

VIEWPOINT

TRUSTEES' REPORT FOR THE WOLSELEY GROUP DEFINED CONTRIBUTION PLAN

JANUARY 2011

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WOLSELEY



Chairman's welcome

Welcome to *Viewpoint*, the first annual newsletter for members of the Wolseley Group Defined Contribution Plan.



This newsletter tells you a little more about how the Plan is set up, who runs it and how your pension will build up in the Plan.

We would encourage you to consider whether you would like to become a Trustee. Further details are on page 10.

As a member of a defined contribution pension fund, the section on investments will be

of importance to you. Turn to page 5 to find out how the funds you have invested in have performed over the period to 31 July 2010 (which is the Plan's financial year-end). We have also highlighted some important issues for you to think about when deciding how to invest your account – but please remember that neither the Trustees nor your employer can give you specific advice on fund choices. If your circumstances or retirement expectations change, we recommend you seek

independent financial advice. We have provided details of how to find an independent financial adviser on page 7.

Please note that it is your responsibility to monitor the performance of your investments and check your account regularly against your own financial plans. You can access your account online, through BlackRock's website: www.blackrock.co.uk/pensions/wolseley. For more information on how to use this service, see page 8.

On a more general pensions note, we have had a change of Government bringing further changes affecting pensions. The situation as it stands at the moment is summarised on page 13.

I hope you find this newsletter an interesting and useful read. If you have any comments or questions, contact details are given on the back page.

Wayne Phelan
Chairman of the Trustees
Wolseley Group Defined Contribution Plan

Introducing your Plan

The Wolseley Group Defined Contribution Plan was set up for new employees from 1 June 2009, for members of Wolseley's existing Defined Contribution arrangements, who were given the option to transfer their benefits into the new Plan and for any employees who have been invited in writing by their employer to join the Plan.

The money that you and your employer ('Company') pay into the Plan is held entirely separately from the Company, in an account which is invested in funds made available through the Plan's administrator, BlackRock. These investments are held by BlackRock in a member account specific to you. When you come to draw your pension your investments will be used to provide an income.

The Plan is contracted-in to the State Second Pension, which means that you will build up entitlement to it while you are a member of the Plan. Contributions are payable through salary sacrifice, which under current legislation helps to reduce the amount of National Insurance you and the Company pay.

Role and responsibility of the Trustees

The Trustees are appointed to look after the interests of all members and beneficiaries under the Plan. The Plan's assets are under the control and ownership of the Trustees and are to

be used to secure benefits for the members of the Plan and their dependants in accordance with the Trust Deed and Rules. These documents are available for inspection by any Plan member on request to the Trustees, via the Pensions Team whose details are on the back page.

Three Trustees are appointed by the Company, and three are nominated by the members. (The latter are known as Member-Nominated Trustees.) Further on in this newsletter (page 10), there are details of a nomination and selection process which gives you the opportunity to nominate yourself or another member of the Plan to become a Member-Nominated Trustee. Enclosed with this newsletter is a form should you wish to do this.

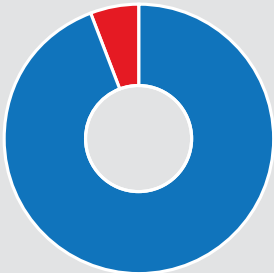
As the Plan is a Defined Contribution pension arrangement, it is the value of your own member account that will purchase your pension benefit on retirement.

- ***You receive an annual statement from the Plan's administrator showing the value of your member account as an estimated pension, based on statutory assumptions.***
- ***You should consider whether this will be sufficient for your retirement needs.***

Accounts

This page summarises the financial information contained in the full Report & Accounts, which have been audited by our independent auditor. Both the audit opinion on the accounts and the audit statement about contributions were unqualified. Copies of the full Report & Accounts are available on request from the Plan's administrator, BlackRock, at the address shown on the back page.

Who's in the Plan?



Membership of the Plan as at 31 July 2010:

Active members	969
Deferred members	58
Total	1,027

	£'000
Value of the Plan on 1 July 2009	000
Money in	
Employees' contributions (including AVCs)	63
Employers' contributions*	1,377
Transfers in	282
Life insurance receipts	296
Total income	2,018
Money out	
Lump sum payments on retirement	(1)
Purchase of annuities**	(3)
Payments to and on account of leavers	(46)
Death-in-service lump sums	(299)
Total expenditure	(349)
Other movements	
Increase in market value of investments	14
Net increase in fund during the year	1,683
Value of the Plan on 31 July 2010	1,683

* As employee pension contributions are paid via salary sacrifice, these are shown under Employers' contributions.

** Pension annuities are bought through an insurer in the member's name. Responsibility for payment of the pension passes to the member's chosen annuity provider.

Plan investments

You should by now have received your annual benefit statement and Statutory Money Purchase Illustration (SMPI) as at 31 July 2010, showing how much your account is worth and in which funds it was invested.

If you haven't received these please contact the Plan's administrator, BlackRock. Their details are given on the back page.

With the help of their professional investment advisers, the Trustees have chosen a range of four investment funds and one lifestyle option for members. (See box below.)

They believe that these offer an appropriate mix of investment styles and strategies, but they will regularly monitor the performance of the investment managers, and where necessary make changes to the range of funds on offer.

Managed by Legal & General Investment Management (LGIM)	Managed by BlackRock
Global Equity (50:50) Index Fund	Index-Linked Gilt Fund
Pre-Retirement Fund	Cash Fund

Legal & General

Legal & General Investment Management (LGIM) is one of the leading fund management groups in the UK. In total it manages £330 billion of assets, and is invested in around 5% of the UK stock market on behalf of its clients. www.lgim.com

BlackRock

BlackRock is a global asset management company, managing assets for clients in North and South America, Europe, Asia, Australia and the Middle East. BlackRock employs more than 8,500 professionals and maintains offices in 24 countries around the world. As of 31 March 2010, BlackRock's assets under management totalled £2.23 trillion. www.blackrock.co.uk

Investment performance*

The investment returns (after charges) were as follows:

	Fund (%)	Benchmark (%)
LGIM Global Equity (50:50) Index Fund	26.7	24.7
LGIM Pre-Retirement Fund	14.3	14.0
BlackRock Index-Linked Gilt Fund	6.1	6.4
BlackRock Cash Fund	0.6	0.4

* Investment performance for the 13 months from 1 July 2009 to 31 July 2010.

Is Lifestyling the right choice for you?

When you joined the Plan, you were given the choice of investing your contributions in four investment funds (as explained on page 5).

If you did not make a choice, the Trustees have invested your contributions for you in the default Lifestyle option.

Here is a reminder of how the Lifestyle option works:

- The Lifestyle option is based on Normal Pension Age of 65.
- Up until the age of 55, your contributions will be paid into the Global Equity (50:50) Index Fund. This is the Trustees' default investment fund.
- From age 55, your investments will be gradually switched out of the Global Equity (50:50) Index Fund and into less volatile fixed-interest investments (the Pre-Retirement Fund and Index-Linked Gilt Fund) and the Cash Fund.
- By the time you reach age 65, your account will be invested 75% in the Pre-Retirement Fund and Index-Linked Gilt Fund, and 25% in the Cash Fund.

Things to consider

The Lifestyle option aims to reduce the volatility in the stock markets on your pension, by switching your account over to less volatile investments such as bonds and cash in the 10 years before you retire.

The reduction in volatility will reduce the effect of any downturn in markets, but also if stock markets rise this can mean that your account will not be as large as it would otherwise have been.

You also need to consider – at what age do you want to retire? If you're planning to retire earlier than 65 – say age 55 – then consider that your account will still be invested in the higher-risk Global Equity (50:50) Index Fund at that point, which means it may not be protected against sudden investment falls just before you plan to retire.

These are all things to consider carefully. The Trustees have set up the Lifestyle option in a way they believe will work well for the majority of members of the Plan, but no single investment strategy can cater for all financial conditions. It is therefore recommended that you seek personal independent financial advice if you are unsure how you would like your pension savings to be invested.

Can I switch out of the Lifestyle option?

Yes, you can opt in or out of the Lifestyle option at any time. If you decide you would like to change how your contributions are invested, you can contact BlackRock, whose contact details are given on the last page of this newsletter.



Where can I get financial advice?

By law, no-one within Wolseley, nor the Trustees, can give you specific investment advice. You should not take any information or explanation that they give you as such. If you would like financial advice, you should speak to an independent financial adviser (IFA). You should bear in mind that an IFA may charge for any advice given.

You can use the website below to find an IFA in your area should you need one.

IFA Promotions: www.unbiased.co.uk

The Financial Services Authority also produces various guides. These are available on their website **www.moneymadeclear.fsa.gov.uk** under 'guides' or by calling 0845 606 1234.

Make your monies work for you

Make sure that you are making your monies work as hard as possible by keeping a check on how they are invested.

It is important to review your investment choices, as detailed previously.



The BlackRock website www.blackrock.co.uk/pensions/wolseley allows you to:

- Read detailed fund factsheets
- View the current investment fund values
- View the investment funds' performance records
- See how much you and your employer have paid into your account
- Switch funds and/or redirect contributions
- Submit queries or information directly and securely

- Link to the Pensions Regulator's useful booklet called 'Making your retirement choices - think before you choose'.

If you have any problems logging on or have any general questions about the website, you can contact the BlackRock helpline:

- phone: 0845 601 7720 (open 9am-5pm weekdays)
- email: uk.ops@blackrock.com

Trustees and advisers

Trustees

Wayne Phelan (Chairman and Independent Trustee,
representing PS Independent Trustees Limited)

Graham Middlemiss (Company-Appointed Trustee)

Russ Mitton (Member-Nominated Trustee)
Resigned 22 September 2010

James Stephenson (Company-Appointed Trustee)

The advisers to the Trustees are:

Administrator, AVC provider and investment manager:
BlackRock

Investment adviser:
Towers Watson

Banker:
HSBC Bank plc

Auditor:
Crowe Clark Whitehill LLP

The companies who participate in the Plan are:

Wolseley Limited

Wolseley UK Ltd

Wolseley Group Services Ltd

Bathstore.com Ltd

Encon Insulation Ltd

Gill Insulation Eastern Ltd

Gill Insulation Nottinghamshire Ltd

PFC Surechem Ltd

Pre-Formed Components Ltd

Wholesale Supplies (CI) Ltd

William Wilson Holdings Ltd

William Wilson Ltd

Member-Nominated Trustees

Would you like to volunteer to be a Trustee?

In November 2009, a nomination and selection process was run so that members could choose three Member-Nominated Trustees to help run the Plan, in addition to the three Company-Appointed Trustees.

There was only one applicant – Russ Mitton from Brandon Hire plc – and he was appointed as a Member-Nominated Trustee. However, with the sale of Brandon Hire plc by the Wolseley Group in September 2010, Russ was no longer eligible to serve in this role, and so there are currently three Member-Nominated Trustee vacancies on the Board.

If you are an active member, enclosed with this newsletter is a nomination form that you can use to nominate yourself or another member to become a Member-Nominated Trustee. Any active member of the Plan is eligible for nomination.

A nomination will require the support of two active members, i.e. members of the Plan who are still working for the Company. The individual being nominated must consent to being nominated.



Please note that we must have nomination forms back by **28 February 2011**. Any nominations received after this date will unfortunately not be considered.

Each Member-Nominated Trustee is appointed for a term of three years. On the expiration of this term, they may offer to stand for a further term.

Member-Nominated Trustees continued

What is the role of a Trustee?

The Trustees are responsible for ensuring that the Plan is administered in accordance with the Trust Deed and Rules and current laws governing the running of occupational pension schemes. They may be held personally liable if the legislation and guidance are not adhered to.

The Trustees are responsible for ensuring that the correct contributions are paid to the Plan and that the administrators pay the correct benefits. They also decide which investment funds are made available to members.

The Trustees hold meetings in order to manage the running of the Plan. There are usually between two and four meetings each year, although additional meetings may be required from time to time. Trustees are required to read the papers for each meeting in advance of the meeting.

Due to the importance of the role, legislation now requires Trustees to have sufficient levels of knowledge and understanding in order to fulfil their duties. Training will therefore be given to all Trustees in order to meet this requirement. However, Trustees are not required to be experts on pensions or investment matters and have access to expert advice from lawyers and investment consultants in order to help them carry out their duties.

You can find out more about the role of a Trustee on the Pension Regulator's website: www.thepensionsregulator.gov.uk/trustees/guidance/trusteelearning/index.aspx

What is the selection process?

Once the Trustee Board has received all nominations they will conduct a selection process, which will involve interviewing the shortlisted nominees. Members will be informed of the outcome of the selection process. (The Selection Board will include a member of the Plan.)

If there are insufficient nominees, or the Trustees consider that none of the nominees are suitable candidates, the positions will remain vacant.

If potential candidates would like more information on the role of a Member-Nominated Trustee, or if you have any queries regarding the nomination and selection processes, please contact Tina James at the following address:

Mrs Tina James, Secretary to the Trustees, Wolseley Group Defined Contribution Plan, c/o PSITL, Albion House, Fishponds Road, Wokingham RG41 2QE

Phone: 0118 912 2837 **Email:** Tina.James@psitl.com

Other helpful information

We need your Expression of Wish Form

The Trustees must decide who receives any money as a result of a lump sum payable on death. Currently, this allows the monies to be paid tax free. To help the Trustees decide, you should complete an expression of wish form to outline to whom you would like these monies to be paid. The Trustees will then take this into consideration together with reviewing who may be potential beneficiaries should the need arise.

You should make sure that your expression of wish form is kept up-to-date by completing a new form if your circumstances change. Additional copies are available on request to the Pensions Team at Ripon. Their contact details are on the back page.



State benefits

In addition to your pension from the Plan, you may be entitled to receive the Basic State Pension at State Pension Age.

You can apply for a forecast of your State Pension by either:

- Telephoning the State Pension Forecasting Team on 0845 3000 168
- By completing an Application for a State Pension Forecast Form (BR19), which can be obtained online at http://www.direct.gov.uk/en/Dio11/DoltOnline/DG_189931

However, please be aware that the forecast is based on the State Pension Age rules as they applied before the new Government took power (see page 13). Only once the new Government's proposed changes to State Pension Age become law, will the forecasting tool be updated.

Other helpful information continued

Early retirement

As a reminder, the Government changed the earliest date you could draw your pension from age 50 to age 55, with effect from 6 April 2010.

Government proposals affecting pensions

Earlier this year, the new Chancellor delivered his 'emergency budget' to tackle the UK's budget deficit and to restore confidence in the economy. Here's a reminder of some of the key points that may affect pensions, if the proposals are passed into law.

1. An end to compulsory annuities

With effect from April 2011 people with defined contribution retirement savings will no longer be compelled to buy an annuity with their pension pot by the age of 75. An interim measure has been introduced to increase the maximum age to buy an annuity from 75 to 77 for those retiring before April 2011.

2. Higher-rate pensions tax relief

The new Government has announced it will not be implementing the previous government's proposed 'high earner'

approach to tax relief (whereby tax relief on pension contributions would have dropped from 40% to 20% for people earning above £150,000 a year).

Following a period of consultation, it has now issued a policy statement setting out how the pensions tax regime will work from April 2011. It will continue to operate using the same broad principles as introduced in 2006, however, the two key limits will be reduced as follows:

- the Annual Allowance (the maximum amount of tax-exempt pension savings that you can build up in any tax year) will be reduced from £255,000 to £50,000 from April 2011; and
- the Lifetime Allowance (an overall lifetime limit on your tax-exempt pension savings) will be reduced from £1.8m to £1.5m from April 2012.

3. State Pension Age

Before the summer, the Government launched a review on increasing the State Pension Age to age 66. The State Pension Age is the earliest age you can draw your State Pension. In the October Spending Review, the Chancellor announced that the previous government's planned rise in State Pension Age for men and women will be brought forward from 2026 to 2020.

Other helpful information continued

This will involve a gradual increase in the State Pension Age from 65 to 66, starting in 2018. It will also mean an acceleration of the increase in the women's State Pension Age (from 60 to 65), which has been under way since April this year.

It is anticipated that the planned rise in the State Pension Age to 67 and 68 will also be brought forward, but we will keep you informed of further developments.

4. Basic State Pensions linked to earnings

From April 2011, the link to earnings for the Basic State Pension will be restored as part of a 'triple guarantee'. Each year the Basic State Pension will be increased by the higher of price inflation, earnings inflation and 2.5%.

5. Default retirement age

The Government will also consult on phasing out the default retirement age of 65 so that those who want to work past age 65 are able to do so. The Trustees and the Company will advise members if there are any changes to the Wolseley Group Defined Contribution Plan as a result.



Other helpful information continued



Pension Input Period

The period over which the Annual Allowance is measured is called the Pension Input Period and the trustees of pension schemes are able to choose the Pension Input Period that applies. This is then used to determine if the Annual Allowance has been exceeded. Your Trustees have chosen to use the year ended 31 July as this ties in with the Scheme year and when benefit statements are issued.

The Trustees have nominated the Pension Input Period. You cannot change the Pension Input Period as an individual once the Trustees have communicated this to you.

The Annual Allowance represents the maximum amount of pension savings across all schemes that can be built up each year and be eligible for tax relief. The Annual Allowance for 2011/12 is £50,000. In the event that you have built up significant pension benefits or have paid significant contributions, you may need to obtain advice in respect of the limits that apply in your own personal circumstances.

Contact us

Plan Administrators

If you would like further information about the Plan and your benefits, contact the administrators, BlackRock, at:

BlackRock Pensions Administration Centre

PO Box 74
Peterborough
PE1 1WL

Helpline telephone number: 0845 601 7720
(open 9am-5pm weekdays)

Fax: 01733 353 699

Email: uk.ops@blackrock.com

Website: www.blackrock.co.uk/pensions/wolseley

Pensions Team

Email: benefits.hr@wolseley.co.uk

Telephone: 0800 1699 237

Address:

The Pensions Team
Wolseley UK Ltd
PO Box 21
Boroughbridge Road
Ripon
North Yorkshire HG4 1SL

If you are an active member, you can download Plan documents from the Group intranet.