

Staying ahead

An international group committed to improving performance

Whilst we continued our record of substantial organic growth, especially in the US, we also recorded our highest-ever spend on acquisitions in 2005/6. Added to this, shortly before the financial year closed, we agreed to buy, subject to competition approval, DT Group, the Nordic region's leading distributor of building materials. The Board is delighted with this acquisition, particularly as it demonstrates our clear commitment to the European business while also delivering an excellent balance between our operations in North America and Europe.

There has been a marked shift in the characteristics of the Group in recent years. Wolseley is now a genuinely international company, with leadership from the corporate centre complemented by talented management throughout the European and North American organisations, ably supported by high quality teams in the operating companies.

Organisational culture has evolved to reflect the Group's increasingly international position. Today, our managers across the world identify with the Wolseley name. They remain committed to improving the performance of their own operating companies, but they also recognise the opportunities available internationally.

We now, therefore, have a Group where the sum of the parts is truly greater than the individual components. We have established significant leadership capabilities both centrally and regionally in areas such as IT, Procurement, Human Resources, Mergers & Acquisitions and Strategy, supporting not only our ongoing businesses, but also increasing our capability to add value to acquisitions going forward.

Further, two successful debt issues confirmed Wolseley's status as a soundly financed, well-respected international group. In November 2005, the Group completed the largest ever US\$ Private Placement, followed by a bank syndication in May 2006 which was heavily over-subscribed by Wolseley's relationship banks.

Dividend

With our earnings per share before intangibles rising 19.7% to 98.9 pence, the Board is recommending a final dividend of 19.55 pence, which represents a total dividend for the year of 29.4 pence. This is an increase of 11.4% over the total dividend paid last year.

The Board

The handover of Group Chief Executive responsibilities from Charlie Banks to Chip Hornsby proceeded to plan, with Chip being succeeded by Frank Roach as Chief Executive, North America. Frank joined the Board in December 2005 and has already made a significant contribution to our deliberations.

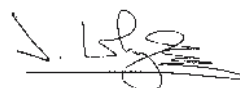
I would like to thank Charlie Banks not only for the efficient handover but also for the leadership, experience and good humour he displayed throughout his five years as Group Chief Executive. Charlie made a major contribution to the Group and during his time at the helm we witnessed a marked change in management mindset to a more international perspective. We saw Group sales rise by 96.8% and the share price by 144%. I, and the whole Board, wish him every happiness in retirement.

Chip Hornsby has made an excellent start as Group Chief Executive and I look forward to working closely with him in the coming years. He spent the first three months of this calendar year building on his already solid knowledge of our European businesses and the following three months acquainting himself with matters at the Corporate level.

As Chip makes clear elsewhere in this Report, Wolseley has delivered excellent performances over many years – but now it is time to encourage a step-change and to push forward to fully realise Wolseley's true potential.

In conclusion, I wish to thank our customers, suppliers, investors and debt providers for their unswerving support over the last year. But of course the year's achievements would not have been possible without the skills and unyielding commitment of more than 70,000 people and to each of them I extend our wholehearted thanks.

The Board looks ahead with confidence. The proven strategy we have followed in recent times will continue, sustaining our record of growth and business development. We have achieved a great deal, but there remains much to do. The Board is confident that Chip and his team will lead Wolseley to new and even greater heights.



John W Whybrow
Chairman