

PROGRESS MADE IN A CHALLENGING YEAR

With our size and scale we can continue to invest and take advantage of the growth opportunities that the European and North American construction markets will provide in the future.



Chairman

**John
Whybrow**

2007 has been a particularly challenging period for the Group. In a year when we have achieved good performance across European operations generally, we have also had to contend with a very difficult market for new housing in the US. Equally, we recorded our highest spend ever on acquisitions of £1,718 million which included the purchase of DT Group in the Nordic region. Overall, revenue ended up 14.6 per cent with trading profit down 0.6 per cent.

The new housing market in the US has seen its biggest fall in more than 15 years. As a result, it was necessary to significantly reduce our cost base in Stock Building Supply ('Stock') (which is the Group's business most exposed to the new housing market in the US), closing a number of branches, reducing employee numbers and tightly controlling overheads. However, the Board continues to believe that the European and North American construction markets, including new housing in the US, will provide good opportunities for growth in the future. Ensuring that we have the appropriate organisation to respond to customers' changing needs and yet be efficient in the way we do business continues to be a priority.

With this in mind, Chip Hornsby, in his first year as Group Chief Executive, has created a number of new roles, started new initiatives and agreed new targets with the Board; among which are to improve cash flow along with generating a 7 per cent trading margin by the year ending 31 July 2011. In the pages that follow, you can read more about these initiatives, all of which are designed to ensure that Wolseley benefits from being a genuinely international company and develops into a truly world class Group.

The size and scale of our operations mean that we can continue to invest in people, infrastructure and technology. Our aim is to source products at the right price from our suppliers and deliver these to our customers in the most effective manner possible. In support of this, we continue to expand our capabilities in areas such as procurement, supply chain and IT to support our existing businesses and to maximise the value that we obtain from acquisitions going forward.

Dividend

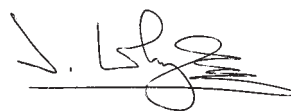
In September 2006, the Group raised £646 million after costs from the placement of new shares, equivalent to 10 per cent of its issued share capital, in order to provide funding headroom for bolt-on acquisitions and capital expenditure for expansion. The impact of this share issue and the lower profitability due to the difficult US housing market has caused our earnings per share before amortisation and impairment of acquired intangibles to fall 11.2 per cent to 87.80 pence. However, the Board is confident of the Group's future prospects and it is, therefore, recommending a final dividend of 21.55 pence, which represents a total dividend for the year of 32.40 pence. This is an increase of 10.2 per cent over the total dividend paid last year.

The Board

Fenton Hord, who was responsible for the Group's US building materials business, retired from the Board on 31 July 2007 after 20 years with the Group, including seven years as a Board member. The Group has also announced that Robert Walker, a Non Executive Director since 1998, will leave the Board on 31 October 2007. To both Fenton and Robert, I wish to extend the Board's sincere thanks and appreciation for their significant contributions to the Group and wish them both well for the future.

I also wish to thank all of our customers, suppliers, investors and each of our 78,948 employees for their support not just over the last year, but over many years.

The Board looks ahead with confidence. We have a sound strategy with a proven track record of growth sustained over many years and we operate in markets that are extremely fragmented. We are confident that the initiatives and investments that Chip and his team are undertaking today will drive Wolseley to new and even greater achievements in the future.



John W Whybrow
Chairman