



NEWS RELEASE

Annual Financial Report

10/23/2015

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Wolseley PLC

23 October 2015

WOLSELEY PLC

(the "Company")

Publication Announcement: Annual Report and Accounts 2015 and Notice of Annual General Meeting 2015

Further to the release of the Company's full year results announcement on 29 September 2015, the Company announces that it has today published its Annual Report and Accounts 2015 ("**Annual Report 2015**"). The Company also announces that it has today posted to shareholders the Notice of Annual General Meeting to be held on Tuesday, 1 December 2015 (the "**Notice**").

The Annual General Meeting will take place at 3pm, Swiss time, on Tuesday, 1 December 2015 at Parkhotel, Industriestrasse 14, CH-6304 Zug, Switzerland with an audio-visual link proposed to be available at the offices of



Freshfields Bruckhaus Deringer LLP, 26-28 Tudor Street, London EC4Y 0BQ, United Kingdom at 2pm, UK time, on Tuesday, 1 December 2015.

In accordance with LR 9.6.1 copies of the documents listed below have been submitted to the National Storage Mechanism and will shortly be available for inspection at www.morningstar.co.uk/uk/nsm.

- Annual Report and Accounts 2015; and
- Notice of Annual General Meeting to be held on Tuesday, 1 December 2015.

In compliance with DTR 6.3.5(3) those documents can also be downloaded in pdf format from the Company's website at www.wolseley.com/index.asp?pageid=72 and from 23 October 2015 an online version of the Annual Report can be accessed at www.annualreport2015.wolseleyplc.com.

The expected timetable for the Dividend and Annual General Meeting are set out below:

	2015
Ordinary Shares marked ex-entitlement to the Dividend	22 October
Record date for entitlement to the Dividend	5.00pm (UK time) on 23 October
Latest time and date for election to participate in the DRIP for the Dividend	5.00pm (UK time) on 12 November
Latest time and date for receipt by the ADR Depository of completed voting instruction cards from holders of ADRs	3.00pm (New York time) on 23 November
Latest time and date for receipt of Forms of Proxy from shareholders	3.00pm on 29 November
Annual General Meeting	3.00pm on 1 December
Payment of the Dividend to shareholders	3 December
Purchase of Ordinary Shares for participants in the DRIP in respect of the Dividend	3 December
Ordinary Shares purchased pursuant to the DRIP in respect of the Dividend credited to CREST accounts	8 December

References to times in the above timetable are to Swiss time unless otherwise stated. If any of the above times and/or dates change, the revised times and/or dates will be notified to Shareholders by an announcement to a Regulatory Information Service. All definitions used in the Notice have the same meaning when used in this

announcement.

Annual Report 2015

A condensed set of Wolseley plc financial statements and information on important events that have occurred during the year and their impact on the financial statements were included in the Company's final results announcement on 29 September 2015. That information together with the information set out below which is extracted from the Annual Report 2015 constitute the requirements of DTR 6.3.5 which is to be communicated via an RIS in unedited full text. This announcement is not a substitute for reading the full Annual Report 2015. Page and note references in the text below refer to page numbers in the Annual Report 2015. To view the final results announcement, visit the Company website: www.wolseley.com.

Principal risks and uncertainties

The nature of the industry in which we operate and our chosen strategy expose the Group to a number of risks. There are areas of the Group's business where it is necessary to take proportionate and considered risks to maximise profitable growth and sustainable returns for shareholders. The Board has considered the nature and extent of the significant risks it is willing to take in achieving the Group's strategic objectives. The materialisation of these risks could have an adverse effect on the Group's results or financial condition. If more than one of these risks occur, the combined overall effect of such events may be compounded. Various mitigation strategies are employed to reduce these inherent risks to an acceptable level. The effectiveness of these mitigation strategies can change over time, for example with the acquisition or disposal of businesses. Some of these risks remain beyond the direct control of the Group. The risk management programme, including risk assessments, can therefore only provide reasonable but not absolute assurance that risks are managed to an acceptable level. Below are details of our principal risks and uncertainties and the mitigating activities in place to address them as included in the Annual Report 2015, and page references therein are references to pages of the Annual Report 2015. The Group faces many other risks which, although important and subject to regular review, have been assessed as less significant and are not listed here. These include, for example, changes in commodity prices, foreign exchange rates or employee retention and motivation. Financial risks and their management are summarised between pages 30 and 35 of the Annual Report 2015. Further information on Wolseley's "People Strategy" can be found on page 37 of the Annual Report 2015. Health and safety related risks are described on page 38 in the "Sustainability" section of the Annual Report 2015.

Pressure on margins

<p>Inherent risk level: High</p> <p>Trend: No change</p>	<p>Wolseley's ability to maintain attractive profit margins can be affected by a range of factors. These include levels of demand and competition in our markets, the arrival of new competitors with new business models, the flexibility of the Group's cost base, changes in the costs of commodities or goods purchased, customer or supplier consolidation or manufacturers shipping directly to customers.</p> <p>There is a risk that the Company may not identify or respond effectively to changes in these factors. If it fails to do so, the amount of profit generated by the Company could be significantly reduced.</p>	<p>Pressure on margins remained high during the period under review, primarily due to levels of competition. In Switzerland and Canada, these pressures were exacerbated by adverse foreign exchange rate movements and lower oil prices.</p> <p>In response, the Company has further consolidated leading positions in its markets through both acquisition and organic growth. Investments were also made in adjacent sectors offering higher margins. In total, investment in organic growth totalled £220 million in the year and 18 acquisitions were made.</p> <p>The Company disposed of its non-core wood treatment business in France, where it believed attractive margins were not available in the long term.</p> <p>Gross margins for the ongoing businesses improved by 10 basis points to 28.0 per cent during the year.</p>	<p>The Group's strategy for tackling this issue remains unchanged. This includes the following activities:</p> <ul style="list-style-type: none"> · The Company has a clear programme of work to implement new business models including the growth of e-commerce revenues. · Core business processes are subject to continuous monitoring and improvement, including customer service, pricing, sourcing, inventory management and credit control. · The performance of each business unit is closely monitored and corrective action taken when appropriate. Certain businesses may be exited if they cannot deliver attractive returns. · Disciplined acquisition procedures are in place to promote the effective identification, evaluation and integration of targets.
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New business models

<p>Inherent risk level: High</p> <p>Trend: Risk is rising</p>	<p>To respond to changing customer needs the Group is introducing new business models. This will involve the development of e-commerce and other new technologies, creating new routes to market and making improvements in core processes.</p> <p>The implementation of these models is now well underway in many of our key markets and will continue for several years.</p> <p>The Group must successfully implement these changes without disrupting existing operations.</p> <p>The Group's ability to successfully execute these changes will affect its ability to grow profitably in the future.</p>	<p>The inherent level of risk before mitigation has risen slightly as the pace of change within the USA, the UK and the Nordic region has increased.</p> <p>Close attention is paid to the execution of these programmes at all levels of the organisation.</p> <p>The prioritisation of existing projects was reviewed in 2015 and additional resource and focus was devoted as appropriate, to ensure the increased level of change is managed effectively.</p>	<p>Each business unit has a clear strategy for continuously developing its business model and a defined programme of work to execute the strategy.</p> <p>Programmes of work are scoped, resourced and implemented locally, according to customers' needs and market conditions. Businesses undergoing the greatest change have dedicated programme and change management capability with associated KPIs.</p> <p>The Board reviews progress during regular updates from the Group Chief Executive and as part of its six-monthly review of principal risks.</p> <p>The Group Chief Executive and Chief Financial Officer discuss progress with each business unit during regular performance reviews.</p>
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Market conditions and growth

<p>Inherent risk level: High</p> <p>Trend: Risk is falling</p>	<p>Market conditions in some of the Company's markets outside of the USA remain suppressed. Until higher levels of growth and profitability are achieved in these markets, the Group is increasingly reliant on growth in the USA to drive its overall performance. A material issue in the USA could therefore affect the Group's results more than in the past.</p>	<p>The risk has reduced slightly as market conditions have improved in some of the Group's European businesses. However the risk remains high.</p> <p>Investments in customer service, product availability and productivity improvements have continued.</p> <p>The Group continued to successfully</p>	<p>The Group cannot control market conditions but believes it has effective measures in place to respond to changes. Wolseley continues to reinforce existing measures in place, including:</p> <ul style="list-style-type: none"> · the development of our business model; · cost control, pricing and gross
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	<p>Some of these factors are out of the Group's control and are difficult to forecast.</p>	<p>The Group continues to successfully grow its e-commerce revenues both organically and by acquisition. For example, during the year the Group acquired the online retailer BathEmpire.com.</p> <p>Other routes to market were enhanced, including improved showrooms and call centre capability.</p>	<p>margin management initiatives, including a focus on customer service and productivity improvement;</p> <ul style="list-style-type: none"> · planning, budgeting and forecasting processes; · maintenance of a strong balance sheet; · resource allocation processes; and · capital expenditure controls and procedures.
<p>Information security</p> <p>Inherent risk level: High/medium</p> <p>Trend: Risk is rising</p>	<p>Technology systems and data are fundamental to the future growth and success of the Group. These digital assets are threatened by increasingly sophisticated security threats, including hacking, viruses, "phishing" or inadvertent errors.</p> <p>Data breaches in our industry sector and others indicate that such events are highly likely and difficult to prevent.</p> <p>Sensitive employee, customer or other data may be stolen and distributed or used illegally, leading to increased operating costs, litigation and fines or penalties.</p> <p>The technology systems on which our branches, distribution centres and e-commerce businesses rely may be disrupted for several hours or days. As a result, Wolseley could forego revenue or profit margins as we are unable to trade.</p>	<p>The risk has continued to increase as a greater proportion of the Group's revenue is derived from e-commerce channels. The level and sophistication of IT security threats is constantly developing.</p> <p>For the first time, major data breaches were reported in Wolseley's industry sector.</p> <p>The Group is undertaking a number of improvement programmes to address this risk. These include improving security awareness amongst employees and enhancing data ownership and classification. Technical IT projects are in progress to deliver enhancements to the Group's digital security systems and infrastructure.</p> <p>Briefings on this topic have been provided to the Board and the Executive Committee.</p>	<p>The Group operates an IT governance framework including a set of dedicated IT policies, procedures and standards aligned to known security and operational risks. These include behavioural procedures for employees and technical controls for IT systems. These are reviewed annually and are subject to continuous improvement.</p> <p>Certain of these controls are tested by business units, by the Group IT function and by Internal Audit. External specialists are also employed as appropriate to test the security of our technology systems, e.g. penetration tests.</p> <p>Core IT systems and data centres for the Group's material businesses, including the Group's principal e-commerce businesses, have documented disaster recovery plans which are tested annually. Crisis management and communications plans are regularly updated.</p> <p>Insurance coverage is in place, including coverage for "cyber" risks.</p>
<p>Litigation</p> <p>Inherent risk level: Medium/high</p> <p>Trend: No change</p>	<p>The international nature of Wolseley's operations exposes it to the potential for litigation from third parties, and such exposure is considered to be greater in the USA than in Europe.</p> <p>Wolseley's people, its product ranges and the terms it negotiates with its suppliers are fundamental to securing the profitable growth of the Group. Equally, it is in these areas where the potential risk of litigation may be greatest.</p> <p>Acquisitions and disposals and the restructuring of underperforming businesses may also give rise to litigation.</p> <p>For more information on specific litigation affecting the Group, see</p>	<p>During the year, there has been no material change in the level of litigation to which the Group is exposed.</p> <p>The level of contractual protection afforded to the Company under product- and employee-related contracts has improved during the year.</p> <p>A review of policies and procedures relating to product liability was undertaken in 2015 and the findings were reported to the Board. Improvements are being implemented.</p> <p>HR policies and procedures in the USA and elsewhere have also been updated to minimise the risks of litigation.</p>	<p>Contracting procedures are continuously reviewed and improved against a "good practice" framework used by all Wolseley businesses.</p> <p>Levels of litigation are monitored by individual operating companies. A monthly report of potential exposures and current litigation is submitted by all businesses and reviewed by the Group General Counsel.</p> <p>The Group periodically re-assesses the level of product-related risk in all business units. Due diligence is conducted on products and suppliers considered to be high risk. Product testing is carried out in certain businesses supplying product to industrial customers.</p>

pages 109, 110, 132 and 144.

Contracting procedures are being reviewed in all businesses.

Internal audits have been undertaken in some businesses to test procedures and to review major contracts.

KPIs are used to measure the level of contractual and other protection.

In the case of claims related to exposure to asbestos, Wolseley continues to employ independent professional advisers to actuarially determine its potential gross liability. Wolseley has insurance which exceeds the current estimated liability relating to asbestos claims.

Government regulations

Inherent risk level: Medium/low
Trend: No change

The Group's operations are affected by various statutes, regulations and laws in the countries and markets in which it operates. The amount of such regulation and the penalties can change.

While the Group is not engaged in a highly regulated industry, it is subject to the laws governing businesses generally, including laws relating to competition, product safety, timber sourcing, data protection, labour and employment practices, accounting and tax standards, international trade, fraud, bribery and corruption, land usage, the environment, health and safety, transportation, payment terms and other matters.

Building codes or particular tax treatments may affect the products Wolseley's customers are allowed to use and, consequently, changes in these may affect the saleability of some Wolseley products.

Breach of any legal or regulatory requirement could result in significant fines and penalties, and damage to the Company's reputation.

There has been no major change in the level of regulation applying to the Company.

During the year, the Company reviewed its suite of Group-wide policies and procedures to ensure that they remained aligned to the Company's strategic objectives and its principal compliance requirements. Updates were made as required, including changes to the Group's Timber Sourcing and Trade Compliance and Sanctions policies.

The Group continues to review its data protection practices in anticipation of the forthcoming European Union General Data Protection Regulation.

Anti-bribery and anti-corruption practices in all businesses were reviewed during the year and the findings reported to the Executive and Audit Committees (on behalf of the Board). Improvements are being implemented.

Further information on the Company's ethics and compliance programme can be found on page 39.

The Group monitors regulations across its markets to ensure the effects of changes are minimised and the Company complies with all applicable regulation.

The Group's Code of Conduct sets out the behaviours expected of Wolseley employees. This includes clear statements that the Company does not permit bribery or the giving or receiving of improper gifts, that it does not tolerate fraud and that employees must comply with anti-trust laws.

Briefings and training on regulatory topics and compliance issues, including anti-trust, anti-fraud and anti-corruption are undertaken throughout Wolseley businesses.

The Group aligns Company-wide policies and procedures with its key compliance requirements and monitors their implementation.

Where appropriate, tests are conducted to ensure the Company would respond appropriately to a regulatory investigation.

Business continuity

Inherent risk level: Medium/low
Trend: No change

The continued operation of important physical assets, such as branches, showrooms, distribution centres and offices is threatened by natural and man-made perils. For example:

- some of the Group's physical assets are located in areas exposed to natural catastrophe risks, such as earthquakes, hurricanes or severe storms;
- the nature of our operations and the products we distribute can give rise to fire hazards;
- to optimise costs and supply chain efficiency, some companies within the Wolseley Group have also centralised their distribution network and are therefore reliant on a smaller number of larger distribution centres.

Improved management information on property loss controls at key sites has promoted the implementation of improved protection measures.

Property loss control engineers have inspected ten of the Group's most valuable sites. Recommendations for improvement are being implemented where material risks exist.

During the year, the Group disposed of its wood treatment subsidiary in France, which had greater fire and business continuity exposures than the core distribution business. This business had previously suffered above-average fire losses.

The loss of an important branch or distribution centre is naturally hedged by the diversified nature of our locations, customers and suppliers.

The Group has formally documented and tested business continuity plans for its major distribution centres, head office buildings and data centres where the risk is considered to be greatest. Contracts have been established with external companies providing immediate support in the event of a natural catastrophe or other incident.

In conjunction with our insurers, 10 to 15 of our highest value sites are audited each year to evaluate fire and other business continuity risks.

A comprehensive insurance programme is purchased, covering

property damage and business interruption risks.

The loss of a major site, such as a large distribution centre, could interrupt our business operations. This might lead to loss of revenue, increased operating costs and lower profit margins.

Directors' Responsibilities Statement

This statement is repeated here solely for the purpose of complying with DTR 6.3.5. This statement relates to and is extracted from the Annual Report 2015. It is not connected to the extracted information presented in this announcement or the preliminary results announcement released on 29 September 2015.

The Directors are responsible for preparing the Annual Report, the Strategic report, the Directors' Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations. The Directors have prepared the Strategic report, the Directors' Report and the Directors' Remuneration Report as if the Company were required to do so in accordance with the UK Companies Act 2006. Companies (Jersey) Law 1991 requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The Directors are also responsible for preparing the Company financial statements in accordance with United Kingdom Accounting Standards, and for being satisfied that the consolidated and Company financial statements give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the consolidated and Company financial statements respectively; and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the consolidated financial statements comply with the Companies (Jersey) Law 1991 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Jersey legislation and United Kingdom regulation, governing the preparation and dissemination of financial statements, may differ from legislation in other jurisdictions.

Each of the Directors confirm that, to the best of their knowledge:

- the Group consolidated financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group and the undertakings included in the consolidation taken as a whole; and
- the Strategic report and Directors' Report contained in this report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

In addition, having taken all matters considered by the Board and brought to the attention of the Board during the year into account, the Directors consider that the Company's 2014/15 Annual Report and Accounts, taken as a whole, presents a fair, balanced and understandable assessment of the Company's position and prospects and provides information necessary for shareholders to assess the Company's position and performance, business model and strategy.

The Directors of Wolseley plc as at the date of the Annual Report 2015 are as set out below:

Gareth Davis, Chairman*

Ian Meakins, Group Chief Executive

John Martin, Chief Financial Officer

Frank Roach, Chief Executive Officer, USA

Alan Murray, Senior Independent Director*

Tessa Bamford*

John Daly*

Pilar Lopez*

Darren Shapland*

Jacky Simmonds*

*Non Executive Director

For further information please contact

Wolseley plc

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Notes to editors

1. About Wolseley

Wolseley plc is the world's largest specialist trade distributor of plumbing and heating products to professional contractors and a leading supplier of building materials in North America, the UK and Continental Europe. Group revenue for the year ended 31 July 2015 was £13,300 million and trading profit was £857 million. Wolseley has approximately 38,500 employees, is listed on the London Stock Exchange (LSE: WOS) and is in the FTSE 100 index of listed companies. For more information, please visit www.wolseley.com or follow us on Twitter <https://twitter.com/wolseleyplc>.

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