

Remuneration report

Including the statement of remuneration policy for the year ended 31 July 2007

The Board sets the Company's remuneration policy. The Remuneration Committee makes recommendations to the Board, within its agreed terms of reference (available on the Company's website, www.wolseley.com) on the Company's framework of executive remuneration and its cost. It also determines, with agreement with the Board, specific remuneration packages for each of the Executive Directors, the Chairman, the Company Secretary and members of the Executive Committee and Executive Committee Advisory Group. The Chairman and the Executive Directors of the Board determine the remuneration of the Non Executive Directors. The committee is also responsible for the Company's share incentive schemes for employees. The current members of the committee, all of whom are independent Non Executive Directors within the definition set out in the Code and the Revised Code, are set out on page 57 and the Company Secretary acts as its secretary. The committee has access to detailed external research on market data and trends from experienced independent consultants. Since 2003, the committee has sought external advice from New Bridge Street Consultants LLP and has in the past also been provided with advice by Mercer Human Resource Consulting. The Group Chief Executive, the Chairman and the Group HR Director are normally invited to attend the meetings of the committee to respond to specific questions raised by members of the committee. This specifically excludes such matters concerning the details of and any discussions relating to their own personal remuneration. The Chairman will join the committee on 31 October 2007.

The Company has followed the provisions of Schedules A and B of the Code and the Revised Code and has complied with the relevant provisions of the Companies Act 1985, as amended by the Directors' Remuneration Report Regulations 2002.

The Directors' report on remuneration has been received and adopted by shareholders at each of the Annual General Meetings held since 2003 and shareholders will again be invited to receive and adopt this report at the Annual General Meeting to be held on 28 November 2007.

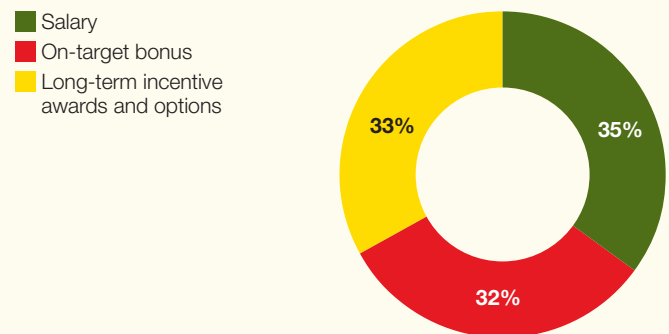
With the exception of the description of the performance bonus arrangements, service agreement details, performance graph, disclosure of remuneration to other senior executives, executive share ownership and external directorships, the information set out on pages 62 to 68 of this report represents the auditable disclosures referred to in the Auditors' report on page 111 as specified by the UK Listing Authority and under Schedule 7A of the Companies Act 1985.

Policy on remuneration of Executive Directors

The Company's policy continues to be to provide remuneration packages that fairly reward Executive Directors for the contribution they make to the business, having regard to the size and complexity of the Group's operations and the need to attract, retain and motivate executives of the highest quality. Remuneration packages comprise salary, performance bonuses, share options, long-term incentive awards, benefits in kind and retirement benefit provisions. The Company takes all of these individual elements fully into account in adopting a total approach to remuneration. None of the variable elements of remuneration are pensionable. Each of the packages incorporates performance related elements linking both individual and company performance and strikes a balance between short and long-term elements. These packages are designed to be broadly comparable with those offered by other similar international businesses and reflect competitive practices in the countries and markets in which the Executive Directors operate.

The policy is designed to incentivise the Executive Directors to meet the Company's financial and strategic objectives, such that a significant proportion of total remuneration is performance related. The committee considers that the targets set for the different elements of performance related remuneration are appropriate and demanding in the context of the Company's trading environment and the business challenges it faces. The following chart shows the average of total remuneration attributable to salary, target bonus and the estimated value of long-term incentive awards and executive share options granted during the financial year to Executive Directors in office at the date of this Report:

Breakdown of remuneration



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Salaries

Basic salaries are determined having regard to individual responsibility and performance and are benchmarked with market data which is derived from a group of companies selected on the basis of comparable size, geographic spread and business focus. Consideration is also given to general pay and employment conditions across the Group. The target salary is set at the median, with the opportunity to go above this level, subject to sustained individual performance. New appointments, and in particular internal promotions, will tend to move to the median over two to three years once their expertise and performance has been proven. The committee reviews the salaries of the Chairman and Executive Directors annually on 1 August, having sought the views of both the Chairman and the Group Chief Executive (other than in the case of their own salaries). The base salaries for the Chairman and Executive Directors for the financial year commencing on 1 August 2007 are as follows: J W Whybrow £350,000; C A S Hornsby \$1,450,000; R H Marchbank £480,000; F W Roach \$930,000; and S P Webster £540,000.

Benefits in kind

These principally comprise car benefits, healthcare insurance and, in the case of Messrs Hornsby, Marchbank and Webster, relocation and housing allowances following their relocations from the USA to the UK (Messrs Hornsby and Marchbank) and from Droitwich to Theale (Mr Webster), where the Company's head office is located. Mr Webster's housing allowance ceased with effect from 30 April 2007. In addition, to ensure that senior executives who are US citizens are not disadvantaged as a result of paying both UK and US taxes on their income, there is a mechanism of tax equalisation, which avoids the need to increase salaries to meet any additional tax burden.

Performance bonuses

Performance bonus arrangements for the Executive Directors are designed to encourage individual performance, corporate operating efficiencies and profitable growth. Stretching targets are set for each element of the bonus, determined by the committee each year, which also considers the levels of performance targets to be achieved for bonus payments to be made in the succeeding year. The annual bonus awards are based on a mix of demanding financial targets, derived from the Company's historic performance, annual long-term strategic business plan and annual budget, as well as market expectations. For 2006/07, performance was measured against annual targets of return on capital employed, working capital, Group profit before tax and, where relevant, profit before tax for the appropriate division which, in aggregate, accounted for 90 per cent of the potential bonus with the majority relating to the profit before tax targets. For 2007/08, performance will be measured by trading margin, cash flow and growth in earnings per share ('EPS'), reflecting key performance indicators in line with the Group's 'Earn, Turn, Grow' initiative. These elements will account for 80 per cent of the bonus with the balance depending on specific personal objectives set for each Executive Director.

The following percentages of base salary, which vary between Executive Directors depending on their particular responsibilities and spheres of influence, will be paid as bonus for the year ended 31 July 2007, subject to the achievement of the minimum, on-target and maximum levels of performance for each element (with the percentages increasing on a linear basis for achievement between each level):

	Percentage of base salary payable on achievement of:			Actual bonus paid for the year (% of salary)
	Minimum target	On-target	Maximum target	
F N Hord	80	120	160	24.2
C A S Hornsby	80	130	180	53.0
R H Marchbank	40	70	100	33.9
F W Roach	80	110	140	42.0
S P Webster	40	70	100	30.0

For the year ending 31 July 2008, the committee has determined that there will be no change from 2007 for the percentage of base salary payable as bonus for the achievement of minimum, on-target and maximum targets.

Emoluments

The emoluments for 2006 and 2007 of the Directors who served during the financial year are set out below:

Directors' remuneration	Salary & fees £000	Bonuses £000	Benefits £000	2007 Total £000	2006 Total £000
Chairman					
J W Whybrow	320	–	–	320	300
Executive Directors					
C A S Hornsby ¹	629	333	113	1,075	1,430
R H Marchbank ²	463	145	252	860	868
F W Roach ³	395	166	71	632	581
S P Webster ⁴	503	151	285	939	1,077
Non Executive Directors					
G Davis	65	–	–	65	58
A J Duff	67	–	–	67	58
J I K Murray	71	–	–	71	63
N M Stein	55	–	–	55	50
R M Walker	55	–	–	55	50
Former Director					
F N Hord ⁵	377	91	3	471	1,065
Total	3,000	886	724	4,610	5,600
Pensions to former Directors	–	–	–	314	327
Pension contributions to money purchase plans	–	–	–	284	414
Aggregate gains on exercise of share options	–	–	–	1,185	1,339
Total	–	–	–	1,783	2,080

Notes:

- £75,000 (2006: £0) of the figure for benefits relates to an annual housing allowance.
- £195,117 (2006: £185,080) of the figure for benefits relates to relocation from the USA to the UK.
- £40,452 (2006: £31,000) of the figure for benefits relates to life insurance which ceased from 1 August 2007.
- £19,589 (2006: £26,120) of the figure for benefits relates to relocation from Droitwich to Theale, which ceased from 30 April 2007. £59,390 of the figure for benefits relates to the grossed-up tax due on a payment made by the Company into the Funded Unapproved Retirement Benefits Plan ('FURBS') during the tax year to 5 April 2006. £177,559 of the figure for benefits relates to a cash supplement in lieu of payments into the FURBS.
- Mr Hord retired from the Board on 31 July 2007.

Other senior executives

There are a number of senior executives whose roles significantly influence the ability of the Group to meet its strategic objectives. They include non-Board members of the Executive Committee and members of the Executive Committee Advisory Group. The committee determines the level of remuneration for this group, based on proposals from the Group Chief Executive. Their total remuneration including salary, actual bonus and the fair value of long-term incentives granted/awarded during the year ended 31 July 2007 is summarised below:

Total remuneration 2006/07 £000	Number in band (2005/06 in brackets)
301 – 400	3 (0)
401 – 500	2 (2)
501 – 600	1 (1)
601 – 700	0 (0)
701 – 800	0 (3)
801 – 900	2 (0)

Service agreements

The Executive Directors have service agreements with Wolseley plc which are subject to a maximum of 12 months' notice of termination if given by the Company and six months' notice of termination if given by the Executive Director. Such notice periods reflect current market practice and the balance that should be struck between providing contractual protection to the Directors that is fair and the interests of shareholders. The Non Executive Directors do not have service agreements and their terms of service are contained in their respective letters of engagement. The date of each service agreement and the year in which each Executive Director was last elected or re-elected are noted in the table below. There are no provisions in any service agreement for early termination payments and, in the event of early termination of any service agreement, the committee will give full and proper consideration to mitigation, which should be taken into account when computing any compensation payable.

Name of Director	Date of service contract	Year of election/ re-election
C A S Hornsby	18 July 2003	2004
R H Marchbank	18 March 2005	2005
F W Roach	27 February 2006	2006
S P Webster	25 September 2002	2005

Long-term incentives

The Company currently operates a long-term incentive plan under the Wolseley plc 2002 Long Term Incentive Scheme ('2002 Scheme'), which was approved by shareholders in December 2002 and amended at the 2004 Annual General Meeting. The 2002 Scheme (as amended) provides for awards of ordinary shares in the capital of the Company, subject to the Company meeting total shareholder return ('TSR') targets over single three-year periods. All awards are made subject to the achievement of stretching performance conditions and TSR has been selected as the appropriate performance measure to more closely align the interests of the Executive Directors and senior executives with those of shareholders over the long term. The 2002 Scheme rewards the relative outperformance of the Company against a defined list of comparator companies. Calculations of TSR are independently carried out and verified before being approved by the committee.

The lists of comparator companies for awards made under the 2002 Scheme are based upon the constituent members of the FTSE 100 as at the respective dates of grant, excluding banks, telecommunications, IT and utility companies but together with CRH plc and Travis Perkins plc, which compete in the same sector as the Company. A similar group of companies will be selected for the 2007 awards under the 2002 Scheme.

The 2002 Scheme is discretionary. The committee's current policy is to make annual awards to the Group Chief Executive, Executive Directors and other senior executives. Awards are made in shares, save where there are material securities or tax law constraints in overseas jurisdictions where the scheme would be operated, in which case conditional awards in cash would be considered.

Details of the awards conditionally made to the Executive Directors in office during the year under the 2002 Scheme and outstanding at 31 July 2007 are shown in the table below:

Name of Director	Interests in shares held at 1 Aug 2006	Interests awarded during the year ¹	Interests in shares held at 31 Jul 2007 ²
F N Hord	74,190	31,099	105,289
C A S Hornsby	90,687	77,748	168,435
R H Marchbank	51,412	35,309	86,721
F W Roach	26,314	33,849	60,163
S P Webster	77,031	40,240	117,271

1. The share price on the date of grant of the award was 1250 pence per share.
2. The performance periods range from 1 August 2004 to 31 July 2009.

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The maximum amount that can be granted under the amended 2002 Scheme for each award is 200 per cent of base salary per annum; however, awards made to date have not exceeded 125 per cent, or 150 per cent in the case of the Group Chief Executive, of base salary. Each year the committee assesses the proportion of awards that should be made up of both share options and long-term incentive awards. It is the committee's intention that for the year ending 31 July 2008, awards are made to the Group Chief Executive of 150 per cent of salary with lower award levels for other Executive Directors. The vesting level for a maximum award under the 2002 Scheme requires performance to be in the upper decile. To better reflect market practice, shareholder approval was sought and received on 18 November 2004 so that 25 per cent of awards made from that date would vest for achievement of performance at the median, with a straight line percentage to vest between median and upper decile. Extant awards remain subject to the achievement of performance conditions following a participant's agreed retirement and vesting is determined at the end of the performance period.

The following table sets out the percentage of each award which has vested and the percentage of each extant award, had it vested on 31 July 2007:

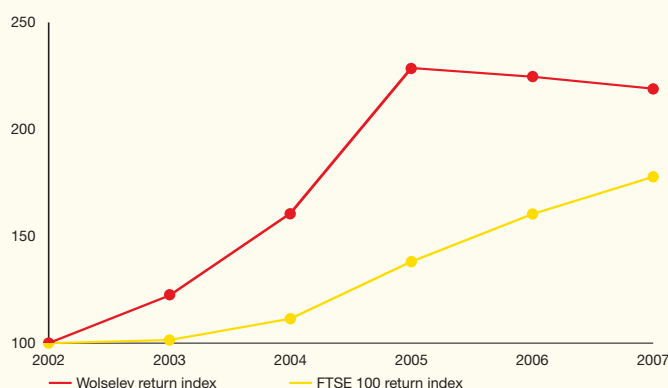
Year of award	Percentage vested on maturity or indicative vesting percentage based on performance as at 31 July 2007
2002	100% (vested 31 July 2005)
2003	34.5% (vested 31 July 2006)
2004	0% (at 31 July 2007)
2005	0% (performance after 24 months)
2006	0% (performance after 12 months)

The committee annually reviews whether grants under the 2002 Scheme should be subject to a financial performance underpin, in addition to the satisfaction of a TSR performance target. The committee decided that for the 2006 award, the continuing use of EPS as a performance target under the Wolseley Share Option Plan 2003 and the use of financial measures for the annual bonus plan provided an appropriate balance to the use of TSR within the 2002 Scheme. The committee has decided that future awards under the 2002 Scheme may, if deemed appropriate, be subject to performance criteria in addition to the current TSR targets and the committee will continue to monitor whether circumstances warrant the imposition of such additional criteria. The factors which the committee would consider relevant in making their decision include: a substantial drop in the Company's share price, the presence of significant bid speculation in the sector, the adoption of weaker targets for the TSR condition, or, a significant change in policy away from granting options to granting only long-term incentive awards.

Performance graph

The following graph shows the Company's TSR performance against the performance of the FTSE 100 Index over the five-year period to 31 July 2007. The FTSE 100 Index has been chosen as being a broad equity market index consisting of companies comparable in size and complexity to Wolseley.

Total return indices – Wolseley and FTSE 100



Executive share options

The Wolseley Share Option Plan 2003 ('2003 Plan') received shareholder approval at the Annual General Meeting held in November 2003. Consequently, no further options will be granted under the Executive Share Option Scheme 1984 ('1984 Scheme') nor under the Executive Share Option Scheme 1989 ('1989 Scheme') which are now closed. No options under any such scheme have or will be granted at a discount to the relevant middle market price at the time of grant and no option under any such scheme can be exercised unless performance conditions have been satisfied.

All employees and Executive Directors of the Company, its subsidiaries and joint ventures, are eligible to participate in the 2003 Plan. Participants are selected by the committee at its discretion. The committee considers annually the levels of grant, which are phased over time and they determine the size of each award at the time of grant based on individual performance, the ability of each individual to contribute to the achievement of the performance conditions and market levels of remuneration. Awards may not exceed an amount equal to five times salary for US-based executives and three times base salary for UK and other European-based executives, although the committee may, if it so determines, also use the five times salary limit in exceptional circumstances. It is the committee's intention that for the year ending 31 July 2008, awards will not exceed 225 per cent of base salary or 300 per cent in the case of the Group Chief Executive.

No options may be granted more than 10 years after the date on which the 2003 Plan was approved by the Company's shareholders and the committee will formally review the 2003 Plan by no later than November 2008.

The Company monitors awards made under the various employee and discretionary share plans, which it operates, in relation to their effect on dilution limits. Options are either satisfied by the issue of new shares or shares purchased in the market. In accordance with the recommendations of the Association of British Insurers ('ABI'), the number of new shares that may be issued to satisfy options

granted under the 2003 Plan and any other employee share scheme is restricted to 10 per cent of the issued ordinary share capital of the Company over any rolling 10 years. Further, as set out in the ABI principles and guidelines, the number of new shares that may be issued to satisfy executive options granted under the 2003 Plan and any other discretionary share scheme is restricted to 5 per cent of the issued ordinary share capital of the Company over any rolling 10 years. In addition, for US-based participants, the 2003 Plan will be restricted such that the aggregate number of shares for which options may be granted to such participants during the life of the 2003 Plan will not exceed 5 per cent of the issued ordinary share capital of the Company as at the date the 2003 Plan was approved by shareholders.

At 31 July 2007, awards had been granted resulting in shares being issued or capable of being issued during the preceding 10 years under all of the Company's employee share plans representing some 7 per cent of the issued ordinary share capital at that date and 4.12 per cent of the issued ordinary share capital under the Company's discretionary share plans.

During the year, an employee benefit trust purchased shares in the market in order to meet some of the Company's liability for grants made under the 2003 Plan and the 2002 Scheme. Details of the shares held in the employee benefit trust and the price paid for them are set out in note 28 to the accounts on page 103.

The extent to which the options will be capable of exercise depends on the satisfaction of a performance condition, based on achieving growth above UK inflation in the Company's EPS (as calculated under UK GAAP before goodwill amortisation and exceptional items), measured from the year ended immediately prior to grant.

The performance condition for options now granted under the 2003 Plan operates on the following sliding scale:

Multiple of salary worth of shares under option	Total margin over UK inflation after three years
First 100% of salary	9%
Second 100% of salary	12%
Next 50% of salary	15%
Greater than 250% of salary	15% to 21%

The performance of the Company is measured over three financial years, starting with the financial year in which the option grant takes place. For all grants made under the 2003 Plan on or after 5 November 2004 there is a single three-year performance period and, in the event that the performance conditions are not fully met on the third anniversary of the date of grant, the options will lapse. Provided the performance condition has been satisfied, an option may be exercised at any time until it lapses, 10 years from the date of grant. No amount is payable on the grant of an option.

The committee can set different EPS targets from those described above for future options, provided that the new conditions are no less challenging in the circumstances than the initial ones. Similarly, the committee can vary the terms of existing options to take account of technical changes, for example, changes in accounting standards. The amended target will be materially no less challenging as a result of any such change. The committee continues to believe that the EPS condition is appropriate for share options, as it requires substantial improvement in the Company's underlying financial performance and complements the inherent requirement for share price growth for an option to have value.

Following the introduction of International Financial Reporting Standards ('IFRS'), the Group now reports results on this basis. EPS calculated under the IFRS basis will be utilised to measure performance in respect of options granted since 2005 but EPS and, to the extent required, return on capital employed, will be calculated on as near a UK GAAP basis as possible in respect of options granted prior to 2005 under which performance is still required to be measured in order to assess whether options have vested.

The following table shows the number of share options held by Directors in office during the year under the executive share option schemes as at 31 July 2007.

Executive share option schemes 2006/07

Name of Director	Subscription price (p)	Options exercisable between	Options at 31 July 2007	Options at 1 August 2006
F N Hord	349.75	20.10.03 – 19.10.10	–	40,000
	467.00	12.11.04 – 11.11.11	75,000	75,000
	543.00	04.11.05 – 03.11.12	60,000	60,000
	743.00	27.11.06 – 26.11.13	65,037	65,037
	949.00	04.11.07 – 03.11.14 ^(c)	78,162	78,162
	1185.00	03.11.08 – 02.11.15 ^(c)	68,474	68,474
	1201.00	02.11.09 – 01.11.16 ^(c)	66,161	–
C A S Hornsby	743.00	27.11.06 – 26.11.13	–	101,871
	949.00	04.11.07 – 03.11.14 ^(c)	101,321	101,321
	1185.00	03.11.08 – 02.11.15 ^(c)	117,179	117,179
	1201.00	02.11.09 – 01.11.16 ^(c)	165,402	–
R H Marchbank	467.00	12.11.04 – 11.11.11	30,000	30,000
	543.00	04.11.05 – 03.11.12	30,000	30,000
	743.00	27.11.06 – 26.11.13	30,000	30,000
	949.00	04.11.07 – 03.11.14 ^(c)	34,195	34,195
	1100.00	21.03.08 – 20.03.15 ^(c)	50,000	50,000
	1185.00	03.11.08 – 02.11.15 ^(c)	62,869	62,869
	1201.00	02.11.09 – 01.11.16 ^(c)	75,117	–
F W Roach	543.00	04.11.05 – 03.11.12	13,161	25,000
	743.00	27.11.06 – 26.11.13	30,000	30,000
	949.00	04.11.07 – 03.11.14 ^(c)	21,711	21,711
	1185.00	03.11.08 – 02.11.15 ^(c)	27,341	27,341
	1281.00	18.01.09 – 17.01.16 ^(c)	50,000	50,000
	1201.00	02.11.09 – 01.11.16 ^(c)	72,012	–
S P Webster	483.50	12.12.00 – 11.12.07	4,550	7,000
	381.00	13.11.01 – 12.11.08	3,250	5,000
	397.00	21.10.02 – 20.10.09	10,000	22,000
	349.75	23.10.03 – 22.10.10	50,000	50,000
	467.00	13.11.04 – 12.11.11	75,000	75,000
	543.00	05.11.05 – 04.11.12	80,000	80,000
	743.00	28.11.06 – 27.11.13	90,679	90,679
	949.00	05.11.07 – 04.11.14 ^(c)	79,293	79,293
	1185.00	04.11.08 – 03.11.15 ^(c)	90,189	90,189
	1201.00	03.11.09 – 02.11.16 ^(c)	94,233	–

Notes:

- The highest mid-market price of the Company's ordinary shares during the year was 1407 pence and the lowest was 1061 pence. The price on 31 July 2007 was 1083 pence.
- The performance conditions for option awards under the 1984 and 1989 Schemes granted in, and subsequent to, December 1997 may not be exercised unless growth in EPS over a period of three consecutive financial years exceeds growth in the UK Retail Prices Index over the same period by at least 9 per cent. The number of options exercisable for Executive Directors under the 1984 and 1989 Schemes are, in addition, determined by the return on capital employed achieved over the same rolling three-year period. For options granted in 1997 and 1998, achieving a return on capital employed of 15 per cent per annum will enable 50 per cent of options granted to become exercisable, rising on a sliding scale to 100 per cent for achieving a return on capital employed of 20 per cent or more. With effect from October 1999 the return on capital employed required to permit exercise of 100 per cent of options granted was reduced from 20 per cent to 17.5 per cent and the sliding scale was adjusted accordingly.
- Options exercisable subject to meeting performance targets.

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Savings related share option schemes

The UK- and US-based Executive Directors may, along with all eligible employees, also participate in the UK Savings Related Share Option Scheme ('SRSOS') and the Employee Share Purchase Plan ('ESPP') respectively. Under the SRSOS, participants who enter into a savings contract for three, five or seven years, to a maximum level of £250 per month, are granted options to subscribe for shares in the Company. Under the ESPP, a US Code 423 Plan, US participants may enter into a one-year savings contract to a maximum level of \$400 per month. The Board may determine that the options granted under either scheme may be awarded at a discount. The maximum discount, as applied to the 2007 awards, is 20 per cent for the SRSOS and 15 per cent for the ESPP of the average market prices used to determine the price of the award. The following table sets out the number of share options held under the SRSOS and ESPP by the Executive Directors.

Savings related share option schemes 2006/07

Name of Director	Subscription price (pence)	Options exercisable on or between	Options at 31 July 2007	Options at 1 August 2006 (or date of appointment)
F N Hord	1236.00	01.05.07 – 21.05.07	–	222
	1038.00	01.05.08 – 19.05.08	235	–
C A S Hornsby	1236.00	01.05.07 – 21.05.07	–	222
	1038.00	01.05.08 – 19.05.08	235	–
	977.00	01.06.10 – 30.11.10	967	–
R H Marchbank	1164.00	01.06.09 – 30.11.09	803	803
	1038.00	01.05.08 – 19.05.08	235	–
F W Roach	1236.00	01.05.07 – 21.05.07	–	222
	1038.00	01.05.08 – 19.05.08	235	–
S P Webster	1164.00	01.06.09 – 30.11.09	803	803

Gains made on all share options during the year to 31 July 2007

Name of Director	Option prices							Total options exercised	Value realisable 2007 £000	Value realisable 2006 £000
	349.75p	381p	397p	483.5p	543p	743p	1236p			
F N Hord	40,000 ^(b)						196 ^(e)	40,196	389	87
C A S Hornsby						101,871 ^(d)	196 ^(e)	102,067	564	782
F W Roach					11,839 ^(a)		196 ^(e)	12,035	84	1
S P Webster		1,750 ^(c)	12,000 ^(c)	2,450 ^(c)				16,200	148	220

Date of exercise	Closing market price on date of exercise (pence)
(a) 18 December 2006	1249
(b) 18 January 2007	1323
(c) 29 January 2007	1321
(d) 15 January 2007 (62,948 shares)	1324
07 June 2007 (38,923 shares)	1252
(e) 17 May 2007	1297

The value realisable from gains made on share options is the difference between the closing market price on the date of exercise and the original option price before any relevant tax deductions, although in most cases, some or all of the shares have been retained by the relevant Director.

The total number of options exercised in May 2007 by each of Messrs Hord, Hornsby and Roach under the ESPP was reduced by 26 (which lapsed) from the total of 222 as listed at 1 August 2006, due to exchange rate fluctuations.

Pensions

Mr Webster, a UK citizen, participates in the Wolseley Group Retirement Benefits Plan (the 'Plan'). The Plan is a defined benefit scheme and provides benefits based on final pensionable salaries. The Company makes contributions to the Plan based on the recommendation of the Plan actuary. Bonuses payable to Executive Directors are not pensionable. Mr Webster currently contributes 8 per cent per annum of his pensionable salary to the Plan.

The Finance Act 1989 introduced an earnings cap (the 'Cap') for employees joining the Plan after 31 May 1989. This has the effect of limiting the amount of an employee's salary that can be pensioned through a tax approved pension scheme. A Plan specific earnings cap was introduced as a result of changes introduced by the Finance Act 2004, effective 6 April 2006, when the Cap was prospectively abolished. The current Plan specific annual limit, to which Mr Webster is subject, is £112,800. The Company previously agreed to provide Mr Webster with benefits which are broadly comparable with those that would have applied under the Plan had the Cap not been introduced, which were provided for by payments into a Funded Unapproved Retirement Benefits Scheme ('FURBS'). Following the introduction of the Finance Act 2004, the FURBS was no longer a tax efficient vehicle to fund pension benefits. Accordingly, since 6 April 2006, Mr Webster's benefits have been provided through the Plan and through a cash supplement which, together, are broadly comparable to those to which he would previously have been entitled. No further monies have been paid into the FURBS.

Additionally, the Finance Act 1989 capped life assurance payable through a registered pension scheme in respect of such executives. Mr Webster receives life cover up to the HM Revenue & Customs' Lifetime Allowance under the Plan. A separate insurance policy, paid for by the Company, has been taken out to cover the excess above the Lifetime Allowance. The amount charged to the profit and loss account during the year in respect of his future obligation was £1,256 (2006: £2,988).

Messrs Hornsby, Marchbank and Roach, who are US citizens, participate in the defined contribution pension arrangements of Ferguson Enterprises, Inc. Messrs Marchbank and Roach received contributions at the level of 23 per cent of their base salary and Mr Hornsby at a level of 20 per cent. Bonus ceased to be included in the calculation of pension contributions from 1 August 2006.

Mr Hord, also a US citizen, participated in the qualified defined contribution plan of Stock Building Supply, Inc. Mr Hord's pensionable earnings included his bonus up to a maximum of \$742,400 as agreed when the bonus scheme was introduced

in order to preserve his pension entitlement at that time. Mr Hord was also a member of a US non-qualified defined benefit plan and he elected to receive a cash lump sum payment, in lieu of the 20 year instalments, at his retirement.

The following table shows those Executive Directors participating in defined contribution pension plans and the cost of the Group's contributions thereto:

Pensions: defined contribution plans	2007 £000	2006 £000
F N Hord	4	5
C A S Hornsby	126	99
R H Marchbank	99	107
F W Roach	91	52

A US subsidiary undertaking has a commitment to a former Director, who is a US citizen, to pay a joint survivor pension of \$300,000 per annum for 15 years from 1 August 1993. The net present value of the future obligation at 31 July 2007 was £149,479 (2006: £298,000), which has been charged in prior years' accounts.

Additionally, Brossette, a French subsidiary undertaking, has a commitment to a former Director, who is a French citizen, to pay an annual pension of €225,597 (2006: €221,833), with a widow's entitlement of 60 per cent, subject to an annual increase based on the agreed French pension index. The full actuarial cost of this arrangement was provided in previous years as part of Brossette's ongoing pension obligations. The Company is guarantor of this future pension commitment which at 31 July 2007 was approximately £2.2 million (2006: £2.3 million).

The following table shows the Executive Directors in office on 31 July 2007 who participated during the year in the Group's defined benefit schemes and the amount of benefit accrued at the end of the year as if the Director had left service on 31 July 2007, the change in accrued benefit over the year, the transfer value at both the beginning and end of the year as well as the change in the transfer value over the year as required by the Directors' Remuneration Report Regulations 2002. The increase in transfer value figures represents an obligation on the pension fund or the Company – they are not sums due or paid to the Director. The Listing Rules of the UK Listing Authority require additional disclosure of the change in accrued benefit net of inflation and the transfer value of this change. These pension liabilities are calculated using the cash equivalent transfer value method prescribed in the Listing Rules.

Pensions

	Directors' Remuneration Report Regulations 2002						Listing Rules		
	Age at 31 July 2007	Pension accumulated 2007 £000	Increase in pension 2007 £000	Transfer value		Increase/ (decrease) in transfer value 2007 (excluding member contributions) £000	Pension accumulated 2007 £000	Increase in pension 2007 (net of revaluation) £000	Transfer value of the increase/ (decrease) 2007 (excluding member contributions) £000
				2007 £000	2006 £000				
F N Hord ^(a)	60	359	60	4,629	4,518	483	359	47	602
S P Webster	54	49	6	722	634	80	49	4	51

(a) Mr Hord elected to have this fund transferred to him shortly following his retirement on 31 July 2007.

Remuneration report

Including the statement of remuneration policy for the year ended 31 July 2007

External directorships

Executive Directors are encouraged to take on not more than one external non executive directorship on a non-competitor board, as the committee believes there are significant benefits to be achieved to both the Company and the individual. In order to avoid any conflict of interest, all appointments are subject to the Board's approval. Executive Directors may retain payments received in respect of these appointments. Mr Hornsby is a Non Executive Director of Virginia Company Bank for which he received no fees during the year; he received 3,000 stock options at \$10 each on appointment in 2006. Mr Hord is a Non Executive Director of Investors Management Corporation for which the annual rate of his fees was \$19,500 (2006: \$22,000). Mr Webster is a Non Executive Director of Bradford and Bingley plc, for which the annual rate of his fees is £70,000 (2006: £60,000).

Executive share ownership

A share ownership programme was introduced with effect from 1 August 2004. It is designed to encourage all Directors and members of the Executive Committee to build up a shareholding with a value of 1.5 times annual base salary for the Group Chief Executive; 1 times annual base salary for all other Executive Directors; 1 times annual fees for all Non Executive Directors, including the Chairman; and 0.5 times annual base salary for all Executive Committee members. For Executive Directors and members of the Executive Committee this may be achieved by retaining shares received as a result of participating in a Company share plan, other than the shares sold to finance option exercises, or to pay a National Insurance or income tax liability or overseas equivalent. The programme specifically excludes the need for executives to make a personal investment should awards not vest. Normally these levels of shareholding should be expected to be achieved within three to five years from the time the individual is included in the programme. The committee has reviewed and noted the progress which has been made towards meeting these targets during the year. Directors' current shareholdings are set out on page 53.

Policy on remuneration of Non Executive Directors

The remuneration of Non Executive Directors during the year under review was made up of a basic fee and an additional fee where a Non Executive Director acts as chairman of either the Audit or Remuneration Committees and for the Director nominated as Senior Independent Director. Fees are reviewed from time to time by the Chairman and the Executive Directors of the Board. The Non Executive Directors have letters of engagement rather than service contracts and do not participate in any incentive plan, nor is any pension payable in respect of their services as Non Executive Directors. The Board's policy is that Non Executive Directors are normally appointed for an initial term of three years, which is then reviewed and extended for a further three-year period. Appointments may, however, be terminated upon six months' notice. There are no provisions for compensation in the event of termination. The terms and conditions of appointment of the Non Executive Directors are available for inspection at the Company's registered office during normal business hours and at the Annual General Meeting.

The Board of Directors of Wolseley plc has approved this Remuneration report.



On behalf of the Board
Andrew J Duff
Chairman of the Remuneration Committee
24 September 2007