

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



In summary

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

Results and strategy

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



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

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

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

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

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

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

Your Board and Committees

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

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

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

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

Governance

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

Although the Company is not required to do so as a Jersey company, it meets the requirements of the regulations published by the UK Department for Business, Innovation and Skills concerning narrative and Directors' remuneration reporting which came into force for companies with financial years ending on or after 30 September 2013. We have continued to meet all of these disclosure requirements while also monitoring developments and best practice in corporate governance. We describe how we have applied the Code's main principles in the Governance section of this report on pages 52 to 102.

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

Priorities

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

Shareholder returns

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

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

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

Reflecting management's confidence in the business and the continuing strong cash generation of the Group, and after taking into account the excellent opportunities to invest in organic growth and acquisitions, the Board considers that the Group has surplus cash resources available. The Group has now commenced a £300 million share buyback programme with the intention to complete this within the next 12 months.

Our people

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



Gareth Davis
Chairman

We have a clear strategy to achieve sustainable profit growth

Our vision

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

Our values

We act with integrity

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



We drive for results and improvements

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



We value our people

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



Our strategic objectives

1 Develop our great portfolio of strong businesses

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

2 Drive performance systematically across the Group

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

3 Accelerate profitable growth

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

4 Drive evolution of our business model

We aim to operate the most efficient operating model in the industry. We are focusing on four key areas of the business model – customer, supplier, supply chain and branch operations.

5 Deliver Group synergies

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

6 Underpin the strategy with a strong balance sheet

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

Follow our strategy through this report

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



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

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

Our markets

We operate in attractive markets

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

Our industry

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



Many customers

The customer base is fragmented. Wolseley services approximately **1.1 million** customers across the Group.



Customers' needs are local

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



Large supplier base

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



Clear need for distributors in the supply chain

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



Highly fragmented industry with no market dominated by a single player

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



Benefits of scale

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

Growing markets

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



Population growth

Population growth of more than 7 per cent is expected in the USA in the next decade. Population is expected to grow in all the countries we operate in.

Source: United Nations Department of Economic and Social Affairs.



Ageing housing stock

The median age of homes in the USA is 40 years.

There is high demand for repairs, maintenance and improvement in the large installed base of existing homes.

Source: US Department of Housing and Urban Development.



Increased comfort levels in homes

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

Source: US Department of Housing and Urban Development.



Sustainable development

The EU plans for all new buildings to be "nearly zero energy" by the end of 2020. Environmental concerns will drive demand for renovation of existing buildings.

Source: European Council for an Energy Efficient Economy.



Large aftermarket

The size of the building repair market in Western Europe is **forecast to be €567 billion** in 2015, which is greater than forecast new construction spend.

Source: Euroconstruct.

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



In summary

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

Chief Executive's overview and strategy

The symbols below denote the areas of the Chief Executive's overview which relate to the strategic objectives set out on [page 10](#).



Performance 2

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

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

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



For more about our performance see [pages 20 to 35](#)

Wolseley's investment case

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

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

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

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

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

Group strategy 1 6

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

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

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

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


Accelerating profitable growth 3

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

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

Levers for accelerating profitable growth 3

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

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

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

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

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

Drive evolution of our business model 4 5

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

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

Investment in technology projects supports our business model improvements.

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

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

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

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



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

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

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

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

Bolt-on acquisitions and disposals 1

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

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

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

Sustainability 3 5

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

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

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

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

Looking ahead

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

Our people

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

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



Ian Meakins
 Group Chief Executive

Measuring progress against our strategy

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

	Definition	Performance	Description												
<p>Return on gross capital employed</p> <p>+2.1%</p> <p>Related strategic objectives</p> <p>2 3 6</p>	<p>The ratio of trading profit to the average year-end aggregate of shareholders' funds, adjusted net debt and cumulative goodwill written off. This is for continuing and discontinued operations.</p>	<table border="1"> <tr><th>Year</th><td>2011</td><td>2012</td><td>2013</td><td>2014</td><td>2015</td></tr> <tr><th>Value</th><td>10.6%</td><td>12.6%</td><td>14.3%</td><td>14.8%</td><td>16.9%</td></tr> </table>	Year	2011	2012	2013	2014	2015	Value	10.6%	12.6%	14.3%	14.8%	16.9%	<p>Return on gross capital employed improved from 14.8 per cent to 16.9 per cent. This is in line with our investment case and long-term objective of generating attractive returns on capital (see page 1).</p>
Year	2011	2012	2013	2014	2015										
Value	10.6%	12.6%	14.3%	14.8%	16.9%										
<p>Employee engagement, USA</p> <p>+0.2%</p> <p>Related strategic objectives</p> <p>2 3 4</p>	<p>Engaged employees deliver excellent customer service, consequently we measure employee engagement in every region.</p> <p>Engagement surveys are periodically sent to employees at all levels asking: "How satisfied are you that Wolseley is a good company to work for?" The calculation methodology is similar to Net Promoter Score ("NPS") as described below.</p>	<table border="1"> <tr><th>Year</th><td>2011</td><td>2012</td><td>2013</td><td>2014</td><td>2015</td></tr> <tr><th>Value</th><td>82.3%</td><td>86.3%</td><td>90.1%</td><td>89.8%</td><td>90.0%</td></tr> </table>	Year	2011	2012	2013	2014	2015	Value	82.3%	86.3%	90.1%	89.8%	90.0%	<p>The process of tracking and reporting engagement differs by region, therefore an example is given for the USA, the largest region in the Group.</p> <p>Average engagement is 90 per cent, well above industry averages, as the USA maintains focus on this metric.</p>
Year	2011	2012	2013	2014	2015										
Value	82.3%	86.3%	90.1%	89.8%	90.0%										
<p>Customer service, USA</p> <p>flat</p> <p>Related strategic objectives</p> <p>2 3 4</p>	<p>There is a good correlation in our business between high customer loyalty scores in a branch and better financial performance.</p> <p>The NPS is a means of measuring customer service. The survey asks: "How likely is it that you would recommend Wolseley to a friend or colleague?" and customers respond with a score between zero (bad) and ten (exceptional). We look at the 12 month average of the proportion of customers who scored Wolseley nine or more, less those customers scoring Wolseley six or less.</p>	<table border="1"> <tr><th>Year</th><td>2011¹</td><td>2012</td><td>2013</td><td>2014</td><td>2015²</td></tr> <tr><th>Value</th><td>56.4</td><td>58.8</td><td>58.7</td><td>64.7</td><td>64.7</td></tr> </table>	Year	2011 ¹	2012	2013	2014	2015 ²	Value	56.4	58.8	58.7	64.7	64.7	<p>The process of tracking and reporting customer service differs by region, therefore an example is given for the USA, the largest region in the Group.</p> <p>The net promoter score has remained flat at 64.7 compared to 2014, reflecting continuing high service levels.</p> <p><small>1 Data was collected from October 2011 onwards, therefore 2011 is a 10-month average. 2 A change in calculation method took place this year to use the annualised figure rather than the three-month rolling average. All figures have been restated. Both calculation methods showed a consistent result this year.</small></p>
Year	2011 ¹	2012	2013	2014	2015 ²										
Value	56.4	58.8	58.7	64.7	64.7										
<p>Injury rate</p> <p>2.1% improvement</p> <p>Related strategic objectives</p> <p>2 3</p>	<p>Total number of injuries per 100,000 hours worked. The numbers are based on injuries requiring an employee to leave the workplace for medical treatment. The hours worked are calculated using full-time equivalent ("FTE") employee numbers and average work days by business and assume an eight hour working day.</p>	<table border="1"> <tr><th>Year</th><td>2011</td><td>2012</td><td>2013</td><td>2014</td><td>2015</td></tr> <tr><th>Value</th><td>1.47</td><td>1.56</td><td>1.59</td><td>1.46</td><td>1.43</td></tr> </table>	Year	2011	2012	2013	2014	2015	Value	1.47	1.56	1.59	1.46	1.43	<p>Injuries requiring medical treatment per 100,000 hours worked improved by 2.1 per cent compared to the previous year. This was driven by ongoing efforts to identify and resolve risks and an increase in the number of spot checks performed across all regions.</p> <p>See Sustainability section for more details (pages 36 to 43).</p>
Year	2011	2012	2013	2014	2015										
Value	1.47	1.56	1.59	1.46	1.43										

KPIs and strategy

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



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

Our business model

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

Source

Distribute

Key resources & relationships

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

Capital

Suppliers

Our people

Customers

Distribution network

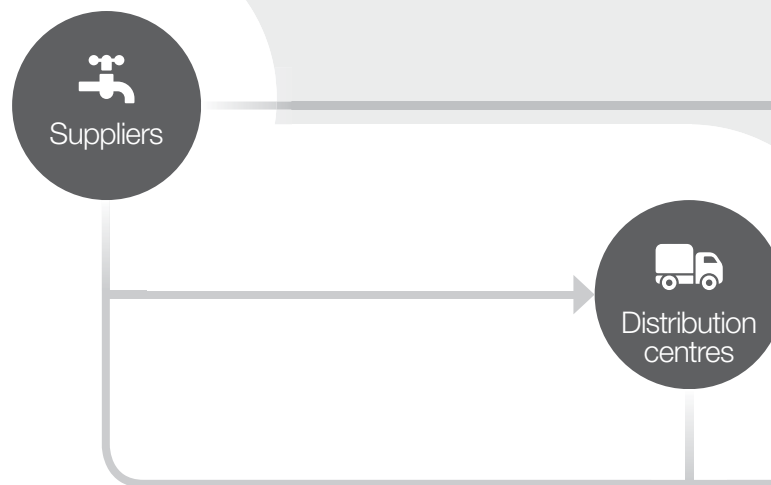
E-commerce

Showrooms

Fleet

Call centres

Our distribution and logistics model



60,000
Suppliers

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

1 million
Products

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

Sell

Fulfilment channel

17% of sales delivered directly from suppliers

8% of sales delivered directly from distribution centres

44% of sales delivered from branches

31% of sales collected from branches

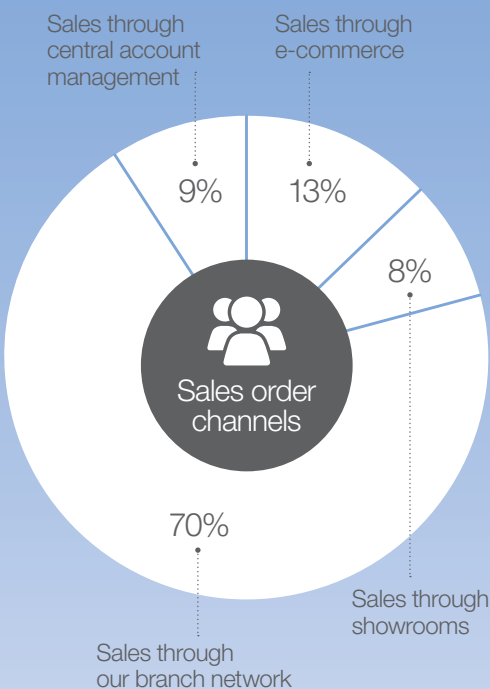


Branches

2,739
Branches

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

Customers



1.1 million
Customers

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

Outcomes

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

Great returns for our shareholders

See page 9

Engaged and well-trained workforce

See pages 17, 37 and 38

Loyal, satisfied customers

See page 17

Efficient branch and logistics network

See page 2

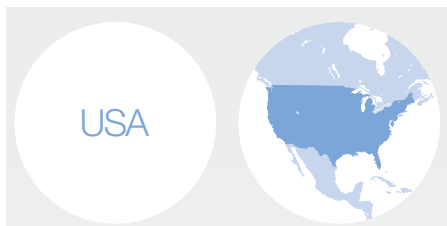
Reduced carbon emissions and waste

See pages 39 to 41

Increased adoption of eco-products

See pages 41 and 42

USA (ongoing)



Key highlights

- ▶ Like-for-like revenue growth of 9.6%
- ▶ Record trading margin of 8.2%
- ▶ 13 bolt-on acquisitions completed in the year
- ▶ Further investment in the business model

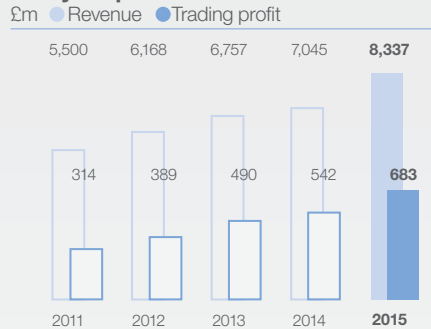
Key statistics

	2015
Like-for-like revenue growth	9.6%
Trading margin	8.2%
Employees	22,171
Branches	1,418
Distribution centres	12

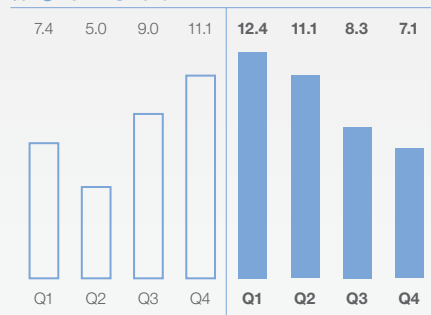
Key products

Plumbing supplies	
Bathrooms, kitchens and lighting	
Water and waste water management	
Heating, ventilation and air conditioning ("HVAC")	
Fire protection	
Pipes, valves and fittings ("PVF")	
Tools and safety equipment	

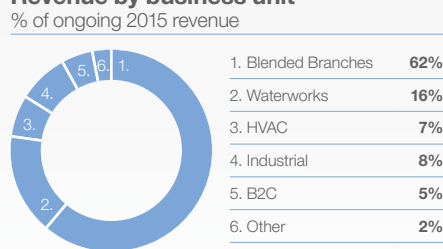
Five year performance



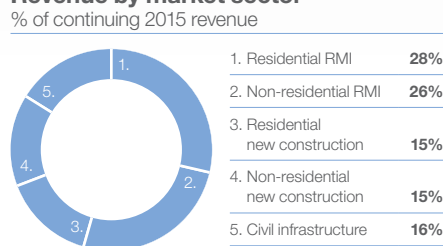
Quarterly like-for-like revenue growth



Revenue by business unit



Revenue by market sector



Business unit portfolio and profile

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

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

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

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

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

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

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

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

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

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

Market position and competitive environment

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

Market position

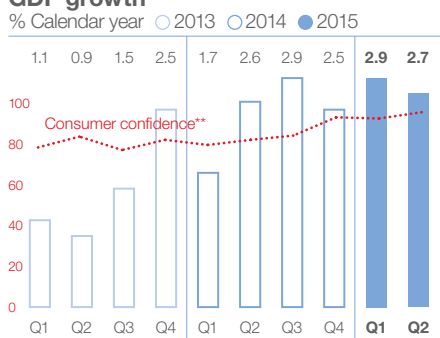
Blended Branches	1
Waterworks	2
Fire and Fabrication	2
HVAC	3
Industrial	3

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

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

Market trends

GDP growth*

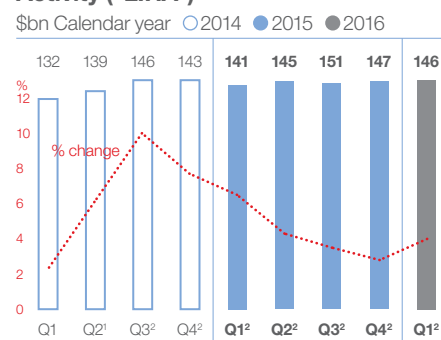


* GDP: % change compared to the same quarter of the previous calendar year. Source: OECD

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

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

Leading Indicator of Remodelling Activity (“LIRA”)*



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

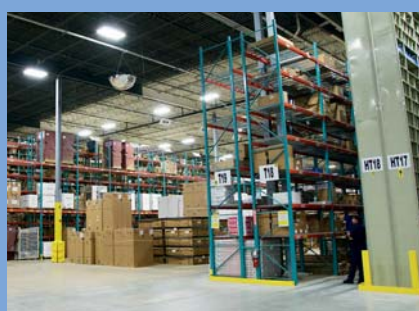
1 Estimate

2 Projection

Source: The Joint Centre for Housing Studies

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

USA (ongoing)



The MRO opportunity

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

Operating performance

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

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

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

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

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

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

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

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

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



A new way of doing business

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

Ferguson’s five customer segments

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

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

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

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

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

UK (ongoing)



Key highlights

- ▶ Like-for-like revenue growth of 3.6%
- ▶ Weak heating market impacted gross margin
- ▶ Plumbing and heating grew trading profit in the second half
- ▶ Continued focus on broadening the product range

Key statistics

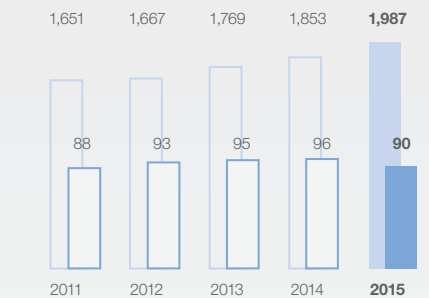
	2015
Like-for-like revenue growth	3.6%
Trading margin	4.5%
Employees	6,331
Branches	758
Distribution centres	6

Key products

Plumbing supplies	
Above and below ground drainage	
Pipes, valves and fittings ("PVF")	
Heating, ventilation and air conditioning ("HVAC")	
Tools and spare parts	
Bathrooms and kitchen products	

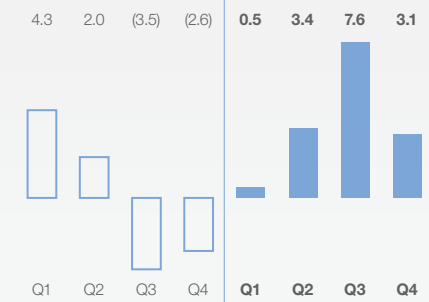
Five year performance

£m Revenue Trading profit



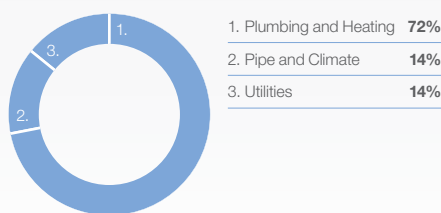
Quarterly like-for-like revenue growth

% 2014 2015



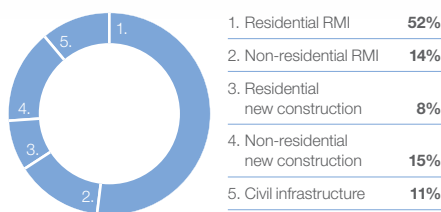
Revenue by business unit

% of ongoing 2015 revenue



Revenue by market sector

% of continuing 2015 revenue



Business unit portfolio and profile

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

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

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

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

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

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

Market position and competitive environment

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

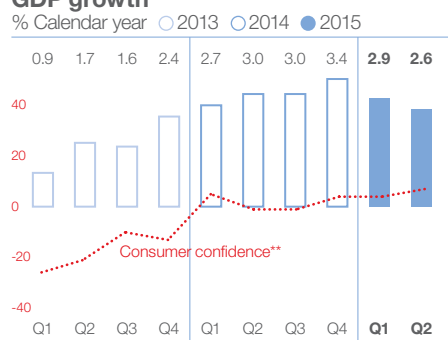
Market position

Plumbing and Heating	=1
Pipe and Climate	1
Utilities	2

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

Market trends

GDP growth*



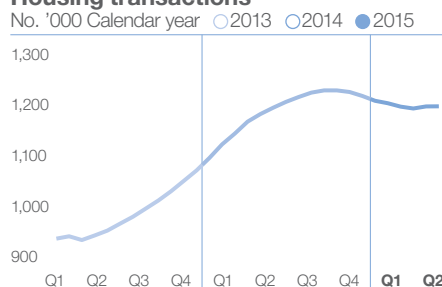
* GDP: % change compared to the same quarter of the previous calendar year. Source: OECD

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

Quarterly GDP growth in the UK peaked at 3.4 per cent in the last quarter of calendar year 2014 and has since fallen back.

As unemployment and inflation have fallen, consumer confidence has recovered to just above zero in quarter two calendar year 2015.

Housing transactions*



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

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

Operating performance

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

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

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

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

Nordic region (ongoing)



Key highlights

- ▶ Like-for-like revenue growth of 5.5%
- ▶ Major businesses grew or held share
- ▶ Unfavourable exchange rate movements reduced trading profit by £9 million
- ▶ Continued slow recovery of construction markets

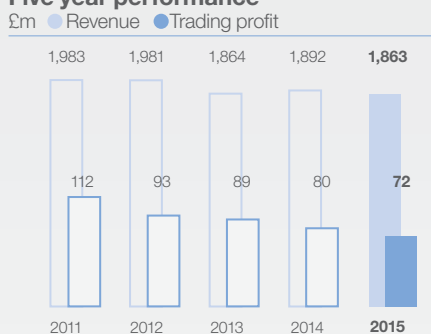
Key statistics

	2015
Like-for-like revenue growth	5.5%
Trading margin	3.9%
Employees	6,293
Branches	259
Distribution centres	3

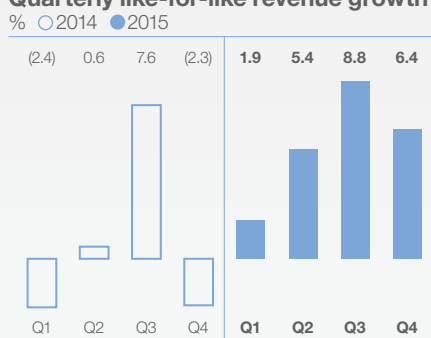
Key products

Building materials and tools	
Timber	
Work wear, tools and tool hire	
Insulation and plaster board	
Doors and joinery	
Fixings and adhesives	

Five year performance



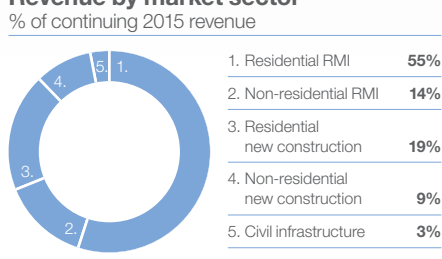
Quarterly like-for-like revenue growth



Revenue by business unit



Revenue by market sector



Business unit portfolio and profile

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

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

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

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

Silvan is a DIY and retail chain in Denmark. Silvan's stores are strategically placed in large towns and cities and include both building materials and garden centres.

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

Market position and competitive environment

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

Market position

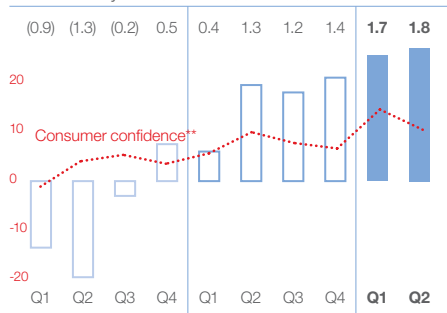
Stark Denmark (building materials)	1
Beijer Sweden (building materials)	1
Stark Finland (building materials)	2
Silvan Denmark (DIY)	3

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

Market trends

GDP growth (Denmark)*

% Calendar year ○ 2013 ○ 2014 ● 2015



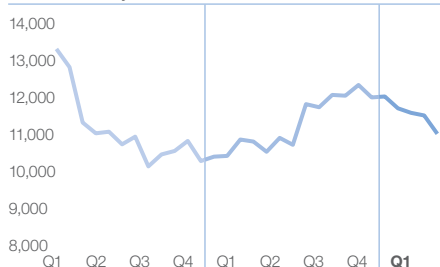
* GDP: % change compared to the same quarter of the previous calendar year. Source: OECD

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

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

Housing starts (Denmark)*

No. Calendar year ○ 2013 ○ 2014 ● 2015



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

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

Operating performance

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

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

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

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

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

Canada (ongoing)

Key highlights

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

Key statistics

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

Revenue by market sector

% of continuing 2015 revenue



Business unit portfolio and profile

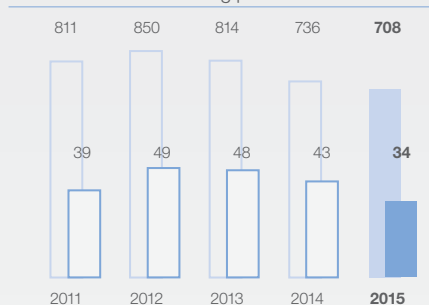
Wolseley Canada has three business units which principally operate under the Wolseley and Meridian Valves banners, although a number of other brands have been retained to service specific markets. 226 branches are supported by one distribution centre. Wolseley Canada services the residential, commercial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

The Blended Branches business (76 per cent of revenue) supplies plumbing equipment and a wide range of heating, ventilation, air conditioning and refrigeration products and parts to residential and commercial contractors.

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

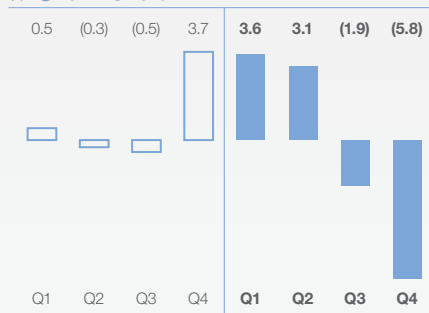
Five year performance

£m Revenue Trading profit



Quarterly like-for-like revenue growth

% 2014 2015



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

The Industrial business (9 per cent of revenue) is a supplier of PVF solutions to oil and gas customers and municipal contractors across Canada.

Market position and competitive environment

Wolseley Canada has strong market positions in its major businesses, although these vary by region. The overall market positions of the main businesses are estimated as:

Market position

Blended Branches	2
Waterworks	2

Market trends

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

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

Operating performance

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

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

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

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

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

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

Central Europe (ongoing)

Key highlights

► Strong performance in the Netherlands as markets improved

► Tough market conditions in Switzerland. Tight cost control to protect profitability

Key statistics

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

Revenue by market sector

% of continuing 2015 revenue



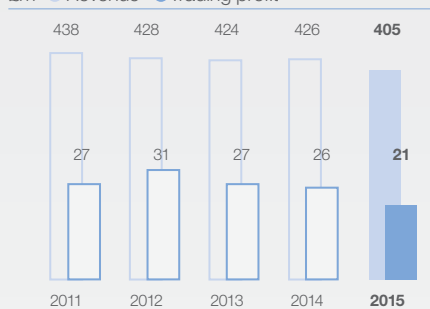
Business unit portfolio and profile

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

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

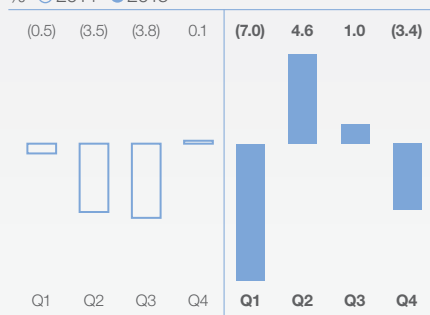
Five year performance

£m ● Revenue ● Trading profit



Quarterly like-for-like revenue growth

% ○ 2014 ● 2015



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

Market position and competitive environment

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

Market position

Tobler (Switzerland)	1
Wasco (Netherlands)	4

Market trends

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

Operating performance

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

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

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

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

John Martin
Chief Financial Officer



In summary

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

Performance of the ongoing business

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

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

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

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

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

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

Statutory results

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

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

Reconciliation between ongoing trading profit and statutory operating profit

Management presents trading profit, headline profit and headline earnings per share excluding exceptional items to provide additional useful information on underlying trends to shareholders. For more information refer to note 9 on page 119.

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

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

Losses from non-ongoing business

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

Amortisation and impairment of acquired intangibles

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

Exceptional items

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

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

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

Net finance costs

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

Discontinued operations

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

Taxation

The Group incurred a tax charge on profit before discontinued operations of £187 million. Tax before exceptional items and the amortisation and impairment of acquired intangibles amounted to £231 million which represents an effective rate of 27.9 per cent (2013/14: 28.4 per cent).

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

The Group has made substantial capital investments in assets over many years including in its various technology programmes, branch network and distribution centres. These investments are amortised in accordance with the laws relating to capital allowances in each country, including Part 2 CAA 2001 in the UK. As at 31 July 2015, capital allowances of £370 million are available to offset against future profits in the UK.

Group companies sometimes generate losses. Where they can be relieved or carried forward to be relieved in future periods, the Group does so in accordance with the relevant law. In the UK, section 457 CTA 2009 governs the utilisation of trading losses and as at 31 July 2015, the UK has losses of £246 million available to offset against future profits. Certain losses, particularly those related to impairments, cannot be relieved against taxable profits. Over time, this has had a substantial impact on the Group's overall tax charge as a proportion of pre-tax profits which has averaged 42.4 per cent over the last 10 years.

The Group's operations are international with 76 per cent of the Group's ongoing trading profit generated in the USA, 14 per cent in other overseas territories and 10 per cent generated in the UK, before central costs. Wolseley plc is incorporated in Jersey and is tax resident in Switzerland. The Group conducts its tax affairs in accordance with the law and arranges its tax affairs in line with its commercial activities. As such, it follows the terms of double taxation treaties and relevant OECD guidelines in dealing with issues such as transfer pricing and the establishment of a taxable presence, and the Group does not maintain an active tax presence in any country in which it does not trade. Other than intra-group financing and the recharging of shared-service administrative costs, the Group has no significant transfer pricing arrangements. The volume of trade between each of the Group's businesses is not material and no material charges are levied for intangible assets such as intellectual property. As far as possible, the Group simplifies its legal and commercial structure in order to reduce risk and minimise ongoing costs, including fees to advisers. The simplification of the Group's corporate structure continued throughout the year with the relevant costs charged to trading profit.

Earnings per share

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

Foreign exchange rates impact

The Group reports its results in sterling though the most important trading currency is the US dollar which represents 63 per cent of the Group's ongoing revenue. 5 per cent of revenue is denominated in euros and 5 per cent in Canadian dollars. The main currency exposure arises on the translation of overseas earnings into sterling. The Group does not hedge this exposure as these hedges have only temporary effect. The Group's policy is to broadly match the currencies in which its debt is denominated to the currencies in which its trading profit is generated. The exchange rates used for the consolidated income statement and balance sheet are set out below:

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

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

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

Cash flow

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

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

Acquisitions and capital expenditure

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

Our strategy of investing in the development of our business models is underlined by capital expenditure of £231 million (2013/14: £201 million) relating to strategic projects to support our future growth such as new distribution centres and distribution hubs and investment in technology, process and network infrastructure.

As at 31 July 2015, the Group had total operating lease commitments of £861 million (2013/14: £788 million).

Management continues to believe there is substantial capacity for revenue growth utilising the existing branch infrastructure and will remain cautious when considering new lease commitments for the foreseeable future. Additional information can be found in note 34 on page 144.

Returns to shareholders

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

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

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

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

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

Impact of foreign exchange movement on net debt

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

Net debt

Net debt increased by £94 million to £805 million at 31 July 2015. The level of net debt at any point in time is affected by the working capital cycle and at 31 July 2015 net debt would have been approximately £130 million higher after taking into account short-term timing differences. Adjusting for these, net debt would be 1.0x EBITDA.

Pensions

The UK defined benefit pension plan was closed for future accrual at 31 December 2013 and we have maintained our funding contributions in accordance with the agreed funding plan. At 31 July 2015, the Group's net pension liability of £15 million (2013/14: asset of £7 million) comprises assets of £1,477 million (2013/14: £1,384 million) and liabilities of £1,492 million (2013/14: £1,377 million). IAS 19 (Revised) "Employee Benefits" requires the Group to make assumptions including, but not limited to, rates of inflation, discount rates and current and future life expectancy. The value of the liabilities and assets could change materially if different assumptions were used. To help understand the impact of changes in these assumptions we have included key sensitivities as part of our pensions disclosure in note 1 on page 111.

Other financial matters

Supplier rebates

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

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

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

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

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

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

Capital structure

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

Liquidity

The Group maintains sufficient borrowing facilities to finance all investment and capital expenditure included in its strategic plan with an additional margin for contingencies. The Group aims to have a range of borrowings from different financial institutions to ensure continuity of financing. As at 31 July 2015, the Group had total committed facilities of £1,715 million (2013/14: £2,197 million). Of the Group's committed facilities at 31 July, £680 million (2013/14: £1,360 million) was undrawn and £1,086 million of the total facilities mature after more than five years.

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

Refinancing

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

Interest rates

The Group's private placement bonds, with an outstanding par value of £453 million, have a hedged average fixed interest rate of 2.7 per cent.

Financial risk management

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

Other financial risks

The nature of the Group's business exposes it to risks which are partly financial in nature. Counterparty risk is the risk that banks and other financial institutions which are contractually committed to make payments to the Group may fail to do so. Commodity risk is the risk that the Group may have purchased commodities which subsequently fall in value.

The Group manages counterparty risk by setting credit and settlement limits for a panel of approved counterparties, which are approved by the Treasury Committee and monitored regularly. The Group manages convertibility risk by limiting its exposure to assets which, in the judgement of the Board, may become "illiquid" for any length of time. The management of credit and commodity risk is considered to be the responsibility of operational management and, in respect of these risks, the Group does not prescribe a uniform approach across the Group.

The Group's principal risks (including strategic, operational, legal and other risks) are shown on pages 44 to 51.

Going concern

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

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



John Martin
Chief Financial Officer

Building a better business

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

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

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

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

Sustainability and strategy

The symbols below are displayed on the following pages to indicate which of our strategic objectives are most directly supported by each sustainability programme component. The objectives are summarised on page 10.



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

 Additional information, including case studies
www.wolseley.com



Our people

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



Health and safety

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



Ethics and compliance

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



Environmental performance

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



Product integrity

We work with our suppliers to maintain excellent standards of product quality and safety. We expect our suppliers, contractors and agents to adhere to our Code of Conduct and to adopt similar standards.



Sustainable construction

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



Community engagement

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

Our people
 1 2 3 4 5 6

Maximising opportunities

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

Managing risks

The behaviour of our employees underpins all of the Company's principal risks. For more detail on Wolseley's principal risks, please see pages 44 to 51.

Progress against our objectives in 2014/15

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

E-commerce

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

Pricing

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

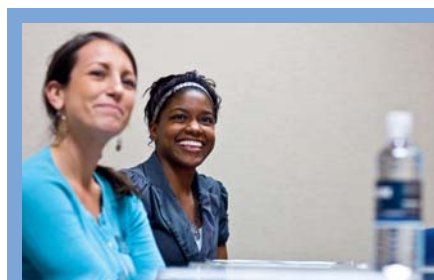
Sales effectiveness

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

Human Rights

Both the United Nations Global Compact and Universal Declaration of Human Rights have been considered in determining the human rights issues that are material to

Wolseley. These topics include employee policies (covering topics such as anti-discrimination and a right to collective bargaining), health and safety, ethics and conduct. All of these issues are managed through policies and programmes of work and are regularly monitored for compliance. Business partners and suppliers are expected to conform to Wolseley's Code of Conduct.



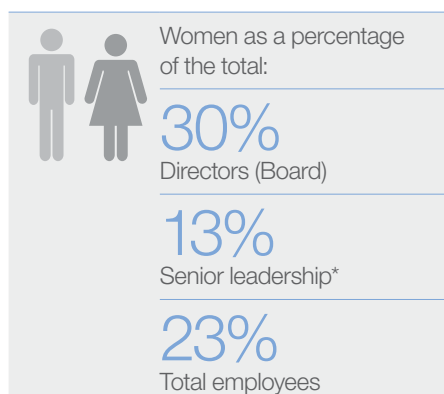
Specialised training in Ferguson

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

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

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

Gender diversity




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

Diversity and inclusion

According to the annual Davies Report, which charts the progress of companies in appointing women to their boards, Wolseley is the second most improved firm in the FTSE 100 and in the top 25 overall. A number of diversity measures are regularly tracked and gender diversity statistics are presented below. Our diversity and inclusion policy statement can be seen on page 71.

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

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



Health and safety

2 3

Maximising opportunities

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

Managing risks


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

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


Progress against our objectives in 2014/15

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


Injury, lost workday and collision rates



2.1% improvement
Injury rate
(1.43 per 100,000 hours worked)



6.3% improvement
Lost workday rate
(47.28 per 100 employees)



9.6% improvement
Fleet third party collision rate
(15.38 per 100 vehicles)

Site-level internal audits of health and safety compliance

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

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

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



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

Ethics and compliance

1 2 3 4 6

Maximising opportunities

Compliance with the letter and the spirit of the law and a commitment to high ethical standards strengthens our reputation with customers, suppliers and other stakeholders.

Managing risks

The business is exposed to risks of bribery and fraud. Non-compliance with governmental regulations is one of our principal risks. For more detail, see page 50.

Progress against our objectives in 2014/15

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

Third party screening of higher-risk business partners

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

Compliance training programmes

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

Whistleblowing

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



Environmental performance

2 3

Maximising opportunities

The reduced consumption of energy, fuel and water and reduction of waste decreases costs and improves both operational efficiencies and profit margins.

Managing risks

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

Progress against our objectives in 2014/15

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

Strong performance in carbon and waste reduction

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

Carbon and waste data accuracy continues to improve

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

Carbon emissions and waste



10.5% improvement

Carbon
(32.9 tCO₂e per £m revenue)



8.6% improvement

Total waste
(5.43 tonnes per £m revenue)



5.4% improvement

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

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



Canada curbs fuel and energy consumption

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

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

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

Carbon emissions and waste

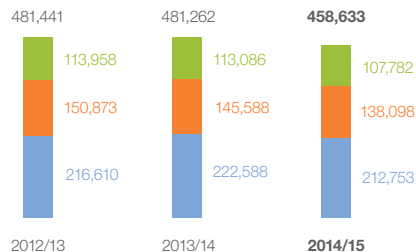
Wolseley's reported data includes all major businesses and head office locations (with 25 employees or more), representing over 99 per cent of Wolseley Group's total employee numbers. All Scope 1 and 2 emissions and selected Scope 3 emissions are reported. Scope 1 emissions include vehicle fuel emissions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

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

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

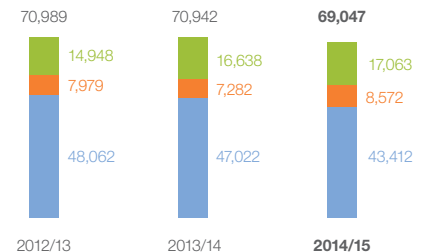
Total carbon emissions

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



Total waste

Tonnes
 ● Landfilled ● Incinerated ● Recycled



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

Our approach to measuring carbon was developed in accordance with the Greenhouse Gas Protocol ("GHG Protocol"). Emissions are calculated using DEFRA carbon factors and are reported as tonnes of CO₂ equivalent (abbreviated as tCO₂e), based on the Global Warming Potential ("GWP") of each of the "basket of six" greenhouse gases, as defined by the Kyoto Protocol.

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

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



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



UK driving down emissions

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

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

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

Product integrity

2 3 6

Maximising opportunities

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

Managing risks

Product-related litigation is recognised as one of our significant risks. For more detail on how we are managing the risk, please see page 49.

Progress against our objectives in 2014/15

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

Product Integrity managers share best practice

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

Sourcing timber responsibly

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

Sustainable construction

2 3

Maximising opportunities

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

Managing risks

Suppressed market conditions and pressure on margins are two of the Group's most significant risks (see pages 47 and 48). These risks can be mitigated by opening up new market opportunities and improving customer service.

Progress against our objectives in 2014/15

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



Nordic region mitigating risk in the supply chain

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

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

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

Helping our customers to meet their carbon obligations

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

Leading by example and upgrading our own estate

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

UK helps installers to sell better products

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



Community engagement

3

Maximising opportunities

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

Managing risks

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

Progress against our objectives in 2014/15

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

Charitable support

During 2014/15, Wolseley's businesses contributed to a great number of charities, including support for neglected and vulnerable children and provision of care for sufferers of cancer and other illnesses.

Employee involvement

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



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



Ferguson tackles labour shortage in the USA

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

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

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

Governance

Accountability

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

Implementation

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

Managing performance

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

Monitoring performance

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

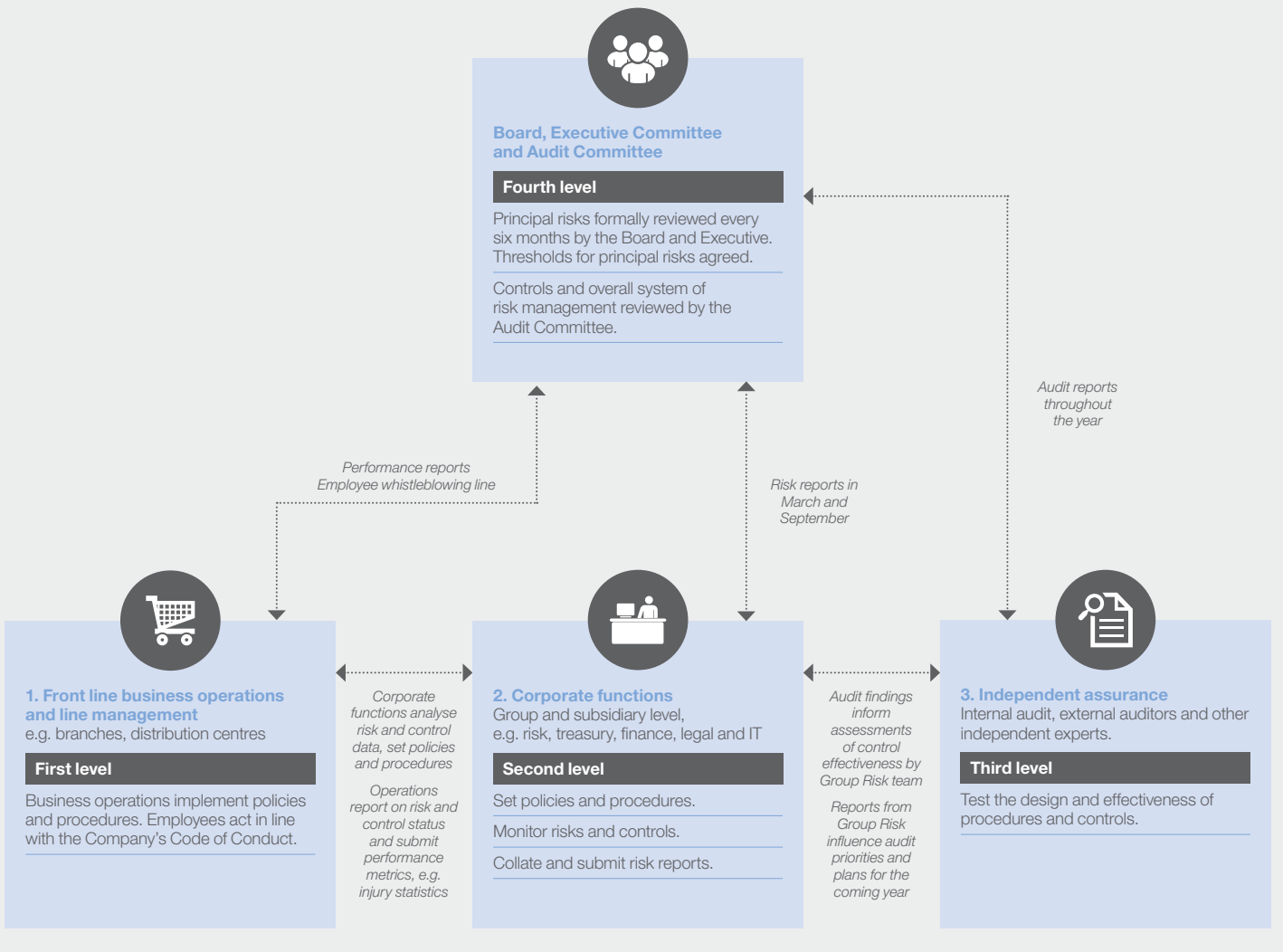
Risk management

Non-financial as well as financial risks are assessed as part of the Group’s comprehensive risk management process. These include fraud, corruption, product quality, employee, health and safety and environmental risks. For further information on the Group’s risk management programme, see pages 44 to 51.

Risk management at Wolseley

Monitoring risk throughout the Group

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



Developing risk management at Wolseley

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

Front line business operations

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

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

Corporate functions

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

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

Independent assurance

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

2015 risk assessment

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

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

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

The results of this exercise are summarised in this section.

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

Ian Meakins
 Group Chief Executive

Strategy, growth and risk appetite

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

Markets

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

Acquisitions

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

New technologies and investment

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

Products, customer service and supply chain

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

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

Compliance and regulation

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

Principal risks

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

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

The materialisation of these risks could have an adverse effect on the Group's results or financial condition. If more than one of these risks occur, the combined overall effect of such events may be compounded.

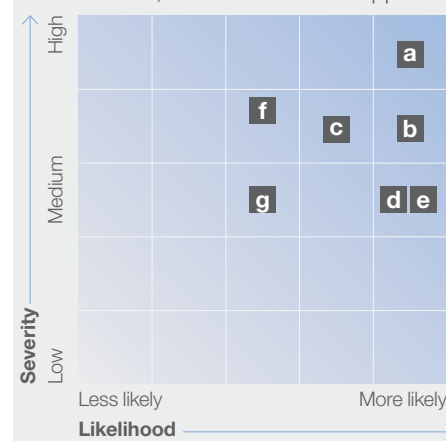
The chart shows management's assessment of material risks before mitigation. Various mitigation strategies are employed to reduce these inherent risks to an acceptable level.

The effectiveness of these mitigation strategies can change over time, for example with the acquisition or disposal of businesses. Some of these risks remain beyond the direct control of the Group. The risk management programme, including risk assessments, can therefore only provide reasonable but not absolute assurance that risks are managed to an acceptable level.

The Group faces many other risks which, although important and subject to regular review, have been assessed as less significant and are not listed here. These include, for example, changes in commodity prices, foreign exchange rates or employee retention and motivation. Financial risks and their management are summarised between pages 30 and 35. Further information on Wolseley's "People Strategy" can be found on page 37. Health and safety related risks are described on page 38 in the "Sustainability" section.

Heat map (no controls)

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



Risk and strategy

These and other risks may prevent us from achieving the full potential of our strategy. The symbols below are displayed next to each risk on the following pages. They indicate which of our objectives may be most directly affected by the risk identified. The objectives are summarised on page 10.



a Pressure on margins



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

b New business models



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

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

c Market conditions and growth

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

d Information security

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

^ Risk is rising

<> Risk is unchanged

v Risk is falling

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



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

e Litigation



Inherent risk level

Medium/high

Trend

No change

Related objectives

2 3 6

Definition and impact

The international nature of Wolseley's operations exposes it to the potential for litigation from third parties, and such exposure is considered to be greater in the USA than in Europe.

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

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

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

Changes this year

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

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

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

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

Contracting procedures are being reviewed in all businesses.

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

Mitigation

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

Levels of litigation are monitored by individual operating companies. A monthly report of potential exposures and current litigation is submitted by all businesses and reviewed by the Group General Counsel.

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

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

In the case of claims related to exposure to asbestos, Wolseley continues to employ independent professional advisers to actuarially determine its potential gross liability. Wolseley has insurance which exceeds the current estimated liability relating to asbestos claims.



Risk insight

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

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

f Government regulations ↔			
Inherent risk level	Definition and impact	Changes during the year	Mitigation
<p>Medium/low</p> <hr/> <p>Trend</p> <p>No change</p> <hr/> <p>Related objectives</p> <p>1 2 3 4 5 6</p>	<p>The Group's operations are affected by various statutes, regulations and laws in the countries and markets in which it operates. The amount of such regulation and the penalties can change.</p> <p>While the Group is not engaged in a highly regulated industry, it is subject to the laws governing businesses generally, including laws relating to competition, product safety, timber sourcing, data protection, labour and employment practices, accounting and tax standards, international trade, fraud, bribery and corruption, land usage, the environment, health and safety, transportation, payment terms and other matters.</p> <p>Building codes or particular tax treatments may affect the products Wolseley's customers are allowed to use and, consequently, changes in these may affect the saleability of some Wolseley products.</p> <p>Breach of any legal or regulatory requirement could result in significant fines and penalties, and damage to the Company's reputation.</p>	<p>There has been no major change in the level of regulation applying to the Company.</p> <p>During the year, the Company reviewed its suite of Group-wide policies and procedures to ensure they remained aligned to the Company's strategic objectives and its principal compliance requirements. Updates were made as required, including changes to the Group's Timber Sourcing and Trade Compliance and Sanctions policies.</p> <p>The Group continues to review its data protection practices in anticipation of the forthcoming European Union General Data Protection Regulation.</p> <p>Anti-bribery and anti-corruption practices in all businesses were reviewed during the year and the findings reported to the Executive and Audit Committees (on behalf of the Board). Improvements are being implemented.</p> <p>Further information on the Company's ethics and compliance programme can be found on page 39.</p>	<p>The Group monitors regulations across its markets to ensure the effects of changes are minimised and the Company complies with all applicable regulation.</p> <p>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.</p> <p>Briefings and training on regulatory topics and compliance issues, including anti-trust, anti-fraud and anti-corruption are undertaken throughout Wolseley businesses.</p> <p>The Group aligns Company-wide policies and procedures with its key compliance requirements and monitors their implementation.</p> <p>Where appropriate, tests are conducted to ensure the Company would respond appropriately to a regulatory investigation.</p>

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



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

g Business continuity



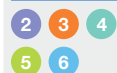
Inherent risk level

Medium/low

Trend

No change

Related objectives



Definition and impact

The continued operation of important physical assets, such as branches, showrooms, distribution centres and offices is threatened by natural and man-made perils. For example:

- some of the Group's physical assets are located in areas exposed to natural catastrophe risks, such as earthquakes, hurricanes or severe storms;
- the nature of our operations and the products we distribute can give rise to fire hazards;
- to optimise costs and supply chain efficiency, some companies within the Wolseley Group have also centralised their distribution network and are therefore reliant on a smaller number of larger distribution centres.

The loss of a major site, such as a large distribution centre, could interrupt our business operations. This might lead to loss of revenue, increased operating costs and lower profit margins.

Changes during the year

Improved management information on property loss controls at key sites has promoted the implementation of improved protection measures.

Property loss control engineers have inspected ten of the Group's most valuable sites. Recommendations for improvement are being implemented where material risks exist.

During the year, the Group disposed of its wood treatment subsidiary in France, which had greater fire and business continuity exposures than the core distribution business. This business had previously suffered above-average fire losses.

Mitigation

The loss of an important branch or distribution centre is naturally hedged by the diversified nature of our locations, customers and suppliers.

The Group has formally documented and tested business continuity plans for its major distribution centres, head office buildings and data centres where the risk is considered to be greatest. Contracts have been established with external companies providing immediate support in the event of a natural catastrophe or other incident.

In conjunction with our insurers, 10 to 15 of our highest value sites are audited each year to evaluate fire and other business continuity risks.

A comprehensive insurance programme is purchased, covering property damage and business interruption risks.

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

Ian Meakins
 Group Chief Executive