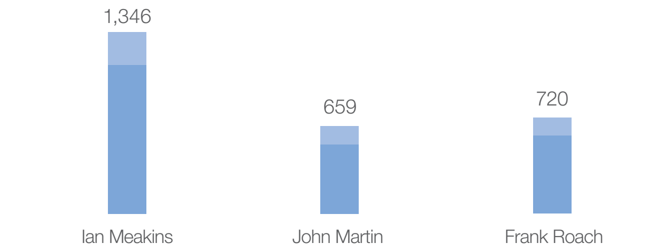
4 Value shown for 2015/16 represents estimated value of share awards granted in 2013 that are expected to vest in November 2016. The estimate assumes 100 per cent vesting of ESOP awards and 46.7 per cent vesting of LTIP awards using the three-month average share price for the period ended 31 July 2016 of 3,896 pence. Value shown for 2014/15 represents the actual vesting of the ESOP and LTIP awards which vested in December 2015 and January 2016, using the share prices of 3,651 pence (18 December 2015), 3,587 pence (4 January 2016) and 3,295 pence (18 January 2016).

5 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 £168,200 ($245,571). For the year ended 31 July 2015, the cost was £157,427 ($245,571). During the year ended 31 July 2016, Ian Meakins and John Martin received salary supplements in lieu of Group pension scheme membership.

6 Frank Roach's base salary comprised £731,150 ($1,067,698) paid during the year ended 31 July 2016 and an additional £18,279 ($26,693) paid in September 2016.

Value of LTI vesting (2016)

£000 ● LTIP original value ● ESOP share price gain ● LTIP share price gain[7]



7 The estimated value of the LTIP vesting in November 2016 is lower than the value at the original grant date and is consequently not shown on the above chart.

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 2016.

Chairman and Non Executive Directors	**Fees (£000) 2015/16**	Fees (£000) 2014/15
G Davis	**368.0**	360.5
Non Executive Directors (current as at the date of this report)		
T Bamford	**64.0**	63.0
J Daly	**64.0**	63.0
P López	**64.0**	63.0
A Murray	**76.5**	75.0
D Shapland	**82.5**	75.3
J Simmonds	**79.5**	78.0
Total remuneration	**798.5**	777.8

Additional disclosures in respect of the Remuneration table (Audited)

Annual bonus

The annual bonuses awarded to Executive Directors for the year ended 31 July 2016 are shown in the Remuneration table on page 64 and the bonuses are calculated as follows:

Ian Meakins 2015/16

Performance	Proportion of total bonus available: % of maximum	Proportion of total bonus available: % of salary	Actual performance achieved[1]	Resulting bonus outturn: % of maximum	Resulting bonus outturn: % of salary
Group ongoing trading profit £873.7 million – £965.7 million	30.0%	36.0%	£858.5m	0.0%	0.00%
Group ongoing gross profit £3,829.0 million – £4,025.4 million	30.0%	36.0%	£3,849.5m	21.0%	25.20%
Group cash-to-cash days (average) 50.3–49.8 days	20.0%	24.0%	49.5	20.0%	24.00%
Personal objectives[2]	20.0%	24.0%	14/20	14.0%	16.80%
Total	**100.0%**	**120.0%**	–	**55.0%**	**66.00%**

1 Figures adjusted for exceptional items and calculated using Company budgeted foreign exchange rates.
2 Ian Meakins' personal objectives were based on achievement of specific key strategic budget initiatives and profitable top line growth.

John Martin 2015/16

Performance	Proportion of total bonus available: % of maximum	Proportion of total bonus available: % of salary	Actual performance achieved[1]	Resulting bonus outturn: % of maximum	Resulting bonus outturn: % of salary
Group ongoing trading profit £873.7 million – £965.7 million	21.0%	23.1%	£858.5m	0.0%	0.00%
Canada ongoing trading profit £29.4 million – £32.4 million	9.0%	9.9%	£32.4m	8.9%	9.80%
Group ongoing gross profit £3,829.0 million – £4,025.4 million	21.0%	23.1%	£3,849.5m	14.2%	15.62%
Canada ongoing gross profit £170.2 million – £179.0 million	9.0%	9.9%	£179.8m	9.0%	9.90%
Group cash-to-cash days (average) 50.3–49.8 days	14.0%	15.4%	49.5	14.0%	15.40%
Canada cash-to-cash days (average) 66.1–64.1 days	6.0%	6.6%	65.2	4.8%	5.28%
Personal objectives[2]	20.0%	22.0%	14/20	14.0%	15.40%
Total	**100.0%**	**110.0%**	–	**64.9%**	**71.40%**

1 Figures adjusted for exceptional items and calculated using Company budgeted foreign exchange rates.
2 John Martin's personal objectives were based on achievement of Canadian strategic and budget plans including specific e-commerce revenue targets, Group finance system development and Hyperion Financial Management implementation at Group level.

Frank Roach 2015/16

Performance	Proportion of total bonus available: % of maximum	Proportion of total bonus available: % of salary	Actual performance achieved[1]	Resulting bonus outturn: % of maximum	Resulting bonus outturn: % of salary
Group ongoing trading profit £873.7 million – £965.7 million	6.0%	8.4%	£858.5m	0.0%	0.00%
USA ongoing trading profit £702.2 million – £816.0 million	24.0%	33.6%	£722.9m	15.6%	21.84%
Group ongoing gross profit £3,829.0 million – £4,025.4 million	6.0%	8.4%	£3,849.5m	3.7%	5.18%
USA ongoing gross profit £2,565.7 million – £2,751.9 million	24.0%	33.6%	£2,619.4m	16.7%	23.38%
Group cash-to-cash days (average) 50.3–49.8 days	4.0%	5.6%	49.5	4.0%	5.60%
USA cash-to-cash days (average) 59.8–58.8 days	16.0%	22.4%	59.1	13.9%	19.46%
Personal objectives[2]	20.0%	28.0%	14/20	14.0%	19.60%
Total	**100.0%**	**140.0%**	–	**67.9%**	**95.06%**

1 Figures adjusted for exceptional items and calculated using Company budgeted foreign exchange rates.
2 Frank Roach's personal objectives were based on achievement of profitable revenue growth and market share gains, and the execution of key strategic budget initiatives.

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 November 2013 will vest in November 2016. The vesting of both awards is subject to the performance conditions shown in the tables that follow.

Exercise of discretion by the Committee due to Executive Director changes

Under the rules of the ESOP and LTIP, when an employee ceases to be employed by the Group unvested awards will lapse unless the participant is treated as a "good leaver". In the case of retirement, the Remuneration Committee has the discretion under the rules to treat a participant as a "good leaver" by determining that the employee left "for any other reason at the discretion of the Committee".

For "good leavers", the rules provide that awards will vest on the original vesting date, subject to satisfaction of performance conditions, and will be pro-rated to the date of cessation of employment. Although the performance conditions for the awards are measured from 1 August in the year in which awards are granted, pro-ration under the rules is calculated using the three-year period commencing on the date of grant. The Remuneration Committee has discretion to base any pro-ration for a "good leaver" to reflect completed financial years during a performance period.

Ian Meakins retired as Group Chief Executive on 31 August 2016. Wolseley's performance over the past seven years includes share price growth of 443 per cent and an increase in trading profit of 205 per cent, the Remuneration Committee agreed to exercise its discretion and:

- to treat him as a "good leaver" for his unvested awards granted under the ESOP and LTIP;
- that the awards should vest on the original vesting dates (subject to satisfaction of the performance conditions); and
- to time pro-rate his awards granted in 2013/14, 2014/15 and 2015/16 on the basis of full financial years worked by Mr Meakins during the relevant performance condition testing period for each award. Therefore, the 2014/15 and 2015/16 awards will be subject to a reduction of one-third and two-thirds respectively.

ESOP

Vested awards

Targets set were based on headline EPS growth over three years. Actual headline EPS was 247.7 pence in 2015/16. Restated headline EPS in 2012/13 was 175.1 pence (178.5 pence prior to restatement), this represents growth of 41.5 per cent. Over the same three-year period RPI growth was 4.9 per cent. The growth above RPI in the period was therefore 36.6 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 50% of salary	9%	Yes
Next 150% of salary	18%	Yes
Next 50% of salary	30%	Yes

Accordingly, the total percentage of executive options vesting is set out below:

	Total number of shares subject to option	Percentage of award vesting	Number of shares vesting	Value of shares vesting (£000)[2]
I Meakins[1]	62,633	100%	62,633	364
J Martin	34,913	100%	34,913	203
F Roach	35,329	100%	35,329	205

1 As detailed opposite, Ian Meakins' awards reflect the completed financial years served prior to his retirement, in line with the Committee's exercise of discretion.

2 Value determined using the share price noted on page 60 under the heading "Information" less exercise price of 3,315 pence.

Unvested awards

The ESOP awards granted on 7 November 2014 are the last such awards to have been granted by the Company. Vestings of awards under the 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 table below. The Committee has discretion to set more challenging EPS targets than those contained in the ESOP plan rules.

Performance conditions applied to awards granted in 2014/15

Value of shares under option as multiple of salary	Performance conditions detailed in plan rules	Performance conditions applied to awards granted in 2014/15
	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 November 2013 ended on 31 July 2016 and actual performance achieved are detailed below.

	TSR relative to FTSE 100 at date of grant	
Performance level	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	37th	46.7%

Accordingly, the total percentage of shares vesting is set out below:

	Total number of shares granted	Percentage of award vesting	Number of shares vesting	Value of shares vesting (£000)[2,3]
I Meakins[1]	50,710	46.7%	23,681	982
J Martin	23,556	46.7%	11,000	456
F Roach	26,561	46.7%	12,403	514

1 As detailed on page 66, Ian Meakins' awards reflect the completed financial years served prior to his retirement, in line with the Committee's exercise of discretion.

2 Value determined using the share price noted on page 60 under the heading "Information".

3 Dividend equivalents have accrued on the 2013 share awards and will be paid out in cash after vesting of the awards. The value above includes the cash payment.

Unvested awards

2012 LTIP

The performance conditions set out in the table above 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 2016:

Year of award	Year of vesting	Indicative vesting percentage based on performance as at 31 July 2016
2014/15	2017/18	66.4% (performance at 24 months)

2015 LTIP

The performance conditions for comparative TSR and EPS set out in the tables on page 61 apply for unvested share awards made under the 2015 LTIP. The following table sets out the performance conditions for OpCF which apply for unvested awards under the 2015 LTIP made in 2015/16.

Operating cash flow[1]	Percentage of award subject to operating 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.

Calculations for TSR are independently carried out and verified before being approved by the Committee. Calculations for EPS and OpCF are checked and verified internally.

The following table sets out the indicative vesting percentage of the comparative TSR element of the awards based on performance as at 31 July 2016:

Year of award	Year of vesting	Indicative vesting percentage based on performance as at 31 July 2016
2015/16	2018/19	37.0% (performance at 12 months)

The following table sets out the indicative vesting percentage of the EPS growth element of the awards based on performance as at 31 July 2016:

Year of award	Year of vesting	Indicative vesting percentage based on performance as at 31 July 2016
2015/16	2018/19	59.0% (performance at 12 months)

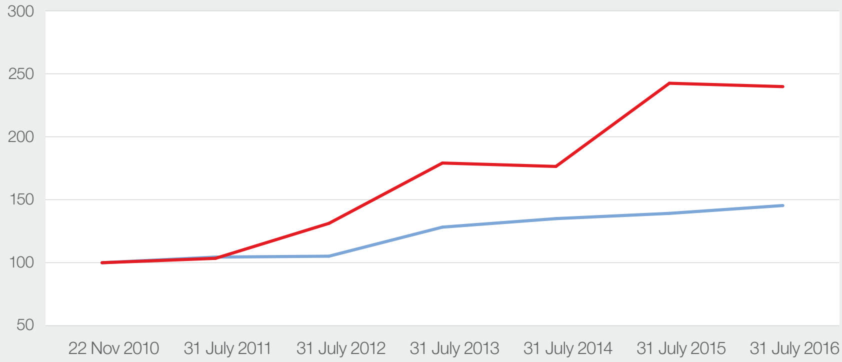
The following table sets out the indicative vesting percentage of the OpCF element of the awards based on performance as at 31 July 2016:

Year of award	Year of vesting	Indicative vesting percentage based on performance as at 31 July 2016
2015/16	2018/19	100% (performance at 12 months)

Wolseley TSR performance and Group CEO remuneration comparison

The graph opposite shows Wolseley's TSR performance against the performance of the FTSE 100 Index from the creation of the new Wolseley plc holding company (created at the time of the redomiciliation to Switzerland) in November 2010 to 31 July 2016. 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 table below shows the total remuneration of the Group Chief Executive[1] for the seven-year period from 1 August 2009 to 31 July 2016.



● Wolseley Return Index
● FTSE 100 Return Index

	Group CEO		2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Single figure of total remuneration (£000)[2]	Ian Meakins		1,943	2,011	5,603	5,109	5,890	3,901[3]	3,114
Annual bonus award rates against maximum opportunity	Ian Meakins		96%	98%	85%	84%	97%	86%	55%
Long-term incentive vesting rates against maximum opportunity	Ian Meakins	LTIP	0%	0%	76%	100%	88%	75%	47%
		ESOP	0%	0%	100%	100%	100%	100%	100%

1 The Group Chief Executive during the seven-year period was Ian Meakins.
2 The single figure for all seven years is calculated on the same basis as that used in the Remuneration table on page 64.
3 The single figure for the year ended 31 July 2015 has been adjusted from the value of £4.39 million estimated in that year's report to reflect the actual value of LTI at the dates of vesting in December 2015 and January 2016.

Payments for loss of office and to past Directors (Audited)

No payments for loss of office were made during the financial year. No other payments have been made to past Directors that have not already been included in the Remuneration table set out on page 64.

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 2016 and the previous financial year for the Group Chief Executive compared to the average for UK-based employees[1].

	% change in base salary	% change in benefits	% change in annual bonus[2]
Group Chief Executive	1.5%	9.4%	-35.2%
Average for all UK-based employees	3.5%	-1.6%	-9.4%

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 2016 compared to the year ended 31 July 2015.

	Year ended 31 July 2016 £m	Year ended 31 July 2015 £m	Percentage change
Total employee remuneration costs[1]	**2,026**	1,832	+10.6%
Ordinary dividends paid[2]	**238**	222	+7.2%
Share buyback[3]	**300**	250	+20.0%

1 Further details on employee remuneration can be found in note 11 of the consolidated financial statements on page 86.

2 Further details of dividends paid can be found in note 8 of the consolidated financial statements on page 85.

3 Further details of the share buyback programme can be found in note 26(ii) of the consolidated financial statements on page 99.

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 2016 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 2016	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	213,041	153,094	125,625	1,277
J Martin	80,888	2	0	62,374	70,026	957
F Roach	53,211	2	38,014	83,862	69,171	90
Chairman and Non Executive Directors						
G Davis	15,346	1	–	–	–	–
T Bamford	2,048	1	–	–	–	–
J Daly	2,050	1	–	–	–	–
P López	2,602	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 Policy, Executive Directors would defer amounts in excess of target bonus into shares under the Deferred Bonus Plan. 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 met their shareholding guideline targets set for the year. 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 Sharesave. There was an award under the LTIP held by Ian Meakins who had 31,905 nil cost options vested but unexercised.

4 Details of share awards exercised in the year are detailed in the table at the bottom of this page.

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 pages 66 and 67.

Scheme interests awarded during the financial year (Audited)

Awards under the 2015 LTIP were made on 19 January 2016. Awards are based on a percentage of salary determined by the Committee. The Committee considers annually the size of each grant, determined by individual performance, the ability of each individual to contribute to the achievement of the performance conditions, and market levels of remuneration. The maximum vesting is 100 per cent of the award granted. Details of performance conditions for awards which were granted during the year are set out on pages 61 and 67.

The 2015 LTIP awards are summarised below:

Director	Type of award	Number of shares[1]	Face value[2,3] of award (£000)	Performance criteria period	Threshold performance	Performance conditions
I Meakins	Nil cost options	76,611	2,759.5	1 August 2015 and ending 31 July 2018	25% of award vesting	Growth in EPS above RPI target Comparator TSR target against FTSE 100 Cumulative Operating Cash Flow Growth
J Martin	Nil cost options	37,847	1,274.3			
F Roach	Conditional shares	57,301	1,923.3			

1 For each Executive Director, awards during the financial year were based on a percentage of salary as follows: Ian Meakins (300 per cent); John Martin (240 per cent); and Frank Roach (275 per cent).

2 The share price used to calculate the face value of the LTIP share awards granted on 19 January 2016 was 3,367 pence which was the average share price over a 10-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 Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ("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 LTIP scheme interests would be 0.00064 per cent calculated as at 31 July 2016.

Share awards exercised during the year

Details of the share awards exercised during the year are set out below:

Director	ESOP	LTIP	Total[1,2]
I Meakins	152,679	Nil	152,679
J Martin	40,582	17,125	57,707
F Roach	112,622	21,854	134,476

1 The aggregate gain made on the exercise of options during the year by Ian Meakins, John Martin and Frank Roach was £3.9million, £nil and £2.1million respectively.

2 The aggregate value of assets received or receivable by Ian Meakins, John Martin and Frank Roach under long-term incentive plans during the year was £nil.

Policy Extracts

Wolseley's Remuneration Policy remains unchanged from that approved by shareholders at the AGM on 1 December 2015. For convenience, some extracts from the Policy are included below to provide the context within which individual remuneration decisions have been made during the year. The full Policy can be found on the Wolseley plc website at **www.wolseley.com**.

In these extracts, the following definitions apply:

DBP	Deferred Bonus Plan
OSP	Ordinary Share Plan

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. 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. 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.

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	• 12 months' notice from the Company. • Six months' notice from the Executive.	Six months' notice by either party.
Termination payment	The Company may terminate an Executive Director's service contract by making a payment in lieu of notice equal to: • 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	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.

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.

Further information

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 LTI plans 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 2016, the Jersey Trust held 493,746 ordinary shares of $10\frac{53}{66}$ pence and £71,591 in cash; and the US Trust held 1,268,911 ordinary shares of $10\frac{53}{66}$ pence. The number of shares held by the Trusts represented 0.66 per cent of the Company's issued share capital at 31 July 2016.

On 6 November 2015, 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 70,283 ordinary shares of $10\frac{53}{66}$ pence and paid £2.7 million. The US Trust purchased 298,158 ordinary shares of $10\frac{53}{66}$ pence and paid £11.5 million. The Company provided funds to the Trusts to enable them to make the purchases. The number of shares purchased represented 0.14 per cent of the Company's issued share capital at that date.

Detail of all-employee sharesave plans

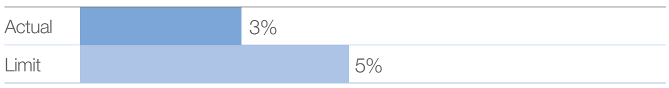
The Company operates two all-employee sharesave plans which Executive Directors can participate in. In the USA and Canada, the Employee Share Purchase Plan ("ESPP") operates as a one-year savings contract plan. In all other business units, employees may participate in the International Sharesave Plan ("ISP") saving for a period of three or five years.

Dilution

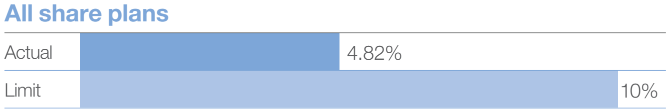
Awards under the LTI plans and all-employee plans may be met by the issue of new shares when options are exercised, by the use of Treasury Shares or by market purchase. Awards under the OSP are met by market purchase of shares or from the Trusts. The Company monitors the number of shares issued under the Plans and any impact on dilution limits.

Compared to the limits set by the Investment Association in respect of new share issues to satisfy options granted for all share plans (10 per cent in any rolling 10-year period) and executive share plans (5 per cent in any rolling 10-year period) as at 31 July 2016 the Company's headroom was 5.18 per cent and 2.00 per cent respectively.

Executive share plans



All share plans



External Directorships

Executive Directors are permitted to take on external Non Executive Directorships. 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.

During the year, Ian Meakins was a Non Executive Director and Senior Independent Director of Centrica plc and received a fee of £89,375 per annum for his services (2014/15: £85,000). During the year, Mr Meakins was appointed as a Non Executive Director of Rexel SA, taking up this role on 1 July 2016. On appointment the annualised fee for his service was set at €40,000 per annum and the Company allowed Mr Meakins to retain the fees paid to him during the year.

This Report has been approved by the Board and is signed on its behalf by the Chair of the Remuneration Committee.

On behalf of the Board

Jacky Simmonds
Chair of the Remuneration Committee

26 September 2016

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 ("the Code") updated in September 2014. The Remuneration Committee confirms that throughout the financial year the Company has complied with these governance rules and best practice provisions.

Financials

Group income statement

Year ended 31 July 2016

	Notes	2016 Before exceptional items £m	2016 Exceptional items (note 4) £m	2016 Total £m	2015 Before exceptional items £m	2015 Exceptional items (note 4) £m	2015 Total £m
Revenue	2	14,430	–	14,430	13,332	–	13,332
Cost of sales		(10,350)	(1)	(10,351)	(9,604)	–	(9,604)
Gross profit		4,080	(1)	4,079	3,728	–	3,728
Operating costs:							
amortisation of acquired intangible assets		(53)	–	(53)	(56)	–	(56)
impairment of goodwill and acquired intangible assets		(94)	–	(94)	(238)	–	(238)
other		(3,164)	(1)	(3,165)	(2,874)	(4)	(2,878)
Operating costs	3	(3,311)	(1)	(3,312)	(3,168)	(4)	(3,172)
Operating profit	2, 3	769	(2)	767	560	(4)	556
Finance income		–	–	–	1	–	1
Finance costs	5	(40)	–	(40)	(27)	(22)	(49)
Profit before tax		729	(2)	727	534	(26)	508
Tax	6	(232)	1	(231)	(184)	(3)	(187)
Profit from continuing operations		497	(1)	496	350	(29)	321
Profit/(loss) from discontinued operations	7	2	152	154	(1)	(107)	(108)
Profit for the year		499	151	650	349	(136)	213
Attributable to:							
Shareholders of the Company		508	151	659	349	(136)	213
Non-controlling interests		(9)	–	(9)	–	–	–
		499	151	650	349	(136)	213

	Notes	2016 Total	2015 Total
Earnings per share	10		
Continuing operations and discontinued operations			
Basic earnings per share		256.4p	82.1p
Diluted earnings per share		254.8p	81.9p
Continuing operations only			
Basic earnings per share		195.6p	123.8p
Diluted earnings per share		194.4p	123.4p

Non-GAAP performance measures	Notes	2016	2015
Trading profit from ongoing operations	2	917	857
Trading loss from non-ongoing operations	2	(1)	(3)
Trading profit from continuing operations	2, 9	916	854
EBITDA before exceptional items	9	1,056	971
Profit before tax, exceptional items and the amortisation and impairment of acquired intangible assets	9	876	828
Headline earnings per share	10	247.7p	230.2p
Headline diluted earnings per share	10	246.2p	229.4p

Group statement of comprehensive income

Year ended 31 July 2016

	Notes	2016 £m	2015 £m
Profit for the year		650	213
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange gain on translation of overseas operations[1]		495	10
Exchange loss on translation of borrowings and derivatives designated as hedges of overseas operations[1]		(107)	(46)
Cumulative currency translation differences on disposals[1]		(125)	26
Tax charge on items that may be reclassified to profit or loss[2]	6	(7)	–
Items that will not be reclassified subsequently to profit or loss:			
Actuarial loss on retirement benefit plans[2]	25	(120)	(61)
Tax credit on items that will not be reclassified to profit or loss[2]	6, 25	25	15
Other comprehensive income/(expense) for the year		161	(56)
Total comprehensive income for the year		811	157
Total comprehensive income/(expense) attributable to:			
Continuing operations		781	276
Discontinued operations		30	(119)
Total comprehensive income for the year		811	157

1 Impacting the translation reserve.

2 Impacting the profit and loss reserve account.

Group statement of changes in equity

	Notes	Share capital £m	Share premium £m	Reserves: Translation reserve £m	Reserves: Treasury shares £m	Reserves: Own shares £m	Reserves: Profit and loss account £m	Non-controlling interest £m	Total equity £m
Shareholders' equity at 1 August 2014		29	41	127	–	(93)	2,782	–	2,886
Profit for the year		–	–	–	–	–	213	–	213
Other comprehensive expense		–	–	(10)	–	–	(46)	–	(56)
Total comprehensive income		–	–	(10)	–	–	167	–	157
New share capital subscribed		–	1	–	–	–	–	–	1
Purchase of own shares by Employee Benefit Trusts	26	–	–	–	–	(15)	–	–	(15)
Issue of own shares by Employee Benefit Trusts	26	–	–	–	–	45	(40)	–	5
Credit to equity for share-based payments	27	–	–	–	–	–	20	–	20
Tax 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
Shareholders' equity at 31 July 2015		29	42	117	(240)	(63)	2,715	7	2,607
Profit for the year		–	–	–	–	–	659	(9)	650
Other comprehensive income/(expense)		–	–	263	–	–	(102)	–	161
Total comprehensive income		–	–	263	–	–	557	(9)	811
Purchase of own shares by Employee Benefit Trusts	26	–	–	–	–	(14)	–	–	(14)
Issue of own shares by Employee Benefit Trusts	26	–	–	–	–	20	(19)	–	1
Credit to equity for share-based payments	27	–	–	–	–	–	20	–	20
Purchase of Treasury shares	26	–	–	–	(300)	–	–	–	(300)
Disposal of Treasury shares	26	–	–	–	24	–	(10)	–	14
Dividends paid	8	–	–	–	–	–	(238)	–	(238)
Shareholders' equity at 31 July 2016		29	42	380	(516)	(57)	3,025	(2)	2,901

Group balance sheet

As at 31 July 2016

	Notes	2016 £m	2015 £m
Assets			
Non-current assets			
Intangible assets: goodwill	12	902	816
Intangible assets: other	13	202	195
Property, plant and equipment	14	1,434	1,164
Financial assets		23	16
Retirement benefit assets	25	–	57
Deferred tax assets	15	127	115
Trade and other receivables	16	212	172
Derivative financial assets	17	20	24
		2,920	2,559
Current assets			
Inventories		2,017	1,688
Trade and other receivables	16	2,207	1,915
Current tax receivable		–	4
Derivative financial assets	17	11	10
Cash and cash equivalents	18	940	1,105
		5,175	4,722
Assets held for sale	19	56	201
Total assets		8,151	7,482
Liabilities			
Current liabilities			
Trade and other payables	20	2,634	2,281
Current tax payable		101	58
Bank loans and overdrafts	21	701	1,001
Obligations under finance leases	23	4	4
Derivative financial liabilities	17	–	1
Provisions	24	88	78
Retirement benefit obligations	25	9	8
		3,537	3,431
Non-current liabilities			
Trade and other payables	20	163	125
Bank loans	21	1,175	913
Obligations under finance leases	23	27	25
Deferred tax liabilities	15	65	53
Provisions	24	133	128
Retirement benefit obligations	25	138	64
		1,701	1,308
Liabilities held for sale	19	12	136
Total liabilities		5,250	4,875
Net assets		2,901	2,607
Equity			
Share capital	26	29	29
Share premium account		42	42
Reserves		2,832	2,529
Equity attributable to shareholders of the Company		2,903	2,600
Non-controlling interest		(2)	7
Total equity		2,901	2,607

The accompanying notes are an integral part of these consolidated financial statements. The consolidated financial statements on pages 74 to 113 were approved by the Board of Directors on 26 September 2016 and were signed on its behalf by

John Martin

John Martin
Group Chief Executive

Group cash flow statement

Year ended 31 July 2016

	Notes	2016 £m	2015 £m
Cash flows from operating activities			
Cash generated from operations	28	1,019	937
Interest received		2	2
Interest paid		(41)	(45)
Tax paid		(193)	(210)
Net cash generated from operating activities		787	684
Cash flows from investing activities			
Acquisition of businesses (net of cash acquired)	29	(113)	(105)
Disposals of businesses (net of cash disposed of)	30	9	35
Purchases of property, plant and equipment		(187)	(205)
Proceeds from sale of property, plant and equipment and assets held for sale		56	20
Purchases of intangible assets		(31)	(26)
Disposals of financial assets		–	31
Net cash used in investing activities		(266)	(250)
Cash flows from financing activities			
Proceeds from the issue of shares to shareholders	26	–	1
Purchase of own shares by Employee Benefit Trusts	26	(14)	(15)
Purchase of Treasury shares	26	(300)	(250)
Proceeds from the sale of shares by Employee Benefit Trusts	26	1	5
Proceeds from the sale of Treasury shares	26	14	8
Proceeds from borrowings and derivatives		585	533
Repayments of borrowings		(591)	(324)
Finance lease capital payments		(4)	(4)
Dividends paid to shareholders	8	(238)	(222)
Net cash used by financing activities		(547)	(268)
Net cash (used)/generated		(26)	166
Effects of exchange rate changes		18	(77)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		(8)	89
Cash, cash equivalents and bank overdrafts at the beginning of the year		256	167
Cash, cash equivalents and bank overdrafts at the end of the year		248	256

		2016 £m	2015 £m
Cash, cash equivalents and bank overdrafts at the end of the year in the Group balance sheet	31	248	257
Bank balances and overdrafts in liabilities held for sale	19	–	(1)
Cash, cash equivalents and bank overdrafts at the end of the year		248	256

Notes to the consolidated financial statements

Year ended 31 July 2016

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

The Company is incorporated in Jersey under the Companies (Jersey) Law 1991 and is headquartered in Switzerland.

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 36(i) on pages 106 to 108.

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

- IFRS 9 "Financial Instruments" – applicable from year ending 31 July 2019;
- IFRS 15 "Revenue from Contracts with Customers" – applicable from year ending 31 July 2019; and
- IFRS 16 "Leases" – applicable from year ending 31 July 2020.

The Directors do not expect the adoption of IFRS 9 and IFRS 15 will have a material impact on the financial statements of the Group in future periods.

The adoption of IFRS 16 will have a significant impact on the Group's balance sheet and reported results because of the value of operating lease commitments the Group has (note 33). The application of IFRS 16 will not reflect any changes in the underlying economics of the business. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed. As at the date of this report IFRS 9, IFRS 15 and IFRS 16 have not been endorsed by the EU.

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.

Accounting policies

Note 36 details the principal accounting policies applied in the preparation of the consolidated financial statements.

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 accounting policies all include an element of judgement or estimation.

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 2016 amounting to £124 million (2015: £103 million).

The gross value of inventory is reduced to reflect Supplier Rebates where the inventory has not been sold. As at 31 July 2016, this deduction to gross inventory amounted to £214 million (2015: £181 million).

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") to which they are attributed. The Group considers that, for the purposes of impairment testing, a CGU is a business unit because independent cash flows cannot be identified below this level. The estimate of value in use, and hence the outcome of the impairment test, is sensitive to the assumptions made for compound average revenue growth rate, 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. There has been an impairment charge in respect of goodwill and other intangible assets of £94 million in the year ended 31 July 2016 (2015: £238 million) (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.

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, for stepped rebates, 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.

1 – Accounting policies and critical estimates and judgements continued

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 wholly owned 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 2016, the provision for claims arising from this insurance was £53 million (2015: £41 million).

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 2016, legal, environmental and other provisions amounted to £140 million (2015: £133 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.

Tax

The Group is subject to income taxes in numerous jurisdictions. Judgement is sometimes required in determining the worldwide provision for income taxes. There may be transactions and calculations for which the ultimate tax determination is uncertain and may be challenged by the tax authorities. The Group recognises liabilities for anticipated or actual tax audit issues based on estimates of whether additional taxes will be due. The principal audits are predominantly in the UK and the USA. Where a tax liability is probable and the Group can make a reliable estimate of the outcome of the dispute, the Group provides for the best estimate of the liability. 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. The Group believes it has made adequate provision for the liabilities likely to arise from open audits.

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, expected salary and pension increases, inflation and life expectancy and are disclosed in note 25. 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. The defined benefit obligation is calculated annually for each plan by using the Projected Unit Credit Method with actuarial valuations. The Group's liability 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. 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.

Whilst the Group believes that the actuarial assumptions are appropriate, any significant changes to those used would affect the balance sheet and income statement. The Group considers that the most sensitive assumptions are the discount rate, inflation and life expectancy.

The table below shows the impact of the sensitivities on the defined benefit plan net liability.

Assumptions at 31 July 2016	**Change %**	**UK £m**	**Non-UK £m**
Discount rate	**+0.25**	**68**	**13**
	(0.25)	**(71)**	**(14)**
Inflation	**+0.25**	**(61)**	**(2)**
	(0.25)	**52**	**2**

Assumptions at 31 July 2015	Change %	UK £m	Non-UK £m
Discount rate	+0.25	61	10
	(0.25)	(65)	(11)
Inflation	+0.25	(49)	(3)
	(0.25)	50	3

An increase in life expectancy of one year would increase the defined benefit obligation by £57 million in the UK and by £9 million in non-UK plans (2015: £48 million and £7 million, respectively).

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 and the Group's customer base is highly diversified, with no individually significant customer.

Canada and Central Europe represent less than 10 per cent of the Group's operating profit and do not meet other quantitative thresholds and therefore do not represent a reportable segment. They have been reported on a combined basis and all comparatives have been restated for the purposes of consistency and comparability.

The changes in revenue and trading profit for continuing operations between the years ended 31 July 2015 and 31 July 2016 include 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:

Analysis of change in revenue	2015 £m	Exchange £m	Disposals £m	Acquisitions £m	Organic change £m	**2016 £m**
USA	8,343	569	(6)	173	377	**9,456**
UK	1,987	–	–	53	(44)	**1,996**
Nordic	1,864	3	(1)	5	10	**1,881**
Canada and Central Europe	1,138	(20)	(25)	14	(10)	**1,097**
Group	13,332	552	(32)	245	333	**14,430**

Trading profit/(loss) (note 9) by reportable segment for continuing operations is as follows:

Analysis of change in trading profit/(loss) (note 9)	2015 £m	Exchange £m	Disposals £m	Acquisitions £m	Organic change £m	**2016 £m**
USA	681	47	2	3	42	**775**
UK	90	–	–	1	(17)	**74**
Nordic	71	–	–	–	(12)	**59**
Canada and Central Europe	55	(1)	–	2	(3)	**53**
Central and other costs	(43)	–	–	–	(2)	**(45)**
Group	854	46	2	6	8	**916**

The reconciliation between trading profit/(loss) (note 9) and operating profit/(loss) by reportable segment for continuing operations is as follows:

	2016				2015			
	Trading profit/(loss) £m	**Exceptional items £m**	**Amortisation and impairment of acquired intangible assets £m**	**Operating profit/(loss) £m**	Trading profit/(loss) £m	Exceptional items £m	Amortisation and impairment of acquired intangible assets £m	Operating profit/(loss) £m
USA	**775**	**2**	**(34)**	**743**	681	6	(27)	660
UK	**74**	**(9)**	**(106)**	**(41)**	90	2	(13)	79
Nordic	**59**	**2**	**(5)**	**56**	71	(2)	(249)	(180)
Canada and Central Europe	**53**	**–**	**(2)**	**51**	55	(9)	(5)	41
Central and other costs	**(45)**	**3**	**–**	**(42)**	(43)	(1)	–	(44)
Group	**916**	**(2)**	**(147)**	**767**	854	(4)	(294)	556
Finance income				**–**				1
Finance costs				**(40)**				(49)
Profit before tax				**727**				508

2 – Segmental analysis continued

In 2015 and 2016, 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. This is non-GAAP information.

	Revenue		Trading profit	
	2016 £m	2015 £m	2016 £m	2015 £m
Ongoing segments				
USA	9,456	8,337	775	683
UK	1,996	1,987	74	90
Nordic	1,881	1,863	60	72
Canada and Central Europe	1,097	1,113	53	55
Central and other costs	–	–	(45)	(43)
Total ongoing segments	14,430	13,300	917	857
Entities disposed of, closed or classified as held for sale	–	32	(1)	(3)
Continuing operations	14,430	13,332	916	854

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

	2016			2015		
Segment assets and liabilities	Segment assets £m	Segment liabilities £m	Segment net assets/ (liabilities) £m	Segment assets £m	Segment liabilities £m	Segment net assets/ (liabilities) £m
USA	4,268	(1,645)	2,623	3,451	(1,345)	2,106
UK	856	(508)	348	1,046	(510)	536
Nordic	1,243	(620)	623	1,032	(520)	512
Canada and Central Europe	599	(265)	334	478	(195)	283
Central and other costs	18	(103)	(85)	19	(86)	(67)
Discontinued	69	(36)	33	198	(164)	34
Total	7,053	(3,177)	3,876	6,224	(2,820)	3,404
Tax assets and liabilities	127	(166)	(39)	119	(111)	8
Net cash/(debt)	971	(1,907)	(936)	1,139	(1,944)	(805)
Group assets/(liabilities)	8,151	(5,250)	2,901	7,482	(4,875)	2,607

	2016				2015			
	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	34	25	17	123	24	28	12	125
UK	–	–	5	15	29	14	6	24
Nordic	–	–	6	33	–	1	3	33
Canada and Central Europe	6	3	2	18	4	2	3	8
Central and other costs	–	–	1	1	–	–	2	1
Discontinued	–	–	–	–	–	–	–	16
Group	40	28	31	190	57	45	26	207

2 – Segmental analysis continued

	2016				2015			
	Impairment of goodwill and other acquired intangible assets £m	Amortisation of other acquired intangible assets £m	Amortisation of non-acquired intangible assets £m	Depreciation and impairment of property, plant and equipment £m	Impairment of goodwill and other acquired intangible assets £m	Amortisation of other acquired intangible assets £m	Amortisation of non-acquired intangible assets £m	Depreciation and impairment of property, plant and equipment £m
USA	–	34	7	72	–	27	6	55
UK	94	12	5	17	–	13	4	16
Nordic	–	5	1	25	234	15	1	22
Canada and Central Europe	–	2	1	9	4	1	1	9
Central and other costs	–	–	1	2	–	–	1	2
Discontinued	–	–	–	–	–	–	–	4
Group	94	53	15	125	238	56	13	108

3 – Operating costs

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

	2016 £m	2015 £m
Depreciation of property, plant and equipment (note 14)	123	103
Impairment of property, plant and equipment (note 14)	2	1
(Gain)/loss on disposal and closure of businesses	(8)	5
Loss/(gain) on disposal of property, plant and equipment and assets held for sale	1	(3)
Staff costs (note 11)	2,026	1,832
Amortisation of non-acquired intangible assets (note 13)	15	13
Amortisation of acquired intangible assets (note 13)	53	56
Impairment of goodwill and acquired intangible assets (notes 12 and 13)	94	238
Operating lease rentals: land and buildings	174	160
Operating lease rentals: plant and machinery	64	54
Amounts included in costs of goods sold with respect to inventory	10,223	9,497
Trade receivables impairment	14	19

	Deloitte 2016 £m	PwC 2015 £m
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
Fees for the audit of the Company's subsidiaries pursuant to legislation	2.0	2.5
Total fees for audit related services	2.9	3.4
Other assurance services	0.2	0.1
Tax – compliance services	–	1.0
Tax – advisory services	–	0.2
Other non-audit services	–	0.4
Total fee for non-audit related services	0.2	1.7
Total fees payable to the auditor	3.1	5.1

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:

	2016 £m	2015 £m
Gain/(loss) on disposal and closure of businesses	8	(5)
Other exceptional items	(10)	1
Total included in operating profit	(2)	(4)

For the year ended 31 July 2016, the gain on disposal principally relates to the release of provisions from prior year disposals in the USA, UK and Central Europe. Other exceptional items in the year represent restructuring costs incurred in the UK during phase 1 of the UK turnaround strategy. In September 2016, phase 2 of the strategy for the UK was approved and this is expected to reduce the number of operational locations and employees by at least 10 per cent and will continue into the next financial year.

The net cash outflow from exceptional items was £3 million (2015: £1 million).

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

5 – Finance costs

	2016 £m	2015 £m
Interest payable		
– Bank loans and overdrafts	48	39
– Unwind of fair value adjustment to senior unsecured loan notes	(9)	(12)
– Finance lease charges	2	2
Net interest income on defined benefit obligation (note 25)	–	(2)
Valuation gains on financial instruments		
– Derivatives held at fair value through profit and loss	(1)	–
	40	27
Exceptional finance expense	–	22
Total finance costs	40	49

The £22 million exceptional finance expense in 2015 relates 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 income from discontinued operations is detailed in note 7.

6 – Tax

The tax charge for the year comprises:	2016 £m	2015 £m
Current year tax charge	234	215
Adjustments to tax charge in respect of prior years	(7)	(8)
Total current tax charge	227	207
Deferred tax charge/(credit): origination and reversal of temporary differences	4	(20)
Total tax charge	231	187

An exceptional tax credit of £1 million was recorded in relation to exceptional items in 2016 (2015: charge £3 million). The deferred tax charge of £4 million (2015: credit £20 million) includes a charge of £5 million (2015: credit £2 million) resulting from changes in tax rates.

Tax on items credited/(charged) to the statement of other comprehensive income:	2016 £m	2015 £m
Deferred tax credit on actuarial loss on retirement benefits	25	14
Current tax credit on actuarial loss on retirement benefits	–	1
Deferred tax charge on losses	(7)	–
Total tax on items credited to other comprehensive income	18	15

£1 million (2015: £nil) of the £18 million credit relates to changes in tax rates.

6 – Tax continued

Tax on items credited/(charged) to equity:	2016 £m	2015 £m
Current tax credit on share-based payments	6	8
Deferred tax (charge)/credit on share-based payments	(6)	2
Total tax on items credited to equity	–	10

	2016		2015	
Tax reconciliation:	£m	%	£m	%
Weighted average tax rate	243	33	143	28
Prior year amounts	(7)	(1)	2	1
Non-taxable amortisation, impairment and exceptional items	19	2	31	6
Tax rate change	5	1	(2)	(1)
Other non-deductible and non-taxable items	(29)	(3)	13	3
Total tax charge/tax rate on profit before tax	231	32	187	37

The 5 per cent increase in the weighted average tax rate is primarily due to the increase in the share of profit generated in the USA.

7 – Discontinued operations

As at 31 July 2015, the Group's remaining business and property assets in France ("the disposal group") were classified as discontinued in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". On 7 March 2016, the remaining French building materials business was sold. The Group is in the process of selling its remaining property assets in France. The results from discontinued operations, which have been included in the Group income statement, are set out below.

	2016			2015		
	Before exceptional items £m	Exceptional items £m	Total £m	Before exceptional items £m	Exceptional items £m	Total £m
Revenue	255	–	255	587	–	587
Cost of sales	(179)	–	(179)	(411)	–	(411)
Gross profit	76	–	76	176	–	176
Operating costs:						
gain/(loss) on disposal of businesses	–	139	139	–	(59)	(59)
impairment of net assets	–	–	–	–	(67)	(67)
other	(76)	14	(62)	(178)	3	(175)
Operating costs	(76)	153	77	(178)	(123)	(301)
Operating profit/(loss)	–	153	153	(2)	(123)	(125)
Finance income	2	4	6	1	16	17
Profit/(loss) before tax	2	157	159	(1)	(107)	(108)
Attributable tax expense	–	(5)	(5)	–	–	–
Profit/(loss) from discontinued operations	2	152	154	(1)	(107)	(108)
Basic earnings/(loss) per share	0.8p	60.0p	60.8p	(0.4p)	(41.3p)	(41.7p)
Diluted earnings/(loss) per share	0.8p	59.6p	60.4p	(0.4p)	(41.1p)	(41.5p)

A tax charge of £5 million (2015: £nil) was generated from discontinued operations in the current year. During the year, discontinued operations used cash of £16 million (2015: generated £17 million) in respect of operating activities, generated £41 million (2015: £22 million) in respect of investing activities and generated £27 million (2015: £15 million) in respect of financing activities.

8 – Dividends

	2016		2015	
	£m	Pence per share	£m	Pence per share
Amounts recognised as distributions to equity shareholders:				
Final dividend for the year ended 31 July 2014	–	–	144	55p
Interim dividend for the year ended 31 July 2015	–	–	78	30.25p
Final dividend for the year ended 31 July 2015	154	60.50p	–	–
Interim dividend for the year ended 31 July 2016	84	33.28p	–	–
Dividends paid	238		222	

Since the end of the financial year, the Directors have proposed a final ordinary dividend of £167 million (66.72 pence per share). The dividend is subject to approval by shareholders at the Annual General Meeting and is therefore not included in the balance sheet as a liability at 31 July 2016.

9 – Non-GAAP performance measures

Trading profit is defined as operating profit before exceptional items and the amortisation and impairment of acquired intangible assets. It is a non-GAAP measure. As explained on page 112, 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.

Continuing operations	2016 £m	2015 £m
Operating profit	767	556
Add back: amortisation and impairment of acquired intangible assets	147	294
Add back: exceptional items in operating profit	2	4
Trading profit	916	854
Depreciation, amortisation and impairment of property, plant and equipment and software excluding exceptional items in operating profit	140	117
EBITDA before exceptional items	1,056	971
Profit before tax	727	508
Add back: amortisation and impairment of acquired intangible assets	147	294
Add back: exceptional items in profit before tax	2	26
Profit before tax, exceptional items and the amortisation and impairment of acquired intangible assets	876	828
Tax expense	(231)	(187)
Deduct: tax credit on the amortisation and impairment of acquired intangible assets	(21)	(47)
(Deduct)/add back: tax (credit)/charge on exceptional items	(1)	3
Add back: non-recurring tax charge relating to changes in tax rates	5	–
Adjusted tax expense	(248)	(231)
Net profit from continuing operations	496	321
Add back: amortisation and impairment of acquired intangible assets net of tax	126	247
Add back: exceptional items net of tax	1	29
Add back: non-recurring tax charge relating to changes in tax rates	5	–
Headline profit after tax from continuing operations	628	597

Applying the adjusted tax expense of £248 million to the profit before tax, exceptional items and the amortisation and impairment of acquired intangible assets of £876 million gives an effective tax rate of 28.3 per cent (2015: 27.9 per cent).

10 – Earnings per share

	2016			2015		
	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	628	247.7	246.2	597	230.2	229.4
Exceptional items (net of tax)	(1)	(0.4)	(0.4)	(29)	(11.2)	(11.1)
Amortisation and impairment of acquired intangible assets (net of tax)	(126)	(49.7)	(49.4)	(247)	(95.2)	(94.9)
Non-recurring tax charge relating to changes in tax rates	(5)	(2.0)	(2.0)	–	–	–
Profit from continuing operations	496	195.6	194.4	321	123.8	123.4
Profit/(loss) from discontinued operations	154	60.8	60.4	(108)	(41.7)	(41.5)
Profit from continuing and discontinued operations	650	256.4	254.8	213	82.1	81.9

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 253.5 million (2015: 259.3 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 255.1 million (2015: 260.2 million).

11 – Employee information and Directors' remuneration

	2016 £m	2015 £m
Wages and salaries	1,804	1,630
Social security costs	132	116
Pension costs – defined contribution plans	65	59
Pension costs – defined benefit plans (note 25)	5	7
Share-based payments (note 27)	20	20
Total staff costs	2,026	1,832

Further details of Directors' remuneration and share options are set out in the Remuneration Report on pages 58 to 72, which form part of these financial statements. The aggregate emoluments for all key management are set out in note 32.

The total staff cost including discontinued operations was £2,071 million (2015: £1,934 million).

Average number of employees	2016	2015
USA	22,468	21,239
UK	6,208	6,081
Nordic	5,906	6,021
Canada and Central Europe	3,489	3,605
Central and other	104	108
Group	38,175	37,054

The average number of employees including discontinued operations was 39,717 (2015: 40,375).

12 – Intangible assets – goodwill

	2016 £m	2015 £m
Cost		
At 1 August	1,404	1,663
Exchange rate adjustment	266	(76)
Acquisitions	40	57
Adjustment to fair value on prior year acquisitions	1	(16)
Disposal of businesses	–	(43)
Reclassification as held for sale	–	(181)
At 31 July	1,711	1,404
Accumulated impairment losses		
At 1 August	588	751
Exchange rate adjustment	135	(85)
Impairment charge for the year	86	138
Disposal of businesses	–	(35)
Reclassification as held for sale	–	(181)
At 31 July	809	588
Net book amount at 31 July	902	816

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 below at a segmental level except for certain CGUs in the USA which are considered to be significant (more than 10 per cent of the current year goodwill balance). Impairment reviews were performed for each individual CGU during the year ended 31 July 2016.

	2016				2015			
	Long-term growth rate %	Post-tax discount rate %	Pre-tax discount rate %	Goodwill £m	Long-term growth rate %	Post-tax discount rate %	Pre-tax discount rate %	Goodwill £m
Blended Branches				314				264
B2C				89				62
Waterworks				127				105
Rest of USA				113				81
USA	2.2	8.2	13.4	643	2.0	9.1	14.9	512
UK	2.0	8.2	10.2	32	2.0	8.8	11.0	118
Nordic	2.2	7.5	9.7	91	1.1	7.2	9.3	77
Canada	2.0	8.0	10.8	88	2.0	8.7	11.8	68
Central Europe	1.0	6.6	8.4	48	1.0	7.2	9.1	41
Total				902				816

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. The other inputs include a risk-adjusted, pre-tax discount rate, calculated by reference to the weighted average cost of capital ("WACC") of each country and the 30-year long-term growth rate by country, as published by the IMF in April 2016.

The strategic plan is developed based on analyses of sales, markets and costs at a regional level. Consideration is given to past events, knowledge of future contracts and the wider economy. It takes into account both current business and future initiatives.

Management has performed a sensitivity analysis across all CGUs which have goodwill and acquired intangible assets using the following key impairment review assumptions: compound average revenue growth rate, post-tax discount rate and long-term growth rate, keeping all other assumptions constant.

UK

The impairment review for the UK has resulted in an impairment charge in the year of £94 million. In allocating the impairment charge we have considered the impairment of all assets as well as goodwill. An impairment trigger arose for the UK businesses due to the continuing challenging market conditions and uncertainty over performance. Expectations of future profitability for the UK businesses were therefore significantly reduced, resulting in impairment charges for Plumb, Parts & Drain, Pipe & Climate, Infrastructure and Soak.com. The Soak.com business was acquired in February 2015 and has incurred losses despite generating good revenue growth. We do expect the business to generate future profits and it remains an important part of the Group's European B2C strategy but due to the uncertainty of the timing of profitability an impairment charge has been made against the carrying value of its goodwill.

12 – Intangible assets – goodwill continued

The UK impairment charge has been incurred as follows:

CGU	Goodwill £m	Acquired intangible assets £m	Total £m	Impairment £m	Remaining balance £m	Post-tax discount rate %	Pre-tax discount rate %
Plumb, Parts & Drain	7	–	7	(7)	–	8.2	10.2
Pipe & Climate	26	–	26	(26)	–	8.2	10.2
Infrastructure	29	8	37	(37)	–	8.2	10.2
Soak.com	24	–	24	(24)	–	8.2	10.2
Total	86	8	94	(94)	–	8.2	10.2

13 – Intangible assets – other

		Acquired intangible assets			
	Software £m	Trade names and brands £m	Customer relationships £m	Other £m	Total £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
Exchange rate adjustment	15	51	86	11	163
Acquisitions	–	7	16	5	28
Additions	31	–	–	–	31
Disposals and transfers	(19)	–	(2)	–	(21)
At 31 July 2016	152	322	581	77	1,132
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
Exchange rate adjustment	10	45	72	7	134
Amortisation charge for the year	15	8	40	5	68
Impairment charge for the year (note 12)	–	2	6	–	8
Disposals and transfers	(14)	–	(2)	–	(16)
At 31 July 2016	93	289	499	49	930
Net book amount at 31 July 2016	59	33	82	28	202
Net book amount at 31 July 2015	43	30	98	24	195

14 – Property, plant and equipment

	Land and buildings				
	Freehold £m	Finance lease £m	Operating leasehold improvements £m	Plant machinery and equipment £m	Total £m
Cost					
At 1 August 2014	1,180	51	273	707	2,211
Exchange rate adjustment	(61)	–	12	6	(43)
Acquisitions	6	–	–	3	9
Adjustment to fair value on prior year acquisitions	3	–	–	–	3
Additions	72	–	37	98	207
Disposal of businesses	(25)	(2)	(3)	(46)	(76)
Disposals and transfers	16	(18)	(24)	(53)	(79)
Reclassification as held for sale	(115)	(3)	(17)	(78)	(213)
At 31 July 2015	**1,076**	**28**	**278**	**637**	**2,019**
Exchange rate adjustment	**193**	**4**	**43**	**91**	**331**
Acquisitions	**9**	**–**	**–**	**2**	**11**
Additions	**85**	**1**	**12**	**92**	**190**
Disposals and transfers	**(1)**	**(1)**	**(7)**	**(39)**	**(48)**
Reclassification as held for sale	**(3)**	**–**	**–**	**–**	**(3)**
At 31 July 2016	**1,359**	**32**	**326**	**783**	**2,500**
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 for the year	1	–	–	–	1
Disposal of businesses	(13)	–	(1)	(34)	(48)
Disposals and transfers	(1)	(5)	(4)	(57)	(67)
Reclassification as held for sale	(42)	(1)	(14)	(69)	(126)
At 31 July 2015	**219**	**7**	**182**	**447**	**855**
Exchange rate adjustment	**42**	**–**	**28**	**63**	**133**
Depreciation charge for the year	**30**	**1**	**20**	**72**	**123**
Impairment charge for the year	**2**	**–**	**–**	**–**	**2**
Disposals and transfers	**–**	**–**	**(7)**	**(39)**	**(46)**
Reclassification as held for sale	**(1)**	**–**	**–**	**–**	**(1)**
At 31 July 2016	**292**	**8**	**223**	**543**	**1,066**
Owned assets	**1,067**	**–**	**103**	**232**	**1,402**
Assets under finance leases	**–**	**24**	**–**	**8**	**32**
Net book amount – 31 July 2016	**1,067**	**24**	**103**	**240**	**1,434**
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

At 31 July 2016, the book value of property, plant and equipment that had been pledged as security for liabilities was £591 million (2015: £491 million).
The depreciation charge for the year includes £nil (2015: £4 million) relating to discontinued operations.

15 – Deferred tax assets and liabilities

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

Deferred tax	2016 £m	2015 £m
Deferred tax assets	127	115
Deferred tax liabilities	(65)	(53)
	62	62

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 intangible assets £m	Share-based payments £m	Property, plant and equipment £m	Retirement benefit obligations £m	Inventory £m	Tax losses £m	Other £m	Total £m
At 1 August 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
Credit/(charge) to income	5	–	(13)	2	9	(2)	(5)	(4)
Credit/(charge) to other comprehensive income	–	–	–	25	–	(7)	–	18
Charge to equity	–	(6)	–	–	–	–	–	(6)
Acquisitions	(2)	–	–	–	–	–	–	(2)
Exchange rate adjustment	(8)	3	(10)	12	(12)	2	7	(6)
At 31 July 2016	(52)	18	(7)	84	(78)	51	46	62

Legislation has been enacted in the UK to reduce the standard rate of UK corporation tax from 20 per cent to 19 per cent with effect from 1 April 2017 and to 18 per cent with effect from 1 April 2020. Accordingly the UK deferred tax assets and liabilities have predominantly been calculated based on a 19 per cent tax rate which materially reflects the rate for the period in which the deferred tax assets and liabilities are expected to reverse.

A further change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016 to reduce the standard rate to 17 per cent from 1 April 2020. As this change had not been substantively enacted at the balance sheet date its effects are not included in these financial statements. The overall effect of this further rate change, if it had applied to the UK deferred tax balances at the balance sheet date, would be to reduce the deferred tax assets balance by £3 million and to increase the tax expense by the same amount.

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 £68 million (2015: £77 million) that have not been recognised on the basis that their future economic benefit is uncertain. The losses are in the UK relating to capital disposals and France relating to asset impairments that have not been recognised on the basis that France is not forecasting to have sufficient taxable profits in the future to utilise them.

No deferred tax liability has been recognised in respect of temporary differences associated with investments in subsidiaries. However, tax may arise on £253 million (2015: £200 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

Current	2016 £m	2015 £m
Trade receivables	1,933	1,681
Less: provision for impairment	(39)	(35)
Net trade receivables	1,894	1,646
Other receivables	81	72
Prepayments and accrued income	232	197
	2,207	1,915
Non-current		
Other receivables	212	172

Included in prepayments and accrued income is £182 million (2015: £144 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:

	2016 £m	2015 £m
At 1 August	35	39
Net charge for the year	14	21
Utilised in the year	(14)	(18)
Reclassified as held for sale	–	(5)
Exchange rate adjustment	4	(2)
At 31 July	39	35

Provisions for impairment of receivables 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 2016 (2015: £16 million); and a provision based on historic experience of non-collectability of receivables, amounting to £23 million at 31 July 2016 (2015: £19 million).

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

	2016 £m	2015 £m
Amounts not yet due	580	544
Past due not more than one month	872	748
Past due more than one month and less than three months	420	330
Past due more than three months and less than six months	29	23
Past due more than six months	16	20
Amounts individually determined to be impaired	16	16
	1,933	1,681

17 – Derivative financial instruments

The Group uses interest rate swaps to manage its exposure to interest rate movements on its borrowings and foreign exchange 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:

	2016			2015		
Derivative financial instrument type	Assets £m	Liabilities £m	Total £m	Assets £m	Liabilities £m	Total £m
Interest rate swaps	29	–	29	34	–	34
Foreign exchange swaps	2	–	2	–	(1)	(1)
	31	–	31	34	(1)	33

The current element of derivative financial assets is £11 million (2015: £10 million) and the non-current element is £20 million (2015: £24 million).

The Group's accounting and risk management policies, and further information about the derivative financial instruments that it uses, are set out on pages 106 to 113.

18 – Cash and cash equivalents

	2016 £m	2015 £m
Cash and cash equivalents	940	1,105

Included in the balance at 31 July 2016 is an amount of £606 million (2015: £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). These amounts are subject to a master netting arrangement.

At 31 July 2016, cash and cash equivalents included £60 million which is used to collateralise letters of credit on behalf of Wolseley Insurance Limited.

Restricted cash held by the Group at the balance sheet date amounted to £3 million (2015: £7 million) and is recorded in other receivables.

19 – Assets and liabilities held for sale

	2016 £m	2015 £m
Properties awaiting disposal	10	28
Assets of disposal groups held for sale	46	173
Assets held for sale	56	201
Liabilities of disposal groups held for sale	12	136

During the previous year, the Group announced its decision to sell its remaining businesses in France. As at 31 July 2016, the sales process for the remaining French property assets was continuing and accordingly these properties are classified as held for sale.

The assets and liabilities of disposal groups held for sale consist of:

	2016 £m	2015 £m
Property, plant and equipment	42	54
Inventories	–	16
Trade and other receivables	4	93
Tax receivables	–	10
Bank balances and overdrafts	–	(1)
Finance leases	–	(12)
Trade and other payables	(7)	(105)
Provisions and retirement benefit obligations	(1)	(14)
Tax payables	(4)	(4)
	34	37

20 – Trade and other payables

Current	2016 £m	2015 £m
Trade payables	2,121	1,829
Tax and social security	88	85
Other payables	71	67
Accruals	346	293
Deferred income	8	7
Total trade and other payables	2,634	2,281

Non-current	2016 £m	2015 £m
Other payables	163	125

Trade payables are stated net of £15 million (2015: £23 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

	2016			2015		
	Current £m	Non-current £m	Total £m	Current £m	Non-current £m	Total £m
Bank overdrafts	692	–	692	848	–	848
Bank loans	1	224	225	–	613	613
Senior unsecured loan notes	8	951	959	153	300	453
Total bank loans and overdrafts	701	1,175	1,876	1,001	913	1,914

Included in bank overdrafts at 31 July 2016 is an amount of £606 million (2015: £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).

£130 million of bank loans are secured against the Group's freehold property (2015: £109 million). No bank loans were secured against trade receivables at 31 July 2016 (2015: £384 million) as the trade receivables facility of £454 million was undrawn as at 31 July 2016.

Non-current loans are repayable as follows:

	2016 £m	2015 £m
Due in one to two years	124	8
Due in two to three years	4	489
Due in three to four years	4	4
Due in four to five years	215	4
Due in over five years	828	408
Total	1,175	913

The carrying value of the senior unsecured loan notes of £959 million comprises a par value of £936 million and a fair value adjustment of £23 million (2015: £453 million, £425 million and £28 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 and the fair value hedge is based on a recalculated effective interest rate at the date when hedge accounting was discontinued. The adjustment will be fully amortised at the point the unsecured loan notes mature.

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 106 to 113.

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. The reconciliation of opening to closing net debt is detailed in note 31.

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 2016, the Group's £800 million revolving credit facility has been extended by one year and matures in September 2021. As at 31 July 2016, £95 million was drawn under the £800 million facility and the US$600 million trade receivables facility was undrawn. The Group's undrawn facilities are as follows:

	2016 £m	2015 £m
Less than one year	–	–
Between one and two years	–	–
Between two and three years	454	–
Between three and four years	–	–
Between four and five years	–	–
Greater than five years	705	680
Total	1,159	680

On 1 September 2015 the Group issued US$800 million of US Private Placement bonds at an average fixed interest rate of 3.7 per cent in three tranches: US$250 million expiring in September 2022, US$400 million expiring in September 2025 and US$150 million expiring in September 2027. As at 31 July 2016 exchange rates, these bonds translate to £605 million comprising of £189 million, £303 million and £113 million tranches, respectively.

22 – Financial instruments and financial risk management continued

Foreign currency

Net debt by currency was as follows:

As at 31 July 2016	Interest rate swaps £m	Finance lease obligations £m	Cash, overdrafts and bank loans £m	Currency bought/(sold) forward £m	Total £m
Pounds sterling	–	(3)	(60)	65	2
US dollars	29	(6)	(789)	(151)	(917)
Euro, Danish kroner and Swedish kronor	–	–	(102)	88	(14)
Other currencies	–	(22)	15	–	(7)
Total	29	(31)	(936)	2	(936)

As at 31 July 2015	Interest rate swaps £m	Finance lease obligations £m	Cash, overdrafts and bank loans £m	Currency (sold)/bought forward £m	Total £m
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)

Currency bought/(sold) forward comprises short-term foreign exchange swaps which were designated and effective as hedges of overseas operations.

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:

	2016			2015		
As at 31 July	Floating £m	Fixed £m	Total £m	Floating £m	Fixed £m	Total £m
Pounds sterling	5	(3)	2	(335)	(3)	(338)
US dollars	48	(965)	(917)	(76)	(426)	(502)
Euro, Danish kroner and Swedish kronor	113	(127)	(14)	175	(106)	69
Other currencies	15	(22)	(7)	(15)	(19)	(34)
Total	181	(1,117)	(936)	(251)	(554)	(805)

Fixed rate borrowings at 31 July 2016 carried a weighted average interest rate of 3.2 per cent fixed for a weighted average duration of 7.6 years (31 July 2015: 2.5 per cent for 6.5 years). Floating rate cash at 31 July 2016 carried a weighted average interest rate of 0.4 per cent (31 July 2015: 0.5 per cent). Floating rate borrowings at 31 July 2016 carried a weighted average interest rate of 0.9 per cent (31 July 2015: 0.9 per cent).

23 – Obligations under finance leases

	Gross 2016 £m	Gross 2015 £m	Net 2016 £m	Net 2015 £m
Due within one year	5	5	4	4
Due in one to five years	10	11	7	8
Due in over five years	25	20	20	17
	40	36	31	29
Less: future finance charges	(9)	(7)		
Present value of finance lease obligations	31	29		
Current			4	4
Non-current			27	25
Total obligations under finance leases			31	29

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 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 rate adjustment	3	2	(1)	(3)	1
At 31 July 2015	70	41	32	63	206
Utilised in the year	(7)	(12)	(12)	(4)	(35)
Amortisation of discount	3	–	–	–	3
Charge for the year	5	18	8	7	38
Disposal of businesses and reclassified as held for sale	(7)	–	(1)	(11)	(19)
Exchange rate adjustment	11	6	1	10	28
At 31 July 2016	75	53	28	65	221

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

At 31 July 2016	Environmental and legal £m	Wolseley Insurance £m	Restructuring £m	Other provisions £m	Total £m
Current	23	14	16	35	88
Non-current	52	39	12	30	133
Total provisions	75	53	28	65	221

At 31 July 2015	Environmental and legal £m	Wolseley Insurance £m	Restructuring £m	Other provisions £m	Total £m
Current	16	14	18	30	78
Non-current	54	27	14	33	128
Total provisions	70	41	32	63	206

24 – Provisions continued

The environmental and legal provision includes £61 million (2015: £49 million) for the estimated liability for asbestos litigation on a discounted basis using a long-term discount rate of 1.5 per cent (2015: 2.2 per cent). This amount has been actuarially determined as at 31 July 2016 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. Due to the nature of these provisions, the timing of any settlements is uncertain.

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).

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, 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 113.

(ii) Financial impact of plans

As disclosed in the Group balance sheet	**2016 £m**	2015 £m
Non-current asset	**–**	57
Current liability	**(9)**	(8)
Non-current liability	**(138)**	(64)
Total liability	**(147)**	(72)
Net liability	**(147)**	(15)

Analysis of Group balance sheet net (liability)/asset	**2016**			2015		
	UK £m	**Non-UK £m**	**Total £m**	UK £m	Non-UK £m	Total £m
Fair value of plan assets	**1,308**	**250**	**1,558**	1,262	215	1,477
Present value of defined benefit obligation	**(1,336)**	**(369)**	**(1,705)**	(1,206)	(286)	(1,492)
Net (liability)/asset	**(28)**	**(119)**	**(147)**	56	(71)	(15)

Analysis of total expense recognised in the Group income statement	**2016 £m**	2015 £m
Current service cost	**7**	6
Administration costs	**2**	2
Past service gain from settlements	**(4)**	(1)
Charged to operating costs	**5**	7
Credited to finance costs (note 5)	**–**	(2)
Total expense recognised in the Group income statement	**5**	5

Expected employer contributions to the defined benefit plans for the year ending 31 July 2017 are £42 million. The remeasurement of the defined benefit net liability is included in the Group statement of comprehensive income.

25 – Retirement benefit obligations continued

(ii) Financial impact of plans continued

Analysis of amount recognised in the Group statement of comprehensive income	2016 £m	2015 £m
The return on plan assets (excluding amounts included in net interest expense)	40	70
Actuarial gain arising from changes in demographic assumptions	17	5
Actuarial loss arising from changes in financial assumptions	(200)	(149)
Actuarial gain arising from experience adjustments	23	13
Tax	25	15
Total amount recognised in the Group statement of comprehensive income	(95)	(46)

The cumulative amount of actuarial losses recognised in the Group statement of comprehensive income is £369 million (2015: £249 million).

The fair value of plan assets is as follows:

			2016			2015
Fair value of plan assets	UK £m	Non-UK £m	Total £m	UK £m	Non-UK £m	Total £m
At 1 August	1,262	215	1,477	1,167	217	1,384
Interest income	45	6	51	48	8	56
Employer's contributions	2	7	9	18	7	25
Participants' contributions	–	3	3	–	3	3
Benefit payments	(45)	(15)	(60)	(34)	(12)	(46)
Settlement payments	–	–	–	–	(12)	(12)
Insurance premiums	–	–	–	–	(1)	(1)
Remeasurement gain/(loss):						
Return on plan assets (excluding amounts included in net interest expense)	44	(4)	40	63	7	70
Currency translation	–	38	38	–	(2)	(2)
At 31 July	1,308	250	1,558	1,262	215	1,477
Actual return on plan assets	89	2	91	111	15	126

Employer's contributions included no special funding contribution (2015: £16 million).

At 31 July 2016, the plan's assets were invested in a diversified portfolio that consisted predominantly of equity and debt securities. The assets in the plans were:

				2016			2015
Value at 31 July		UK £m	Non-UK £m	Total £m	UK £m	Non-UK £m	Total £m
Equity type assets	quoted	663	85	748	709	73	782
Government bonds	quoted	356	22	378	216	20	236
Corporate bonds	quoted	147	75	222	171	65	236
Real estate		4	24	28	–	22	22
Cash		12	10	22	61	6	67
Other including insurance policies		126	34	160	105	29	134
Total market value of assets		1,308	250	1,558	1,262	215	1,477

There were no unquoted plan assets in either the current or previous year.

25 – Retirement benefit obligations continued

(ii) Financial impact of plans continued

Present value of defined benefit obligation	2016 UK £m	2016 Non-UK £m	2016 Total £m	2015 UK £m	2015 Non-UK £m	2015 Total £m
At 1 August	**1,206**	**286**	**1,492**	1,071	306	1,377
Current service cost (including administrative costs)	**2**	**7**	**9**	2	6	8
Past service gain	**(2)**	**(2)**	**(4)**	(1)	–	(1)
Interest cost	**41**	**10**	**51**	45	9	54
Benefit payments	**(45)**	**(15)**	**(60)**	(34)	(12)	(46)
Settlement and curtailment payments	**–**	**–**	**–**	–	(13)	(13)
Participants' contributions	**–**	**3**	**3**	–	3	3
Insurance premiums	**–**	**–**	**–**	–	(1)	(1)
Remeasurement (gain)/loss:						
Actuarial (gain)/loss arising from changes in demographic assumptions	**(14)**	**(3)**	**(17)**	(6)	1	(5)
Actuarial loss arising from changes in financial assumptions	**174**	**26**	**200**	137	12	149
Actuarial (gain)/loss arising from experience adjustments	**(26)**	**3**	**(23)**	(8)	(5)	(13)
Disposals and reclassified as held for sale	**–**	**–**	**–**	–	(11)	(11)
Currency translation	**–**	**54**	**54**	–	(9)	(9)
At 31 July	**1,336**	**369**	**1,705**	1,206	286	1,492

Analysis of present value of defined benefit obligation	2016 £m	2015 £m
Amounts arising from wholly unfunded plans	**44**	42
Amounts arising from plans that are wholly or partly funded	**1,661**	1,450
	1,705	1,492

(iii) Valuation assumptions

The financial assumptions used to estimate defined benefit obligations are:

	2016 UK	2016 Non-UK	2015 UK	2015 Non-UK
Discount rate	**2.4%**	**2.2%**	3.6%	2.9%
Inflation rate	**2.8%**	**1.4%**	3.2%	1.6%
Increase to deferred benefits during deferment	**1.7%**	**1.8%**	2.2%	2.0%
Increases to pensions in payment	**2.5%**	**1.8%**	2.9%	2.0%
Salary increases	**1.7%**	**1.8%**	3.2%	1.9%

The life expectancy assumptions used to estimate defined benefit obligations are:

	2016 UK	2016 Non-UK	2015 UK	2015 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	**25**	**24**	24	23
Future pensioners (at age 65) – female	**27**	**26**	27	26

The weighted average duration of the defined benefit obligation is 21.2 years (2015: 21.4 years).

26 – Share capital

(i) Ordinary shares in issue

	Authorised numbers		Allotted and issued numbers	
	2016	2015	2016	2015
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:

	2016	2015
Number of ordinary shares 10 53/66 pence ordinary shares in the Company in issue at 1 August	266,592,678	266,531,797
New shares issued to settle share options	43,428	60,881
Number of 10 53/66 pence ordinary shares in the Company in issue at 31 July	266,636,106	266,592,678

Consideration received, net of transaction costs, in respect of shares issued to participants in the long term incentive plans and all-employee sharesave plans amounted to £nil (2015: £1 million). Additional information on the allotment of ordinary shares can be found in note 36(iv).

(ii) Treasury shares

During the year, the Group completed a share buyback programme totalling £300 million (2015: £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:

	2016		2015	
Treasury shares	Number of shares	Cost £m	Number of shares	Cost £m
As at 1 August	7,105,842	240	–	–
Treasury shares purchased	7,862,836	300	7,407,837	250
Disposal of Treasury shares to settle share options	(709,402)	(24)	(301,995)	(10)
As at 31 July	14,259,276	516	7,105,842	240

Consideration received in respect of shares transferred to participants in the long term incentive plans and all-employee sharesave plans amounted to £14 million (2015: £8 million).

(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 movement in own shares held in Employee Benefit Trusts is detailed in the following table below:

	2016		2015	
Own shares	Number of shares	Cost £m	Number of shares	Cost £m
As at 1 August	2,019,377	63	2,961,394	93
New shares purchased	368,441	14	430,000	15
Exercise of share options	(625,161)	(20)	(1,372,017)	(45)
As at 31 July	1,762,657	57	2,019,377	63

Consideration received in respect of shares transferred to participants in the discretionary share option plans and long term incentive plans amounted to £1 million (2015: £5 million). At 31 July 2016, the shares held in the trusts had a market value of £74 million (2015: £86 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 charge to income statement	2016 £m	2015 £m
Executive share option plans	2	2
Ordinary share plan	14	13
All-employee sharesave plans	2	3
Long term incentive plans	2	2
	20	20

The number and weighted average exercise price of outstanding and exercisable share options and share awards are detailed below:

	2016		2015	
	Number of shares/ options 000's	Weighted average exercise price £	Number of shares/ options 000's	Weighted average exercise price £
Outstanding at 1 August	4,423	13.91	5,680	13.37
Granted	1,022	9.80	1,268	15.51
Options exercised or shares vested	(1,438)	11.89	(1,890)	8.92
Surrendered or expired	(279)	18.65	(635)	27.11
Outstanding at 31 July	3,728	13.21	4,423	13.91
Exercisable at 31 July	696	18.35	942	16.55

	2016	2015
Weighted average fair value per share/option granted during the year (£)	24.28	18.26

At 31 July 2016 and 31 July 2015, all of the shares and options outstanding had an exercise price which was below the market price. The market price at 31 July 2016 was £42.09 (2015: £42.56). For executive share option plans and all-employee sharesave plans, the range of exercise prices for shares and options outstanding at 31 July 2016 was £7.01 to £33.62 (2015: £7.01 to £33.62). For the ordinary share plan and long term incentive plans, all share options outstanding at 31 July 2016 had an exercise price of £nil (2015: £nil).

For shares and options outstanding at 31 July 2016, the weighted average remaining contractual life was four years (2015: four years).

The fair value at the date of grant of options awarded during the year has been estimated using the binomial methodology for all plans except the portion of the grants awarded under the long term incentive plan that are subject to a relative Total Shareholder Return ("TSR") performance condition, for which a Monte Carlo simulation was used.

The fair value of shares granted under the ordinary share plan (for more information please refer to page 113) 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	
	2016	2015	2016	2015	2016	2015
Risk free interest rate	n/a	1.6%	0.6%	0.8%	0.7%	1.0%
Expected dividend yield	n/a	3.3%	2.7%	2.5%	2.2%	0.0%
Expected volatility	n/a	32%	25%	22%	23%	23%
Expected life	n/a	5.7 years	1-6 years	1-6 years	3 years	3 years

There were no executive share options granted in the period.

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 3.0 per cent and an expected life of three years.

28 – Reconciliation of profit to cash generated from operations

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

	2016 £m	2015 £m
Profit for the year	**650**	213
Net finance costs	**34**	31
Tax expense	**236**	187
(Gain)/loss on disposal and closure of businesses and revaluation of disposal groups	**(147)**	129
Depreciation and impairment of property, plant and equipment	**125**	108
Amortisation and impairment of non-acquired intangible assets	**15**	13
Amortisation and impairment of goodwill and acquired intangible assets	**147**	294
Profit on disposal of property, plant and equipment and assets held for sale	**(18)**	(3)
Increase in inventories	**(36)**	(113)
Increase in trade and other receivable assets	**(21)**	(54)
Increase in trade and other payables	**13**	159
Increase/(decrease) in provisions and other liabilities	**1**	(47)
Share-based payments	**20**	20
Cash generated from operations	**1,019**	937

Trading profit is reconciled to cash generated from operations as follows:

	2016 £m	2015 £m
Trading profit	**916**	854
Exceptional items in operating profit	**(2)**	(4)
(Gain)/loss on disposal and closure of businesses and revaluation of disposal groups	**(147)**	129
Operating profit/(loss) from discontinued operations (note 7)	**153**	(125)
Depreciation and impairment of property, plant and equipment	**125**	108
Amortisation and impairment of non-acquired intangible assets	**15**	13
Profit on disposal of property, plant and equipment and assets held for sale	**(18)**	(3)
Increase in inventories	**(36)**	(113)
Increase in trade and other receivable assets	**(21)**	(54)
Increase in trade and other payables	**13**	159
Increase/(decrease) in provisions and other liabilities	**1**	(47)
Share-based payments	**20**	20
Cash generated from operations	**1,019**	937

29 – Acquisitions

The Group acquired the following 16 businesses in the year ended 31 July 2016. All these businesses are engaged in the distribution of plumbing and heating products and building materials. All transactions have been accounted for by the purchase method of accounting except for the 50 per cent acquisition of BraByggare Sverige AB, which has been accounted for as a joint venture.

	Date of acquisition	Country of incorporation	Shares/ asset deal	% acquired
Central Pipe & Supply	August 2015	USA	Asset	100
Living Direct, Inc	October 2015	USA	Shares	100
Atlantic American Fire Equipment Co	October 2015	USA	Asset	100
Renwes Appliances, Inc	October 2015	USA	Asset	100
Action Fire Fab & Supply, Inc	November 2015	USA	Asset	100
Professional Cleaning Service and Supply Corporation	January 2016	USA	Asset	100
Medallion Pipe Supply Ltd	February 2016	Canada	Asset	100
Underground Specialties, Inc	March 2016	Canada	Asset	100
BraByggare Sverige AB	March 2016	Sweden	Shares	50
Andrews Lighting Gallery, Inc	April 2016	USA	Asset	100
The Bath & Beyond	April 2016	USA	Asset	100
Dealernet, LLC	April 2016	USA	Asset	100
Bruce-Rogers Company	May 2016	USA	Shares	100
Michigan Pipe & Valve-Flint, Inc	June 2016	USA	Asset	100
Michigan Pipe & Valve-Lansing, Inc	June 2016	USA	Asset	100
Michigan Meter Technology Group, Inc	July 2016	USA	Asset	100

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 assets			
– Customer relationships	–	16	16
– Trade names and brands	–	7	7
– Other	–	5	5
Property, plant and equipment	11	–	11
Inventories	30	(4)	26
Receivables	20	–	20
Cash, cash equivalents and bank overdrafts	2	–	2
Payables	(13)	–	(13)
Deferred tax	–	(2)	(2)
Total	50	22	72
Goodwill arising			40
Consideration			112

Satisfied by:	
Cash	94
Deferred consideration	18
Total consideration	112

The fair value adjustments are provisional figures, being the best estimates currently available. Further adjustments may be necessary when additional information is available for 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 £110 million to revenue, £6 million to trading profit and £6 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.

29 – Acquisitions continued

If each acquisition had been completed on the first day of the financial year, Group revenue would have been £14,517 million and Group trading profit would have been £921 million. It is not practicable to disclose profit before tax or profit attributable to equity shareholders, as stated above. It is also 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:

	2016 £m	2015 £m
Purchase consideration	94	100
Deferred and contingent consideration in respect of prior year acquisitions	21	8
Cash consideration	115	108
Cash acquired	(2)	(3)
Net cash outflow in respect of the purchase of businesses	113	105

30 – Disposals

In the year ended 31 July 2016, the Group disposed of the following businesses:

Name	Country	Date of disposal	Shares/asset deal
Bois & Matériaux SAS	France	March 2016	Shares
Guimier SAS	France	March 2016	Shares
Wolseley France Logistique SAS	France	March 2016	Shares
Duomat SAS	France	March 2016	Shares
Helatukku Finland Oy	Finland	May 2016	Shares
AS Puukeskus	Estonia	July 2016	Shares

The Group recognised a total gain on current year disposals of £136 million. This primarily arose from the sale of the remaining French building materials business which is disclosed in note 7 as a discontinued exceptional gain on disposal.

	Continuing operations £m	Discontinued operations £m	Group 2016 £m
Consideration received	4	10	14
Net (assets)/liabilities disposed of	(2)	4	2
Disposal costs	–	(5)	(5)
Recycling of deferred foreign exchange gains	–	125	125
Gain on disposal	2	134	136

Details of assets and liabilities disposed of are provided in the following table:

	Continuing operations £m	Discontinued operations £m	Group 2016 £m
Inventory	2	–	2
Receivables	3	–	3
Net liabilities held for sale	–	(4)	(4)
Payables	(3)	–	(3)
Total net assets/(liabilities) disposed of	2	(4)	(2)

The net inflow of cash in respect of the disposal of businesses is as follows:

	Continuing operations £m	Discontinued operations £m	Group 2016 £m
Cash consideration received for current year disposals (net of cash disposed of)	4	–	4
Cash consideration received for prior year disposals	–	10	10
Disposal costs paid	–	(5)	(5)
Net cash inflow	4	5	9

31 – Reconciliation of opening to closing net debt

For the year ended 31 July 2016	At 1 August 2015 £m	Cash flows £m	Acquisitions and new finance leases £m	Disposal of businesses £m	Fair value and other adjustments £m	Held for sale movements £m	Exchange movement £m	At 31 July 2016 £m
Cash and cash equivalents	1,105							940
Bank overdrafts	(848)							(692)
	257	(28)	2	–	–	(1)	18	248
Derivative financial instruments	33	(10)	–	–	1	–	7	31
Bank loans	(1,066)	16	–	27	9	–	(170)	(1,184)
Obligations under finance leases	(29)	4	(2)	–	–	–	(4)	(31)
Net debt	(805)	(18)	–	27	10	(1)	(149)	(936)

For the year ended 31 July 2015	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
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)

32 – 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)	2016 £m	2015 £m
Salaries, bonuses and other short-term employee benefits	8	9
Termination and post-employment benefits	1	2
Share-based payments	4	4
Total compensation	13	15

More detailed disclosures on the remuneration of the Directors are provided in the Remuneration Report on pages 58 to 72.

33 – Operating lease commitments

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

	2016 £m	2015 £m
Within one year	253	219
Later than one year and less than five years	457	414
After five years	143	143
Total operating lease commitments	853	776

Operating lease payments mainly represent rents payable for properties. Some of the Group's operating lease arrangements have renewal options and rental escalation clauses. 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 2016, provisions include an amount of £25 million (2015: £29 million) in respect of minimum lease payments for such onerous leases net of sublease income expected to be received. The total minimum sublease income expected to be received under non-cancellable subleases at 31 July 2016 is £8 million (2015: £7 million).

The commitments above include no operating lease commitments (2015: £20 million) for discontinued operations.

Operating lease commitments as at 31 July 2015 have been updated to reflect the non-cancellable minimum lease payments.

34 – 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 products that we supply, contractual 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 protection.

Warranties and indemnities in relation to business disposals

Over the past few years, the Group has disposed of a number of non-core businesses and various Group companies have provided certain standard warranties and indemnities to acquirers and other third parties. 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 crystallise in the future. Group companies have also made contractual commitments for certain property and other obligations which could be called upon in an event of default. As at the date of this report, there are no significant outstanding claims in relation to business disposals.

Environmental liabilities

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 of claims and litigation

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.

35 – Post-balance sheet events

In August 2016, the Group acquired two businesses for total consideration of £187 million with combined annualised revenue of £92 million. Clawfoot Supply, LLC (trading as Signature Hardware) is a B2C distributor of high-end, private label products. 100 per cent of this company was acquired to grow B2C and online presence in the USA. The Group also acquired the net assets of Westfield Lighting. As at the date of this report, the accounting for these acquisitions has not been finalised.

In September 2016, we completed a six month review of our operational strategy in the UK and expect to reduce the number of operational locations and employees by at least 10 per cent. Restructuring costs in relation to these actions will continue into the next financial year.

36 – 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.

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:

- material restructuring and other expenses relating to the integration of an acquired business;
- gains or losses on disposal of businesses; and
- 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 entities controlled by the company (its subsidiary undertakings and controlling interests) drawn up to 31 July 2016.

The trading results of business operations are included in profit 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 or 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 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 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.

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 as incurred.

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.

The Group acts as principal for direct sales which are delivered directly to the customer by the supplier.

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.

36 – 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 and external 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 of between three and five years.

Property, plant and equipment ("PPE")

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

Assets are depreciated to their estimated residual value using the straight-line method over their useful lives 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.

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.

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. 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.

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 liability/asset 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.

36 – Additional information continued

(i) Group accounting policies continued

Tax

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

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

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

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

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 plan, long term incentive plan, all-employee sharesave plan and ordinary share plan. 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 were 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.

Derivative financial instruments

Derivative financial instruments, in particular interest rate swaps and foreign exchange 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. 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.

36 – Additional information continued

(ii) Additional information about financial instruments

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); and
- 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 2016 and 31 July 2015:

				2016				2015
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivatives at fair value through profit and loss	–	31	–	31	–	34	–	34
Loan notes held at fair value through profit and loss	–	–	23	23	–	–	16	16
Total assets	–	31	23	54	–	34	16	50

As at 31 July 2016 there were no derivative liabilities held at fair value through profit and loss (2015: £1 million at level 2).

No transfers between levels occurred during the current or prior year.

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 Group's other financial instruments are measured on bases other than fair value. Other receivables include an amount of £60 million (2015: £48 million) which has been discounted at a rate of 1.5 per cent (2015: 2.2 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 only non-current financial assets or liabilities for which fair value does not approximate to book value are the senior unsecured loan notes, which had a book value of £959 million (2015: £453 million) and a fair value of £1,027 million (2015: £474 million).

Financial instruments: disclosure of offsetting arrangements

The financial instruments that have been offset in the financial statements are disclosed below:

At 31 July 2016	Notes	Gross balances (a) £m	Offset amounts (b) £m	Financial statements (c) £m	Cash pooling amounts (d) £m	Net total (e) £m
Financial assets						
Non-current assets						
Derivative financial assets	17	51	(31)	20	–	20
Current assets						
Derivative financial assets	17	24	(13)	11	–	11
Cash and cash equivalents	18	940	–	940	(606)	334
		1,015	(44)	971	(606)	365
Financial liabilities						
Current liabilities						
Derivative financial liabilities	17	13	(13)	–	–	–
Bank loans and overdrafts	21	701	–	701	(606)	95
Finance leases	23	4	–	4	–	4
Non-current liabilities						
Derivative financial liabilities	17	31	(31)	–	–	–
Bank loans	21	1,175	–	1,175	–	1,175
Finance leases	23	27	–	27	–	27
		1,951	(44)	1,907	(606)	1,301
Closing net debt	31	(936)	–	(936)	–	(936)

36 – Additional information continued

(ii) Additional information about financial instruments continued
Financial instruments: disclosure of offsetting arrangements continued

At 31 July 2015	Notes	Gross balances (a) £m	Offset amounts (b) £m	Financial statements (c) £m	Cash pooling amounts (d) £m	Net total (e) £m
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 (f)	18	1,109	(4)	1,105	(786)	319
		1,176	(37)	1,139	(786)	353
Financial liabilities						
Current liabilities						
Derivative financial liabilities	17	9	(8)	1	–	1
Bank loans and overdrafts (f)	21	1,005	(4)	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
		1,981	(37)	1,944	(786)	1,158
Closing net debt	31	(805)	–	(805)	–	(805)

(a) The gross amounts of the recognised financial assets and liabilities under a 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 a master netting arrangement, or similar arrangement, not included in (c).

(e) The net amount after deducting the amounts in (e) from the amounts in (d).

(f) Cash and cash equivalents and overdrafts as at 31 July 2015 have been restated for accounts whose balances are held on a net basis due to cash sweeping arrangements. This has no impact on net debt but reduces the gross value of cash and cash equivalents and reduces the gross value of overdrafts by £113 million.

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 2016 and 31 July 2015. By the nature of its business, the Group also has trade credit and commodity price exposures, the management of which is delegated to the operating businesses. There has been no change since the previous year 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 foreign exchange 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.

36 – 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:

	2016				2015			
As at 31 July	Trade and other payables £m	Debt £m	Interest on debt £m	Total £m	Trade and other payables £m	Debt £m	Interest on debt £m	Total £m
Due in less than one year	2,280	5	44	2,329	1,976	141	31	2,148
Due in one to two years	19	122	40	181	15	3	37	55
Due in two to three years	12	2	37	51	11	103	34	148
Due in three to four years	14	1	37	52	7	2	31	40
Due in four to five years	8	215	31	254	9	1	31	41
Due in over five years	110	847	116	1,073	83	814	113	1,010
Total	2,443	1,192	305	3,940	2,101	1,064	277	3,442

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 65 per cent of the Group's revenue is in US dollars. Within each country it operates, 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 a temporary effect.

The Group's policy is to adjust the currencies in which its net debt is denominated materially to 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 123. The net effect of currency translation was to increase revenue by £552 million (2015: increase by £101 million) and to increase trading profit by £46 million (2015: increase by £19 million). These currency effects primarily reflect a movement of the average sterling exchange rate against US dollars, euro and Canadian dollars as follows:

	2016 (Weakening)/ strengthening of sterling	2015 (Weakening)/ strengthening of sterling
US dollars	(6.8%)	(5.3%)
Euro	(0.8%)	9.0%
Canadian dollars	4.1%	5.2%

The Group has net financial liabilities denominated in foreign currencies which have been designated as hedges of the net investment in its overseas subsidiaries. The principal value of those financial liabilities designated as hedges at the balance sheet date was £1,636 million (2015: £1,000 million). The loss on translation of these financial instruments into sterling of £107 million (2015: loss of £46 million) has been taken to the translation reserve.

Net investment hedging

Exchange differences arising from the translation of the net investment in foreign operations are recognised directly in equity. Gains and losses on those hedging instruments designated as hedges of the net investments in foreign operations are recognised in equity to the extent that the hedging relationship is effective; these amounts are included in exchange differences on translation of foreign operations as stated in the Group statement of changes in equity. Gains and losses relating to hedge ineffectiveness are recognised immediately in the income statement for the period. Gains and losses accumulated in the translation reserve are included in the income statement when the foreign operation is disposed of.

36 – Additional information continued

(ii) Additional information about financial instruments continued

Interest rate risk

At 31 July 2016, 92 per cent of loans were at fixed rates. The Group borrows in the desired currencies principally at rates determined by reference to short-term benchmark rates applicable to the relevant currency or market, such as LIBOR. Rates which reset at least every 12 months are regarded as floating rates and the Group then, if appropriate, considers interest rate swaps to generate the desired interest rate profile.

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

During November 2011, the Group entered into interest rate swap contracts comprising fixed interest payable on US$729 million of notional principal. The residual contracts of US$438 million now expire between November 2017 and November 2020 and the fixed interest rates range between 2.06 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 US$729 million and as at 31 July 2016, residual contracts of US$438 million have been classified as held at fair value through profit and loss. The contracts expire between November 2017 and November 2020 and the fixed interest rates range between 5.18 per cent and 5.32 per cent (2015: 5.05 per cent and 5.32 per cent).

The table below shows the income statement movement on interest rate swaps at fair value through profit and loss.

At fair value through profit and loss (hedge accounting not applied)	2016 £m	2015 £m
At 1 August	34	42
Settled	(11)	(12)
Valuation gain credited to income statement	1	–
Exchange	5	4
At 31 July	29	34

There are no fixed rate interest borrowings that form part of a hedge relationship.

Monitoring interest rate and foreign currency risk

The Group monitors its interest rate and foreign 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 £1 million (2015: £5 million). The Group has estimated that a weakening of sterling by 10 per cent against gross borrowings denominated in foreign currency in which the Group does business would result in a charge to equity of £177 million (2015: £157 million).

The Group does not require operating businesses to adhere to a formalised risk management policy in respect of trade credit risk or commodity price risk and does not consider that there is a useful way of quantifying the Group's exposure to any of the macroeconomic variables that might affect the collectability of receivables or the prices of commodities.

Credit risk

The Group provides sales on credit terms to most of its customers. There is an associated risk that customers may not be able to pay outstanding balances. At 31 July 2016, the maximum exposure to credit risk was £2,187 million (2015: £1,890 million).

Each of the Group's 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, the Group 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 £237 million (2015: £233 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.

(iii) 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 intangible assets. It is a non-GAAP measure. Exceptional items are defined in note 36(i). 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.

(iv) Additional information on the allotment of equity securities for cash

During the year, the Company issued 43,428 (2015: 60,881) ordinary shares with a nominal value of $10^{53}/_{66}$ pence per share (2015: $10^{53}/_{66}$ pence per share) 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 2015 and the market price on those dates was between £7.01 and £40.65.

36 – Additional information continued

(v) 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 Credit 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 defined contribution plan.

The principal plans operated for USA 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.

Investment risk

The present value of the UK 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 UK 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 UK plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.

(vi) 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 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 and consequently vest over a period of three years.

For historical awards granted under the long term incentive plan ("LTIP"), senior executives were 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 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.

For awards granted under the new long term incentive plan ("LTIP 2015") senior executives are awarded a variable number of shares depending on three equally weighted conditions of: (1) level of total shareholder return over a three-year period relative to that of the FTSE 100; (2) growth in headline earnings per share over a period of three consecutive financial years, which must exceed the growth in the UK Retail Price Index over the same period by at least 9 per cent; and (3) a cumulative three-year figure of operating cash flow measured against the agreed three-year target. The vesting period is three years.

For awards granted to eligible employees (excluding Executive Directors) under the ordinary share plan, such employees may 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 is typically three years and there are no performance measures other than retained employment.

Awards granted under the all-employee sharesave plans vest over periods ranging from three to seven years, except for awards granted under the Employee Share Purchase Plan ("ESPP") in the USA and Canada, which vest over a one-year period.

(vii) 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 subsidiary undertakings are set out on pages 124 and 125.

Independent auditor's report to the members of Wolseley plc

Independent auditor's report to the members of Wolseley plc

Opinion on financial statements of Wolseley plc

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 July 2016 and of the Group's and the Parent Company's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 101 "Reduced Disclosure Framework"; and
- the financial statements have been properly prepared in accordance with the Companies (Jersey) Law, 1991.

The financial statements comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Parent Company Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group and Parent Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

Going concern and the Directors' assessment of the principal risks that would threaten the solvency or liquidity of the Company

We have reviewed the Directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 2 to the financial statements on page 120 and the Directors' statement on the longer-term viability of the Company contained within the principal risks and their management section on page 35.

We have nothing material to add or draw attention to in relation to:

- the Directors' confirmation on page 53 that they have carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures on pages 34 to 39 that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement in note 2 to the Company financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and
- the Directors' explanation on page 35 as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We agreed with the Directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Independence

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

The key risks we identified are:

- **Completeness of supplier rebates**
- **Goodwill and intangible asset carrying values**
- **Inventory valuation**

Completeness of supplier rebates

Risk description

As described in the Audit Committee report on page 51 and the Accounting policies in the notes to the Financial Statements on page 78, the Group recognises a reduction in cost of sales as a result of amounts receivable from suppliers in the form of rebate arrangements. Where the rebate arrangements are flat rate, there is limited judgement. However, a proportion of the rebate arrangements comprise annual volume rebates, for which the end of the period is often not coterminous with the Group's year-end. Additionally, in some cases the rebate rises as a portion of purchases as higher quantities or values of the purchases are made.

Judgement is required in estimating the expected level of rebates for the rebate year, driven by the forecast purchase volumes. This requires a detailed understanding of the specific contractual arrangements themselves as well as complete and accurate source data to apply the arrangements to.

How the scope of our audit responded to the risk

We assessed the design and implementation of manual and automated controls over the recording of supplier rebate income. Our procedures on supplier rebates included:

- we interviewed a sample of Wolseley's internal buyers to supplement our understanding of the key contractual rebate arrangements;
- we tested the accuracy of the amounts recognised by agreeing a sample to individual supplier agreements. We circularised a sample of suppliers to test whether the arrangements recorded were complete;
- we tested the completeness and accuracy of the inputs to the calculations for recording supplier rebates by agreement to supporting evidence, including historical volume data. We challenged the assumptions underlying management's estimates of purchase volumes including looking at the historical accuracy of previous estimates and historical purchase trends and recalculation of rebates for a sample of suppliers;
- we performed margin analysis to understand trends in order to identify apparent anomalies which may indicate potential rebate income errors. Such anomalies were investigated to assess whether they were indicative of a misapplication of contractual terms or other calculation errors; and
- we also tested post year-end cash receipts, where relevant, to test the recoverability of amounts recorded.

Goodwill and intangible asset carrying values

Risk description

The carrying value of goodwill and intangible assets at 31 July 2016 was £1,104m. Details of the valuation is included by management in the Audit Committee report on page 51 and the Accounting policies and critical estimates and judgements in note 1 to the accounts.

Management performs an impairment review under IAS 36 “Impairment of Assets” on an annual basis and whenever an indication of impairment exists.

A significant risk of material misstatement exists over certain cash generating units (“CGU”) as a result of the application of management judgement and estimates in performing the impairment review, in particular in relation to the forecasting of future cash flows used in the value in use calculation. In the current year the risk has been identified over CGUs where market conditions have been challenging (UK CGUs) and/or where there has previously been limited headroom (Nordic region, Canada PVF and Tobler).

How the scope of our audit responded to the risk

Challenge was given to management’s identification of CGUs.

Our audit work on management’s impairment review, for the CGUs specified above, included:

- assessment of the design and implementation of the controls relating to the preparation and review of management’s impairment models;
- determining whether the forecasts used had been challenged by the Board and approved by it;
- challenge of the reasonableness of the assumptions which underpin management’s forecasts with reference to recent performance, market conditions and historical trend analysis;
- assessment of the historical forecasting and budgeting accuracy;
- testing the integrity of the model using data analytic tools with specific review and challenge, involving our internal valuation specialists, of the discount rates applied for each of the CGUs against the Group weighted average cost of capital and third party data relating to adjustments to be considered to take account of cash flows arising in overseas locations;
- challenge of management’s assessment of the assets’ recoverable amount and assumptions in determining value in use; and
- sensitivity analysis on key assumptions based on comparison to readily available economic data, industry data and using our own professional scepticism.

Inventory valuation

Risk description

The Group had inventory of £2,017m at 31 July 2016, held in distribution centres, warehouses and numerous branches, and across multiple product lines. Details of its valuation are included in the Audit Committee report on page 51 and the Accounting policies and critical estimates and judgements in the note 1 to the accounts.

Inventories are carried at the lower of cost and net realisable value. As a result, the Directors apply judgement in determining the appropriate values for slow-moving or obsolete items. Inventory is net of a provision of £124m which is primarily driven by comparing the level of inventory held to future projected sales.

The provision is calculated within the Group’s accounting systems using an automated process. Where local systems require manual interfaces and inputs, there is a risk that inappropriate management override and/or error may occur.

How the scope of our audit responded to the risk

We challenged the appropriateness of management’s assumptions applied in calculating the value of the inventory provisions by:

- evaluating the design and implementation of key inventory controls operating across the Group, including those at a sample of distribution centres, warehouses and branches;
- attending 89 inventory counts and reconciling the count results to the inventory listings to test the completeness of data;
- comparing the net realisable value, obtained through a detailed review of sales subsequent to the year-end, to the cost price of a sample of inventories and comparison to the associated provision to assess whether inventory provisions are complete;
- reviewing the historical accuracy of inventory provisioning, and the level of inventory write-offs during the year; and
- challenging the completeness of inventory provisions through assessing actual and forecast sales of inventory lines to assess whether provisions for slow-moving/obsolete stock are valid and complete.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 51.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Our application of materiality

We determined materiality for the Group to be £40m.

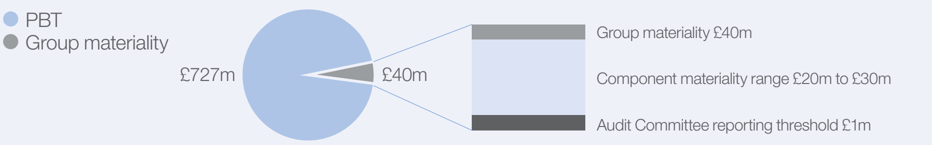
We reported all audit differences in excess of £1m.

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be £40m, which is approximately 5% of profit before tax excluding exceptional items. Profit before tax is a key metric for users of the financial statements and adjusting for exceptional items is to reflect the underlying performance of the business. In 2015 the previous auditors applied materiality of £38m based on 5% of profit before tax and exceptional items.

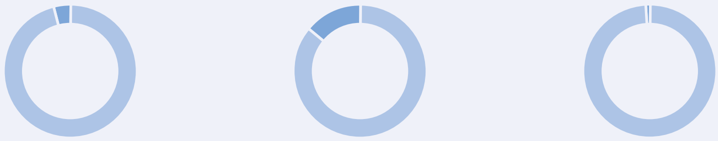
We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1m, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Materiality



An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment we focused our Group audit scope primarily on the audit work at nine locations. Eight of these were subject to a full audit and one was subject to specified audit procedures where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations at that location. These nine locations represent the principal business units and account for 96% of the Group's revenue and 86% of the Group's profit before tax. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above.



	Revenue	Profit before tax	Net assets
Full audit	96%	86%	99%
Analytical procedures	4%	14%	1%

At the Group level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The Group audit team continued to follow a programme of planned visits that has been designed so that a senior member of the Group audit team visits each of the most significant locations where the Group audit scope was focused every year, being USA, UK and Denmark. Our visit programme for other locations including Canada and Switzerland is that they are visited at least once every two years. In years when we do not visit a significant component we will include the component audit partner in our team briefing, discuss their risk assessment, and review documentation of the findings from their work. For all components we attend the local close meetings. Given this was our first year as auditors, we have visited all regions.

Opinion on other matters prescribed by our engagement letter

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the provisions of the UK Companies Act 2006 as if that Act had applied to the Company; and
- 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.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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; or
- adequate accounting records have not been kept, or 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.

We have nothing to report in respect of these matters.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and 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 Group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Corporate governance

Although not required to do so, the Directors have voluntarily chosen to make a corporate governance statement detailing the extent of their compliance with the UK Corporate Governance Code. We reviewed the part of the Corporate Governance Statement relating to the Company's compliance with certain provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement, 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 International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the Company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law, 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and/or those further matters we have expressly agreed to report to them on in our engagement letter and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit.

If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Ian Waller

Ian Waller
for and on behalf of Deloitte LLP
Chartered Accountants and Recognized Auditor
London, UK
26 September 2016

Company profit and loss account

Year ended 31 July 2016

	2016 £m	2015 £m
Administrative expenses	(11)	(13)
Operating loss	(11)	(13)
Income from shares in Group undertakings	600	639
Profit on ordinary activities before interest	589	626
Interest payable and similar charges	(12)	(10)
Profit before tax	577	616
Tax	–	–
Profit for the financial year	577	616

Company statement of changes in equity

	Notes	Called up share capital £m	Share premium account £m	Treasury shares £m	Own shares reserve £m	Profit and loss account £m	Total shareholders' equity £m
Shareholders' equity at 1 August 2014		29	41	–	(93)	7,097	7,074
Profit for the year		–	–	–	–	616	616
New share capital subscribed	7	–	1	–	–	–	1
Purchase of own shares by Employee Benefit Trusts	9	–	–	–	(15)	–	(15)
Issue of own shares by Employee Benefit Trusts		–	–	–	45	(40)	5
Credit to equity for share-based payments	10	–	–	–	–	20	20
Purchase of Treasury shares	8	–	–	(250)	–	–	(250)
Disposal of Treasury shares		–	–	10	–	(2)	8
Dividends paid		–	–	–	–	(222)	(222)
Shareholders' equity at 31 July 2015		29	42	(240)	(63)	7,469	7,237
Profit for the year		–	–	–	–	577	577
Purchase of own shares by Employee Benefit Trusts	9	–	–	–	(14)	–	(14)
Issue of own shares by Employee Benefit Trusts		–	–	–	20	(19)	1
Credit to equity for share-based payments	10	–	–	–	–	20	20
Purchase of Treasury shares	8	–	–	(300)	–	–	(300)
Disposal of Treasury shares		–	–	24	–	(10)	14
Dividends paid		–	–	–	–	(238)	(238)
Shareholders' equity at 31 July 2016		29	42	(516)	(57)	7,799	7,297

Company balance sheet

Year ended 31 July 2016

	Notes	2016 £m	2015 £m
Fixed assets			
Investments in subsidiaries	3	**7,945**	7,607
		7,945	7,607
Current assets			
Debtors: amounts falling due within one year	4	**2**	1
Cash at bank and in-hand		**–**	3
		2	4
Creditors: amounts falling due within one year	5	**(650)**	(374)
Net current liabilities		**(648)**	(370)
Total assets less current liabilities		**7,297**	7,237
Net assets		**7,297**	7,237
Capital and reserves			
Called up share capital	6	**29**	29
Share premium account	7	**42**	42
Treasury shares	8	**(516)**	(240)
Own shares reserve	9	**(57)**	(63)
Profit and loss account		**7,799**	7,469
Total shareholders' equity		**7,297**	7,237

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

The Company financial statements on pages 118 to 121 were approved by the Board of Directors on 26 September 2016 and were signed on its behalf by

John Martin

John Martin
Group Chief Executive

Notes to the Company financial statements

Year ended 31 July 2016

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 Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council ("FRC"). Accordingly, in the year ended 31 July 2016 the Company has undergone transition from reporting under UK GAAP to FRS 101 as issued by the FRC. The financial statements have been prepared in accordance with FRS 101 (Financial Reporting Standard 101) "Reduced Disclosure Framework" as issued by the FRC. This transition is not considered to have had a material effect on the financial statements. There was no impact on the prior year position as a result of the transition.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions.

The financial statements have been prepared on the historical cost basis and on the going concern basis.

Note 3 (Operating costs) on page 82, note 8 (Dividends) on page 85, note 26 (Share capital) on page 99 and note 27 (Share-based payments) on page 100 of the Wolseley plc consolidated financial statements form part of these financial statements.

Foreign currencies

The financial statements are presented in pounds sterling which is the functional currency of the Company.

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 or credited to the profit and loss account.

Investments in subsidiaries

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 there is no right of offset or 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 plans. The Company 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 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.

Dividends payable

Dividends on ordinary shares are recognised in the Company's financial statements in the period in which the dividends are paid or approved by the shareholders of the Company.

Tax

Wolseley plc is taxed as a holding company in Switzerland so no tax is due at cantonal or communal level. The tax charge is therefore made up of federal tax and capital tax. Federal tax is levied on profits in the year subject to any participation exemption for qualifying dividends from subsidiaries. Capital tax is based on the value of the Company's assets, primarily its investment in Wolseley Limited and Wolseley Holdings (Switzerland) AG.

3 – Fixed asset investments

	Cost £m
At 1 August 2015	7,607
Additions	338
At 31 July 2016	7,945

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 2016 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 subsidiary undertakings of the Company, including those that are held indirectly, are listed on pages 124 and 125 of the Wolseley plc Annual Report.

4 – Debtors: amounts falling due within one year

	2016 £m	2015 £m
Other debtors	2	1
Total	2	1

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

5 – Creditors: amounts falling due within one year

	2016 £m	2015 £m
Other creditors	3	1
Amounts owed to Group companies	647	373
Total	650	374

The fair value of amounts included in creditors approximates to book value. Amounts owed to Group companies are interest bearing, carry an interest rate of 1.2 per cent (2015: 1.0 per cent) and are payable on demand.

6 – Share capital

Details of the Company's share capital are set out in note 26 on page 99 to the Wolseley plc consolidated financial statements.

7 – Share premium account

Details of new share capital subscribed are set out in note 26 on page 99 to the Wolseley plc consolidated financial statements.

8 – Treasury shares

During the year the Group completed a share buyback programme of £300 million (2015: £250 million). Further details on Treasury shares are set out in note 26 on page 99 to the Wolseley plc consolidated financial statements.

9 – Own shares reserve

During the year, the Company contributed £11 million (2015: £15 million) of cash to its US Employee Benefit Trust and £3 million (2015: £nil) to its Jersey 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 2016 and amount to £57 million (2015: £63 million).

10 – Share-based payments

Details of share awards granted by Group companies to employees, and that remain outstanding over the Company's shares are set out in note 27 on page 100 to the Wolseley plc consolidated financial statements. The net profit and loss charge to the Company for equity-settled share-based payments was £nil (2015: £nil). The Company charged the full amount incurred for equity-settled share-based payments of £20 million (2015: £20 million) to its subsidiary undertakings.

11 – Contingent liabilities

Provision is made for the Directors' best estimate of known 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 and lenders 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.

The Company acts as a guarantor for the Group's UK defined benefit pension plan, which is disclosed in note 25 on pages 96 to 98 to the Wolseley plc consolidated financial statements.

12 – Employees, employee costs and auditor's remuneration

The average number of employees of the Company in the year ended 31 July 2016 was one (2015: 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 £2 million (2015: £1 million).

Fees payable to the auditor for the audit of the Company's financial statements are set out in note 3 on page 82 to the Wolseley plc consolidated financial statements.

13 – Dividends

Details of the Company's dividends are set out in note 8 on page 85 to the Wolseley plc consolidated financial statements.

14 – Related party transactions

The Company is exempt under the terms of FRS 101 from disclosing related party transactions with entities that are 100 per cent owned by Wolseley plc.

15 – Post-balance sheet events

Details of post-balance sheet events are given in note 35 on page 105 of the Wolseley plc consolidated financial statements.

Five year summary

	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m
Revenue					
USA	9,456	8,343	7,070	6,785	6,168
UK	1,996	1,987	1,853	1,769	1,898
Nordic	1,881	1,864	1,935	1,916	2,125
Canada and Central Europe	1,097	1,138	1,413	1,568	1,564
Group	14,430	13,332	12,271	12,038	11,755
Trading profit					
USA	775	681	546	492	388
UK	74	90	96	95	94
Nordic	59	71	73	86	94
Canada and Central Europe	53	55	72	80	79
Central and other costs	(45)	(43)	(35)	(42)	(28)
Group	916	854	752	711	627
Amortisation of acquired intangible assets	(53)	(56)	(46)	(55)	(59)
Impairment of goodwill and acquired intangible assets	(94)	(238)	–	(10)	(220)
Exceptional items	(2)	(4)	(1)	(40)	(41)
Operating profit	767	556	705	606	307
Net interest payable	(40)	(48)	(29)	(31)	(13)
Associate	–	–	–	–	16
Profit before tax	727	508	676	575	310
Tax charge	(231)	(187)	(194)	(176)	(138)
Profit on ordinary activities after tax from continuing operations	496	321	482	399	172
Profit/(loss) from discontinued operations	154	(108)	22	(103)	(115)
Profit attributable to equity shareholders	650	213	504	296	57
Ordinary dividends	(238)	(222)	(191)	(173)	(142)
Special dividend	–	–	(298)	(348)	–
Total dividends	(238)	(222)	(489)	(521)	(142)
Net assets employed					
Intangible fixed assets	1,104	1,011	1,198	1,246	1,160
Property, plant and equipment	1,434	1,164	1,226	1,263	1,195
Other net assets, excluding liquid funds	1,301	1,230	1,173	955	733
	3,839	3,405	3,597	3,464	3,088
Financed by					
Share capital	29	29	29	28	28
Share premium	42	42	41	27	19
Foreign currency translation reserve	380	117	127	402	244
Profit and loss account and other reserves	2,452	2,412	2,689	2,596	2,842
Shareholders' equity	2,903	2,600	2,886	3,053	3,133
Net debt/(cash)	936	805	711	411	(45)
Net assets employed	3,839	3,405	3,597	3,464	3,088

Continuing operations (unless otherwise stated)	2016	2015	2014	2013	2012
Like-for-like revenue growth	2.4%	6.8%	4.4%	3.8%	4.4%
Gross margin	28.3%	28.0%	27.8%	27.6%	27.1%
Trading margin	6.4%	6.4%	6.1%	5.9%	5.3%
Headline earnings per share	247.7p	230.2p	195.0p	175.1p	156.8p
Basic earnings per share from continuing and discontinued operations	256.4p	82.1p	189.8p	107.4p	20.1p
Dividends per share (in respect of the financial year)	100.0p	90.75p	82.5p	66.0p	60.0p
Special dividend per share	–	–	110.0p	122.0p	–
Cover for ordinary dividends	2.5	2.5	2.4	2.7	2.6
Net tangible assets per ordinary share	673.8p	595.1p	632.1p	659.9p	689.9p
Return on capital employed (note 1)	33.4%	33.5%	30.7%	32.2%	29.3%
Return on gross capital employed (note 2)	17.2%	16.9%	14.8%	14.3%	12.6%
Average number of employees	38,175	37,054	35,535	34,929	36,150
Number of shares in issue at year-end (million)	267	267	267	274	286
Number of branches at year-end					
Continuing operations	2,754	2,739	2,711	2,730	2,847
Discontinued operations	–	168	169	298	313
Total branches	2,754	2,907	2,880	3,028	3,160
US dollar translation rate					
Income statement/profit and loss	1.46	1.56	1.64	1.56	1.58
Balance sheet	1.32	1.56	1.69	1.52	1.57
Canadian dollar translation rate					
Income statement/profit and loss	1.94	1.86	1.76	1.57	1.59
Balance sheet	1.72	2.04	1.84	1.56	1.57
Euro translation rate					
Income statement/profit and loss	1.31	1.33	1.21	1.20	1.19
Balance sheet	1.18	1.42	1.26	1.14	1.27

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 2016 has been calculated as follows:

	Capital employed 2016 £m	Capital employed 2015 £m	Average capital employed £m	Trading profit £m	Return on capital employed
Net debt	936	805			
Year-end working capital adjustment	120	130			
	1,056	935			
Shareholders' equity	2,903	2,600			
Goodwill and other acquired intangible assets	(1,045)	(968)			
	2,914	2,567	2,741	916	33.4%

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 intangible assets written off. The cumulative write-offs to goodwill and other acquired intangible assets including amounts in assets held for sale at 31 July 2016 is £1,646 million (2015: £1,505 million) and average gross capital employed for 2016 is calculated as £5,323 million.

Group companies

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 is detailed below.

Principal subsidiary undertakings

Company name	Principal activity	Country of incorporation
Beijer Byggmaterial AB	Operating company	Sweden
Capstone Global Solutions AG	Operating company	Switzerland
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 2016. 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

893111 Canada Inc. (Canada)(x)
A C Electrical Holdings Limited (England)(ix)
A C Electrical Wholesale Limited (England)(iii)
A C Ferguson Limited (Scotland)(ii)(iii)
Advancechief Limited (England)(ii)(iii)
B Holding SAS (France)(iii)
B Participations SAS (France)(iii)
Beijer Byggmaterial AB (Sweden)(iii)
Beijer Byggmaterial i Uppsaala AB (Sweden)(iii)
British Fittings Central Limited (England)(ii)(iii)
British Fittings Company (North Eastern) Limited (England)(ii)(ix)
British Fittings Group Limited (England)(ii)(iii)
British Fittings Limited (England)(ii)(iii)
Broughton's Limited (England)(ii)(iii)
Build Center Limited (England)(ii)(iii)
Build.com, Inc.(US)(ix)
Builder Center Limited (England)(ii)(iii)
Building & Engineering Plastics Limited (England)(ii)(iii)
Capstone Global Solutions AG (Switzerland)(iii)
Caselco Limited (England)(ii)(iii)
Clayton International, LLC (US)(xii)
Controls Center Limited (England)(ii)(ix)
Crew-Davis Limited (England)(ii)(iii)
Dansk Braendimprægnering A/S (Denmark)(iii)
Davidson Group Leasing Co. LLC (US)(xii)
Drain Center Limited (England)(ii)(iii)
DT 1 A/S (Denmark)(ii)(iii)
DT 2 A/S (Denmark)(ii)(iii)
DT 3 A/S (Denmark)(ii)(iii)
DT 4 A/S (Denmark)(ii)(iii)
DT 5 A/S (Denmark)(ii)(iii)
DT Finland Oy (Finland)(iii)
DT Group Danmark A/S (Denmark)(iii)
DT Group Holdings A/S(Denmark)(iii)
DT Holding (Sweden) AB (Sweden)(iii)
DT Holding 1 AS (Denmark)(iii)
Electro Energy A/S (Denmark)(iii)
Endries International Canada Inc (Canada)(iii)
Endries International de Mexico, S.A. de C.V. (Mexico)(iv)
Endries International Europe BV (Netherlands)(iii)
Endries International, Inc. (US)(ix)
Energy & Process Corporation (US)(x)
Ferguson Enterprises Inc (US)(x)
Ferguson Enterprises Real Estate, Inc (US)(iii)
Ferguson Fire & Fabrication Inc. (US)(iii)
Ferguson Panama, S.A. (Panama)(x)
Ferguson Receivables, LLC. (US)(x)
Firstbase Timber Limited (England)(ii)(iii)
Fusion Provida Holdco Limited (England)(iii)
Fusion Provida UK Limited (England)(iii)
G. L. Headley Limited (England)(ii)(iii)
Galley Matrix Limited (England)(ii)(iii)
Glegg & Thomson Limited (Scotland)(ii)(iii)
Greenhow & Welch Limited (England)(ii)(iii)(iv)
Gunn Bros. (Builders Merchants) Limited (England)(ii)(iii)
H.P. Products Corporation (US)(x)
H.R. Sandvold AS (Norway)(iii)
Hall & Co. Limited (England)(ii)(iii)
Health Equipment Hire Limited (England)(ii)(iii)
Heating Replacement Parts & Controls Limited (England)(ii)(iii)
Heatmerchants Limited (England)(ii)(iii)
Het Onderdeel BV (Netherlands)(iii)
Hobro Ny Trælast A/S (Denmark)(iii)
Home Outlet Online Limited (England)(iii)
HP Logistics, Inc. (US)(x)
Huggjärnet 6 Kommanditbolag (Sweden)(xiii)
J F Lord Limited (England)(ii)(iii)
Julise Limited (England)(ii)(iii)
Keramikland AG (Switzerland)(iii)
King & Company (1744) Limited (England)(ii)(iii)

Fully owned subsidiaries (continued)

Kommanditbolaget Näringen 8:4 (Sweden)[xiii]
Lindera Limited (Northern Ireland)[ii][iii]
Living Direct, Inc. (US)[x]
Lygon Holdings Limited (England)[ii][ix]
M. A. Ray & Sons Limited (England)[ii][iii]
Melanie Limited (England)[ii][iii]
MPS Builders Merchants Limited (England)[iii]
nettofox.ch AG (Switzerland)[iii]
Neumann Bygg AS (Norway)[iii]
Nevill Long Limited (England)[iii]
Ningbo Capstone Service Solutions Company Limited (China)[iii]
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)[x]
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)[ix]
SEMSCO Barbados, LLC (US)[ii][x]
Shawmac Limited (Northern Ireland)[ii][ix]
Sindberg Eksport A/S (Denmark)[iii]
Soak B.V. (Netherlands)[ii][iii]
St. Nicholas Finance Limited (England)[ii][ix]
STARK Føroyar PF (Denmark)[iii]
Stark Kalaallit Nunaat A/S (Greenland)[iii]
Starkki Property Oy (Finland)[iii]
Stock Loan Services LLC (US)[xii]
T & R Electrical Wholesalers Ltd (England)[iii]
Tellum Construction, LLC (US)[xii]
Thames Finance Company Limited (England)[ii][iii]
Thomson Brothers Limited (Scotland)[iii]
Tobler Haustechnik AG (Switzerland)[iii]
Uni-Rents Limited (England)[ii][iii]
Utility Power Systems Limited (England)[vi]
Wasco Distributiecentrum B.V. (Netherlands)[iii]
Wasco Energie Centrum B.V. (Netherlands)[iii]
Wasco Groothandelsgroep B.V. (Netherlands)[iii]
Wasco Holding B.V. (Netherlands)[iii]
Wasco Twello B.V. (Netherlands)[iii]
Westile (Aberdeen) Limited (Scotland)[ii][iii]
Wholesale Supplies (C.I.) Ltd (Jersey)[iii][v]
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)[iii][vi]
William Wilson Ltd (Scotland)[iii]

WM. C. Yuille & Company Limited (Scotland)[ii][iii]
Wolseley (Barbados) Ltd (Barbados)[iii]
Wolseley (Group Services) Limited (England)[iii]
Wolseley Bristol Limited (England)[ii][iii]
Wolseley Canada Inc (Canada)[x]
Wolseley Capital, Inc. (US)[x]
Wolseley Centers Limited (England)[ii][iii]
Wolseley Centres Limited (England)[ii][iii]
Wolseley de Puerto Rico, Inc. (Puerto Rico)[i][x]
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)[iii]
Wolseley Finance (Isle of Man) Limited (Isle of Man)[ii][ix][xiv]
Wolseley Finance (Switzerland) AG (Switzerland)[iii]
Wolseley Finance (Thames) Limited (England)[ii][iii]
Wolseley Finance (Theale) Limited (England)[ii][vii]
Wolseley France Bois et Matériaux SNC (France)[iii]
Wolseley France SAS (France)[iii]
Wolseley Green Deal Services Limited (England)[iii]
Wolseley Group Holdings Limited (England)[iii]
Wolseley Haworth Limited (England)[iii]
Wolseley Holding A/S (Denmark)[iii]
Wolseley Holdings (Ireland) (Republic of Ireland)[ii][iii][xiv]
Wolseley Holdings (Switzerland) AG (Switzerland)[i][iii]
Wolseley Holdings Canada Inc. (Canada)[xi]
Wolseley Industrial Canada Inc. (Canada)[iii]
Wolseley Insurance Limited (Isle of Man)[ix]
Wolseley Integrated de Mexico, S.A. de C.V. (Mexico)[iv]
Wolseley Investments Limited (England)[ii][iii]
Wolseley Investments North America, Inc. (US)[iii]
Wolseley Investments, Inc. (US)[iii]
Wolseley Liegenschaftsverwaltung GmbH (Austria)[iii]
Wolseley Limited (England)[i][iii]
Wolseley NA Construction Services, LLC (US)[xii]
Wolseley Nordic Holdings AB (Sweden)[iii]
Wolseley North America, Inc. (US)[ii][iii]
Wolseley Overseas Limited (England)[iii]
Wolseley Pension Trustees Limited (England)[ii][iii]
Wolseley Properties Limited (England)[ii][iii]
Wolseley QUEST Limited (England)[ii][iii]
Wolseley Raven Limited (England)[ii][iii]
Wolseley Sourcing (Switzerland) AG (Switzerland)[iii]
Wolseley Treasury (USD) (England)[iii]
Wolseley Trinidad Ltd (Trinidad and Tobago)[iii]
Wolseley UK Directors Limited (England)[iii]
Wolseley UK Finance Limited (Guernsey)[ii][iii][xiv]
Wolseley UK Limited (England)[ix]
Wolseley Utilities Limited (England)[iii]
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

Brabyggare Sverige AB (Sweden)[iii]

Controlling interests

Luxury for Less Limited (England, 68%)[viii]
SCI de Lhoumaille (France, 53%)[iii]
Shanghai Du De International Trading Company (China)[iii][xv]

Notes:

(i) Directly owned by Wolseley plc
(ii) Dormant
(iii) Ownership held in ordinary shares
(iv) Ownership held in class of A shares
(v) Ownership held in class of B Shares
(vi) Ownership held in classes of A and B shares
(vii) Ownership held in classes of A, B, C and D shares
(viii) Ownership held in classes of A1, A2, B, C, D, E, G shares
(ix) Ownership held in ordinary and preference shares
(x) Ownership held in common stock
(xi) Ownership held in common stock and preferred stock
(xii) Ownership held as membership interests
(xiii) Ownership held as partnership interests
(xiv) Companies controlled by the Group based on management's assessment
(xv) 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 2016/17 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.

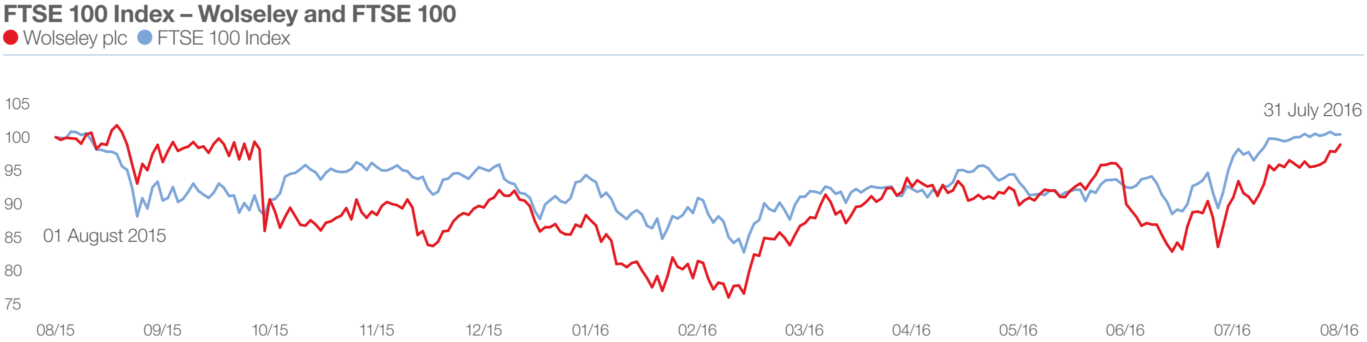
29 November 2016, 3.00pm Swiss time	Wolseley plc 2016 Annual General Meeting
1 December 2016	2016 final dividend payment date
6 December 2016	Interim Management Statement released
28 March 2017	Announcement of Half Year results for the period ending 31 January 2017
28 April 2017	2017 proposed interim dividend payment date
20 June 2017	Interim Management Statement released
31 July 2017	End of financial year 2016/17
3 October 2017	Final results for the year ending 31 July 2017

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



Recent share capital history

Since 2009, there have been four events affecting the share capital of Wolseley plc:

2013 – Special dividend, share consolidation and consequential redenomination of shares as $10\frac{53}{66}$ pence.

2012 – Special dividend, share consolidation and consequential redenomination of shares as $10\frac{5}{11}$ 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: 866 249 2593
International: +1 718 921 8124
Website: www.adr.db.com

Dividend

Proposed final dividend

66.72 pence per share

The Directors have recommended a final dividend of 66.72 pence per share. Payment of this dividend is subject to approval at the 2016 AGM.

Key dates for this dividend

Ex-dividend date	27 October 2016
Record date	28 October 2016
DRIP election date	10 November 2016
AGM (to approve final dividend)	29 November 2016
Payment date	1 December 2016
DRIP certificates posted/CREST accounts credited	6 December 2016

Dividend history

Details of dividends paid in the financial years 2014/15 and 2015/16 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
2015/16	Interim 2016	33.28	1 April 2016	29 April 2016	£38.7674
2014/15	Final 2015	60.50	23 October 2015	3 December 2015	£39.3693
2014/15	Interim 2015	30.25	7 April 2015	30 April 2015	£38.4398

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 2016 final dividend, our Registrars, Equiniti, must have received the instruction by 10 November 2016. 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.

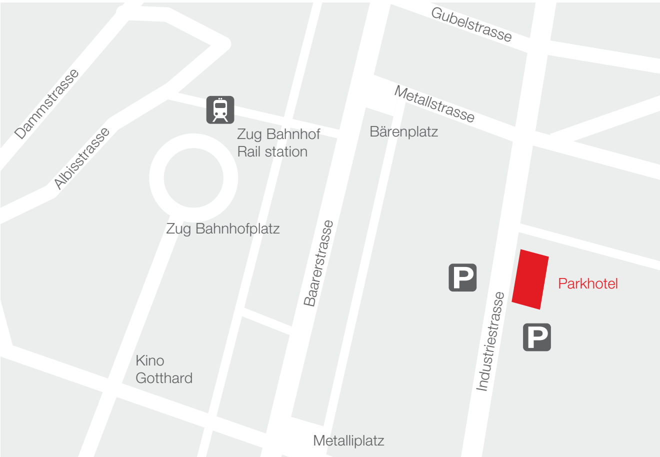
Shareholder communications

Annual General Meeting ("AGM")

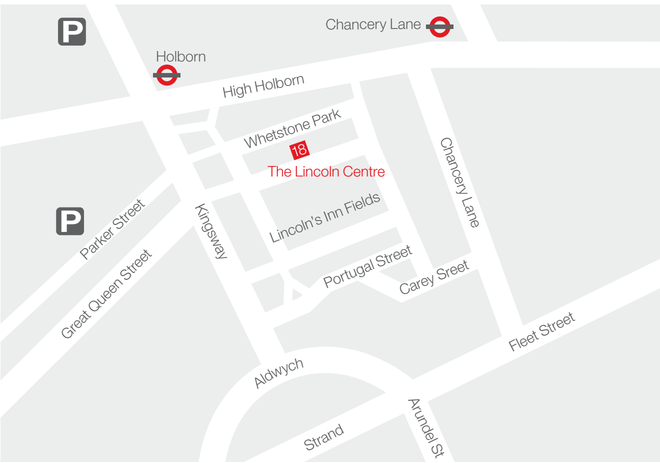
The 2016 AGM will be held on Tuesday, 29 November 2016 at Parkhotel, Industriestrasse 14, CH-6304, Zug, Switzerland and will commence at 3.00pm, Swiss time. An audio visual link to the meeting is proposed to be available at The Lincoln Centre, 18 Lincoln's Inn Fields, London, WC2A 3ED, United Kingdom, 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 8PP
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) 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

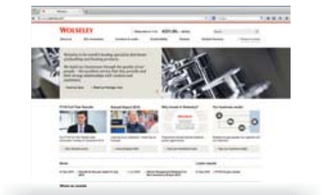
Auditor
Deloitte LLP

Public relations
Brunswick

Corporate brokers
Bank of America Merrill Lynch
Barclays

Solicitor
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.

Forward-looking statements

Certain information included in this Annual Report and Accounts is forward-looking and involves risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied by forward-looking statements. Forward-looking statements cover all matters which are not historical facts and include, without limitation, projections relating to results of operations and financial conditions and the Company's plans and objectives for future operations, including, without limitation, discussions of expected future revenues, financing plans, expected expenditures and divestments, risks associated with changes in market conditions and pressures on margins, changes in the level of litigation, employee motivation, the performance and resilience of the Company's systems and infrastructure, the level of government regulation and financial risks (such as fluctuations in exchange and interest rates).

Forward-looking statements can be identified by the use of forward-looking terminology, including terms such as "believes", "estimates", "anticipates", "expects", "forecasts", "intends", "plans", "projects", "goal", "target", "aim", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. Forward-looking statements are not guarantees of future performance. All forward-looking statements in this Annual Report and Accounts are based upon information known to the Company on the date of this Annual Report and Accounts. Accordingly, no assurance can be given that any particular expectation will be met and readers are cautioned not to place undue reliance on forward-looking statements, which speak only at their respective dates.

Additionally, forward-looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules, the Prospectus Rules, the Disclosure Rules and the Transparency Rules of the Financial Conduct Authority), the Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. Nothing in this Annual Report and Accounts shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.

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www.ry.com

Location photography: Andy Wilson
Board photography: George Brooks

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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

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