

Corporate governance

Including the report of the Audit Committee

Compliance with the Combined Code

The Board is committed to the highest standards of corporate governance as set out in the Combined Code on corporate governance published by the Financial Reporting Council ('FRC') in July 2003 (the 'Code'). The Board has also applied the principles and provisions in the form set out in the revised Combined Code published by the FRC in June 2006 (the 'Revised Code'). The Board is accountable to the Company's shareholders for good governance and this report describes how the Board applied the principles of good governance as set out in the Code and the Revised Code during the year under review.

The Board

As at 31 July 2007, the Board of Directors was made up of 11 members comprising the Chairman, five Executive Directors and five Non Executive Directors. The Non Executive Directors are considered by the Board to be independent of management and free of any relationship which could materially interfere with the exercise of their independent judgement. The Board considers that each of the Non Executive Directors brings his own senior level of experience and expertise. Fenton Hord retired from the Board as an Executive Director on 31 July 2007 and Robert Walker will step down from the Board as a Non Executive Director with effect from 31 October 2007. Accordingly, at the date of this report, there are 10 members of the Board, comprising the Chairman, four Executive Directors and five Non Executive Directors.

Biographical details of the Directors currently in office are shown on pages 42 and 43. The Company's policy relating to the terms of appointment and the remuneration of both the Executive and Non Executive Directors is detailed in the Remuneration report on pages 61 to 68.

The Board meets regularly during the year, as well as on an ad hoc basis, as required by time critical business needs. The Board has a formal schedule of matters reserved to it for its decision, although its primary role is to provide entrepreneurial leadership and to review the overall strategic development of the Group as a whole. Day-to-day operational decisions are managed by the Executive Committee and the Executive Committee Advisory Group, referred to on page 57. The Board met eight times during the year and Director attendance for each meeting is shown in the table on page 58. The Board has established a procedure for Directors, if deemed necessary, to take independent professional advice at the Company's expense in the furtherance of their duties. This is in addition to the direct access that every Director has to the Company Secretary, who is charged with ensuring that Board procedures are followed and that good corporate governance and compliance is implemented throughout the Group. Following their appointment, formal comprehensive and tailored induction is offered to all Directors, which is supplemented by visits to key locations within the Group and meetings with members of the Executive Committee, the Executive Committee Advisory Group and other key senior executives.

Together with the Group Chief Executive and the Company Secretary, the Chairman ensures that the Board is kept properly informed and is consulted on all issues reserved to it. Board papers and other information are delivered at times to allow Directors to be properly briefed in advance of meetings. In accordance with the Company's Articles of Association, Directors are granted an indemnity from the Company to the extent permitted by law in respect of liabilities incurred as a result of their office. The indemnity would not provide any coverage to the extent that a Director is proved to have acted fraudulently or dishonestly. The Company

has also arranged appropriate insurance coverage in respect of legal action against its Directors and Officers. The distinct roles of Chairman and Group Chief Executive are acknowledged and set out in writing. The Chairman has confirmed that he would not chair any other major company's board of directors. Gareth Davis is the Company's Senior Independent Director and is available to shareholders where communication through the Chairman or Executive Directors would not be appropriate. The Chairman ensures that the Board maintains an appropriate dialogue with shareholders and, although the Non Executive Directors are not formally asked, at present, to meet the Company's shareholders, their attendance at presentations of the annual and interim results is encouraged.

The Chairman reviewed the developmental needs of the Board as a whole, including the skills and contributions each Director brought to it and confirmed that there were no outstanding items from the performance evaluations which had been carried out during 2006. It is proposed that a further detailed review be carried out during 2008. The Chairman confirmed that should any Director have any concerns or observations which they wished to raise, these could be notified to him directly or to the Company Secretary, to be addressed appropriately.

Meetings between the Non Executive Directors, both with and without the presence of the Chairman and the Group Chief Executive, are scheduled in the Board's annual timetable. The Board has also arranged to hold at least two Board meetings each year at divisional locations to help all Board members gain a deeper understanding of the business. This also provides senior managers from across the Group the opportunity to present to the Board as well as to meet the Directors on more informal occasions.

As part of their ongoing development, the Executive Directors are encouraged to take up an external non executive position on the board of a non competitor company, for which they may retain payments received in respect of such appointment. In order to avoid any conflict of interest, all appointments are subject to the Board's approval and, generally, outside appointments for Executive Directors are limited to one company board. The Board monitors the extent of Directors' other interests to ensure that the effectiveness of the Board is not compromised. Overall responsibility for succession planning is considered to be a matter for the whole Board rather than for a committee.

The Company's Articles of Association provide that one-third of the Directors retire by rotation each year and that each Director will seek re-election by the shareholders at the Annual General Meeting at least once every three years. Additionally, new Directors are subject to election by shareholders at the first opportunity after their appointment. It is Board policy that Non Executive Directors are normally appointed for an initial term of three years, which is then reviewed and extended for up to a further two three-year periods. It is also Board policy that Non Executive Directors should not generally serve on the Board for more than nine years and that, in cases where it is proposed to exceed this period, the Director concerned will retire annually and offer himself for re-election. Details of the Directors seeking re-election at the 2007 AGM are given in the Notice of Meeting on page 130.

The formal terms of reference for the Board committees, approved by the Board and complying with the Code to assist in the discharge of its duties, are available from the Company Secretary and can also be found on the Company's website at www.wolseley.com. Membership of the various committees is shown on page 127. The Company Secretary acts as secretary to all Board committees.

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Nominations committee

The Nominations Committee meets on an as needed basis and was not required to meet during the year ending 31 July 2007. At the date of this report, it comprises Messrs Whybrow (Chairman), Davis, Duff, Hornsby and Walker. Mr Walker will be stepping down on 31 October 2007 and Messrs Murray and Stein will be appointed to the committee with effect from that date. Mr Whybrow would not chair the committee when it considers the appointment of a successor chairman. The committee reviews the structure, size and composition of the Board and its committees and makes recommendations with regard to any changes that are considered necessary, both in the identification and nomination of new Directors and the continuation of existing Directors in office. The committee retains external search consultants as appropriate. The committee also advises the Board on succession planning for board appointments although the Board itself has overall responsibility for succession generally.

Audit committee

The Audit Committee comprises Messrs Davis, Stein and Murray, who chairs the committee. The committee's membership is reviewed by the Nominations Committee and by Mr Murray at regular intervals. Members of the committee are appointed by the Board following recommendations by the Nominations Committee. The committee is normally comprised of three independent Non Executive Directors. Two members constitute a quorum.

Each member of the committee brings relevant financial experience at a senior executive level and the expertise and experience of the members of the committee are summarised on page 43. The Board considers that each member of the committee is independent within the definition set out in the Code. Mr Stein is considered by the Board to have significant, recent and relevant financial experience, having been, until September 2007, Finance Director of GKN plc.

All members of the committee receive appropriate induction, which is in addition to the induction which all new Directors receive and includes an overview of the business, its financial dynamics and risks. Members of the committee undertake ongoing training as required. Audit Committee members are expected to have an understanding of the following areas:

- the principles of, contents of and developments in, financial reporting, including the applicable accounting standards and statements of recommended practice and in particular, the appropriateness of the Company's accounting policies;
- the Company's wider corporate policies and its financing; and
- the Company's systems of internal control and matters that require the use of judgement in the presentation of accounts and key figures as well as the role of internal and external auditors.

The committee meets regularly throughout the year and its agenda is linked to events in the Company's financial calendar. The agenda is mostly cyclical although each member of the committee may require reports on matters of interest in addition to the regular items. Members' attendance at the meetings held during the year is set out in the table on page 58.

The committee invites the Chairman, the Group Chief Executive, the Chief Financial Officer, the Director of Financial Reporting and Strategic Planning and the Head of Internal Audit together with senior representatives of the external auditors to attend each meeting and receive its papers, although it reserves part of each meeting for discussions without the invitees being present. Other senior executives are invited to present such reports as are required for the committee to discharge its duties. The Audit Committee members regularly meet the Head of Internal Audit and the

external auditors without the presence of executive management. The Chairman of the Audit Committee attends the Annual General Meeting to respond to any shareholder questions that might be raised on the committee's activities.

The committee is required to assist the Board to fulfil its responsibilities related to external financial reporting and associated announcements. During the year, the committee reviewed, either as a committee or as part of the Board:

- the interim and annual financial statements, including the requirements for financial reporting;
- the interim and preliminary announcements made to the London and New York Stock Exchanges;
- the Company's trading statements and, where practicable, all proposed announcements to be made by the Company to the extent that they contain material financial information;
- the Form 20-F, filed with the Securities and Exchange Commission in the USA, having received the appropriate information on the accounting principles, policies and practices adopted in the preparation of the accounts;
- changes proposed to the Company's policies and practices;
- significant accounting issues;
- operation of the Company's whistleblowing policy;
- litigation and contingent liabilities and tax matters, including contingencies against tax liabilities together with compliance with statutory tax obligations;
- fraud reports; and
- the Company's risk management process.

The committee is also responsible for the development, implementation and monitoring of the Company's policy on external audit and the committee reserves oversight responsibility for monitoring independence, objectivity and compliance with ethical and regulatory requirements. The committee recommends the appointment and reappointment of the Company's external auditors and annually reviews a formal letter provided by the external auditors confirming their independence and objectivity within the context of applicable regulatory requirements and professional standards. The committee also reviews the terms, areas of responsibility and scope of the audit (including schedules of unadjusted errors and representation letters) as set out in the external auditors' engagement letter; the overall work plan for the forthcoming year, together with the cost-effectiveness of the audit as well as the auditors' remuneration and performance; any major issues which arose during the course of the audit and their resolution; key accounting and audit judgements; the level of errors identified during the audit; and the recommendations made to management by the auditors and management's response.

During the year, a review was carried out to provide assurance that the Group was receiving value for money for the service provided by the external auditors. The committee monitors the rotation of key partners within the external auditors from time to time in accordance with UK and US rules. The committee also monitors the extent of non-audit work which the external auditors can perform, to ensure that the provision of those non-audit services that can be undertaken by the external auditors falls within the agreed policy and does not impair their objectivity or independence. Under the policy, the external auditors cannot be engaged to perform any of the following services:

- bookkeeping services related to accounting records or financial statements;
- financial information systems' design and implementation;
- appraisal or valuation services, fairness opinions and contributions in kind reports;

- actuarial services;
- internal audit outsourcing services;
- management functions including human resources;
- broker or dealer, investment adviser or investment banking services; or
- legal and other services unrelated to the audit.

The policy requires pre-confirmation by the committee of any non-audit work subject to de minimis levels. The external auditors provide audit related services such as regulatory and statutory reporting as well as formalities relating to shareholder or other circulars. The external auditors report any material departures from Group accounting policies and procedures that they identify during the course of their audit work to the committee. Within the constraints of applicable UK and US rules, the external auditors undertake due diligence reviews and provide assistance on tax matters given their in-depth knowledge of the Group's business. The provision of non-audit services within such constraints and the agreed policy is assessed on a case-by-case basis so that the best-placed adviser is retained. During the year, the committee carried out an extensive review of the effectiveness of the external auditors, which included receiving responses from each of the Group's operating companies and considered whether the agreed audit plan had been fulfilled and the reasons for any variation from the plan. The committee also considered the external auditors' robustness and the degree to which the external auditors were able to assess key accounting and audit judgements and the context of the management letter.

The total fees paid to PricewaterhouseCoopers in the year ended 31 July 2007 were £10.5 million (2006: £9.6 million), of which £4.2 million (2006: £4.2 million) related to non-audit work. Further disclosure of the non-audit fees paid during the year ended 31 July 2007 can be found in note 3 to the accounts on page 84.

The committee also reviews the effectiveness of the Group's internal audit function, including its terms of reference, audit plans, general performance and its relationship with the external auditors. Throughout the year, the committee reviewed the internal audit function's plans and its achievements against such plans. The committee considered the results of the audits undertaken by the internal audit function and considered the adequacy of management's response to matters raised, including the time taken to resolve any such matters. The committee carried out its annual review to consider the effectiveness of the internal audit function using guidance issued by the Institute of Chartered Accountants in England & Wales and the Institute of Internal Auditors – UK. During the year, two continental audit committees were established by the continental CEOs for Europe and North America, at the suggestion of the committee. The minutes of the continental audit committee meetings will be provided to the Audit Committee.

The committee monitors and reviews the effectiveness of the Group's internal control systems, accounting policies and practices, standards of risk management and risk management procedures and compliance controls as well as the Company's statements on internal controls before they are agreed by the Board for each year's annual report. The committee has also monitored the Company's response to the requirements of the US Sarbanes-Oxley Act as they apply to foreign private issuers with particular focus on the progress made in evaluating internal controls as required by Section 404 of that Act and the disclosures to be made by the Group Chief Executive and Chief Financial Officer as part of the Form 20-F certification process. The Board retains overall responsibility for internal control and for the identification and

management of business risk. During the year, the committee also reviewed the processes which have been embedded throughout the Group in compliance with IFRS reporting requirements.

The Company's whistleblowing policy, which is an extension of the Groupwide Code of Ethics, gives details of the international whistleblowing hotline operated on behalf of the Company by an independent third party and sets out the arrangements for the Company Secretary to receive, in confidence, disclosures on accounting, risk issues, internal controls, auditing issues and related matters which would, as appropriate, be reported to the committee. A copy of the Group's Code of Ethics is available on the Company's website at www.wolseley.com.

Each year the committee critically reviews its own performance and considers where improvements can be made. The committee's terms of reference were reviewed and updated during the year and copies are available from the Company Secretary or on the Company's website at www.wolseley.com.

Remuneration committee

The committee comprises Messrs Davis, Walker and Duff, who chairs the committee, all of whom are independent within the definition set out in the Code. Mr Walker will step down from the committee on 31 October 2007 and Messrs Stein and Whybrow will be appointed to the committee with effect from that date. The committee met four times during the year and Director attendance for each meeting is shown in the table on page 58. The committee has delegated authority to deal with remuneration matters on behalf of the Board and the Board's Remuneration report is set out on pages 61 to 68. During the year, the committee reviewed and updated its terms of reference, copies of which are available from the Company Secretary or on the Company's website at www.wolseley.com. The chairman of the committee attends the Annual General Meeting to respond to any shareholder questions that might be raised on the committee's activities.

Treasury committee

The committee comprises the Group Chief Executive, the Chief Financial Officer, who acts as its Chairman, and the Group Treasurer. The committee's role is to consider treasury policy, tax matters and certain transactions on behalf of the Group within a framework delegated by the Board.

Executive committee

The Executive Directors of the Company together with the Chief Business Development Officer, the Chief Operations Officer and the Group Company Secretary and General Counsel, meet at least eight times each year, often on the day before formal Board meetings. The committee addresses operational business issues and shares best practice, thereby allowing the Directors more time at Board meetings to focus on strategy.

Executive committee advisory group

The Executive Committee Advisory Group comprises the Group Chief Information Officer, the Group Senior Vice President Supply Chain, the Group Senior Vice President Sourcing, the Director of Financial Reporting and Strategic Planning and the Group HR Director. The members of this group, who each have key roles in their own right, act as advisers to the Executive Committee.

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Meetings attendance

The following table shows the attendance of Directors at meetings of the Board, Audit and Remuneration Committees held during the year:

Number of meetings held during the year to 31 July 2007	Board	Audit	Remuneration
G Davis	7	3	4
A J Duff	8	–	4*
F N Hord	6	–	–
C A S Hornsby	8	–	–
R H Marchbank	8	–	–
J I K Murray	8	5*	–
F W Roach	8	–	–
N M Stein	8	5	–
R M Walker	7	–	3
S P Webster	8	–	–
J W Whybrow	8*	–	–

*Chairman

Internal audit

The internal audit function is fully independent of the day-to-day operations of the Group. It is involved in the assessment of the quality of risk management and internal control and helps to promote and further develop effective risk management within the businesses. Certain internal audit assignments (such as those requiring specialist expertise) continue to be outsourced by the Head of Internal Audit to KPMG LLP as required. A policy has been established regarding the recruitment of staff from both KPMG LLP and PricewaterhouseCoopers LLP. The Head of Internal Audit attends all Audit Committee meetings as well as having regular meetings with the chairman of that committee. The Audit Committee reviews key performance indicators relating to the activity of the department.

Internal control

In a decentralised Group, where local management has considerable autonomy to run and develop their businesses, a well designed system of internal control is necessary to safeguard shareholders' investment and the Company's assets. The Directors have overall responsibility for the Group's systems of internal control and for reviewing their effectiveness. In accordance with the guidance set out in the Turnbull Report 'Internal Control: Guidance for Directors on the Combined Code', an ongoing process has been established for identifying, managing and evaluating the risks faced by the Group and has been in place for the full financial year and up to the date on which the financial statements were approved.

The systems are designed to manage rather than eliminate business risk, safeguard the Group's assets against material loss, fairly report the Group's performance and position and to ensure compliance with relevant legislation, regulation and best practice including that related to social, environmental and ethical matters. The systems provide reasonable, not absolute, assurance against material misstatement or loss and are regularly reviewed by the Board to deal with changing circumstances.

A summary of the key financial risks inherent in the Group's business is given on pages 40 to 41. Risk assessment and evaluation is an integral part of the annual planning cycle. Each business documents the strategic objectives and the effectiveness

of the Group's systems of internal control. As part of this review, each business area and function has been required to identify and document each significant risk, together with the mitigating actions implemented to manage, monitor and report to management on the effectiveness of these controls.

Group companies also submit risk management and internal control representation letters bi-annually to the Chief Financial Officer, with comments on the control environment within their operations. The Chief Financial Officer summarises these submissions for the Audit Committee and the Executive Committee. The chairman of the Audit Committee reports to the Board on any matters which have arisen from the committee's review of the way in which the risk management and internal control processes have been applied or any breakdowns in, or exceptions to, these procedures. Group companies are also required to support the disclosures and attestations that the Group Chief Executive and Chief Financial Officer are required to give under the Sarbanes-Oxley Act. These processes have been in place throughout the year ended 31 July 2007 and have continued to the date of this report. The Board has reviewed the effectiveness of the Group's system of internal control for the year under review and a summary of the principal control structures and processes in place across the Group is set out below.

Control structures

Whilst the Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness, it has delegated responsibility for the risk management and internal control programme to the Chief Financial Officer. The detailed review of risk management and internal control has been delegated to the Audit Committee. The management of each Group company is responsible for risk management and internal control within its own business and for ensuring compliance with the Group's policies and procedures. Each Group company has appointed a risk director whose primary role in such capacity is to ensure compliance by local management with the Group's risk management and internal control programme. Both the internal and external auditors have reviewed the overall approach adopted by the Group towards its risk management activities so as to reinforce these internal control requirements.

Control processes

The Board reviews its strategic plans and objectives on an annual basis and approves Group company budgets and strategies in light of these. Control is exercised at Group, continental, cluster and subsidiary board level through monthly monitoring of performance by comparison to budgets, forecasts and cash targets and by regular visits to Group companies by the Group Chief Executive, Chief Financial Officer and continental CEOs.

The Board has formal procedures in place for the approval of investment and acquisition projects, with designated levels of authority, supported by post investment review processes for major acquisitions and capital expenditure. The Board takes account of social, environmental and ethical matters in relation to the Group's businesses when reviewing the risks faced by the Group. The Board is conscious of the effect such matters may have on the short and long-term value of the Company.

As noted on page 52, the Company has entered into a Level II American Depository Receipt programme with the Bank of New York Mellon and has securities registered with the Securities and Exchange Commission in the USA. As a result, the Company is required to comply with applicable US regulations including the Sarbanes-Oxley Act, insofar as it applies to foreign private issuers. In accordance with the Securities and Exchange Commission's recommendations, the Company has established a disclosure committee comprising the Group Chief Executive, Chief Financial Officer, the Group Company Secretary and General Counsel and the Director of Financial Reporting and Strategic Planning.

The Group Chief Executive and Chief Financial Officer will also provide the certificates required by the Sarbanes-Oxley Act when the Form 20-F for 2007 is filed. There were no changes to the Company's internal control over financial reporting occurring during the year ended 31 July 2007 which have materially affected, or are reasonably likely to materially affect, that internal control. Procedures relating to the internal controls, as required by Section 404 of the Sarbanes-Oxley Act, were in place throughout the year ended 31 July 2007 and continue to the date of this report.

Compliance statement

The Company applied all of the principles set out in section 1 of the Code and the Revised Code for the period under review and has, throughout the year, complied with the detailed provisions set out therein, save that, until 31 July 2007, the pensionable salary of one Executive Director included his bonus capped at a fixed amount (as detailed on page 67). From 1 August 2007, all Executive Director service contracts comply with the Code and the Revised Code.

The Company's auditors, PricewaterhouseCoopers LLP, are required to review whether the above statement reflects the Company's compliance with the nine provisions of the Code specified for its review by the Listing Rules of the UK Listing Authority and to report if it does not reflect such compliance. No such report has been made.

New York Stock Exchange corporate governance requirements

Although not required to do so as a foreign private issuer, the Company complies in all material respects with the corporate governance measures set out by the board of the New York Stock Exchange, Inc for US issuers. Those standards state that companies should have a nominating/corporate governance committee composed entirely of independent directors with written terms of reference, which develops and recommends to the board a set

of corporate governance principles for the company. The Company has a Nominations Committee, details of which are set out on page 56 and a majority of the members of the Nominations Committee are independent Non Executive Directors and all such Directors sit on the Board. The Board itself, rather than the Nominations Committee, develops the corporate governance principles for the Company and approves the Group's overall system of internal controls, governance and authority limits. The Company's practice, in accordance with the UK Companies Act and the Code in relation to the appointment and termination of the external auditors, is that a recommendation is made by the Audit Committee to the Board, which will then make a recommendation to shareholders in general meeting. This differs from the procedure in the USA, where the external auditors are accountable to the audit committee, which has the authority to appoint or dismiss the external auditors without reference to shareholders.

In July 2005, rules were introduced by the US Sarbanes-Oxley Act, the Securities and Exchange Commission and the New York Stock Exchange which require the Company to comply with certain provisions relating to audit committees. These include a requirement related to the independence of audit committee members and procedures for the treatment of complaints regarding accounting or auditing matters. The Company is fully compliant with these requirements.

Communications with shareholders

The Company places considerable importance on communication with its shareholders, including its employee shareholders. The Group Chief Executive and Chief Financial Officer are closely involved in investor relations and a senior executive has day-to-day responsibility for such matters. The views of our major shareholders are reported to the Board by the Chief Financial Officer and by the Chairman and discussed at its meetings. The Annual Report and Accounts are available to all shareholders either in paper form or electronically and can be accessed via the Company's website www.wolseley.com or via Shareview, an internet service offered by the Company's Registrars, as detailed on page 128.

The Company has regular dialogue with institutional shareholders and meetings with shareholder representatives, as required, and promotes communications with private shareholders through attendance at the Annual General Meeting. Contact with institutional shareholders and with financial analysts, brokers and the media is controlled by written guidelines to ensure the protection of sensitive information which could affect the Company's share price and which has not already been made generally available to the Company's shareholders. Contact is also maintained, when appropriate, with shareholders to discuss overall remuneration plans and policies. The Group's preliminary and interim results, as well as all announcements issued to the London and New York Stock Exchanges, are published on the Company's website, www.wolseley.com. The Company issues regular trading updates to the market and these, together with copies of presentations to analysts and interviews with the Group Chief Executive and Chief Financial Officer, are also posted on the Company's website. The Notice of the Annual General Meeting is circulated to all shareholders at least 20 working days before such meeting and it is Company policy not to combine resolutions to be proposed at general meetings. All shareholders are invited to the Company's Annual General Meeting at which they have the opportunity to put questions to the Board and it is standard practice to have the chairmen of the Audit, Nominations and Remuneration Committees available to answer questions. The proxy votes for and against

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each resolution, as well as abstentions which may be recorded on the proxy form accompanying the Notice of Meeting, are counted before the Annual General Meeting and the results are made available at the meeting after shareholders have voted on each resolution on a show of hands. The results are also announced to the London and New York Stock Exchanges and are published on the Company's website shortly after the meeting.

Awards under employee share schemes

Options were granted under the Employee Share Purchase Plan in April 2007 to 6,362 US-based employees (2006: 8,151) and 304 Canadian-based employees (2006: 442) in respect of a maximum of 668,431 ordinary shares (2006: 817,439) exercisable at 1038 pence per share. In April 2007, options were granted for the first time under the Wolseley European Sharesave Plan to 1,757 employees across 12 countries in Europe in respect of a maximum of 557,612 ordinary shares exercisable at 1038 pence per share. Options were granted under the UK Employees Savings Related Share Option Scheme in April 2007 to 2,662 employees (2006: 2,649) in respect of a maximum of 748,744 ordinary shares (2006: 621,422) exercisable at 977 pence per share. Options were granted under the Irish Sharesave Scheme in April 2007 to 159 employees (2006: 229) in respect of a maximum of 65,606 ordinary shares (2006: 86,100) exercisable at 977 pence per share. In November 2006 options were granted under the Wolseley Share Option Plan 2003 over 5,432,414 ordinary shares (2006: 4,473,070) to senior employees of the Group at an option price of 1201 pence per share. In January 2007, awards under the Company's Restricted Share Scheme were granted for the first time over 192,404 ordinary shares to 45 employees below Board level across the Group. Details of the total options outstanding at 31 July 2007 are set out in note 29 to the accounts on page 103. Awards under the Wolseley plc 2002 Long Term Incentive Scheme ('LTIS') were made in October 2006 over a total of 763,185 shares. Details relating to the awards made to Executive Directors under the LTIS are set out on page 63.

Shareholder services

Shareview is a service offered by our Registrars, which allows shareholders online access to a range of shareholder information. Shareview provides access to details of shareholdings in the Company and practical help on transferring shares or updating personal details. It also allows shareholders to choose to receive shareholder communications electronically, rather than by post. To register, shareholders simply need to log on to www.shareview.co.uk with their shareholder reference number, which is shown on the form of proxy sent to all shareholders with this report. First time users will need to enter certain information and choose a Personal Identification Number before they are able to access their shareholding details.

Shareview dealing is also available to UK-based shareholders. This is a simple and convenient telephone and internet share purchase and sale service offered by the Registrars. For telephone purchases and sales call 0870 850 0852 between 8.30am and 4.30pm, Monday to Friday. For internet purchases and sales, log on to www.shareview.co.uk/dealing. A postal dealing service is also available from our Registrars and a form, together with terms and conditions, can be obtained by calling 0870 241 3934.

Annual General Meeting resolutions

The resolutions to be proposed at the Annual General Meeting to be held on 28 November 2007, together with explanatory notes, appear in the Notice of Annual General Meeting on pages 129 to 132. This is also available on the Company's website at www.wolseley.com.



On behalf of the Board

Charles P Watters

Group Company Secretary and General Counsel (Interim)
Wolseley plc, Registered No. 29846
Theale, Reading
24 September 2007

Directors' responsibility statement

The Directors are required by UK company law as adopted by the European Union to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss for that period.

The Directors consider that, in preparing the accounts, appropriate accounting policies have been used and applied consistently, supported by reasonable and prudent judgements and estimates; and the accounts have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and on the going concern basis. Applicable UK accounting standards have also been applied for the parent company accounts.

The Directors are also responsible for maintaining adequate accounting records which disclose with reasonable accuracy the financial position of the Company and the Group, which enable them to ensure that the financial statements comply with the UK Companies Act and Article 4 of the International Auditing Standards Regulation.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the wolseley.com website. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the UK governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud or other irregularities. The Directors, having prepared the financial statements, have permitted the auditors to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit opinion.