"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