

This Prospectus comprises a prospectus relating to New Ferguson, a company incorporated in Jersey with registration number 128484 and having its registered office at 26 New Street, St. Helier, Jersey JE2 3RA, Channel Islands, prepared in accordance with the Prospectus Rules of the Financial Conduct Authority (“FCA”) made under section 73A of FSMA. This Prospectus has been approved by the FCA in accordance with section 87A of FSMA, and has been filed with the FCA in accordance with the Prospectus Rules. This Prospectus together with the documents incorporated into it by reference (as set out in Part VIII (“Documents Incorporated by Reference”) of this Prospectus) will be made available to the public in accordance with Prospectus Rule 3.2.1 by the same being made available, free of charge, at www.fergusonplc.com and at New Ferguson’s principal place of business being 1020 Eskdale Road, Winnersh Triangle, Wokingham RG41 5TS, United Kingdom.

This Prospectus has been prepared in connection with a scheme of arrangement (the “Scheme”) pursuant to Article 125 of the Companies (Jersey) Law 1991, as amended (the “Jersey Companies Law”), to introduce a new, Jersey-incorporated holding company, New Ferguson, above Old Ferguson and its subsidiaries, and has been prepared on the assumption that the Scheme will become effective in accordance with its current terms. A summary of the Scheme and related proposals are set out in Part I (“The Scheme and Related Proposals”) of this Prospectus. You should read this Prospectus and any documents incorporated herein by reference in their entirety including, in particular, the risk factors set out below under the heading “Risk Factors” in this Prospectus.

The distribution of this Prospectus and the transfer of New Ferguson Shares in or into jurisdictions other than the UK or Jersey may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws or regulations of such jurisdictions. In particular, subject to certain exceptions, this Prospectus, and any other such documents should not be distributed, forwarded to or transmitted into the Restricted Territories or the Excluded Territories.

FERGUSON

Ferguson NewCo plc (expected to be renamed “Ferguson plc” on the Scheme Effective Date)
(Incorporated in Jersey with registered number 128484)

Application for admission to the premium listing segment of the Official List and to trading on the LSE’s main market for listed securities of up to 232,500,000 ordinary shares of 10 pence each

Sponsor
Barclays

Application will be made to the FCA for all of the ordinary shares of New Ferguson (the “New Ferguson Shares”) to be admitted to the premium segment of the FCA’s Official List (the “Official List”) and to London Stock Exchange plc (the “London Stock Exchange” or “LSE”) for all of the New Ferguson Shares to be admitted to trading on the London Stock Exchange’s main market for listed securities (together, “Admission”). It is expected that, subject to the Scheme proceeding as currently envisaged, Admission will become effective, and dealings in New Ferguson Shares will commence, on 10 May 2019.

The directors of New Ferguson, whose names appear in the section titled “New Ferguson Directors, Company Secretary and Advisers” of this Prospectus (each a “Director” or together the “Directors”), and New Ferguson, accept responsibility for the information contained in this Prospectus. To the best of the knowledge of New Ferguson and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

Prospective investors should read this Prospectus in its entirety and should remember that the price of securities, and the income from them, can go down as well as up.

The New Ferguson Shares will not be registered under the securities laws of any Excluded Territory or Restricted Territory and may not be offered, sold, resold, transferred or delivered, directly or indirectly, within such jurisdictions except pursuant to an applicable exemption from, and in compliance with, any applicable securities laws. There will be no public offer in connection with the Scheme.

Barclays Bank PLC (“Barclays” or the “Sponsor”), which is authorised by the Prudential Regulatory Authority (the “PRA”) and regulated in the United Kingdom by the PRA and the FCA, is acting exclusively for New Ferguson and Old Ferguson and no one else in connection with the arrangements described in this Prospectus and will not regard any other person (whether or not a recipient of this Prospectus) as a client in relation to the arrangements described in this Prospectus and will not be responsible to anyone other than New Ferguson for providing the protections afforded to its clients or for providing advice in relation to the arrangements referred to in this Prospectus.

Apart from the responsibilities and liabilities, if any, which may be imposed on the Sponsor by FSMA or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where the exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, neither the Sponsor nor any of its affiliates, directors, officers, employees or advisers accepts any responsibility whatsoever or makes any representation or warranty, express or implied, for

the contents of this Prospectus, including its accuracy, completeness or verification, or for any other statement made or purported to be made by it, or on its behalf, in connection with New Ferguson, the New Ferguson Shares, the Proposals or Admission, or the arrangements described in this Prospectus, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or the future. The Sponsor and its affiliates, directors, officers, employees or advisers accordingly disclaim all and any liability whether arising in tort, contract or otherwise (save as referred to above) which they might otherwise have in respect of this Prospectus or any such statement.

The Sponsor and their respective affiliates have from time to time engaged in, and may in the future engage in, various commercial banking, investment banking and financial advisory transactions and services in the ordinary course of their business with Old Ferguson and New Ferguson. They have received and will receive customary fees and commissions for these transactions and services.

Save as discussed in Part V ("*Profit Forecast*"), no statement in this Prospectus or incorporated by reference into this Prospectus, is intended as a profit forecast or profit estimate for any period and no statement in this Prospectus or incorporated by reference into this Prospectus should be interpreted to mean that the earnings or earnings per share will necessarily be greater or lesser than those for the relevant preceding financial periods for the Group.

A copy of this Prospectus has been delivered to the Jersey Registrar of Companies in accordance with Article 5 of the Companies (General Provision) (Jersey) Order 2002, and it has given, and has not withdrawn, its consent to its publication. The Jersey Financial Services Commission has given, and has not withdrawn, its consent under Article 2 of the Control of Borrowing (Jersey) Order 1958, to the issue of the New Ferguson Shares by New Ferguson. It must be clearly understood that, in giving these consents, neither the Jersey Registrar of Companies nor the Jersey Financial Services Commission takes any responsibility for the financial soundness of New Ferguson or for the correctness of any statements made, or opinions expressed, with regard to it. The Jersey Financial Services Commission is protected by the Control of Borrowing (Jersey) Law 1947, as amended, against any liability arising from the discharge of its functions under that law.

NOTICE TO ALL INVESTORS

The distribution of this Prospectus and/or the transfer of New Ferguson Shares in or into jurisdictions other than the UK or Jersey may be restricted by law. Persons into whose possession these documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, such documents should not be distributed, forwarded to or transmitted in or into the Restricted Territories or the Excluded Territories. No action has been taken by New Ferguson or by the Sponsor in relation to the New Ferguson Shares or rights thereto or possession or distribution of this Prospectus in any jurisdiction where action is required, other than in the UK and Jersey.

No person has been authorised to give any information or make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorised by New Ferguson or by the Sponsor. The delivery of this Prospectus shall not under any circumstances create any implication that there has been no change in the affairs of the Group since the date of this Prospectus or that the information in this Prospectus is correct as at any time subsequent to its date.

Investors acknowledge that they have not relied on the Sponsor or any person affiliated with the Sponsor in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision. Each investor must rely on his or her own examination, analysis and enquiry of New Ferguson and the New Ferguson Shares, including the merits and risks involved. Neither New Ferguson, nor the Sponsor, nor any of their respective representatives, makes any representation to any investor in respect of the New Ferguson Shares under the laws applicable to such person. Each investor should consult with his or her own advisers as to the legal, tax, business, financial and related aspects of holding New Ferguson Shares.

Please note that the information contained in this Prospectus may be addressed to and/or targeted at persons who are residents of particular countries only and is not intended for use and should not be relied upon by any person outside these countries. Prior to relying on the information contained in this Prospectus you must ascertain from the Prospectus whether or not you are part of the intended addressees of the information contained herein.

The contents of the websites of the Group do not form part of this Prospectus.

Capitalised terms used in this Prospectus have the meanings ascribed to them, and certain technical terms are explained, in Part IX ("*Definitions*") of this Prospectus.

INFORMATION FOR UNITED STATES SHAREHOLDERS

The New Ferguson Shares have not been approved or disapproved by the US Securities and Exchange Commission (the "**SEC**"), any state's securities commission in the US or any US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of any offering of the New Ferguson Shares or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the US.

This Prospectus is not an offer of securities for sale in the United States, or any other jurisdiction. The New Ferguson Shares to be issued to Old Ferguson Shareholders in connection with the Scheme will not be, and are not required to be, registered

with the SEC under the US Securities Act of 1933, as amended (the “**Securities Act**”), in reliance upon the exemption from the registration requirements provided by Section 3(a)(10) of the Securities Act. For the purpose of qualifying for the Section 3(a)(10) exemption with respect to the New Ferguson Shares issued pursuant to the Scheme, Old Ferguson will advise the Royal Court of Jersey (the “**Royal Court**”) that it will rely on the Section 3(a)(10) exemption based on the Royal Court’s sanctioning of the Scheme, which will be relied upon by Old Ferguson as an approval of the Scheme following a hearing on its fairness to Old Ferguson Shareholders at which hearing all such Old Ferguson Shareholders will be entitled to attend in person or through an Advocate to support or oppose the sanctioning of the Scheme and with respect to which notification has been or will be given to all such Old Ferguson Shareholders. Old Ferguson Shareholders who will be affiliates of New Ferguson after the Scheme Effective Date will be subject to certain US transfer restrictions relating to the New Ferguson Shares received pursuant to the Scheme.

The New Ferguson Shares have not been and will not be registered on a United States securities exchange or quoted on any inter-dealer quotation system in the United States. New Ferguson does not intend to take any action to facilitate a market in New Ferguson Shares in the United States. Consequently, New Ferguson believes that it is unlikely that an active trading market in the United States will develop for the New Ferguson Shares.

The New Ferguson Shares will not be registered under the securities laws of any state of the United States, and will be issued in the United States pursuant to the Scheme in reliance on available exemptions from such state law registration requirements. The New Ferguson Shares may not be offered, sold, resold, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

This document is dated 26 April 2019.

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SUMMARY

Summaries are made up of disclosure requirements known as “Elements”. These Elements are numbered in Sections A-F (A.1-F.5). This summary contains all the Elements required to be included in a summary for this type of security and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of security and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of “not applicable”.

SECTION A – INTRODUCTION AND WARNINGS		
Element	Disclosure Requirement	Disclosure
A.1	Warning to investors	<p>This summary should be read as an introduction to this Prospectus. Any investment decision in respect of ordinary shares with a nominal value of 10 pence each in the share capital of New Ferguson (“New Ferguson Shares”) should be based on consideration of this Prospectus as a whole by the investor. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the member states of the European Economic Area (the “EEA”), have to bear the costs of translating this Prospectus before the legal proceedings are initiated.</p> <p>Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering their investment in the New Ferguson Shares.</p>
A.2	Subsequent resale or final placement of securities by financial intermediaries	Not applicable. No consent has been given by New Ferguson or any person responsible for drawing up this Prospectus to use this Prospectus for subsequent sale or placement of securities by financial intermediaries.
SECTION B – ISSUER		
Element	Disclosure Requirement	Disclosure
B.1	Legal and commercial name	Ferguson NewCo plc (“ New Ferguson ” or the “ Company ”), which is expected to be renamed “Ferguson plc” on the Scheme Effective Date.
B.2	Domicile, legal form, legislation and country of incorporation	New Ferguson is a public limited company limited by shares incorporated in Jersey with registered number 128484, having its registered office at 26 New Street, St. Helier, Jersey JE2 3RA, Channel Islands. The principal legislation under which New Ferguson operates is the Companies (Jersey) Law 1991, as amended (the “ Jersey Companies Law ”).
B.3	Current operations, principal activities and principal markets	The Group, through its subsidiaries, sources, distributes and sells specialist plumbing and heating products predominantly serving the repair, maintenance and improvement (“ RMI ”) and new construction markets. The Group’s principal geographic market is the United States (“ US ”), with further operations in the United Kingdom (“ UK ”) and Canada.

<p>B.4a</p>	<p>Significant recent trends affecting the Group and the industries in which it operates</p>	<p>Significant recent trends that have affected, or are expected to affect, the Group include:</p> <ul style="list-style-type: none"> • <i>Economic Productivity.</i> The residential, commercial, industrial, RMI and municipal construction markets in which the Group operates are sensitive to changes in the economy and, as a result, changes in economic conditions in the Group’s geographic markets – particularly in the US – have affected and will continue to affect the Group’s financial condition and results of operations. • <i>Restructuring of the UK Segment.</i> The Group is currently restructuring the UK segment in order to cut costs and reconfigure logistics and supply chain infrastructure, which resulted in restructuring costs for the financial years ended 31 July 2018, 2017 and 2016. The restructuring is expected to generate cost savings on an ongoing basis. • <i>Strategic Transactions.</i> The Group has engaged in both acquisitions and disposals in each fiscal year ended 31 July 2018, 2017 and 2016. The cash flows, financing arrangements, transaction-related expenditures and management time dedicated to execution have materially impacted and will continue to materially impact the Group’s results of operations. • <i>Financial Markets.</i> The general performance of financial markets, particularly with respect to interest rates and the availability of credit, can impact the Group directly in terms of its cost of capital; however, the availability and cost of credit for its customers can also materially impact demand for the Group’s products and services and, therefore, its financial condition and results of operations. • <i>Commodity Prices.</i> Fluctuations in the prices of raw materials such as plastic, copper and steel impact the cost of the products the Group sells and failure to effectively manage such fluctuations, for example by adjusting its pricing policies, can have a material adverse effect on the Group’s business. • <i>Labour.</i> The Group’s largest operating expense consists of staff costs and material increases or decreases in its labour force can have a material impact on the Group’s results of operations.
<p>B.5</p>	<p>Description of the Group</p>	<p>New Ferguson was incorporated in anticipation of the Scheme and Admission of the New Ferguson Shares. Upon the occurrence of the Scheme Effective Date, New Ferguson will become the holding company for Old Ferguson and its subsidiaries.</p>

		<p>The Group operates a number of subsidiaries which support or direct operations through three business segments which are geographically organised by the markets served: the US, the UK and Canada (which was previously known as the “Canada and Central Europe” segment prior to the Group’s disposal of its last business unit in Central Europe on 30 January 2019). Through a global network of 19 distribution centres, 2,280 branches and more than 35,000 associates (as at 31 July 2018), the Group sources, distributes and sells specialist plumbing and heating products through segmental business units that are organised to align with customers’ needs.</p>																								
<p>B.6</p>	<p>Major shareholders</p>	<p>Information provided to the Group pursuant to the Disclosure Guidance and Transparency Rules (the “DTRs”) regarding its substantial Shareholders is published in a Regulatory Information Service.</p> <p>Insofar as is known to Old Ferguson and New Ferguson, as at 24 April 2019 (being the Latest Practicable Date prior to the publication of this Prospectus), the following persons (together, the “Major Shareholders”) were interested, directly or indirectly, in 3% or more (or 5% in the case of investment managers) of Old Ferguson’s voting share capital (on the basis of their disclosed existing holdings of Old Ferguson Shares as at the Latest Practicable Date in accordance with the DTRs) and the amount of such persons’ holding of the total voting rights in respect of the New Ferguson Shares following the Scheme Effective Date is expected to be as follows:</p> <table border="1" data-bbox="678 1093 1394 1467"> <thead> <tr> <th rowspan="2">Name</th> <th colspan="2">As at the Latest Practicable Date</th> <th colspan="2">Anticipated number of Ferguson Shares immediately following Admission⁽¹⁾</th> </tr> <tr> <th>Number of voting rights in Old Ferguson⁽²⁾</th> <th>Percentage of Old Ferguson issued share capital⁽³⁾</th> <th>Number of voting rights in New Ferguson⁽²⁾</th> <th>Percentage of New Ferguson issued share capital⁽³⁾</th> </tr> </thead> <tbody> <tr> <td>BlackRock, Inc.</td> <td>24,276,845</td> <td>10.46</td> <td>24,276,845</td> <td>10.46</td> </tr> <tr> <td>FIL Limited</td> <td>12,339,472</td> <td>5.32</td> <td>12,339,472</td> <td>5.32</td> </tr> <tr> <td>Norges Bank</td> <td>8,660,609</td> <td>3.73</td> <td>8,660,609</td> <td>3.73</td> </tr> </tbody> </table> <p>Notes:</p> <p>(1) This assumes that there is no additional issue of Old Ferguson Shares by Old Ferguson between the Latest Practicable Date and Admission, and no acquisition or disposal of Old Ferguson Shares by the Major Shareholders during that period.</p> <p>(2) This is the number of Old Ferguson Shares that have been notified to Old Ferguson by the respective Major Shareholder (adjusted, as appropriate, to take into account subsequent consolidations of Old Ferguson’s share capital). Since the disclosure date, Major Shareholders’ interests in Old Ferguson may have changed.</p> <p>(3) This percentage is exclusive of treasury shares and calculated as at 24 April 2019 (being the Latest Practicable Date). Since the disclosure date Major Shareholders’ interests in Old Ferguson may have changed.</p> <p>None of the Major Shareholders referred to above have different voting rights from those of other Old Ferguson Shareholders.</p> <p>As at 24 April 2019 (being the Latest Practicable Date prior to the publication of this Prospectus), New Ferguson is controlled jointly by two natural persons, John Martin and Mike Powell,</p>	Name	As at the Latest Practicable Date		Anticipated number of Ferguson Shares immediately following Admission ⁽¹⁾		Number of voting rights in Old Ferguson ⁽²⁾	Percentage of Old Ferguson issued share capital ⁽³⁾	Number of voting rights in New Ferguson ⁽²⁾	Percentage of New Ferguson issued share capital ⁽³⁾	BlackRock, Inc.	24,276,845	10.46	24,276,845	10.46	FIL Limited	12,339,472	5.32	12,339,472	5.32	Norges Bank	8,660,609	3.73	8,660,609	3.73
Name	As at the Latest Practicable Date			Anticipated number of Ferguson Shares immediately following Admission ⁽¹⁾																						
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FIL Limited	12,339,472	5.32	12,339,472	5.32																						
Norges Bank	8,660,609	3.73	8,660,609	3.73																						

and as a result of the Scheme there will be a change of control of New Ferguson.

B.7 Selected historical key financial information

Selected Historical Key Financial Information of New Ferguson

New Ferguson has neither traded since its incorporation nor entered into any obligations other than in connection with the Scheme.

The tables below set out the Group's summary selected consolidated financial information as at and for the financial years ended 31 July 2018, 2017 and 2016 and the six months ended 31 January 2019 and 2018. The data has been extracted without material adjustment from the Group's historical audited financial statements for the financial years ended 31 July 2018, 2017 and 2016 and unaudited half-yearly interim results for the six months ended 31 January 2019 and 2018. The Group reports consolidated financial information in accordance with International Financial Reporting Standards as adopted by the European Union ("EU IFRS").

Summary Selected Statement of Consolidated Income

	Six months ended 31 January		Year ended 31 July			
	2019	2018	2018	2017 ⁽¹⁾		2016 ⁽²⁾
	(\$ million, unaudited)		(\$ million, audited)		(£ million, audited)	
Revenue.....	10,847	10,027	20,752	19,284	15,224	12,549
Cost of sales.....	(7,654)	(7,087)	(14,708)	(13,701)	(10,816)	(8,957)
Operating costs	(2,484)	(2,318)	(4,684)	(4,105)	(3,184)	(2,881)
Operating profit.....	709	622	1,360	1,478	1,224	711
Net finance costs	(35)	(27)	(53)	(54)	(43)	(36)
Share of profit/(loss) after tax of associates	2	3	2	(1)	(1)	-
Impairment of interests in associates	-	-	(122)	-	-	-
Gain on disposal of interests in associates.....	3	-	-	-	-	-
Profit before tax.....	679	598	1,187	1,423	1,180	675
Tax	(139)	(158)	(346)	(370)	(292)	(210)
Profit from continuing operations	540	440	841	1,053	888	465
Profit/(loss) from discontinued operations	46	18	426	(133)	(105)	185
Profit for the year or period	586	458	1,267	920	783	650

Notes:

- (1) Restated in the Group's 2018 Annual Report and Accounts to present the results of the non-US dollar denominated subsidiaries in US dollars at the average exchange rates for the financial year ended 31 July 2017.
- (2) Restated in the Group's 2017 Annual Report and Accounts to present the Nordic Operations as discontinued operations in accordance with IFRS 5. The Group's original financial results for the financial year ended 31 July 2016 can be found in the Group's 2016 Annual Report and Accounts, incorporated by reference into this Prospectus.

Summary Selected Consolidated Statement of Financial Position

	As at 31 January		As at 31 July			
	2019	2018	2017 ⁽¹⁾		2016 ⁽²⁾	
			2018	(Restated)	2017	(Restated)
	(\$ million, unaudited)	(\$ million, unaudited)	(\$ million, audited)	(\$ million, audited)	(£ million, audited)	(£ million, audited)
Total Assets	10,751	12,676	10,149	12,557	9,503	8,151
Total Liabilities	6,461	8,125	6,092	8,017	6,067	5,250
Equity attributable to shareholders	4,291	4,554	4,058	4,543	3,438	2,903
Non-controlling interest.....	(1)	(3)	(1)	(3)	(2)	(2)
Total equity	4,290	4,551	4,057	4,540	3,436	2,901

Notes:

- (1) Restated in the Group's 2018 Annual Report and Accounts to present the results of the non-US dollar denominated subsidiaries in US dollars at the closing exchange rates as at 31 July 2017.
- (2) Restated in the Group's 2017 Annual Report and Accounts to present the Nordic Operations as discontinued operations in accordance with IFRS 5. The Group's original financial results for the financial year ended 31 July 2016 can be found in the Group's 2016 Annual Report and Accounts, incorporated by reference into this Prospectus.

There have been no significant changes to the Group's financial condition and operating results in the period since 31 January 2019 to the date of publication of this Prospectus.

Below is a summary of the significant factors impacting the Group's financial condition and operating results during the financial years ended 31 July 2018, 2017 and 2016 and for the six months ended 31 January 2019 and 2018.

Until the financial year ended 31 July 2017, the Group reported its results in pounds sterling and its main currency exposure arose on the translation of overseas earnings into pounds sterling. For and since the financial year beginning 1 August 2017, the Group has presented its consolidated financial statements in US dollars and, as a majority of the Group's revenue and trading profit is generated in US dollars, the impact of foreign exchange rate movements has been reduced.

In the financial year ended 31 July 2018, the Group sold its Nordic business and property (the "**Nordic Operations**") and, in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the Nordic Operations have been classified as discontinued. Accordingly, the comparative financial information for the financial year ended 31 July 2016 included in the 2017 consolidated financial statements has been restated for consistency and comparability to reflect the Nordic Operations as a discontinued operation.

The Group's revenue for the six months ended 31 January 2019 increased by \$820 million from the prior comparable period principally as a result of organic growth of \$665 million and acquisitions (acquisitions completed in the year ended 31 July 2018 and six months ended 31 January 2019 increased revenue by \$289 million), partly offset by a reduction in trading days (which reduced revenue by \$59 million) and movements in foreign exchange rates (which reduced revenue by \$75 million).

		<p>The increases in the Group’s cost of sales and gross profit, amounting to \$567 million and \$253 million, respectively, for the six months ended 31 January 2019, were principally the result of the factors discussed in the preceding paragraph.</p> <p>The Group’s operating costs for the six months ended 31 January 2019 increased by \$166 million which was a result of an increase in amortisation of acquired intangibles of \$14 million and an increase in other operating costs before exceptional items of \$196 million, mainly due to increases in labour costs, partly offset by a decrease in exceptional costs of \$44 million, principally due to gains on disposal of businesses in the six months ended 31 January 2019.</p> <p>The Group’s profit before tax and profit from continuing operations for the six months ended 31 January 2019 increased by \$81 million and \$100 million, respectively, principally as a result of the factors discussed in the preceding paragraphs.</p> <p>Profit from discontinued operations was \$46 million and \$18 million for the six months ended 31 January 2019 and 2018, respectively, creating a \$28 million increase in profit from discontinued operations principally as a result of gains recognised on the disposal of property in the Nordics.</p> <p>The Group’s revenue for the financial year ended 31 July 2018 increased by \$1,468 million, which was principally a result of an organic increase in sales (which increased revenue by \$1,439 million), movements in foreign exchange rates (which increased revenue by \$229 million) and acquisitions (which increased revenue by \$239 million); however, such increases in revenue were partly offset by the disposal of businesses – which reduced revenue by \$439 million.</p> <p>The increases in the Group’s cost of sales and gross profit, amounting to \$1,007 million and \$461 million, respectively, for the financial year ended 31 July 2018, were principally the result of the factors discussed in the preceding paragraph.</p> <p>The Group’s operating costs for the financial year ended 31 July 2018 increased by \$579 million due in large part to an increase in staff costs (which contributed \$203 million of the rise in operating costs), caused by an 8.0% rise in the number of associates, wage inflation and an increase in commissions and bonuses paid for good performance over the period. Operating costs were also impacted by an increase in exceptional costs of \$284 million, caused primarily by the gain on disposal of businesses during the financial year ended 31 July 2017. The remaining increase in operating costs was due to the organic increase in sales volume during the financial year ended 31 July 2018.</p> <p>The \$122 million impairment of interests in associates was due to a one-off impairment of the Group’s interest in Meier Tobler AG for the financial year ended 31 July 2018.</p>
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		<p>The Group's profit before tax and profit from continuing operations for the financial year ended 31 July 2018 decreased by \$236 million and \$212 million, respectively, due principally to the factors discussed above. Similarly the Group's profit for the year, which increased by \$347 million, was principally a result of the above factors and the profit from discontinued operations.</p> <p>Profit/(loss) from discontinued operations was \$426 million profit and \$133 million loss for the financial years ended 31 July 2018 and 2017, respectively, creating a \$559 million increase in profit from discontinued operations over the period principally resulting from a gain recognised on the disposal of the Nordic Operations.</p> <p>The Group's revenue for the financial year ended 31 July 2017 increased by £2,675 million principally as a result of movements in foreign exchange rates (which increased revenue by £1,609 million), an organic increase in sales (which increased revenue by £892 million) and acquisitions (acquisitions in the financial year ended 31 July 2017 accounted for £294 million of the Group's revenue in that year), and was partly offset by disposals (which reduced revenue by £120 million).</p> <p>The increases in cost of sales and operating costs for the financial year ended 31 July 2017 was primarily a result of movements in foreign exchange rates.</p> <p>Profit/(loss) from discontinued operations for 2017 and 2016 was a loss of £105 million and a profit of £185 million, respectively. The £290 million decrease was principally a result of an impairment charge of £102 million relating to the Group's Swedish building materials business, Beijer, due to a sharp deterioration in performance during the first half of the financial year ended 31 July 2017 and discontinued exceptional items relating to the property exit and redundancy costs from the closure of branches across the Nordic Operations.</p>
B.8	Selected key pro forma financial information	<p>Not applicable. New Ferguson is a newly incorporated company which has not traded since its incorporation and, prior to the Scheme becoming effective, will not own any assets or have any liabilities. As a result of the Scheme becoming effective, New Ferguson will become the new holding company of the Group and its assets, liabilities and earnings on a consolidated basis will be those of the Group.</p>
B.9	Profit forecast and estimate	<p>On 26 March 2019, the Group issued its half year results for the financial year ending 31 July 2019 containing the following statement, which is characterised as a Profit Forecast:</p> <p><i>“After a strong revenue performance in the first half our growth rate has moderated recently in line with conditions in our markets. While we still expect to generate further revenue growth in the second half, we have revised our estimates of Group organic revenue growth to between 3-5%.</i></p>

Consequently, we expect trading profit for the full year to be towards the lower end of the range of analysts' expectations."

A footnote to the foregoing statement read: "Current analysts' consensus for Group trading profit for 2019 is published on the Company's corporate website. The bottom of the range is \$1,585 million and the average is \$1,629 million."

The Profit Forecast constitutes a profit forecast under the Prospectus Rules. The Board has considered and confirms that the Profit Forecast continues to be valid at the date of this Prospectus.

Basis of Preparation

The Profit Forecast has been properly compiled on the basis of the assumptions stated below and on a basis consistent with the accounting policies of the Group, which are in accordance with EU IFRS and are those which the Group anticipates will be applicable for the financial year ending 31 July 2019, subject to the early adoption of standards where the Directors believe appropriate.

The Directors have prepared the Profit Forecast on the basis of (i) the audited consolidated financial statements contained in the Group's 2018 Annual Report and Accounts; (ii) the unaudited consolidated financial results for the eight months ended on 31 March 2019; and (iii) a forecast for the four months ending on 31 July 2019.

Assumptions

The Directors have prepared the Profit Forecast on the basis of the following assumptions:

Factors outside the influence or control of the Directors

During the financial year ending 31 July 2019:

- there will be:
 - no material change, particularly in regions in which the Group operates, to the current prevailing global macroeconomic and political conditions;
 - no material change in market conditions within the plumbing and heating industry in respect of customer demand or the competitive landscape;
 - no material change in relevant exchange rates as compared with the average foreign exchange rates assumed in the Profit Forecast;
 - no material change in the Group's labour costs driven by external parties or regulations, including medical, pension and other post-retirement benefits;
 - no material change in inflation, interest or tax rates in the Group's principal markets compared with its forecasts;

		<ul style="list-style-type: none"> – no adverse event that will have a material impact on the Group’s financial performance; – no change in legislation, tariffs or regulatory environment in the Group’s principal markets that materially impact its operations or the accounting principles or standards it follows (which are material in the context of the Profit Forecast); – no business disruption that materially affects the Group, its suppliers or customers by reason of technological faults, natural disasters, severe adverse weather conditions, acts of terrorism, cyber-attack, pandemics, epidemics, other disease, industrial disruption, civil disturbance or government action; and <ul style="list-style-type: none"> • no other issue material in respect of the Profit Forecast beyond those issues already known to the Directors at the current time will arise in respect of the Group’s contracts, relationships or obligations. <p><i>Factors within the influence or control of the Directors</i></p> <p>During the financial year ending 31 July 2019:</p> <ul style="list-style-type: none"> • there will be no material deterioration in the Group’s relationship with customers and suppliers in a manner that is material in the context of the Profit Forecast; • the Group will not execute any acquisitions or disposals that are material in the context of the Profit Forecast (taking into account any potential related transaction or abortive costs); and • there will be no material change in the current key management (including managers of key business units) of the Group.
B.10	Qualifications in the audit report on the historical financial information	Not applicable. There are no qualifications to the Auditor’s report on the historical financial information of the Group.
B.11	Working capital – qualifications	Not applicable. It is the opinion of New Ferguson that the working capital available to the Group is sufficient for the Group’s present requirements, that is, for at least the next 12 months following the date of this Prospectus.

SECTION C – SECURITIES

Element	Disclosure Requirements	Disclosure
C.1	Type and class of securities	<p>New Ferguson is proposing to list up to 232,500,000 New Ferguson Shares, with a nominal value of 10 pence each, which will be fully paid.</p> <p>When admitted to trading, the New Ferguson Shares will be registered with ISIN: JE00BJVNSS43 and SEDOL: BJVNSS4.</p>

C.2	Currency of the securities issued	The currency of the issue is pounds sterling, the lawful currency of the United Kingdom.
C.3	The number of issued and fully paid Shares	As at the Latest Practicable Date, New Ferguson had in issue two ordinary shares of 10 pence each (each of which are fully paid or credited as fully paid) and the nominal share capital of New Ferguson amounted to 20 pence.
C.4	Rights attaching to the New Ferguson Shares	<p>The rights attaching to the New Ferguson Shares will be uniform in all respects and they will form a single class for all purposes, including with respect to voting and for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of New Ferguson.</p> <p>On a show of hands every holder of New Ferguson Shares (each, a “New Ferguson Shareholder”) who is present in person shall have one vote and on a poll every New Ferguson Shareholder present in person or by proxy (including as instructed by, or represented by, New Ferguson ADR Holders), shall have one vote per New Ferguson Share.</p> <p>Except as provided by the rights and restrictions attached to any class of New Ferguson Shares, New Ferguson Shareholders will under general law be entitled to participate in any surplus assets in a winding up in proportion to their shareholdings.</p>
C.5	Restrictions on the free transferability of the securities	There are no restrictions on the transferability of the New Ferguson Shares.
C.6	Admission	Applications will be made to the FCA and to the LSE for the New Ferguson Shares to be admitted to the premium segment of the FCA’s Official List and to trading on the LSE’s main market for listed securities respectively. It is expected that Admission will become effective on 10 May 2019 and that dealings in the New Ferguson Shares will commence as soon as practicable after 8.00 a.m. on that date.
C.7	Dividend policy	<p>Following the occurrence of the Scheme Effective Date, and subject to the approval of the New Ferguson Board, New Ferguson intends to adopt an equivalent dividend policy to the current Old Ferguson policy. The Old Ferguson policy has established priorities for the utilisation of capital, which, in order of importance, are:</p> <ul style="list-style-type: none"> • to re-invest in organic growth opportunities; • to fund the ordinary dividend to grow in line with the Group’s expectations of long-term earnings growth; • to fund selective bolt-on acquisitions to improve the Group’s market leadership positions or expand the capabilities of the Group’s existing business model; and • if there is excess cash after these priorities, to return it to shareholders.

		<p>Old Ferguson’s aggregate annual dividend per share in respect of the financial year ended 31 July 2018, as adjusted to reflect the effect of a share consolidation (executed on an 18 for 19 basis and completed on 11 June 2018), was \$6.17 (inclusive of a special dividend of \$4.24 per share paid on 29 June 2018). The equivalent as adjusted aggregate annual dividends per share of Old Ferguson were £1.17 and £1.06 in respect of the financial years ended 31 July 2017 and 2016.</p> <p>New Ferguson has not traded since incorporation and lacks retained profits or retained earnings. This could restrict New Ferguson’s ability to pay future dividends in accordance with Old Ferguson’s method of paying dividends. Therefore, shortly after Admission, New Ferguson proposes to carry out a capital reduction of the issued share premium to create a reserve of profit to facilitate future dividend distributions being made in accordance with Old Ferguson’s policy of paying dividends. This will be effected by way of the procedures for a reduction of capital as set forth by Jersey Companies Law.</p>
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SECTION D – RISKS		
Element	Disclosure Requirement	Disclosure
D.1	Key risks specific to the Group and its industry	<p><i>Risks Relating to the Group’s Business and Industry</i></p> <ul style="list-style-type: none"> • weakness in the economy and market trends, as well as uncertainty and other adverse conditions in the market, particularly in the US and in the residential, commercial, civil/infrastructure and industrial markets, may adversely affect the Group and its customers; • the industries in which the Group operates are highly competitive and changes in competition, including as the result of consolidation or the emergence of new competitors could have a material effect on revenue and profitability; • the Group commonly engages in strategic transactions and acquisitions, partnerships, joint ventures and other business combination transactions involve a number of inherent risks, any of which could result in the anticipated benefits not being realised or which could adversely affect the business; • failure of one or more key information technology systems could adversely affect the Group’s business and reputation and potentially expose it to liability if it results in the loss of customer, supplier, associate or other business information; • disruption to the Group’s domestic or international supply chain or fulfilment networks, for example resulting from trade policy changes, could have a significant adverse effect on the its business;

		<ul style="list-style-type: none"> • expansion of the Group’s own brand product offerings increases the risk of liability arising from the design, marketing and sale of such products; • the international nature of the Group’s business subjects it to a wide range of political and regulatory risks and failure to comply with relevant laws or regulations could result in litigation, fines, sanctions and reputational damage; • changes in accounting standards and assumptions may lead to increases in the level of provisioning or additional provisions being made; • failure of products sold by the Group that are manufactured by third parties could give rise to liability and reputational damage; and • legal or arbitration proceedings, including in relation to product liability claims or employee and customer tort claims, could damage the Group’s reputation and cause it to incur significant expense and preoccupy management’s time. <p><i>Risks Related to the Scheme and New Ferguson Shares</i></p> <ul style="list-style-type: none"> • the Scheme is subject to certain conditions which may not be satisfied on a timely basis, or at all, and if not satisfied the Scheme will not be implemented and the benefits expected to result from the Scheme will not be achieved; • there is no certainty that the Scheme will enable the Group to achieve the expected tax position for the Group in the future; • New Ferguson Shares may be subject to market price volatility; • New Ferguson Shareholders in the US and other jurisdictions outside of the UK and Jersey may not be able to participate in future equity offerings; • the rights afforded to New Ferguson Shareholders may not include certain rights normally available to shareholders under US law; • the ability of New Ferguson to pay dividends and effect other returns of capital will depend upon, among other things, the Group’s financial performance and, where necessary, the New Ferguson Reduction of Capital; • transfer restrictions imposed by US laws could make it difficult for New Ferguson Shares to be resold and may have an adverse impact on the market price for the New Ferguson Shares; • New Ferguson Shareholders may suffer dilution to their percentage ownership of New Ferguson resulting from the future issuance of additional New Ferguson Shares in connection with acquisitions or share incentive or share option plans; and
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		<ul style="list-style-type: none"> as the Group declares dividends in US dollars and then converts to pounds sterling before the dividends are paid (absent an election by a Shareholder to receive US dollars), Shareholders may be subject to exchange rate risk in respect of dividends as well as their investment in New Ferguson Shares (for those Shareholders whose principal currency is not pounds sterling).
D.3	Key information on the key risks specific to the New Ferguson Shares	<ul style="list-style-type: none"> New Ferguson Shares may be subject to market price volatility and the market price of the New Ferguson Shares may decline proportionately in response to developments that are unrelated to the Group's operating performance, or as a result of the issuance of additional New Ferguson Shares in the future, and New Ferguson Shareholders could earn a negative return or no return on, or otherwise experience a dilution of, their investment in New Ferguson. New Ferguson Shareholders in the US and other jurisdictions outside of the UK and Jersey may not be able to participate in future equity offerings.

SECTION E – OFFER

Element	Disclosure Requirement	Disclosure
E.1	Total net proceeds and estimated total expenses of the offer	<p>Not applicable. There is no offer of New Ferguson's securities pursuant to this Prospectus so there are no net proceeds receivable by New Ferguson.</p> <p>The total costs and expenses relating to the issue of this Prospectus, Admission and the implementation of the Scheme are estimated to amount to approximately \$10 million and are payable by the Group.</p>
E.2a	Reasons for the offer, use of proceeds and estimated net amount of proceeds	Not applicable. There is no offer of New Ferguson's securities pursuant to this Prospectus so there are no net proceeds receivable by New Ferguson.
E.3	Terms and conditions of the offer	Not applicable. There is no offer of New Ferguson's securities pursuant to this Prospectus.
E.4	Interests that are material to the offer including conflicting interests	There are no interests, including conflicting interests, that are material to the Proposals, other than those disclosed in B.6 above.
E.5	Name of the person or entity offering to sell the securities and details of any lock-up agreements	Not applicable. There is no offer of New Ferguson's securities pursuant to this Prospectus and there are no selling Shareholders.
E.6	Dilution	Not applicable. No New Ferguson Shares will be publicly offered and sold under this Prospectus, which is published by New Ferguson in connection with Admission.
E.7	Estimated expenses charged to the investor	Not applicable. No expenses will be directly charged to the investors by New Ferguson.

RISK FACTORS

Any investment in the New Ferguson Shares is subject to a number of risks. Accordingly, Shareholders and prospective investors should carefully consider the factors and risks associated with any investment in the New Ferguson Shares, the Group's business and the industry in which it operates, together with all other information contained in this Prospectus and all of the information incorporated by reference into this Prospectus, including, in particular, the risk factors described below and their personal circumstances. Some of the following factors relate principally to the Group's business, whereas other factors relate principally to an investment in New Ferguson Shares. The Group's business, operating results, financial condition and prospects could be materially and adversely affected by any of the risks described below. In such case, the market price of the New Ferguson Shares may decline and investors may lose all or part of their investment.

Investors should note that the risks relating to the Group, its industry and the New Ferguson Shares summarised in the section of this Prospectus headed "Summary" are the risks that the Directors believe to be the most essential to an assessment by investors of whether to invest in the New Ferguson Shares. However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, investors should consider not only the information on the key risks summarised in the section of this Prospectus headed "Summary" but also, among other things, the risks and uncertainties described below.

The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in New Ferguson Shares and should be used as guidance only. Additional risks and uncertainties relating to the Group that are not currently known to the Group, or that it currently deems immaterial, may individually or cumulatively also have a significant adverse effect on the Group's business, and, if any such risk or risks should occur, the price of New Ferguson Shares may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the New Ferguson Shares is suitable for them in the light of the information in this Prospectus and their personal circumstances.

Risks Relating to the Group's Business

Weakness in the economy, market trends, uncertainty and other conditions in the markets in which the Group operates, particularly the US, may adversely affect the profitability and financial stability of its customers, and could negatively impact Group revenue growth and results of operations.

The Group's financial performance depends significantly on industry trends and general economic conditions, including the state of the residential, commercial, civil/infrastructure and industrial markets as well as changes in gross domestic product in the geographic markets in which it operates, particularly in the US where the Group generated 80.3% of its revenue for the financial year ended 31 July 2018. The Group serves several end-markets in which the demand for its products is sensitive to levels of construction activity and capital spending. Many of these customers operate in markets that are subject to cyclical fluctuations resulting from market uncertainty, costs of goods sold, currency exchange rates, foreign competition, offshoring of production, oil and natural gas prices, geopolitical developments, wage inflation and a variety of other factors beyond the Group's control. Any of these factors could cause customers to cease to use or close facilities, delay purchases or experience reductions in the demand for their own products or services.

Adverse conditions in or uncertainty about the markets in which the Group operates, the economy or the political climate could also adversely impact the customers of Group end-markets and their confidence or financial condition, causing them to determine not to purchase products or delay purchasing decisions or construction contracts and could impact their ability to pay for products. Other factors beyond the Group's control, including but not limited to, unemployment, mortgage delinquency and foreclosure rates, interest rate and foreign currency fluctuations, labour and healthcare costs, the availability of financing, the state of the credit markets, including mortgages, home equity loans and consumer credit, changes in tax laws affecting the real estate, remodelling and construction industries, weather, natural disasters, acts of terrorism, international trade tensions, and other conditions beyond its control, could have a significant adverse effect on the Group's business.

Any of these events could impair the ability of customers to make full and timely payments or reduce the volume of products these customers purchase from the Group and could cause increased pressure on selling prices and terms of sale. Accordingly, a significant or prolonged slowdown in activity in the Group's relevant markets could negatively impact revenue growth and results of operations. In addition, the Group may have to close under-performing branches from time to time as warranted by general economic conditions and/or weakness in the industries in which it operates. Any such closures could have a significant adverse effect on the Group's business.

The industries in which the Group operates are highly competitive, and changes in competition, including as a result of consolidation, could result in decreased demand for its products and could have a material effect on revenue and profitability.

The Group faces competition in all the markets it serves, from manufacturers (including some of its own suppliers) that sell directly to certain segments of the market, wholesale distributors, supply houses, retail enterprises and online businesses that compete with price transparency. In particular, wholesale and distribution businesses in other industry sectors have been disrupted by the arrival of new competitors with lower-cost transactional business models or new technologies to aggregate demand away from incumbents. In the event that one or more online marketplace companies focus resources on competing in the Group's markets, it could have a significant adverse effect on the Group's business. In addition, such competitors may use aggressive pricing and marketing tactics and devote substantially more financial resources to website and system development (as well as to paid search marketing) than the Group does. It is expected that competition could further intensify in the future as online commerce continues to grow worldwide. Increased competition may result in reduced revenue, lower operating margins, reduced profitability, loss of market share and diminished brand recognition.

The industry is also consolidating as customers are increasingly aware of the total costs of fulfilment and of the need to have consistent sources of supply at multiple locations. This consolidation could cause the industry to become more competitive as greater economies of scale are achieved by competitors, or as competitors with new lower cost transactional business models are able to operate with lower prices.

Additionally, the Group has experienced competitive pressure from certain of its suppliers who are now selling their products directly to customers. Suppliers can often sell their products at lower prices and maintain higher gross margins on their product sales than the Group can. Continued competition from the Group's suppliers may have a significant adverse effect on the Group's business.

In response to these competitive pressures, the Group remains dedicated to providing high quality customer service across its branches and regions by supporting customers when tendering for projects and helping deliver them throughout the construction and renovation lifecycle. The Group is also applying technology as an important medium for delivering better customer service and to create dedicated tools to save customers time and money. To this end, the Group has introduced a dedicated team and increased resources for the purpose of the exploration and incubation of new business models and new technologies, as well as having acquired a number of online businesses over the last several years. However, the Group may not continue to realise benefits from such investments. In addition, failure to effectively execute the Group's strategies, including the development and acquisition of such new business models or technologies, or to successfully identify future market and competitive pressures could have a material effect on revenue and profitability.

The Group may not rapidly identify or effectively respond to consumer wants, expectations or trends, which could adversely affect its relationship with customers, its reputation, the demand for its products and its market share.

The success of the Group's business depends in part on its ability to identify and respond promptly to evolving trends in demographics, as well as customers' preferences, expectations and needs, while also managing appropriate inventory levels and maintaining its focus on delivering an excellent customer experience. For example, customers are currently facing challenges in the form of a shortage of skilled trade professionals and a need for improved construction productivity. It is also difficult to successfully predict the products that customers will require. In addition, each of the primary end-markets served has different needs and expectations, many of which evolve as the demographics in a particular market change. The Group also

needs to offer more localised assortments of products to appeal to local needs within each customer group. If the Group does not successfully itself evolve and differentiate to meet the individual needs and expectations of, or within, a particular end-market, it may lose market share.

In 2017, the Group launched the www.ferguson.com website to be the foundation for future e-commerce and is in the process of simplifying customer propositions and optimising the supply chain and branch network to deliver a more efficient business. In 2018, the Group set up Ferguson Ventures to help discover, invest in and partner with technology companies and start-ups to, among other things, help address industry problems, including the shortage of skilled trade professionals and the need for improved construction productivity.

The cost and potential problems and interruptions associated with the implementation of these initiatives could disrupt or reduce the efficiency of the Group's online and in-store operations in the near term, lead to product availability issues and negatively affect its relationship with customers. Furthermore, accomplishing these initiatives will require a substantial investment in additional information technology associates and other specialised associates. The Group may face significant competition in the market for these resources and may not be successful in its hiring efforts. Failure to choose the right investments and implement them in the right manner and at the right pace could adversely affect the Group's relationship with customers, its reputation, the demand for its products, and market share. In addition, the Group's branch and omni-channel initiatives, enhanced supply chain, and new or upgraded information technology systems might not provide the anticipated benefits. It might take longer than expected to realise the anticipated benefits, or the initiatives might fail altogether, each of which could adversely impact the Group's competitive position and its financial condition, results of operations, or cash flows.

The Group could be adversely impacted by declines in the residential and non-residential repair, maintenance and improvement markets as well as the new construction market.

The Group's business units operating in the residential and non-residential RMI and new construction markets are dependent, in part, upon certain macroeconomic trends in these markets. For example, for the financial year ended 31 July 2018, the Group's businesses operating in the RMI markets in its US, UK and Canada and Central Europe segments generated approximately 58%, 62% and 60% of their respective total revenue.

Economic weakness may cause unanticipated shifts in end-market preferences and purchasing practices and in the business models and strategies of the Group's customers. Such shifts may alter the nature and prices of products demanded by the end consumer, and, in turn, by the Group's customers and could adversely affect the Group's operating performance.

Management monitors the activity levels of these markets through various indicators of home improvement and repair spending and commercial/industrial construction spending. For example, one of the indicators the Group uses in the residential RMI market is the Leading Indicator of Remodelling Activity ("**LIRA**") as it provides a short-term outlook of national home improvement and repair spending to owner-occupied homes in the US. In the Group's commercial and civil/infrastructure markets, management uses the American Institute of Architects ("**AIA**") Billings Index – Commercial/Industrial as it is a leading economic indicator of construction activity and is widely seen as reflecting prospective construction spending. LIRA projections indicate continued absolute growth in the US RMI market and the AIA Billing Index – Commercial/Industrial was above 50 (the level which indicates growth in business activity across the architecture profession) in 11 of the 12 months to December 2018. While these indicators have been positive over the last several years, there can be no assurance these trends will continue.

Fluctuating commodity prices may adversely affect the Group's business, financial condition or results of operations.

Some of the Group's products contain significant amounts of commodity-priced materials, predominantly plastic, copper and steel, and other components which are subject to price changes based upon fluctuations in the commodities market. To a lesser extent, fluctuations in the price of fuel could affect transportation costs. The Group's ability to adjust prices in a timely manner to account for such fluctuations may often depend on market conditions, its fixed costs and other factors. In the event circumstances require the Group

to adapt its product prices and operational strategies to reflect fluctuating commodity prices, there can be no assurance that such adaptations will be effective and a failure to successfully adapt could have a significant adverse effect on the Group's business.

Acquisitions, partnerships, joint ventures and other business combination transactions involve a number of inherent risks, any of which could result in the benefits anticipated not being realised and could have a material adverse effect on results of operations.

Acquisitions are an important part of the Group's growth model and it regularly considers and enters into strategic transactions, including mergers, acquisitions, investments and other growth, market and geographic expansion strategies, with the expectation that these transactions will result in increases in revenue, cost savings, synergies and various other benefits. During the financial years ended 31 July 2018 and 2017, the Group invested \$416 million in 13 bolt-on acquisitions and \$331 million (£256 million) in 11 bolt-on acquisitions, respectively. The Group may not realise any anticipated benefits from such transactions or partnerships, or any future ones, it may be exposed to additional liabilities of any acquired business or joint venture and may be exposed to litigation in connection with any transaction. Furthermore, the Group may have trouble identifying suitable acquisition targets in the future. The Group's ability to deliver the expected benefits from any strategic transactions that are completed is subject to numerous uncertainties and risks, including the Group's ability to integrate personnel, labour models, financial, supply chain and logistics, IT and other systems successfully; disruption of ongoing business and distraction of management; hiring additional management and other critical personnel; and increasing the scope, geographic diversity and complexity of Group operations.

Effective internal controls are necessary to provide reliable and accurate financial reports, and the integration of businesses may create complexity in the Group's financial systems and internal controls and make them more difficult to manage. Integration of businesses into the Group's internal control system could cause it to fail to meet its financial reporting obligations. Additionally, any impairment of goodwill or other assets acquired in a strategic transaction or charges to earnings associated with any strategic transaction may materially reduce Group profitability. An acquisition may not result in the anticipated synergies or other expected benefits motivating the transaction. Following integration, an acquired business may not produce the expected margins or cash flows.

The Group's Shareholders may react unfavourably to substantial strategic transactions. Furthermore, the Group may finance these strategic transactions by incurring additional debt or raising equity, which could increase leverage or impact its ability to access capital in the future.

Execution of the Group's operational strategies could prove unsuccessful, which could have a significant adverse effect on the Group's business.

To achieve the Group's key priorities, it must drive profitable growth across its operational businesses by fulfilling customer wants, capitalising on attractive growth opportunities and achieving excellent execution.

Fulfilling customer wants is a key part of the Group's strategy to drive profitable growth. There is a risk that if service levels were to significantly decrease, customers might purchase from the Group's competitors instead, resulting in reduced revenue, lower operating margins, reduced profitability, loss of market share and/or diminished brand recognition.

Development of the Group's operating model is a key part of driving profitable growth. There is a risk that the Group is not sufficiently agile in adapting its operating model and therefore cannot adapt to changing customer wants and/or is unable to flex its cost base when required. Any failure to appropriately address some or all of these risks could damage the Group's reputation and have a significant adverse effect on the Group's business.

In response to these risks, the Group develops and invests in new business models, including e-commerce applications, to respond to changing customer and consumer wants. This is expected to enable the Group to accelerate the time to market for new revenue streams and gain insight on new technologies and trends. The Group remains vigilant to the threats and opportunities in this space. The development of new business models in the Group's markets are closely evaluated – both for investment potential and threats. In addition,

the Group invests in well trained, highly engaged associates, driving a strong sales culture that works consistently to understand customer wants more accurately. However, there can be no assurance that the Group will be successful in identifying emerging threats or opportunities, or that it will be able to effectively address threats or capitalise on opportunities once identified.

The failure of a key information technology system or process could adversely affect the operations of the Group's business.

Technology systems and data are fundamental to the future growth and success of the business. In managing the business, the Group relies on the integrity and security of, and consistent access to, data from these systems such as sales, customer data, merchandise ordering, inventory replenishment and order fulfilment.

For these information technology systems and processes to operate effectively, the Group or its service providers must periodically maintain and update them. In addition, the Group's systems and the third-party systems on which it relies are subject to damage or interruption from a number of causes, including power outages; computer and telecommunications failures; computer viruses; security breaches; cyber-attacks, including the use of ransomware (as discussed below); catastrophic events such as fires, floods, earthquakes, tornadoes, or hurricanes; acts of war or terrorism; and design or usage errors by associates, contractors or third-party service providers. Although the Group and its third-party service providers seek to maintain respective systems effectively and to successfully address the risk of compromise of the integrity, security and consistent operations of these systems, such efforts may not be successful.

While the Group has instituted safeguards for the protection of such information systems and it is believed to use reputable third-party providers, during the normal course of business, the Group has experienced, and expects to continue to experience, attempts to breach information systems, and the Group may be unable to protect sensitive data and/or the integrity of information systems. A cybersecurity incident could be caused by malicious third-parties using sophisticated methods to circumvent firewalls, encryption and other security defences. Because techniques used to obtain unauthorised access or to sabotage systems change frequently and generally are not recognised until they are launched against a target, the Group and its third-party providers may be unable to anticipate these techniques or implement adequate preventative measures.

As a result, the Group or its service providers could experience errors, interruptions, delays or cessations of service in key portions of information technology infrastructure, which could significantly disrupt Group operations and be costly, time consuming and resource-intensive to remedy. As a result, the Group could forego revenue or profit margins if it is unable to trade. Furthermore, if critical information systems fail or otherwise become unavailable, the Group's ability to process orders, maintain proper levels of inventories, collect accounts receivable and disburse funds could be adversely affected. Any such interruption of the Group's information systems could also subject it to additional costs. Loss of customer, supplier, associate or other business information could disrupt operations, damage Group reputation and expose it to claims from customers, suppliers, financial institutions, regulators, payment card associations, associates and others, any of which could have a material adverse effect on the Group, its financial condition and results of operations.

If the Group's domestic or international supply chain or fulfilment network for its products is ineffective or disrupted for any reason, or if these operations are subject to trade policy changes, its results of operations could be adversely affected.

The Group sources, distributes and sells products from domestic and international suppliers, and its ability to reliably and efficiently fulfil orders is critical to business success. The Group has a large supplier base located in various countries around the world. Although no single supplier or manufacturer accounted for more than 5% of total material and supply purchases during the financial year ended 31 July 2018, disruptions could occur due to factors beyond the Group's control which could adversely affect a supplier's ability to manufacture or deliver products.

Financial instability among key suppliers, political instability and labour unrest in source countries or elsewhere in the supply chain, changes in the total costs in the supply chain (also reflecting changes in fuel, labour and currency exchange rates), port labour disputes and security, the outbreak of pandemics, weather-

related events, natural disasters, work stoppages, shipping capacity restraints, changes in trade policy, retaliatory trade restrictions imposed by any major world economy or another major source country, tariffs or duties, fluctuations in currency exchange rates and transport availability, capacity and costs are all beyond Group control and could negatively impact the business if they seriously disrupted the movement of products through the Group's supply chain or increased its costs. Additionally, as the Group adds fulfilment capabilities or pursues strategies with different fulfilment requirements, its fulfilment network becomes increasingly complex and operating it becomes more challenging.

If the fulfilment network does not operate properly or if a supplier fails to deliver on its commitments, the Group could experience delays in inventory, increased delivery costs or lack of availability, any of which could lead to lower revenue and decreased customer confidence, and adversely affect results of operations.

In order to compete, the Group must attract, retain and motivate key associates, and the failure to do so could have an adverse effect on results of operations.

The Group depends on the executive officers, as well as senior management, of all its businesses. As the Group develops new business models and new ways of working, it needs to develop suitable skill sets within the organisation. Furthermore, as the Group continues to execute strategic change programmes, it is important that existing skill sets and talent are retained. Failure to do so could delay the execution of strategic change programmes, result in loss of "corporate memory" and reduce the Group's supply of future management skill.

The loss of senior management and other key associates, or the inability to hire and retain qualified replacements, both generally and in connection with the execution of key business strategies, could adversely affect the Group's business, financial condition or results of operations.

Furthermore, the Group's ability to provide high-quality products, advice and services on a timely basis depends, to a significant extent, on having an adequate number of qualified associates, including those in managerial, technical, sales, marketing and support positions. Accordingly, its ability to increase productivity and profitability and support growth strategies may be limited by its ability to employ, train, motivate and retain skilled associates, which in turn may be hindered by any present or future restructurings and cost savings initiatives. Because the Group faces significant competition in attracting skilled associates, such as associates with technical skills, it may be unsuccessful in attracting and retaining the associates required to conduct and expand operations and, in particular, develop its technology and grow its online presence, which could have a negative effect on Group business, financial condition or results of operations. The Group's workforce constitutes a significant proportion of its cost base. Any inflationary pressures, as well as changes in applicable laws and regulations or other factors resulting in increased labour costs, could have a significant adverse effect on the Group's business. In an effort to address these risks, the Group has established performance management and succession planning procedures, continues to invest in associate development and offers reward packages that are designed to attract and retain talented associates.

Potential tariffs or a global trade war could increase the cost of the Group's products, which could adversely impact the competitiveness of Group products and its financial results.

Trade-related actions taken by the US and China have resulted in substantial regulatory uncertainty regarding international trade and trade policy. For example, over the last 12 months, the US government has announced various import tariffs on goods imported from certain trade partners, such as the EU and China, which have resulted and may continue to result in reciprocal tariffs on goods exported from the US to such trade partners. The US, Mexico and Canada have concluded negotiations on a draft replacement agreement to the existing North American Free Trade Agreement ("NAFTA"); however, until such agreement is formally implemented, if ever, there remains a risk that the US might withdraw from NAFTA thereby creating uncertainty to trading between the three countries. The announcement of unilateral tariffs on imported products by the US has triggered retaliatory actions from certain foreign governments and may trigger further retaliatory actions, potentially resulting in a "trade war". Similarly, the UK referendum to withdraw from the European Union ("Brexit"), has created significant uncertainty around the future relationship between the UK and other countries (including those in the EU), and the introduction of customs duties and tariffs on trade is a possibility. Trade barriers and other governmental action related to tariffs or

international trade agreements around the world has the potential to decrease demand for the Group's products, increase the Group's costs, negatively impact suppliers and/or adversely impact the economies in which the Group operates or certain sectors thereof and, thus, may have a significant adverse effect on the Group's business.

The Group's own brand products subject it to certain increased risks such as regulatory, product liability and reputational risks.

As the Group expands its own brand product offerings, it may become subject to increased risks due to its greater role in the design, marketing and sale of those products. The risks include greater responsibility to administer and comply with applicable regulatory requirements, increased potential product liability and product recall exposure, and increased potential reputational risks related to the responsible sourcing of those products. To effectively execute the Group's product differentiation strategy, it must also be able to successfully protect its proprietary rights and successfully navigate and avoid claims related to the proprietary rights of third parties. In addition, an increase in sales of the Group's own brand products may adversely affect sales of its suppliers' products, which in turn could adversely affect its relationships with certain suppliers. Any failure to appropriately address some or all of these risks could damage the Group's reputation and have an adverse effect on its business, results of operations, and financial condition.

Failure to achieve and maintain a high level of product quality as a result of suppliers' or manufacturers' mistakes or inefficiencies could damage the Group's reputation and negatively impact revenue and results of operations.

To be successful in the future, the Group must continue to preserve, grow and leverage the value of Ferguson's brand in the marketplace. Reputational value is based in large part on perceptions of subjective qualities. Even an isolated incident, or the aggregate effect of individually insignificant incidents, can erode trust and confidence, particularly if such incident or incidents result in adverse publicity, governmental investigations or litigation, and as a result, could tarnish the Group's brand and lead to adverse effects on its business.

In particular, product quality issues as a result of suppliers' or manufacturers' acts or omissions could negatively impact customer confidence in the Group's brands and products. As the Group does not have direct control over the quality of the products manufactured or supplied by such third-party suppliers, it is exposed to risks relating to the quality of the products it distributes. If the Group's product offerings do not meet applicable safety standards or customers' expectations regarding safety or quality, or are alleged to have quality issues or to have caused personal injury or other damage, the Group could experience lower revenue and increased costs and be exposed to legal, financial and reputational risks, as well as governmental enforcement actions. In addition, actual, potential or perceived product safety concerns could result in costly product recalls. The Group has a higher risk of exposure to such claims with respect to its own brand products which, although manufactured by third-party suppliers, are branded and marketed by the Group. Product liability claims can be expensive to defend and can divert the attention of management and other associates for significant time periods, regardless of the ultimate outcome. Any litigation, moreover, carries an inherent risk of an adverse outcome. Any product liability claim could have a significant adverse effect on the Group's business.

Rigorous testing protocols are in place to ensure quality standards are met and should an issue be identified, immediate steps are taken to uncover the root cause of the issue and prevent it from recurring. Additionally, the Group seeks to enter into contracts with suppliers which provide for indemnification from any costs associated with the provision of defective products; however, there can be no assurance that such contractual rights will be obtained or adequate, or that related indemnification claims will be successfully asserted by the Group.

The nature of the Group's operations may expose associates, contractors, customers, suppliers and other individuals to health and safety risks and it may incur property, casualty or other losses not covered by its insurance policies.

The nature of the Group's operations can expose associates, contractors, customers, suppliers and other individuals to health and safety risks, which can lead to loss of life or severe injuries. Such risks include exposure to the potential for litigation from third parties. In the US, in particular, the risk of litigation is generally higher than in other parts of the Group's business in areas such as workers' compensation, general employer liability and environmental and asbestos litigation.

For example, as a result of the Group's past business activities, it is exposed, principally through indemnification claims, to various claims related to asbestos, for which the Group recognised environmental and legal provisions amounting to \$69 million on its balance sheet as at 31 July 2018. In future periods, the Group could be subject to cash costs or non-cash charges to earnings if any of such litigation matters are resolved on unfavourable terms. However, although the ultimate outcome of any legal matter cannot be predicted with certainty, based on current information, including the Group's assessment of the merits of the particular claims, it does not expect that pending legal proceedings or claims will have a significant adverse effect on the Group's business.

Although the Group maintains insurance which is believed to be sufficient to cover estimated product liability claims and other types of claims in various jurisdictions, such insurance does not cover all matters in all circumstances and subjects the Group to counterparty risks. Additionally, there can be no assurance that the Group will be able to obtain such insurance on acceptable terms in the future, if at all, or that any such insurance will provide adequate coverage against potential claims. If the Group does not have adequate contractual indemnification or insurance available, such claims could have a significant adverse effect on the Group's business.

The Group may become involved in legal proceedings in the ordinary course of business, and while it cannot predict the outcomes of those proceedings and other contingencies with certainty, some of these outcomes may adversely impact the Group's business.

The Group can become involved in legal proceedings such as consumer and employment and other litigation that arises from time to time in the ordinary course of business. Litigation is inherently unpredictable, and the outcome of some of these proceedings and other contingencies could require the Group to take or refrain from taking actions which could adversely impact the business or could result in excessive verdicts. Additionally, involvement in these lawsuits and related inquiries and other proceedings may involve significant expense, divert management's attention and resources from other matters, and negatively affect the reputation of the Group.

Changes in the Group's credit ratings and outlook may reduce access to capital and increase borrowing costs.

The Group maintains public credit ratings from two agencies, Moody's and Standard & Poor's. The Group's credit ratings are based on a number of factors, including financial strength and factors outside of its control, such as conditions affecting its industry generally or the introduction of new rating practices and methodologies. The Group cannot provide assurances that its current credit ratings will remain in effect or that the ratings will not be lowered, suspended or withdrawn entirely by the rating agencies. If rating agencies lower, suspend or withdraw the ratings, the market price or marketability of the Group's securities may be adversely affected. Without prejudice to the working capital statement contained in paragraph 20 of Part VII ("*Additional Information*") of this Prospectus, any change in ratings could make it more difficult for the Group to raise capital on acceptable terms and could result in higher interest costs on future financings.

The Group is subject to various risks related to the local and international nature of its business, including domestic and foreign laws, regulations and standards. Failure to comply with such laws and regulations or the occurrence of unforeseen developments such as litigation could adversely affect the Group's business.

The Group principally operates in the US, Canada and the UK and is subject to specific risks of conducting business in different jurisdictions across these and other parts of the world. The Group is subject to a wide

array of laws, regulations and standards in every domestic and international jurisdiction where the Group operates, including advertising and marketing regulations, anti-bribery and corruption laws, anti-competition regulations, data protection (including payment card industry data security standards), and cybersecurity requirements (including protection of information and incident responses), environmental protection laws, foreign exchange controls and cash repatriation restrictions, government business regulations applicable to it as a government contractor selling to federal, state and local government entities, import and export requirements, intellectual property laws, labour laws, planning regulations, product compliance laws, supplier regulations regarding the sources of supplies or products, tax laws, as well as regulations and standards applicable to other commercial matters. In particular, occupational health and safety or consumer product safety regulation may require Group members to take appropriate corrective action (including but not limited to product recall) in respect of products that they have distributed. Managing a product recall or other corrective action can be expensive and can divert the attention of management and other associates for significant time periods. Moreover, the Group is also subject to audits and enquiries in the normal course of business.

Failure to comply with any of these laws, regulations and standards could result in civil, criminal, monetary and non-monetary penalties as well as potential damage to the Group's reputation. Changes in these laws, regulations and standards, or in their interpretation, could increase the cost of doing business, including, among other factors, as a result of increased investments in technology and the development of new operational processes. Furthermore, while the Group has implemented policies and procedures designed to facilitate compliance with these laws, regulations and standards, there can be no assurance that associates, contractors or agents will not violate such laws, regulations and standards or Group policies. Any such failure to comply or violation could individually or in the aggregate have a significant adverse effect on the Group's business.

Changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters could significantly affect the Group's financial results or financial condition.

International Financial Reporting Standards and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to the Group's business, such as revenue recognition, asset impairment, impairment of goodwill and other intangible assets, inventories, lease obligations, self-insurance, tax matters and litigation, are complex and involve many subjective assumptions, estimates and judgments. Changes in accounting standards or their interpretation or changes in underlying assumptions, estimates or judgments could significantly change the Group's reported or expected financial performance or financial condition.

Specifically, changes to financial accounting standards will require operating leases to be recognised on the Group's balance sheet with effect from 1 August 2019. The Group has significant obligations relating to current operating leases. The International Accounting Standards Board released IFRS 16, "Leases" ("**IFRS 16**") replacing IAS 17, "Leases". This standard requires lessees to recognise assets and liabilities for most leases.

The Group has performed a preliminary assessment of the potential impact of the adoption of IFRS 16 on its consolidated financial statements and expects the adoption of IFRS 16 will have a significant impact as it will recognise new assets and liabilities for its operating leases. In addition, the nature and timing of expenses related to those leases will change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

The Group will apply IFRS 16 in the financial year ending 31 July 2020. The Group intends to use the modified retrospective approach to transition. Based on the Group's current lease portfolio, it is estimated that the impact on the opening balance sheet at the date of initial application of 1 August 2019 will be the creation of a right of use asset of approximately \$1.0 billion and a lease liability of approximately \$1.2 billion. The net impact on earnings in the first year of adoption (the financial year ending 31 July 2020) is not expected to be material to the Group, however, adjusted EBITDA will improve due to the reduction in rental charges which will be broadly offset in the income statement by an increase in depreciation and interest charges. The actual impact on the Group's opening balance sheet at 1 August 2019 and the income

statement for the year ending 31 July 2020 is not yet known and may differ from these estimates due to a number of currently unknown factors, including, but not limited to, changes to leases in existence, the discount rate and lease extension assumptions.

Increasing regulation, and failure to comply therewith, in the areas of privacy and protection of user data could harm the Group's business.

In addition to the actual and potential changes in law described elsewhere in these Risk Factors, in the course of the Group's business, it receives and manages a large volume of personal data. This data is increasingly subject to legislation and regulations in numerous jurisdictions around the world. The EU's General Data Protection Regulation (the "GDPR") came into effect in May 2018. The GDPR has unified data protection within the EU under a single law, which has resulted and will result in significantly greater compliance burdens and costs for companies with users and operations in the EU. Under the GDPR, fines of up to €20 million or up to 4% of the annual global revenue of the infringer, whichever is greater, could be imposed. In the UK, a Data Protection Bill came into effect in May 2018, which substantially implements the GDPR in the UK. The California Consumer Privacy Act was also recently passed and creates new data privacy rights for users effective in 2020. These laws and their interpretations continue to develop and may be inconsistent from jurisdiction to jurisdiction. In many cases, these laws apply not only to third-party transactions, but also to transfers of information between the Group and its subsidiaries, including associate information. While the Group has invested and continues to invest significant resources to comply with the GDPR and other privacy regulations, many of these regulations (including the GDPR) are new, extremely complex and subject to interpretation. Non-compliance with these laws could result in negative publicity, damage to the Group's reputation, penalties or significant legal liability. The Group could be adversely affected if legislation or regulations are expanded to require changes in its business practices or if governing jurisdictions interpret or implement their legislation or regulations in ways that negatively affect the Group's business.

Changes in, or interpretation of, US, UK, Canadian or Swiss tax laws could have a material adverse effect on the Group's business, cash flow, results of operations or financial condition.

In 2017, the US Congress enacted the Tax Cuts and Jobs Act ("Tax Act"), which significantly changed how the US taxes corporations. The Tax Act requires complex computations to be performed that were not previously required under US federal income tax law, significant judgments to be made in interpretation of the provisions of the Tax Act, significant estimates in calculations, and the preparation and analysis of information not previously relevant or regularly produced. Whilst the Group has assessed the impact of the available regulations, the US Treasury Department, the US Internal Revenue Service ("IRS"), and other standard-setting bodies could interpret or issue guidance on how provisions of the Tax Act will be applied or otherwise administered that is different from the Group's interpretations. Although the Tax Act was largely positive for the Group, the ultimate impact of the Tax Act on the Group may differ from current estimates due to changes in interpretations and assumptions made by the Group as well as the issuance of any further regulations or guidance that may alter the operation of the Tax Act or other US federal income tax law. As the Group completes its analysis of the Tax Act as new regulations are issued, it may make adjustments to provisional amounts that it has recorded that may impact the Group's provision for income taxes in the period in which the adjustments are made.

More generally, the wider macro political and economic situation is uncertain in many of the territories in which the Group operates and changes could affect the Group's future tax rate. A combination of growing international trade pressures, withdrawal of quantitative easing by central banks and rising debt levels is creating political uncertainty which could lead to changes to the prevailing tax regime.

The Group's future results could also be adversely affected by changes in the effective tax rate as a result of fluctuations in its overall profitability and changes in the mix of earnings in countries with differing statutory tax rates, the results of the examination of previously filed tax returns and continuing assessment of the Group's tax exposures any of which could have a material adverse effect on its business, cash flow, results of operations or financial condition. The Group is engaged with relevant tax authorities to proactively assess any proposed changes in tax policy and to reduce the likelihood of any unexpected examinations of tax returns that could result in unprovided tax exposure.

Any future change in taxation legislation or the interpretation of tax legislation in either the US, the UK, Canada or Switzerland could materially affect the Group's results of operations. Statements in this Prospectus concerning tax regimes relevant to Shareholders are based on current tax law and practice, which are subject to change and their application to individual Shareholders depends on such Shareholders' individual circumstances.

The Group occupies most of its facilities under non-cancellable leases. The Group may be unable to renew leases on favourable terms or at all. Also, if the Group closes a facility, it may remain obligated under the applicable lease.

Most of the Group's branches are located in leased premises. As at 31 July 2018, the Group had total operating lease commitments of \$1,081 million (compared to \$1,129 million as at 31 July 2017). Many of the current leases are non-cancellable and typically have terms of around five years, with options to renew for specified periods of time. There can be no assurance that the Group will be able to renew current or future leases on favourable terms or at all, which could have an adverse effect on its ability to operate the business and on the results of operations. In addition, if the Group closes or ceases to use a facility, it generally remains committed to perform its obligations under the applicable lease, which include, among other things, payment of the base rent for the balance of the lease term.

The Group is subject to payment-related risks that could increase operating costs, expose it to fraud or theft, subject it to potential liability, and potentially disrupt the business.

The Group accepts payments using a variety of methods, including trade credit, cash, cheque, credit and debit cards, PayPal and gift cards, and may offer new payment options over time. Acceptance of these payment options subjects the Group to rules, regulations, contractual obligations and compliance requirements, including payment network rules and operating guidelines, data security standards and certification requirements, and rules governing electronic funds transfers. These requirements may change over time or be reinterpreted, making compliance more difficult or costly. For certain payment methods, including credit and debit cards, the Group pays interchange and other fees, which may increase over time and raise operating costs. The Group relies on third parties to provide payment processing services, including the processing of credit cards, debit cards, and other forms of electronic payment. If these companies become unable to provide these services, or if their systems are compromised, it could potentially disrupt the business.

The payment methods that the Group offers also subjects it to potential fraud and theft by criminals, who are becoming increasingly more sophisticated, seeking to obtain unauthorised access to, or exploit weaknesses that may exist in, the payment systems. If the Group fails to comply with applicable rules or requirements for the payment methods accepted, or if payment-related data is compromised due to a breach or misuse of data, the Group may be liable for costs incurred by payment card issuing banks and other third parties or be subject to fines and higher transaction fees, or its ability to accept or facilitate certain types of payments may be impaired. In addition, customers could lose confidence in certain payment types, which may result in a shift to other payment types or potential changes to the Group's payment systems that may result in higher costs. As a result, the Group's business could be adversely affected.

Also, certain of the Group's customers or suppliers or other third parties may seek to obtain products fraudulently from, or submit fraudulent invoices to, any member of the Group. The Group has sought to extend best practice with a number of processes and controls to minimise opportunities for fraud. If the Group is unsuccessful in detecting fraudulent activities, it could suffer loss directly and/or lose the confidence of its customers and/or suppliers, which could have a significant adverse effect on the Group's business.

Successful operations rely on the Group's ability to manage customer credit policies.

Accounts receivable are a significant component of the Group's net asset base. The Group manages its accounts receivable through customer credit policies, including credit insurance, but a failure to effectively manage such policies could have a significant adverse impact on the Group's business.

The Group has funding risks related to its defined benefit pension schemes.

The Group's pension fund liabilities are partially matched with a portfolio of assets, comprising equity and debt securities alongside a buy-in insurance policy. The market value of these assets can rise and fall over time which impact the funding position of the scheme. On an accounting basis, the liabilities of the Group's pension schemes are measured using a discount rate assessed by reference to corporate bond yields, which can also vary significantly between reporting periods. As at 31 July 2018, the Group had recognised on its balance sheet a net pension asset of \$174 million in respect of defined benefit schemes, an increase of \$202 million from a net liability of \$28 million (£21 million) recognised at 31 July 2017.

Additionally, the Group's pension scheme liabilities are measured on a technical basis using planned actuarial valuations. In 2016, the Group agreed to a deficit reduction plan, amounting to £62.5 million to its main defined benefit scheme in the UK of which contributions amounting to £12.5 million remain outstanding under this deficit reduction plan. Following the disposal of the Group's Nordic Operations in March 2018, the Group made an additional, one-off contribution of \$94 million (£70 million) to its main defined benefit scheme in the UK. Although the Group does not expect to have to make any additional one-off contributions, any requirement to pay such additional sums, due to factors such as a deterioration in economic conditions or changes in actuarial assumptions, could have an adverse effect on its financial condition. In addition, actions by the Pensions Regulator or the trustees of Group pension schemes or any material revisions to the existing pension legislation could result in it being required to incur significant additional costs immediately or in short timeframes. Such costs, in turn, could have a significant adverse effect on the Group's business.

The Group's strategy could be materially adversely affected by its indebtedness.

As at 31 January 2019, the Group had consolidated net debt of \$1,885 million. The Group may incur substantial additional indebtedness in the future, in particular in connection with future acquisitions which remain a core part of the Group's strategy, some of which may be secured by some or all of the Group's assets. The Group's overall level of indebtedness from time to time may have an adverse effect on the Group's strategy, including:

- requiring the Group to dedicate portions of its cash flow to payments on its debt, thus reducing funds available for distribution to Shareholders or reinvestment in the business;
- restricting the Group from securing the financing, if necessary, to pursue acquisition opportunities (the pursuit of which is entirely within the Group's discretion);
- limiting the Group's flexibility in planning for, or reacting to, changes in its business and industry; and
- placing the Group at a competitive disadvantage compared to its competitors that have lower levels of indebtedness.

Beyond the next 12 months the Group may need to refinance some or all of its debt upon maturity either on terms which could potentially be less favourable than the existing terms or under unfavourable market conditions, which may also have an adverse effect on the Group's strategy.

Fluctuations in foreign currency exchange rates may have an adverse effect on reported results of operations.

The Group's exposure to fluctuations in foreign currency rates results primarily from the translation exposure associated with the preparation of the Group's financial statements, as well as from transaction exposure associated with transactions in currencies other than an entity's functional currency. Up until the financial year ended 31 July 2017, the Group reported its results in pounds sterling and its main currency exposure arose on the translation of US dollar and to a lesser extent Canadian dollar earnings into pounds sterling. From the financial year beginning 1 August 2017 onwards, the Group has presented its consolidated financial statements in US dollars and, as the majority of revenue and trading profit is generated in US dollars, the impact of foreign exchange rate movements has been reduced. For the financial year ended 31 July 2018, 80% of its revenue was received in US dollars, while the remaining 20% was in currencies other than US dollars that is then translated into US dollars for financial reporting purposes.

The Group is exposed to foreign currency exchange rate risk with respect to the US dollar relative to the local currencies of its international subsidiaries arising from transactions in the normal course of business, such as sales and loans to wholly-owned subsidiaries, sales to third-party customers, purchases from suppliers and bank loans and lines of credit denominated in foreign currencies. The Group also has foreign currency exposure to the extent receipts and expenditures are not denominated in the subsidiary's functional currency and that could have an impact on revenue, operating costs and cash flows. Fluctuations in foreign currency exchange rates could affect the Group's trading results of operations and impact reported net revenue and trading profits.

Risks Relating to the Scheme and the New Ferguson Shares

The Scheme is subject to certain conditions which may not be satisfied on a timely basis or at all. If such conditions are not satisfied, or, where applicable, waived, the Scheme will not be implemented and the benefits expected to result from the Scheme will not be achieved.

The implementation of the Scheme is conditional upon:

- (a) the approval of the Scheme by a majority in number, representing not less than three-fourths of the voting rights of the Old Ferguson Shares held by the Old Ferguson Shareholders present and voting, either in person or by proxy, at the Court Meeting (or at any adjournment of such meeting);
- (b) the passing of the special and ordinary resolutions set out in the notice of the Scheme General Meeting to approve the Scheme (see Part VI of the Scheme Circular) and various matters in connection with the Scheme at the Scheme General Meeting (or any adjournment of such meeting), including (i) the transfer of the Scheme Shares, (ii) changes to the Old Ferguson Articles, (iii) approval of the Reduction of Capital, (iv) the delisting of Old Ferguson Shares, (v) the approval (save in respect of the DBP, OSP and POSP) of the adoption by New Ferguson of the New Ferguson Employee Share Schemes and (vi) approval of Old Ferguson's change of name to Ferguson Holdings Limited;
- (c) the sanction of the Scheme by the Royal Court at the Court Hearing; and
- (d) a copy of the order of the Royal Court sanctioning the Scheme having been delivered to the Jersey Registrar of Companies for registration.

In addition, the Directors will not take the necessary steps to enable the Scheme to become effective unless, at the relevant time, the following conditions have been satisfied:

- (a) the formal processes having been put in place to delist the Old Ferguson Shares and to approve the application to admit (subject to the allotment of the New Ferguson Shares and the satisfaction of conditions (a) to (d) above, save to the extent such conditions are already satisfied) the New Ferguson Shares to be issued in connection with the Scheme to the Official List with a premium listing (including a listing hearing having been held); and
- (b) the London Stock Exchange has agreed to admit the New Ferguson Shares to be issued in connection with the Scheme to trading on its main market for listed securities with a premium listing and its agreement not being withdrawn prior to the Scheme Effective Date.

In the event the Scheme is not implemented, the Group will not achieve the benefits expected, as set forth in paragraph 2 of Part I of this Prospectus.

The implementation of the Scheme cannot be assured and, if effected, the Scheme may not be successful in achieving the intended taxation position for the Group in the future.

The implementation of the Scheme will result in a new corporate structure of the Group which is intended to provide more certainty in the Group's taxation position and enable the Group to achieve a competitive Group effective corporate tax rate following implementation of the Scheme, and therefore is in the best interests of Shareholders. The effectiveness of the new corporate structure is dependent on: (i) the current laws in the US, UK, Switzerland and other jurisdictions; (ii) management's ability to operate the new corporate structure within those laws; and (iii) the implementation of the Scheme. In particular, there can be

no certainty that the Scheme and the new corporate structure will allow the full achievement of the benefits expected to result from them. In addition, there can be no certainty that future changes in tax laws will not reduce the effectiveness of the new corporate structure. As a result, even if the new corporate structure is implemented successfully, the Group's tax position may change materially in the future and the Group's effective corporate tax rate may be higher than expected.

New Ferguson Shares may be subject to market price volatility and the market price of the New Ferguson Shares may decline disproportionately in response to developments that are unrelated to the Group's operating performance.

The market price of the New Ferguson Shares may be volatile and subject to wide fluctuations. The market price of the New Ferguson Shares may fluctuate as a result of a variety of factors including, but not limited to, those referred to in these Risk Factors, as well as period to period variations in operating results or changes in revenue or profit estimates by the Group, industry participants or financial analysts. The market price could also be adversely affected by developments unrelated to the Group's operating performance, such as the operating and share price performance of other companies that investors may consider comparable to the Group, speculation about the Group in the press or the investment community, unfavourable press, strategic actions by competitors (including acquisitions and restructurings), changes in market conditions, regulatory changes and broader market volatility and movements. Any or all of these factors could result in material fluctuations in the price of New Ferguson Shares, which could lead to investors getting back less than they invested or a total loss of their investment.

New Ferguson Shareholders in the US and other jurisdictions outside of the UK may not be able to participate in future equity offerings.

The New Ferguson Articles provide for pre-emption rights to be granted to New Ferguson Shareholders in New Ferguson, unless such rights are disapplied by a shareholder resolution. However, securities laws of certain jurisdictions may restrict New Ferguson's ability to allow participation by New Ferguson Shareholders in future offerings. In particular, Shareholders in the US may not be entitled to exercise these rights, unless either the New Ferguson Shares and any other securities that are offered and sold are registered under the Securities Act, or the New Ferguson Shares and such other securities are offered pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. New Ferguson does not intend to seek such registration under the Securities Act and cannot assure prospective investors that any exemption from such overseas securities law requirements would be available to enable US or other non-UK New Ferguson Shareholders to exercise their pre-emption rights or, if available, that New Ferguson will utilise any such exemption.

The rights afforded to New Ferguson Shareholders are governed by Jersey law. Not all rights available to shareholders under English or US law will be available to holders of the New Ferguson Shares.

The rights of holders of the New Ferguson Shares are governed by Jersey law and the Articles. Rights afforded to shareholders under Jersey law differ in certain respects from the rights of shareholders in typical US companies and, to a lesser extent, in typical English companies. In particular, Jersey law, like English law, currently limits significantly the circumstances in which the shareholders of Jersey companies may bring derivative actions. Under Jersey law, in most cases, like English law, only New Ferguson may be the proper plaintiff for the purposes of maintaining proceedings in respect of wrongful acts committed against it and, generally, neither an individual shareholder, nor any group of shareholders, has any right of action in such circumstances. In addition, Jersey law, like English law, does not afford appraisal rights to dissenting shareholders in the form typically available to shareholders in a US company.

New Ferguson's ability to pay dividends or effect other returns of capital in the future depends, among other things, on the Group's financial performance and, where necessary, the New Ferguson Reduction of Capital.

There can be no guarantee that the Group's historical performance will be repeated in the future, particularly given the competitive nature of the industry in which it operates, and its revenue, profit and cash flow may significantly underperform market expectations. If the Group's cash flow underperforms market

expectations, then its capacity to pay a dividend or effect other returns of capital (including, without limitation, share repurchases) will suffer. Any decision to declare and pay dividends or to effect other returns of capital will be made at the discretion of the Directors and will depend on, among other things, applicable law, regulation, restrictions (if any) on the payment of dividends and/or capital returns in the Group's financing arrangements, the Group's financial position, New Ferguson's retained earnings/profits, working capital requirements, finance costs, general economic conditions and other factors that the Directors deem significant from time to time.

The purpose of the New Ferguson Reduction of Capital is to create a reserve of profit in the accounts of New Ferguson to support the payment of future dividends in accordance with Old Ferguson's method of paying dividends and the making of other returns of capital to Shareholders. The New Ferguson Reduction of Capital is conditional upon certain matters which are to take place after the date of this Prospectus. If the conditions to the New Ferguson Reduction of Capital are not fulfilled and the New Ferguson Reduction of Capital cannot be carried out, New Ferguson may be unable to create a sufficient reserve of profit to adhere to its dividend policy and to pay dividends in the future in accordance with Old Ferguson's current practice of making distributions or to make other returns of capital.

The issuance of additional New Ferguson Shares in connection with future acquisitions, any share incentive or share option plan or otherwise may dilute all other shareholdings.

The Group may seek to raise financing to fund future acquisitions and other growth opportunities. New Ferguson may, for these and other purposes, issue additional equity or convertible equity securities. As a result, New Ferguson Shareholders may suffer dilution to their percentage ownership of New Ferguson, or the market price of the New Ferguson Shares may be adversely affected.

Shareholders may be subject to exchange rate risk.

The New Ferguson Shares are denominated in pounds sterling. However, as the functional and presentational currency of New Ferguson is US dollars, any dividends declared by New Ferguson will be denominated in US dollars and then converted into, and paid to Shareholders in, pounds sterling (unless a shareholder elects to receive payment in US dollars). Accordingly, in connection with the conversion of dividends into a pounds sterling equivalent and the subsequent payments to Shareholders of dividends in pounds sterling, investors will be exposed to foreign currency exchange rate risk (for example, fluctuations in the value of pounds sterling relative to US dollars between the date on which the exchange rate for the purpose of converting the dividend is established and the payment date of a dividend may reduce the value of such a dividend received in pounds sterling terms). Similarly, an investment in New Ferguson Shares by an investor whose principal currency is not pounds sterling exposes the investor to foreign currency exchange rate risk. Any fluctuations in the value of pounds sterling relative to such foreign currency may reduce the value, in foreign currency terms, of the investment in the New Ferguson Shares.

New Ferguson is a holding company with no business operations of its own and depends on its subsidiaries for cash, including in order to pay dividends.

With effect from the Scheme Effective Date, New Ferguson is a group holding company with no independent operations and is dependent on earnings and distributions of funds from its operating subsidiaries for cash, including in order to pay dividends to New Ferguson Shareholders. New Ferguson's ability to pay dividends to New Ferguson Shareholders therefore depends on future Group profitability, the ability to distribute profits or pay dividends from its operating subsidiaries up the Group structure to New Ferguson, general economic conditions and other factors that the Directors deem significant from time to time. The Group's distributable reserves can be affected by reductions in profitability, impairment of assets and severe market turbulence. For further information on the New Ferguson Reduction of Capital and proposed creation of New Ferguson's distributable reserves, see "*The Reduction of Capital*" in Part I ("*The Scheme and Related Proposals*") of this Prospectus.

IMPORTANT INFORMATION

Cautionary Note Regarding Forward-Looking Statements

This Prospectus includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements may be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “plans”, “projects”, “anticipates”, “expects”, “intends”, “may”, “will” or “should” or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include, but are not limited to, statements regarding the Directors’ intentions, beliefs or current expectations concerning, among other things, the Group’s business, results of operations, financial position, prospects, dividends, growth, and strategies.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the actual results of the Group’s operations, its financial position and dividends, and the development of the markets and the industries in which the Group operates may differ materially from those described in, or suggested by, the forward-looking statements contained in this Prospectus. In addition, even if the Group’s results of operations and financial position, and the development of the markets and the industries in which the Group operates, are consistent with the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. A number of risks, uncertainties and other factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements (see the section of this Prospectus headed “*Risk Factors*”).

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this Prospectus reflect the Directors’ current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group’s business, results of operations, financial condition, prospects, dividends, growth, and strategies. Investors should specifically consider the factors identified in this Prospectus, which could cause actual results to differ, before making an investment decision. Subject to the requirements of the Listing Rules, the Prospectus Rules, Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 (the “**Market Abuse Regulation**”) and the Disclosure Guidance and Transparency Rules produced by the FCA and forming part of the book and rules and guidance maintained by the FCA (the “**FCA Handbook**”), New Ferguson undertakes no obligation publicly to release the result of any revisions to any forward-looking statements in this Prospectus that may occur due to any change in Directors’ expectations or to reflect events or circumstances after the date of this Prospectus.

Jersey Law Disclosures

The following are matters required to be disclosed pursuant to the Company (General Provisions) (Jersey) Order 2002 which are not otherwise disclosed elsewhere in this Prospectus.

The minimum amount required to be raised by the offer

Not applicable. There is no offer of New Ferguson Shares pursuant to this Prospectus. If the Scheme is approved, the Old Ferguson Shareholders will receive New Ferguson Shares in accordance with the terms of the Scheme.

When and how monies will be returned in the event of the offer not being completed or any securities applied for not being allotted

Not applicable. There is no offer of New Ferguson Shares and no cash consideration in relation to the Scheme. In the event the Scheme is not approved, Old Ferguson Shareholders will continue to own Old Ferguson Shares.

Anticipated date and forecast amount of the first dividend or interest payment on the securities subject to offer Save for the Profit Forecast discussed in Part V (“*Profit Forecast*”) of this Prospectus, no statement in this Prospectus is intended as a profit forecast and no statement in this Prospectus should be interpreted to mean that earnings per New Ferguson Share for the current or future financial years would necessarily match or exceed the historical published earnings per Old Ferguson Share.

General particulars of any property to be acquired with the proceeds of the offer Not applicable. There are no proceeds being gained by New Ferguson as a result of the Scheme.

In the case of any business that is to be acquired with proceeds from the offer, the length of time during which that business has been carried on (if more than two years from the date of issue of the Prospectus) Not applicable.

Presentation of Financial Information

Capitalisation and indebtedness information for the Group in this Prospectus and other financial information, unless otherwise stated, has been extracted without material adjustment from Old Ferguson’s unaudited half year interim results for the six months ended 31 January 2019, which are incorporated by reference as described in Part VIII (“*Documents Incorporated by Reference*”) of this Prospectus. Where information has been extracted from the audited consolidated financial statements of the Group, the information is audited unless otherwise stated.

Unless otherwise indicated, financial information for the Group in this Prospectus and the information incorporated by reference into this Prospectus (i) has been prepared in accordance with EU IFRS, including interpretations issued by the International Accounting Standards Board (“**IASB**”) and (ii) is presented in US dollars, which the Group changed from pounds sterling effective from 1 August 2017. The Group changed its presentational currency to US dollars to better align with the Group’s operations, which generate the majority of revenue and profit in US dollars, and is expected to reduce the impact of foreign exchange rate movements. The change in presentational currency was effective from 1 August 2017 and, in line with IAS 21, is accounted for retrospectively. Financial information included in the Group’s consolidated financial statements for the financial years ended 31 July 2017 and 31 July 2016 (as presented in the 2018 Annual Report and Accounts), which were previously reported in pounds sterling, have been restated into US dollars using the procedures described in the footnotes to such consolidated financial statements.

Additionally, the Group’s financial results for the financial year ended 31 July 2016, as presented in this Prospectus and as contained in the Group’s 2017 Annual Report and Accounts, have been restated to reflect the Nordic Operations as discontinued operations in accordance with IFRS 5. The Group’s financial results for the financial year ended 31 July 2016 prior to such restatement can be found in the Group’s 2016 Annual Report and Accounts, which are incorporated by reference into this Prospectus as set forth in Part VIII (“*Documents Incorporated by Reference*”).

The financial information presented in a number of tables in this Prospectus has been rounded to the nearest whole number or the nearest decimal. Therefore, the sum of the numbers in a column may not conform exactly to the total figure given for that column. In addition, certain percentages presented in the tables in this Prospectus reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

Financial Information

New Ferguson was recently incorporated and as at the date of this Prospectus has no historical operations of its own. Therefore, this Prospectus does not present any stand alone, unconsolidated financial information for New Ferguson.

Presentation of Certain Key Alternative Performance Measures

The Group uses alternative performance measures (“APMs”), which are not defined or specified under the EU IFRS or any other internationally recognised generally accepted accounting principles, to gauge the performance of the business. APMs are not considered to be a substitute for IFRS measures but do provide additional, helpful information. APMs are consistent with how business performance is planned, reported and assessed internally by management and the Board and provide comparable information across the Group.

Such APMs used by the Group include (i) results presented on a constant exchange basis, (ii) organic revenue growth, (iii) like-for-like revenue growth, (iv) organic revenue growth by segment, (v) revenue from non-ongoing operations, (vi) revenue from ongoing operations, (vii) gross profit from non-ongoing operations, (viii) gross profit from ongoing operations, (ix) ongoing gross margin, (x) trading profit from continuing operations, (xi) trading profit from non-ongoing operations, (xii) trading profit from ongoing operations, (xiii) ongoing trading margin, (xiv) trading profit from non-ongoing operations by segment, (xv) trading profit from ongoing operations by segment, (xvi) ongoing trading margin by segment, (xvii) adjusted EBITDA, (xviii) adjusted EBITDA from discontinued operations, (xix) net debt, and (xx) cash conversion rate.

These performance measures may not be comparable to other similarly titled measures as reported by other companies, as other companies may calculate these measures differently than the Group does and these measures may not be permitted to appear on the face of the primary financial statements, or footnotes thereto, and in some cases, may not be permitted at all, in US filings made to the SEC. These performance measures have limitations as analytical tools, and none of these measures should be considered in isolation, or as a substitute for analysis of the Group’s operating results, including its income statements and cash flow statements, as reported under EU IFRS.

An explanation of the relevance of each of the performance measures and a discussion of their limitations is set out below. The Group does not regard these performance measures as a substitute for, or superior to, the equivalent measures calculated and presented in accordance with EU IFRS or those calculated using financial measures that are calculated in accordance with EU IFRS.

Ongoing and Non-ongoing Financial Measures

Ongoing: Financial measures presented on an ongoing basis are derived from continuing operations presented in accordance with IFRS 5 less non-ongoing operations as described below.

Non-ongoing: The Group reports some financial measures from businesses or branches that have been disposed of, closed or classified as held for sale, but have not been classified as discontinued operations under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (“**IFRS 5**”). There were no businesses or groups of branches which were considered to be non-ongoing operations for the financial year ended 31 July 2018. During the financial year ended 31 July 2017, the Group’s Swiss business, Tobler Haustechnik AG, and a small industrial business in the US, Endries International Inc., were classified as held for sale and subsequently sold, and the Group’s consolidated financial statements for the financial year ended 31 July 2016 were restated accordingly.

Exceptional Items: Those items which do not arise from the Group’s underlying business, but which are considered significant by virtue of their nature, size or incidence and are presented separately in the income statement to enable a full understanding of the Group’s financial performance. The Group uses exceptional items as an adjustment to performance measures within their relevant income statement category in order to assist in the understanding of the trading and financial results of the Group.

Financial measures presented on an Ongoing and Non-ongoing basis are outlined below and are Non-EU IFRS measures:

- *Constant Exchange Rates Presentation* – The Group uses this measure because its international operations give rise to fluctuations in foreign exchange rates. To neutralise foreign exchange impact and to illustrate the underlying change in certain financial statement line items from one year to the next, the Group has adopted the practice of discussing results in both presentational currency and

constant currency. Constant exchange rates are used as a performance measure to provide a more transparent comparison of year-on-year performance. The constant exchange rate basis re-translates the prior year at the current year exchange rates to eliminate the effect of exchange rate fluctuations when comparing information year-on-year.

- *Organic Revenue Growth* – The Group uses this measure as it provides a consistent measure of the percentage increase/decrease in revenue year-on-year, excluding the effect of currency exchange rate fluctuations, trading days, acquisitions and disposals. Organic revenue growth is determined between a specified financial period and its comparative financial period by first calculating organic revenue, which is determined to be the revenue for one financial year, less revenue in that year related to acquisitions, disposals and trading days, less the revenue for the preceding financial year, shown on a constant exchange rates basis (see computation described above). Organic revenue is then divided by the preceding financial year’s revenue shown on a constant exchange rates basis to calculate the percentage of organic revenue growth.
- *Like-for-Like Revenue Growth* – This measure is similar to organic revenue growth but is only used for the UK segment. In addition to the items used in the calculation for organic revenue growth, like-for-like revenue growth also excludes branch openings and closures and the exit of low margin business. It is determined between a specified financial period and its comparative financial period by first calculating like-for-like revenue, which is determined to be the revenue for one year, less revenue in that year related to acquisitions, disposals, trading days, branch openings and closures and the exit of low margin business in the specified fiscal period, less the revenue for the preceding financial year, shown on a constant exchange rates basis (see computation described above). Like-for-like revenue is then divided by the preceding financial year’s revenue shown on a constant currency basis to calculate the percentage of like-for-like revenue growth.
- *Ongoing Revenue by Segment* – This measure is defined as revenue by segment less revenue from non-ongoing operations by segment.
- *Organic Revenue Growth by Segment* – This measure is determined between a specified financial period and its comparative financial period by first calculating organic revenue, which is determined to be the segment revenue for one financial year, less segment revenue in that year related to acquisitions, disposals and trading days for that segment completed in the specified fiscal period, less the segment revenue for the preceding financial year, shown on a constant currency basis (see computation described above). Organic revenue by segment is then divided by segment revenue for the preceding financial year shown on a constant currency basis to calculate the percentage of organic revenue growth by segment.
- *Revenue from Non-ongoing Operations* – This measure excludes revenue from businesses and groups of branches which do not meet the criteria to be classified as discontinued operations under IFRS 5, but which have been disposed of, closed or classified as held for sale.
- *Revenue from Ongoing Operations* (also described as ongoing revenue) – This measure is defined as revenue less revenue from non-ongoing operations.
- *Gross Profit from Non-ongoing Operations* – This measure is defined as gross profit, less exceptional items and gross profit related to businesses and groups of branches which do not meet the criteria to be classified as discontinued operations under IFRS 5, but which have been disposed of, closed or classified as held for sale.
- *Gross Profit from Ongoing Operations* – This measure is defined as gross profit less gross profit from non-ongoing operations.
- *Ongoing Gross Margin* – This is a measure of the ratio of ongoing gross profit, excluding exceptional items, to ongoing revenue. Ongoing gross margin is used as a performance measure by the Group for assessing business unit performance. The nearest EU IFRS measure is gross margin, which is a measure of the ratio of gross profit to revenue.

- *Trading Profit from Continuing Operations* (also described as trading profit) – This is a performance measure that is defined by the Group as profit for the year, less profit/(loss) from discontinued operations, tax, impairment of interests in associates, share of profit/(loss) after tax of associate, net finance costs, amortisation and impairment of acquired intangible assets, and exceptional items from operating profit. Trading profit from ongoing operations, non-ongoing operations and continuing operations are used as performance measures because the Group believes they provide valuable additional information for users of its financial statements in assessing the Group’s performance because they exclude costs and other items that do not form part of the underlying trading business.

The Group disaggregates trading profit into trading profit from non-ongoing operations and ongoing operations. In addition, the Group utilises certain other financial data calculated by reference to trading profit, including ongoing trading margin, trading profit from ongoing operations by segment, and ongoing trading margin by segment.

- *Trading Profit from Ongoing Operations*: defined as operating profit before exceptional items and the amortisation and impairment of acquired intangible assets excluding non-ongoing operations.
 - *Trading Profit from Non-ongoing Operations*: defined as operating profit before exceptional items and the amortisation and impairment of acquired intangible assets for businesses and groups of branches, which do not meet the criteria to be classified as discontinued operations under IFRS 5, which have been disposed of, closed or classified as held for sale.
 - *Ongoing Trading Margin*: a measure of the ratio of trading profit from ongoing operations (as defined above) to ongoing revenue. Ongoing trading margin is used as a performance measure by the Group for assessing business unit profit. The nearest EU IFRS measure is profit margin, which is profit from continuing operations divided by revenue for the Group.
 - *Trading Profit from Non-ongoing Operations by Segment*: defined as trading profit by segment, which is the Group’s segment measure, for non-ongoing adjustments only for each segment.
 - *Trading Profit from Ongoing Operations by Segment*: defined as trading profit by segment, which is the Group’s segment measure, less trading profit from non-ongoing operations by segment (as defined above).
 - *Ongoing Trading Margin by Segment*: defined as the ratio of trading profit from ongoing operations for each segment (US, UK and Canada and Central Europe) divided by ongoing revenue for each segment.
- *Adjusted EBITDA* (also called Adjusted EBITDA from continuing operations) – This is a measure of profit for the year less profit/(loss) from discontinued operations, tax, impairment of interests in associates share of profit/(loss) of associate, net finance costs, amortisation and impairment of acquired intangible assets, exceptional items from operating profit, and depreciation, amortisation and impairment of property, plant and equipment and software. Adjusted EBITDA is also referred to as EBITDA before exceptional items in the 2017 consolidated financial statements.
 - *Adjusted EBITDA from Discontinued Operations* – a measure of profit/(loss) from discontinued operations, less tax from discontinued operations, net finance costs from discontinued operations, exceptional items from operating profit related to discontinued operations, and depreciation, amortisation and impairment of property, plant and equipment and software.

Trading profit, Adjusted EBITDA and similar performance measures have limitations as analytical tools. Some of these limitations are:

- they do not reflect the Group’s cash expenditures or future requirements for capital expenditure or contractual commitments;
- they do not reflect changes in, or cash requirements for, the Group’s working capital needs;

- they do not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on the Group’s debt;
- although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often have to be replaced in the future, and trading profit and adjusted EBITDA do not reflect any cash requirements for such replacements;
- they are not adjusted for all non-cash income or expense items that are reflected in the Group’s statements of cash flows; and
- the further adjustments made in calculating trading profit and adjusted EBITDA are those that management consider are not representative of the underlying operations of the Group and therefore are subjective in nature.

Non-EU IFRS Liquidity Measures

Net Debt: calculated as the sum of current bank loans and overdrafts, current obligations under finance leases, current derivative financial liabilities, non-current bank loans, non-current obligations under finance leases and non-current derivative financial liabilities, less cash and cash equivalents and current and non-current derivative financial assets. The nearest financial measure under EU IFRS is gross debt, which is the sum of current and non-current bank loans and overdrafts. Net debt is used as a performance measure because it is a good indicator of the strength of the Group’s balance sheet position and is widely used by credit rating agencies.

Cash Conversion Rate: defined as the ratio of net cash generated from operations divided by Adjusted EBITDA from continuing and discontinued operations. The nearest EU IFRS measure is net cash generated from operations divided by profit for the year attributable to Shareholders of the Group. Cash conversion rate is used as a liquidity measure because it indicates the strength of the Group and its ability to generate cash.

For further information on non-EU IFRS measures relevant to the Group, including reconciliations to the nearest EU IFRS measures, see Note 2 to the 2018 consolidated financial statements and Note 2 to the 2017 consolidated financial statements each incorporated by reference into this Prospectus as set forth in Part VIII (“*Documents Incorporated by Reference*”).

Currencies

In this Prospectus and the information incorporated by reference into this Prospectus: (i) references to “£”, “pounds sterling”, “pence” or “GBP” are to the lawful currency of the United Kingdom; (ii) references to “\$”, “USD”, “US dollars”, “US\$”, “\$US” or “cents” are to the lawful currency of the United States; (iii) references to “CAD”, “\$CAD”, or “CAD\$” are to the lawful currency of Canada (iv) references to “Euro”, “euro” or “€” are to the euro, the lawful currency of the member states of the EU that adopted the Euro in Stage Three of the Treaty establishing the Economic and Monetary Union on 1 January 1999.

No Profit Forecast

Save for the Profit Forecast (see Part V of this Prospectus (“*Profit Forecast*”)), no statement in this Prospectus is intended as a profit forecast and no statement in this Prospectus should be interpreted to mean that earnings per New Ferguson Share for the current or future financial years would necessarily match or exceed the historical published earnings per Old Ferguson Share.

Notice to Investors in the United States of America

The New Ferguson Shares have not been and will not be registered under the Securities Act or under any securities laws of any state or other jurisdiction of the US and may not be offered, sold, resold, transferred or delivered, directly or indirectly, within the US except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the US. There will be no public offer of the New Ferguson Shares in the US. New Ferguson Shares may not therefore be offered to certain US

Shareholders of Old Ferguson unless New Ferguson believes that there is an exemption from, or that the transaction is not subject to, the registration requirements of the Securities Act. The New Ferguson Shares issued pursuant to the Scheme are expected to be issued in reliance upon the exemption from the registration requirements of the Securities Act provided by section 3(a)(10) thereof based on the Royal Court sanctioning of the Scheme. Old Ferguson Shareholders who will be affiliates of New Ferguson after the Scheme Effective Date will be subject to certain US transfer restrictions relating to the New Ferguson Shares received pursuant to the Scheme.

Overseas Territories other than the Excluded Territories

Shareholders who have registered addresses in or who are resident in, or who are citizens of, all countries other than the UK (other than the Excluded Territories) should refer to paragraph 10 of Part II of the Scheme Circular and paragraph 3.11 of Part I of this Prospectus (“*The Scheme and Related Proposals*”).

Currency Exchange Rate Information

Unless otherwise indicated, the financial information contained in this Prospectus has been expressed in US dollars. The functional currency of New Ferguson is US dollars, as is the reporting currency of the Group. Transactions not already measured in US dollars have been translated into US dollars in accordance with the relevant provisions of IAS 21. On consolidation, income statements of subsidiaries for which US dollars are not the functional currency are translated into US dollars, the presentation currency for New Ferguson, at average rates of exchange for the relevant period. Balance sheet items are translated into US dollars at period-end exchange rates. These translations should not be construed as representations that the relevant currency could be converted into US dollars at the rate indicated, at any other rate or at all.

The rates set forth below are provided solely for your convenience and may differ from the actual rates used in the preparation of the Financial Statements and other financial information appearing in this Offering Memorandum. In particular, see “*Risk Factors—Fluctuations in foreign currency and inflation may have an adverse effect on reported results of operations*”.

Indicative exchange rates of the US dollar against the pound sterling⁽¹⁾

Period	US dollars per £1.00			
	Period-end	Average	High	Low
2016	1.2345	1.3554	1.4810	1.2158
2017	1.3524	1.2886	1.3582	1.2068
2018	1.2746	1.3351	1.4325	1.2516

Notes:

(1) Source: Bloomberg Composite Rate (London).

As at 24 April 2019 (being the Latest Practicable Date), the exchange rate of the US dollar against the pound sterling was \$1.2948:£1.

In addition to the convenience translations (the basis of which is described above), the basis of translation of foreign currency transactions and amounts contained in the audited and unaudited financial information included in this Prospectus is described therein and may be different to the convenience translations.

Third-Party Information

Unless the source is otherwise stated, the market, economic and industry data in this Prospectus constitute the Directors’ estimates, using underlying data from independent third parties. While the Directors believe the third-party information included herein is reliable, New Ferguson has not independently verified such third-party information, and neither New Ferguson, nor the Sponsor, make any representation or warranty as to the accuracy or completeness of such information as set forth in this Prospectus.

New Ferguson confirms that all third-party data contained in this Prospectus has been accurately reproduced and, so far as New Ferguson is aware and able to ascertain from information published by that third-party,

no facts have been omitted that would render the reproduced information inaccurate or misleading. Where third-party information has been used in this Prospectus, the source of such information has been identified.

Service of Process and Enforcement of Civil Liabilities

New Ferguson is a public limited company incorporated under Jersey law. New Ferguson's Directors may be located outside the US and a significant portion of New Ferguson's assets are located outside the US. As a result, it may not be possible for investors to effect service of process within the US on the Directors or to enforce against them in the US courts. There is doubt as to the enforceability of civil liabilities predicated upon US federal securities laws in Jersey in original actions or in actions for enforcement of judgments of the US courts.

SHARE CAPITAL AND SCHEME STATISTICS

Scheme Statistics

Number of Old Ferguson Shares in issue as at 24 April 2019 (being the Latest Practicable Date).....	231,988,622
Number of New Ferguson Shares to be issued pursuant to the Scheme.....	231,988,622 ⁽¹⁾
Number of New Ferguson Shares in issue immediately following the occurrence of the Scheme Effective Date	231,988,622 ⁽¹⁾

Notes:

- (1) On the assumption that no Old Ferguson Shares are issued between 24 April 2019 (being the Latest Practicable Date) and the Scheme Effective Date.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Expected Time/Date	Event
Friday 26 April	Publication of this Prospectus
Monday 29 April at 11.00 a.m. Swiss time (10.00 a.m. UK time)	Court Meeting
Monday 29 April at 11.15 a.m. Swiss time (10.15 a.m. UK time)	Scheme General Meeting ⁽¹⁾
Wednesday 8 May at 2.30 p.m.	Royal Court Hearing to sanction the Scheme
Thursday 9 May	Last day of dealings in, and for registration of transfers of, Old Ferguson Shares ⁽²⁾
Thursday 9 May at 6.00 p.m.	Scheme Record Time ⁽²⁾
Friday 10 May	Scheme Effective Date ⁽²⁾
Friday 10 May at 8.00 a.m.	Delisting of Old Ferguson Shares, Admission and listing of New Ferguson Shares and commencement of dealings in New Ferguson Shares on the London Stock Exchange ⁽²⁾
Friday 10 May	Credit of New Ferguson Shares in Uncertificated form to CREST accounts ⁽²⁾
Friday 10 May	Reduction of Capital becomes effective ⁽²⁾
By Friday 24 May	Despatch of share certificates in respect of New Ferguson Shares in Certificated form ⁽²⁾

Unless otherwise stated, all references to times in this document are to UK time. The times and dates given are based on the Directors' expectations and may be subject to change. These times and dates are indicative only and will depend, amongst other things, on the date on which the Royal Court sanctions the Scheme. In particular, certain Royal Court dates are subject to confirmation by the Royal Court. If the scheduled date of the Court Hearing is changed, Old Ferguson will give adequate notice of the change by issuing an announcement through an RIS. Any changes to other times or dates indicated above may, in Old Ferguson's discretion, be notified in the same manner. **All Old Ferguson Shareholders have the right to attend the Court Hearing in person or through an Advocate to support or oppose the sanctioning of the Scheme.** In order to vote, holders of Old Ferguson ADRs are required to follow the voting instructions and to meet the deadlines provided by or on behalf of Deutsche Bank Trust Company Americas, as depositary for the Old Ferguson ADRs (the "**Depositary**"). These instructions will describe how to provide voting instructions to the depositary with respect to the Old Ferguson ADRs.

Notes:

- (1) To commence at the time fixed or as soon thereafter as the Court Meeting concludes or is adjourned, whichever is the later.
- (2) These times and dates are indicative only and will depend on, amongst other things, whether the Court Meeting and the Scheme General Meeting are adjourned for any reason, the date on which the Royal Court sanctions the Scheme, the date on which the order of the Royal Court sanctioning the Scheme is delivered to the Jersey Registrar of Companies for registration and/or the date on which the solvency statement made in connection with the New Ferguson Reduction of Capital and the minute showing the information required by Jersey Companies Law are registered by the Jersey Registrar of Companies.

NEW FERGUSON DIRECTORS, COMPANY SECRETARY AND ADVISERS

Board of Directors

A list of the members of New Ferguson's Board of Directors is set forth in the table below:

Name	Current Position at Ferguson
Gareth Davis	Chairman and Non Executive Director
John Martin	Group Chief Executive and Executive Director
Mike Powell	Group Chief Financial Officer and Executive Director
Kevin Murphy	Chief Executive Officer, USA and Executive Director
Tessa Bamford	Independent Non Executive Director
Cathy Halligan	Independent Non Executive Director
Alan Murray	Senior Independent Non Executive Director
Tom Schmitt	Independent Non Executive Director
Darren Shapland	Independent Non Executive Director
Nadia Shouraboura	Independent Non Executive Director
Jacky Simmonds	Independent Non Executive Director

As at the Scheme Effective Date, the business address of each of the Directors and the Group Company Secretary is 1020 Eskdale Road, Winnersh Triangle, Wokingham RG41 5TS, United Kingdom.

Group Company Secretary: Graham Middlemiss, Solicitor (England & Wales)

Registered Office: 26 New Street
St. Helier
Jersey JE2 3RA
Channel Islands

Principal Place of Business: 1020 Eskdale Road
Winnersh Triangle
Wokingham RG41 5TS
United Kingdom

Sponsor: Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

Auditors: Deloitte LLP
1 New Street Square
London EC4A 3HQ
United Kingdom

Reporting Accountants: Deloitte LLP
1 New Street Square
London EC4A 3HQ
United Kingdom

Legal Advisers to New
Ferguson as to English Law: Freshfields Bruckhaus Deringer LLP
65 Fleet Street
London EC4Y 1HS
United Kingdom

Legal Advisers to New
Ferguson as to Jersey Law:

Carey Olsen
47 Esplanade
St. Helier
Jersey JE1 0BD
Channel Islands

Legal Advisers to the Sponsor
as to English Law:

Ashurst LLP
Broadwalk House
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London EC2A 2HA
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60 Wall Street
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United States

PART I THE SCHEME AND RELATED PROPOSALS

1. Introduction

On 26 March 2019, Old Ferguson announced its intention to put in place a new parent company for the Group - New Ferguson, a Jersey-incorporated company that will be tax-resident in the UK. New Ferguson will be inserted immediately above Old Ferguson. It is intended that this new corporate structure will be implemented by means of a Jersey Royal Court-sanctioned scheme of arrangement under Article 125 of Jersey Companies Law.

Immediately following implementation of the Scheme to effect the insertion of a new parent company, New Ferguson Shareholders will have the same number of shares and the same proportionate interest in the profits, net assets and dividends of the Group as they have immediately prior to implementation of the Scheme.

Implementation of the Scheme is conditional (amongst other things) upon:

- approval by Old Ferguson Shareholders at the Court Meeting and the Scheme General Meeting; and
- sanction by the Royal Court.

The Scheme will require the approval of Old Ferguson Shareholders at the Court Meeting and the Scheme General Meeting. In addition, Old Ferguson Shareholders will be asked to approve the adoption by New Ferguson of the New Ferguson Employee Share Schemes, with the exception of the DBP, OSP and POSP (in respect of which Old Ferguson Shareholder approval will not be sought). The New Ferguson Employee Share Schemes, if approved, will relate to New Ferguson Shares but will otherwise replicate the terms of the Old Ferguson Employee Share Schemes. Details of the New Ferguson Employee Share Schemes are set out in paragraph 13 of Part VII (“*Additional Information*”) of this Prospectus.

The last day of dealings in Old Ferguson Shares is expected to be 9 May 2019. If the conditions to the Scheme (as described in the below paragraph entitled “*Principal features of the Scheme – Conditions to Implementation of the Scheme*”) have been satisfied, it is expected that the Scheme will become effective on 10 May 2019 and trading of the New Ferguson Shares will commence at 8.00 a.m. on 10 May 2019. Application will be made to the FCA for the New Ferguson Shares to be admitted to the premium segment of the Official List and to the London Stock Exchange for the New Ferguson Shares to be admitted to trading on the London Stock Exchange’s main market.

New Ferguson will have the same business and operations after the Scheme Effective Date as Old Ferguson has before the Scheme Effective Date. The Proposals will not result in any changes to the day-to-day operations of the business of the Group or its strategy.

2. Background to and reasons for the Scheme and related Proposals

Moving the Group’s headquarters and tax residence to the UK facilitates the continued simplification of the Group’s corporate structure in line with the Group’s strategy. In addition, since relocating its corporate headquarters and tax residence to Switzerland in 2010 the benefits to the Group of being tax-resident in Switzerland have reduced and recently announced Swiss tax reform will make Switzerland a less competitive tax environment for the Group’s headquarters. At the same time, changes to the UK corporate tax regime since 2010 have made the UK a competitive tax environment for international businesses. Accordingly, the Board has concluded that the interests of the business and Shareholders of the Group would be best served by establishing a new corporate structure with the Group headquartered and tax-resident in the UK. If implemented, the Group’s effective tax rate for the year ending 31 July 2020 is expected to be 25-26%, in line with previously announced guidance.

The Proposals are not expected to have any adverse impact on Old Ferguson Shareholders as a whole. New Ferguson will have the same Board and management as Old Ferguson has prior to the Scheme Effective Date. New Ferguson will also continue Old Ferguson’s compliance with the main principles of the UK

Governance Code, retaining the Group's strong commitment to the high standards of governance and corporate responsibility.

It is anticipated that New Ferguson will establish a new American depositary receipt ("ADR") facility that will be substantially similar to the arrangements under the existing Deposit Agreement. Details of proposals regarding holders of New Ferguson ADRs are set out in paragraph 7 of Part VII ("*Additional Information*").

3. Principal features of the Scheme

3.1 *Structure of the Scheme*

The principal steps in relation to the Scheme are as follows:

(a) *Transfer and delisting of Scheme Shares*

Under the Scheme, all of the Scheme Shares will be delisted and transferred to New Ferguson on the Scheme Effective Date (which is expected to be 10 May 2019). Old Ferguson intends to seek the cancellation of listing of the Scheme Shares on the Official List and of trading on the London Stock Exchange's main market for listed securities with effect from the Scheme Effective Date.

In consideration of the transfer of the Scheme Shares to New Ferguson, the Scheme Shareholders will receive, in respect of any Scheme Shares held as at the Scheme Record Time (which is expected to be 6.00 p.m. on 9 May 2019):

for every one Scheme Share transferred, one New Ferguson Share.

With effect from the Scheme Effective Date, the rights attaching to the New Ferguson Shares will be the same as those attaching to the existing Old Ferguson Shares. A summary of the rights attaching to the New Ferguson Shares is set out in paragraph 5 of Part VII ("*Additional Information*") of this Prospectus and in paragraph 10.1 of Part III of the Scheme Circular. Where permitted under Jersey Companies Law, the Old Ferguson Articles contain provisions to enshrine certain rights that are not conferred by Jersey Companies Law but which shareholders in a company listed on the London Stock Exchange would expect to have. These provisions are also included in the New Ferguson Articles. These provisions are marked with an asterisk in paragraph 5.1 of Part VII ("*Additional Information*") of this Prospectus.

(b) *Establishing New Ferguson as the new holding company of the Group*

Following the transfer of the Scheme Shares, New Ferguson will become the holding company of Old Ferguson and the Group. Immediately following implementation of the Scheme, the holders of Old Ferguson Shares will hold New Ferguson Shares in the same number and the same proportions in which they hold Old Ferguson Shares immediately prior to the Scheme becoming effective.

(c) *Amendments to Old Ferguson's Articles of Association*

In some cases, Old Ferguson Shares may need to be allotted (for example, because of the exercise of rights granted by Old Ferguson under the Old Ferguson Employee Share Schemes) but the timing of their allotment could mean that they are not classified as Scheme Shares and are therefore outside the scope of the Scheme. It is proposed that the Old Ferguson Articles be amended in such a way as to ensure that: (i) any Old Ferguson Shares which are issued before the Scheme Record Time are allotted subject to the terms of the Scheme and the holders of such shares will be bound by the Scheme accordingly; (ii) any Old Ferguson Shares which are allotted after the Scheme Record Time will be immediately transferred to New Ferguson (or to such other Group company as New Ferguson may nominate) in exchange for the issue or transfer to the relevant allottees of one New Ferguson Share for every Old Ferguson Share transferred. The Old Ferguson Articles will also provide that if any Old Ferguson Shares are allotted to any person within (ii) above following any variation in the share capital of either

Old Ferguson or New Ferguson after the Scheme Effective Date or such other event as the New Ferguson Directors consider fair and reasonable, the number of New Ferguson Shares to be issued or transferred to that person will be adjusted in an appropriate manner.

These measures will avoid any person other than New Ferguson (or another wholly-owned subsidiary of New Ferguson) being left with Old Ferguson Shares after dealings in such shares have ceased on the London Stock Exchange. Equivalent provisions will be included in the Old Ferguson Amended Articles.

3.2 *The Reduction of Capital*

It is proposed that New Ferguson undertake the Reduction of Capital on or after the Scheme Effective Date which will create a reserve of profit in the accounts of New Ferguson.

The Reduction of Capital is conditional on:

- (a) the Scheme becoming effective;
- (b) the New Ferguson Shares having been allotted and issued and registered in the names of the persons entitled to such New Ferguson Shares in New Ferguson's register of members;
- (c) the New Ferguson Directors having made a solvency statement and a resolution having been passed (i) by the New Ferguson Shareholders approving the Reduction of Capital and (ii) by Old Ferguson Shareholders giving confirmatory approval to the Reduction of Capital as set out in the notice of the Scheme General Meeting; and
- (d) the Jersey Registrar of Companies registering the solvency statement made in connection with the Reduction of Capital and the minute showing the information required by Jersey Companies Law.

The amount of the reserve of profit to be created by the Reduction of Capital will depend upon the price at which New Ferguson Shares are issued by New Ferguson pursuant to the Scheme. Such New Ferguson Shares will be issued at a price equal to the actual closing price of Old Ferguson Shares on the last day of dealings in Old Ferguson Shares (currently anticipated to be 9 May 2019).

Based on the issued share capital (excluding treasury shares) of Old Ferguson as at 24 April 2019 (being the Latest Practicable Date prior to the publication of this document) and on the closing price of an Old Ferguson Share of 5,410 pence on the same date, and assuming that no further Old Ferguson Shares are issued or repurchased after 24 April 2019, the Reduction of Capital will create a reserve of profit of approximately £12.53 billion, equivalent to approximately \$16.22 billion based on a £:\$ exchange rate of £1: \$1.2948 in the accounts of New Ferguson and leave New Ferguson with paid up share capital of approximately £23.2 million.

The necessary shareholder resolution for New Ferguson to implement the Reduction of Capital is expected to be passed by the current New Ferguson Shareholders prior to the Scheme Effective Date, conditional upon the Scheme becoming effective. Although not technically required, approval relating to the Reduction of Capital is being sought from the Old Ferguson Shareholders as one of the special resolutions to be proposed at the Scheme General Meeting.

The Reduction of Capital is expected to become effective on 10 May 2019 shortly following the Scheme becoming effective.

3.3 *Court Meeting and Scheme General Meeting*

The Scheme will require the approval of the Old Ferguson Shareholders at the Court Meeting, convened pursuant to an order of the Royal Court, and the passing by Old Ferguson Shareholders of certain resolutions in connection with the Scheme at the Scheme General Meeting. Both meetings have been convened for 29 April 2019. The Scheme also requires a separate sanction from the Royal Court.

It is expected that New Ferguson will agree to appear by an Advocate at the hearing to sanction the Scheme and to undertake to be bound by the Scheme.

Notices of the Court Meeting and the Scheme General Meeting can be found in Part VI of the Scheme Circular, which also contains all the necessary information for Old Ferguson Shareholders on how to vote. All Old Ferguson Shareholders should read the Scheme Circular in its entirety. Entitlement to attend and vote at these meetings and the number of votes which may be cast thereat will be determined by reference to the register of members of Old Ferguson at the Scheme Voting Record Time. All Old Ferguson Shareholders whose names appear on the register of members of Old Ferguson at the Scheme Voting Record Time, shall be entitled to attend and speak and vote at the relevant meeting in respect of the number of Old Ferguson Shares registered in their name at that time.

The Court Meeting to be held at IBZ Schulen AG, Landis + Gyr-Strasse 1, CH-6300 Zug, Switzerland has been convened for 11.00 a.m. Swiss time (10.00 a.m. UK time) on 29 April 2019 pursuant to an order of the Royal Court granted on 3 April 2019. At the Court Meeting, or any adjournment thereof, the Old Ferguson Shareholders will (including as instructed by, or represented by, Old Ferguson ADR Holders) consider and, if thought fit, approve the Scheme.

Voting will be by poll and not on a show of hands at the Court Meeting and each Old Ferguson Shareholder entitled to attend and who is present in person or by proxy will be entitled to one vote for each Old Ferguson Share held. The statutory majority required to approve the Scheme at the Court Meeting is a majority in number of the Old Ferguson Shareholders present and voting (either in person or by proxy) representing not less than three-fourths of the voting rights of the Old Ferguson Shares voted (either in person or by proxy) by such Old Ferguson Shareholders.

The Scheme General Meeting has been convened for 11.15 a.m. Swiss time (10.15 a.m. UK time) on 29 April 2019 (or as soon thereafter as the Court Meeting has been concluded or adjourned). At the Scheme General Meeting or at any adjournment thereof, Old Ferguson Shareholders will consider and, if thought fit, pass certain resolutions in connection with the Scheme (as set forth and discussed in paragraphs 12.2 and 13 of Part II of the Scheme Circular), including, but not limited to, the approval of certain amendments to the Old Ferguson Articles, the delisting of Old Ferguson from the Official List and (as advisory resolutions) the proposals in relation to the New Ferguson Employee Share Schemes and the Reduction of Capital.

3.4 *Conditions to Implementation of the Scheme*

The implementation of the Scheme is conditional upon:

- (a) the approval of the Scheme by a majority in number, representing not less than three-fourths of the voting rights of the Old Ferguson Shares held by the Old Ferguson Shareholders present and voting, either in person or by proxy, at the Court Meeting (or at any adjournment of such meeting);
- (b) the passing of the special and ordinary resolutions set out in the notice of the Scheme General Meeting to approve the Scheme (see Part VI of the Scheme Circular) and various matters in connection with the Scheme at the Scheme General Meeting (or any adjournment of such meeting), including (i) the transfer of the Scheme Shares, (ii) changes to the Old Ferguson Articles, (iii) approval of the Reduction of Capital, (iv) the delisting of Old Ferguson Shares, (v) the approval (except in respect of the DBP, OSP and POSP) of the adoption by New Ferguson of the New Ferguson Employee Share Schemes and (vi) approval of Old Ferguson's change of name to Ferguson Holdings Limited;
- (c) the sanction of the Scheme by the Royal Court at the Court Hearing; and
- (d) a copy of the order of the Royal Court sanctioning the Scheme having been delivered to the Jersey Registrar of Companies for registration.

The Court Hearing (at which it is proposed that the Royal Court sanctions the Scheme) is expected to be held at 2.30 p.m. on 8 May 2019. **Old Ferguson Shareholders who wish to support or oppose**

the Scheme are entitled to appear in person, or be represented by an Advocate, at the Court Hearing. The Court Hearing will be held at the Royal Court of Jersey, Royal Court House, Royal Square, St. Helier, Jersey JE1 1JG.

In addition, the Directors will not take the necessary steps to enable the Scheme to become effective unless, at the relevant time, the following conditions have been satisfied:

- (a) the formal processes have been put in place to delist the Old Ferguson Shares and to approve the application to admit (subject to the allotment of the New Ferguson Shares and the satisfaction of conditions (a) to (d) above, save to the extent such conditions are already satisfied) the New Ferguson Shares to be issued in connection with the Scheme to the Official List with a premium listing (including a listing hearing having been held); and
- (b) the London Stock Exchange has agreed to admit the New Ferguson Shares to be issued in connection with the Scheme to trading on its main market for listed securities with a premium listing and its agreement not being withdrawn prior to the Scheme Effective Date.

If the Scheme is sanctioned by the Royal Court and the other conditions to the Scheme are satisfied or waived, the Scheme is expected to become effective, and dealings in New Ferguson Shares to be issued pursuant to the Scheme are expected to commence, on 10 May 2019, the anticipated Scheme Effective Date.

If the Scheme has not become effective by 31 May 2019 (or such later date as Old Ferguson and New Ferguson may agree and the Royal Court may allow), it will lapse, in which event the Scheme will not proceed, Old Ferguson Shareholders will remain Shareholders of Old Ferguson and the Old Ferguson Shares will continue to be listed on the premium listing segment of the Official List and admitted to trading on the main market of the London Stock Exchange.

The Scheme contains a provision for Old Ferguson and New Ferguson jointly to consent, on behalf of all persons concerned, to any modification of or addition to the Scheme, or to any condition that the Royal Court may think fit to approve or impose. Old Ferguson has been advised by its legal advisers that the Royal Court would be unlikely to approve or impose any modification of, or addition or condition to, the Scheme which might be material to the interests of Old Ferguson Shareholders unless Old Ferguson Shareholders were informed of any such modification, addition or condition. It will be a matter for the Royal Court to decide, in its discretion, whether or not further meetings of Old Ferguson Shareholders should be held and/or a further formal Scheme circular should be circulated. If the Royal Court does approve or impose a modification of, or addition or condition to, the Scheme which, in the opinion of the Directors, is such as to require the consent of the Old Ferguson Shareholders, the Directors will not take the necessary steps to enable the Scheme to become effective unless and until such consent is obtained.

The full text of the Scheme and of the resolutions to be proposed at the Court Meeting and the Scheme General Meeting are set out in Part IV and Part VI, respectively, of the Scheme Circular.

3.5 *Effect of the Scheme*

If the Scheme becomes effective, it will be binding on all Old Ferguson Shareholders, including those who do not vote to approve the Scheme and those who vote against the Scheme at the Court Meeting and/or at the Scheme General Meeting.

The effect of implementation of the Scheme will be as follows:

- (a) instead of having its ordinary share capital owned by the Old Ferguson Shareholders, Old Ferguson will become a wholly-owned subsidiary of New Ferguson and Old Ferguson will be re-registered as a private limited company with effect from the Scheme Effective Date;
- (b) instead of owning Old Ferguson Shares, each Old Ferguson Shareholder will own the same number of New Ferguson Shares; and

- (c) New Ferguson, a Jersey-incorporated, UK tax resident, company will be the holding company of the Group.

The proportions of New Ferguson Shares which will be held by Old Ferguson Shareholders may be affected to a small extent by the exercise of outstanding options or vesting of outstanding awards to subscribe for Old Ferguson Shares pursuant to the Old Ferguson Employee Share Schemes. However, were the Scheme not to become effective, the proportions in which Old Ferguson Shareholders would have held Old Ferguson Shares would have been affected to the same extent by the exercise or vesting of equivalent rights over Old Ferguson Shares, in any case.

The proportion of New Ferguson Shares which will be held by Old Ferguson Shareholders will also be affected by the exercise of options or vesting of awards under the New Ferguson Employee Share Schemes, if such New Ferguson Employee Share Schemes (with the exception of the DBP, OSP and POSP) are approved at the Scheme General Meeting.

Immediately following the Scheme becoming effective, New Ferguson will own no assets other than the ordinary share capital of Old Ferguson and nominal cash balances.

3.6 *Admission and Dealings*

Applications will be made to the FCA for the New Ferguson Shares to be admitted to the premium segment of the Official List and to the London Stock Exchange for such shares to be admitted to trading on the London Stock Exchange's main market for listed securities. When admitted to trading, the New Ferguson Shares will be registered with ISIN: JE00BJVNSS43 and SEDOL: BJVNSS4.

If the conditions to the Scheme are satisfied, Old Ferguson intends to seek the cancellation of listing of the Old Ferguson Shares on the Official List and of trading on the London Stock Exchange's main market for listed securities with effect from the Scheme Effective Date.

The last day of dealings in Old Ferguson Shares is expected to be 9 May 2019. The last time for registration of transfers of Old Ferguson Shares is expected to be 6.00 p.m. on 9 May 2019, the Scheme Record Time.

With effect from (and including) the Scheme Effective Date, share certificates in respect of Old Ferguson Shares will cease to be valid. Upon receipt of new certificates for New Ferguson Shares, certificates for Old Ferguson Shares should be destroyed. With respect to Old Ferguson Shares held in Uncertificated form, Euroclear will be instructed to cancel or transfer the entitlements of the relevant Old Ferguson Shareholders in respect of those Old Ferguson Shares.

Admission of the New Ferguson Shares to the Official List is expected to become effective, and dealings in the New Ferguson Shares are expected to commence, at 8.00 a.m. on 10 May 2019. These dates may be deferred if it is necessary to adjourn any meeting required to approve the arrangements described in this Prospectus or the Scheme Circular, or if there is any delay in obtaining the Royal Court's sanction of the Scheme. In the event of a delay, the application for the Old Ferguson Shares to be delisted will be deferred, so that the listing will not be cancelled until immediately before the Scheme becomes effective.

No New Ferguson Shares have been marketed to, nor are any available for purchase or exchange, in whole or in part, by the public in the UK or elsewhere in connection with the admission to the Official List.

New Ferguson Shares can be held in Certificated or Uncertificated form. It is expected that certificates for New Ferguson Shares in Certificated form will be despatched within ten Business Days after the Scheme Effective Date. In the case of joint holders, New Ferguson Shares in Certificated form will be despatched to the joint holder whose name appears first in the register. All documents, certificates or other communications sent by or to any Shareholders will be sent at their own risk and may be sent by post.

Pending the despatch of certificates for New Ferguson Shares, transfers of New Ferguson Shares in Certificated form will be certified against the share register of New Ferguson. Temporary documents of title have not been, and will not be, issued in respect of New Ferguson Shares in Certificated form.

Old Ferguson Shares held in Uncertificated form will be disabled in CREST on the Scheme Effective Date. For Old Ferguson Shareholders who hold their Old Ferguson Shares in a CREST account, New Ferguson Shares are expected to be credited to the relevant CREST accounts on 10 May 2019. CREST is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. The New Ferguson Articles permit the holding of New Ferguson Shares under the CREST system. Application will be made for the New Ferguson Shares to be admitted to CREST with effect from Admission of the New Ferguson Shares. Accordingly, settlement of transactions in New Ferguson Shares following Admission may take place within the CREST system. CREST is a voluntary system and holders of New Ferguson Shares who wish to receive and retain share certificates will be able to do so.

It is anticipated that New Ferguson will establish a new ADR facility that will be substantially similar to arrangements under the existing Deposit Agreement.

Following the Scheme becoming effective, the Depositary will be issued one New Ferguson Share for every Old Ferguson Share it holds at the Scheme Record Time. Persons registered as holding Old Ferguson ADRs at 5.00 p.m. (Eastern Standard Time) on the record date to be established by the Depositary will be entitled to receive New Ferguson ADRs when they have surrendered their Old Ferguson ADRs to the Depositary for exchange in accordance with the terms of the Deposit Agreement. Accordingly, all persons registered as holders of Old Ferguson ADRs on such record date will be requested to surrender their Old Ferguson ADRs in order to receive delivery of New Ferguson ADRs.

All mandates in force at the Scheme Record Time relating to payment of dividends on Old Ferguson Shares and all instructions then in force relating to notices and other communications will, unless and until varied or revoked, be deemed from the Scheme Effective Date to be valid and effective mandates or instructions to New Ferguson in relation to the corresponding holding of New Ferguson Shares.

3.7 ***Ordinary Dividend Policy***

The Board expects to continue to make ordinary dividend payments during the financial year ending 31 July 2019. The Group is highly cash generative and has established clear priorities for the allocation of capital as set forth under subheading “*Capital Allocation Strategy*” of Part II (“*Business Overview of the Group*”) of this Prospectus.

The New Ferguson Shares will be issued credited as fully paid and will rank *pari passu* in all respects with each other and will rank in full for all dividends and other distributions thereafter declared, made or paid in respect of the New Ferguson Shares.

3.8 ***Employee Share Schemes***

It is the Board’s intention that, where permitted under the rules of the Old Ferguson Employee Share Schemes, options and awards will not vest or become exercisable early as a result of the Scheme but will continue on the same basis, other than that they will ultimately deliver New Ferguson Shares rather than Old Ferguson Shares. Details of the impact of the Scheme on participation in the Old Ferguson Employee Share Schemes will be sent separately to the participants.

(a) ***Existing Options and Awards***

The following is a general summary of the impact of the Scheme on existing options and awards granted under the Old Ferguson Employee Share Schemes.

Awards granted under each of the Old Ferguson Employee Share Schemes save for the Old Ferguson UK Sharesave will be exchanged automatically for options and awards of equivalent value over New Ferguson Shares in accordance with the rules of the relevant scheme

(collectively the “**Replacement Awards**”). The Replacement Awards remain subject to the rules of the Old Ferguson Employee Share Schemes and will vest or become exercisable in accordance with their original terms and conditions. Under the Old Ferguson UK Sharesave, participants may elect not to exchange their options for options of equivalent value over New Ferguson Shares. If they do so, their options will continue to subsist over Old Ferguson Shares.

If participants exercise their existing options after the Scheme Record Time, any Old Ferguson Shares acquired by participants will be automatically acquired by New Ferguson for an equal number of New Ferguson Shares pursuant to a proposed amendment to the Old Ferguson Articles.

No further options or awards will be granted under the Old Ferguson Employee Share Schemes after the Scheme becomes effective.

(b) *New Share Schemes*

New Ferguson has adopted the New Ferguson Employee Share Schemes conditional upon the Old Ferguson Shareholders approving their adoption by New Ferguson at the Scheme General Meeting to be held on 29 April 2019 and subject to the Scheme becoming effective (except that adoption of the DBP, OSP and POSP will not be subject to, or conditional upon, Old Ferguson Shareholder approval). Details of the New Ferguson Employee Share Schemes are set out in paragraph 13 of Part VII (“*Additional Information – Employee Share Schemes*”).

3.9 *Ferguson Group Pensions*

Old Ferguson and certain of its associated entities operate defined benefit pension schemes in the UK and in other jurisdictions where the Group operates. The Proposals will not result in any changes to the provision of retirement benefits. It is intended that the same Group employers will continue to operate and participate in the pension schemes. No changes to the provision of retirement benefits will occur as a result of the Proposals. It is not intended that New Ferguson will participate in the UK pension schemes, but it may offer retirement benefits to its associates in their home jurisdictions. It is intended that New Ferguson will offer a guarantee to the UK defined benefit pension schemes on equivalent terms as the current guarantees provided by Old Ferguson.

3.10 *Impact on Indebtedness*

It is intended that, on or shortly after the occurrence of the Scheme Effective Date, New Ferguson will be added as a guarantor in respect of the Private Placement Notes and the 2018 4.5% Notes. Under the 2018 4.5% Notes, New Ferguson will assume Old Ferguson’s role in relation to such debt securities (unless Old Ferguson elects otherwise) (the “**Debt Substitution**”).

Under the Debt Substitution:

- the terms and conditions of the 2018 4.5% Notes will be amended to reflect the substitution of New Ferguson in place of Old Ferguson (unless Old Ferguson decides otherwise) and also to make certain consequential amendments in order to effect the Debt Substitution; and
- there will not be a public offering or new securities issued or admitted to trading in connection with the Debt Substitution.

It is further intended that, on or shortly after the occurrence of the Scheme Effective Date, New Ferguson will be added to, and become a borrower and a guarantor under the Multicurrency Revolving Credit Facility, in accordance with its existing terms, and references to Old Ferguson as “Parent” therein will be construed to be references to New Ferguson. Following such accession (and subject to the terms of the Multicurrency Revolving Credit Facility), Old Ferguson may subsequently elect to resign as borrower and guarantor from the Multicurrency Revolving Credit Facility.

3.11 *Overseas Shareholders*

Overseas Shareholders may be affected by the laws of other non-UK or Jersey jurisdictions in relation to the Scheme. Overseas Shareholders should inform themselves about and observe all applicable legal requirements.

It is the responsibility of any person into whose possession this Prospectus comes to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection with the allotment and issue of New Ferguson Shares following the Scheme becoming effective, including the obtaining of any governmental, exchange control or other consents which may be required and/or compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes or levies due in such jurisdiction.

To the extent that, due to regulatory restrictions or requirements in overseas territories, there are difficulties associated with Overseas Shareholders holding New Ferguson Shares, it is currently envisaged that (as is customary under schemes of arrangement) the terms of the Scheme will enable New Ferguson to determine that the New Ferguson Shares shall be issued to that Overseas Shareholder (or a nominee for such Overseas Shareholder) and sold on his or her behalf as soon as reasonably practicable after the Scheme becomes effective, with the net proceeds of sale being remitted to the Overseas Shareholder concerned at the risk of such Overseas Shareholder.

This Prospectus has been prepared for the purposes of complying with English and Jersey law and the Prospectus Rules and the information disclosed may not be the same as that which would have been disclosed if this Prospectus had been prepared in accordance with the laws of jurisdictions outside the UK or Jersey.

THIS PROSPECTUS DOES NOT CONSTITUTE AN INVITATION OR OFFER TO SELL OR THE SOLICITATION OF AN INVITATION OR OFFER TO BUY ANY SECURITY, NOR SHALL THERE BE ANY SALE, ISSUANCE, SUBSCRIPTION, PURCHASE, EXCHANGE OR TRANSFER OF THE SECURITIES REFERRED TO IN THIS PROSPECTUS IN ANY JURISDICTION IN CONTRAVENTION OF APPLICABLE LAW.

The New Ferguson Shares will not be, and are not required to be, registered under the Securities Act and will be issued pursuant to the Scheme in reliance on the exemption from the registration requirements of the Securities Act provided by Section 3(a)(10) of that Act. For the purpose of qualifying for the Section 3(a)(10) exemption with respect to the New Ferguson Shares issued pursuant to the Scheme, New Ferguson will advise the Royal Court that it will rely on the Section 3(a)(10) exemption based on the Royal Court's sanctioning of the Scheme, which will be relied upon by New Ferguson as an approval of the Scheme following a hearing on its fairness to Old Ferguson Shareholders at which hearing all such Old Ferguson Shareholders will be entitled to attend in person or through an Advocate to support or oppose the sanctioning of the Scheme and, with respect to which, notification has been or will be given to all such shareholders.

The New Ferguson Shares have not been and will not be registered on a US securities exchange or quoted on any inter-dealer quotation system in the US. New Ferguson does not intend to take any action to facilitate a market in New Ferguson Shares in the US. Consequently, New Ferguson believes that it is unlikely that an active trading market in the US will develop for the New Ferguson Shares.

The New Ferguson Shares will not be registered under the securities laws of any state of the US, and will be issued in the US pursuant to the Scheme in reliance on available exemptions from such state law registration requirements.

Old Ferguson is exempt from reporting under the US Securities Exchange Act of 1934 (the "**Securities Exchange Act**") pursuant to Rule 12g3-2(b) thereunder and, once the Scheme becomes effective, New Ferguson expects to rely on the exemption provided in Rule 12g3-2(b) under the Securities Exchange Act.

Old Ferguson Shareholders who are citizens or residents of the US should consult their own independent legal, financial and tax advisers with respect to the legal, financial and tax consequences of the Scheme in their particular circumstances.

3.12 ***Taxation***

Please refer to Part VI of this Prospectus (“*Taxation*”).

3.13 ***Timetable***

Please refer to the section of this Prospectus titled “*Expected Timetable of Principal Events*”.

PART II BUSINESS OVERVIEW OF THE GROUP

Overview of the Group's Business

The Group is a leading specialist distributor of plumbing and heating products. The Group supplies plumbing and heating products to professional contractors and consumers and principally serves the RMI markets, as well as the new construction market. The Group holds leading positions in a number of the markets in which it operates, focusing primarily on the US which is a large and attractive market.

The Group creates value by bridging the gap between its suppliers and customers, providing its suppliers a cost-effective route to market, specialist advice and services to its customers and a wide range of products where and when required. The Group has a diverse supplier base and sourced over one million products from approximately 43,000 suppliers around the world in order to supply approximately one million customers for their projects for the financial year ended 31 July 2018. The Group's network is comprised of 19 distribution centres and 2,280 branches (as at 31 July 2018). The Group operates in three geographic regions, the US, the UK and Canada, each of which is an operating segment for financial reporting purposes:

United States. The Group is progressively focusing more resources on its business in the US, which generated 93.3% of trading profit for the financial year ended 31 July 2018. The Group operates seven business units in the US, principally under the Ferguson brand, offering different categories of plumbing and heating products and solutions to fit its customers' needs. Most of the business units predominantly serve trade customers with a smaller number also serving consumers and remodelling contractors.

Each business unit is aligned around specialist customer types with its own competitors which range from large national companies, including trade sales by large home improvement chains, to small, privately owned supply houses. As a large distributor of plumbing and heating products in the US, the Group holds leading market positions in the majority of its businesses. These markets are typically highly fragmented with few large competitors and the Group competes with many small local distributors. Consequently, there continue to be good opportunities to grow the business geographically, particularly in large metropolitan areas across the US.

As at 31 July 2018, the Group's US segment had 26,501 associates and 1,448 branches which cover all 50 US states. These are served by 10 distribution centres which ensure excellent availability of stock for customers. The US segment's revenue was \$16,670 million, \$15,193 million (£11,994 million) and £9,456 million for the financial years ended 31 July 2018, 2017 and 2016, respectively. This represented 80.3%, 78.8% and 75.4% of the Group's total revenue for the financial years ended 31 July 2018, 2017 and 2016, respectively. The US segment's trading profit was \$1,406 million, \$1,224 million (£966 million) and £775 million for the financial years ended 31 July 2018, 2017 and 2016, respectively. This represented 93.3%, 91.3% and 90.4% of the Group's total trading profit for the financial years ended 31 July 2018, 2017 and 2016, respectively.

United Kingdom. In the UK, the Group principally operates under the Wolseley brand. The Group's UK segment predominantly operates in the trade plumbing and heating markets and has relatively low exposure to the new residential construction market. The business provides plumbing and heating products primarily to trade customers in the residential and commercial sectors, for RMI purposes. The UK segment is currently implementing a major restructuring and repositioning programme that will simplify the business, improve its customer proposition and network and will lower its cost base.

As at 31 July 2018, the Group's UK segment had 5,617 associates and 567 branches covering the entire country, which are in turn served by six distribution centres. The UK segment's revenue was \$2,568 million, \$2,548 million (£2,012 million) and £1,996 million for the financial years ended 31 July 2018, 2017 and 2016, respectively. This represented 12.4%, 13.2% and 15.9% of the Group's total revenue for the financial years ended 31 July 2018, 2017 and 2016, respectively. The UK segment's trading profit was \$73 million, \$96 million (£76 million) and £74 million for the financial years ended 31 July 2018, 2017 and 2016, respectively. This represented 4.8%, 7.2% and 8.6% of the Group's total trading profit for the financial years ended 31 July 2018, 2017 and 2016, respectively.

Canada (previously known as "Canada and Central Europe"). The segment operated across two countries for the financial year ended 31 July 2018, Canada and the Netherlands, which contributed 79% and 21%, respectively, of the segment's revenue. The segment served the residential, commercial and industrial sectors both in the RMI and new construction markets. As at 31 July 2018, the segment had 3,167 associates and 265 branches.

The Group disposed of Wasco (its Netherlands B2B business), which was the last of its Central European businesses, on 30 January 2019. Wasco does not meet the criteria in IFRS 5 to be classified as a discontinued operation and is therefore included in the results of the continuing operations for all periods presented in the Prospectus. To assist in the understanding of the results of the businesses which have not been disposed of, closed or classified as held for sale, the Group presents certain financial information on an ongoing basis (see the subheading "*Presentation of Certain Key Alternative Performance Measures*" of the "*Important Information*" section of this Prospectus). Wasco is excluded from the ongoing operations for the six months ended 31 January 2019 and for comparability is also excluded from the ongoing operations for the six months ended 31 January 2018. Wasco is included in the ongoing operations for the financial years ended 31 July 2018, 31 July 2017 and 31 July 2016. For the financial year ended 31 July 2018, Wasco contributed revenue of \$322 million (\$269 million for the financial year ended 31 July 2017) and trading profit of \$13 million (\$9 million for the financial year ended 31 July 2017).

Wolseley Canada distributes plumbing, HVAC and refrigeration equipment, supplying products to residential and commercial contractors nationwide. It also supplies specialist water and waste water treatment systems to residential, commercial and municipal contractors, and supplies PVF solutions to industrial customers. As at 31 July 2018, it had 230 branches serviced by two distribution centres across Canada.

The segment's revenue was \$1,514 million, \$1,543 million (£1,218 million) and £1,097 million for the financial years ended 31 July 2018, 2017 and 2016, respectively. This represented 7.3%, 8.0% and 8.7% of the Group's total revenue for the financial years ended 31 July 2018, 2017 and 2016, respectively. The segment's trading profit was \$83 million, \$71 million (£56 million) and £53 million for the financial years ended 31 July 2018, 2017 and 2016, respectively. This represented 5.5%, 5.3% and 6.2% of the Group's total trading profit for the financial years ended 31 July 2018, 2017 and 2016, respectively.

Selected Group Financial Data

The following table sets forth certain financial data for the Group for the financial years ended 31 July 2018, 2017 and 2016.

	As at or year ended 31 July			
	2018	2017	2017	2016
		(Restated) ⁽¹⁾		(Restated) ⁽²⁾
	(\$ million, unless otherwise indicated) (audited)		(£ million, unless otherwise indicated) (audited)	
Revenue	20,752	19,284	15,224	12,549
Ongoing revenue ⁽³⁾	20,752	18,845	14,878	12,146
Organic Revenue Growth ⁽³⁾	7.5%	6.0%	6.0%	3.3%
Profit for the year	1,267	920	783	650
Operating profit	1,360	1,478	1,224	711
Trading Profit ⁽³⁾				
Trading profit from ongoing operations ⁽³⁾	1,507	1,307	1,032	827
Trading profit from non-ongoing operations ⁽³⁾	–	34	27	30
Trading profit from continuing operations ⁽³⁾	1,507	1,341	1,059	857
Ongoing trading margin ⁽³⁾	7.3%	6.9%	6.9%	6.8%
Adjusted EBITDA ⁽³⁾	1,687	1,519	1,199	971
Net Debt ⁽³⁾	1,080	706	534	936

Notes:

- (1) Restated in the Group's 2018 Annual Report and Accounts to present the results of non-US dollar denominated subsidiaries in US dollars at the average exchange rate for the period or at the relevant period end rate ("period" being the financial year ended 31 July 2017).
- (2) Restated in the Group's 2017 Annual Report and Accounts to present the Nordic Operations as discontinued operations in accordance with IFRS 5. The Group's original financial results for the financial year ended 31 July 2016 can be found in the Group's 2016 Annual Report and Accounts, incorporated by reference into this Prospectus as set forth in Part VIII ("*Documents Incorporated by Reference*").
- (3) This is a non-EU IFRS financial measure. See the section of this Prospectus titled "*Important Information – Presentation of Certain Key Alternative Performance Measures*" as well as "*Presentation of Financial and Certain Other Information – Non-EU IFRS Financial Measures/Alternative Performance Measures*", Note 2 to the 2018 audited consolidated financial statements and Note 2 to the 2017 audited consolidated financial statements, each incorporated by reference into this Prospectus as set forth in Part VIII ("*Documents Incorporated by Reference*").

History

The Group was founded in 1887, when Frederick York Wolseley launched the Wolseley Sheep Shearing Machine Company. The firm soon expanded into manufacturing and twelve years later, in 1899, the first Wolseley horseless carriage went on sale in the UK.

In 1901, the Group's predecessor sold its car and machine tool business, which became a part of Morris Motors, BMC, British Leyland and Rover Group. In 1958, the Group's predecessor merged with Geo H Hughes and, in the 1960s, acquired a number of heating and oil burning companies in rapid succession in the UK.

A move into merchanting followed, and in 1979 the Group sold its manufacturing companies to focus solely on distribution. From 1980, the Group expanded its businesses through organic growth and acquisitions in the US, Canada and Europe. On 14 April 1986, the Group was listed on the London Stock Exchange and changed its name to Wolseley plc.

From the 1990s to the mid-2000s, the Group continued to expand across Europe, including into the Netherlands, Switzerland, Ireland, Belgium and the Nordic region, the US and Canada. In 2009 as a result of the financial crisis, the Group implemented a comprehensive restructuring programme across its businesses to reduce fixed costs and close underperforming branches. During this period, it the Group focused its resources on those businesses capable of generating the highest returns for Shareholders and in particular, on the core plumbing and heating markets. This strategy resulted in the disposal of a number of the Group's businesses.

On 31 July 2017, the Group changed its name to Ferguson plc to better align the name of the Group with its largest subsidiary in the US.

In 2018, the Group exited its Nordic Operations, a building materials distributor, as a result of a lack of synergies with the rest of the Group's plumbing and heating activities. Due to the Group's strong funding position, the majority of the proceeds from the sale were subsequently distributed to Shareholders. On 30 January 2019 the Group disposed of Wasco (its Netherlands B2B business), its remaining Central European business.

Marketplace Characteristics and Opportunities

The Group operates in large fragmented markets, most of which have strong growth characteristics with no market dominated by any single distributor. The US is the Group's largest market with the greatest opportunities for growth. In several markets in which the Group operates, it does so with leading market positions and significant scale.

The key market characteristics and opportunities are as follows:

- *Customers often require a basket of goods* – The Group serves approximately one million customers who often require a basket of goods. In the US, the average basket size is approximately five products valued at approximately \$700.
- *Customers' needs are local* – The Group's customer base is fragmented. Professional contractors typically operate within 20 miles of their home base and may visit their local branch several times per week. In addition, they continue to increase their usage of digital channels which complement their working patterns.
- *Large supplier base* – The Group distributes over one million products from approximately 43,000 suppliers across the world.
- *Clear need for distributors in the supply chain* – Distributors, including the Group, bridge the gap between a fragmented supplier base and the large and geographically dispersed professional customer base.
- *Highly fragmented industry with no market dominated by a single player* – The Group's markets are typically highly fragmented, with few large players in the industry.
- *Strong organic growth opportunities* – Market characteristics support long-term organic growth opportunities.
- *Selective Bolt-on M&A opportunities* – The Group has a large database of acquisition targets to support continued growth within a disciplined capital allocation approach.

The Group's competition varies by product line, type of customer and geographic market. The Group competes with many local, regional, and, in several markets and product categories, other national distributors including specialist subsidiaries of large home centre chains and product manufacturers. To a more limited extent, it also competes with large home centre chains for business from professional contractors as well as with product manufacturers.

Demographic changes affect the markets in which the Group operates. Generally, the populations in each of the Group's geographic segments have been aging while experiencing increased levels of immigration, which support demand for new housing over the long term. However, short-term weaknesses as a result of general economic downturn can have a significant impact.

United States

The US is the Group's largest market and presents the greatest opportunities for growth. The market for plumbing and heating distribution has strong growth characteristics and is highly fragmented with no market dominated by any single distributor. The rate of quarterly GDP growth in the US has increased from the third quarter of 2016 through to the third quarter of 2018, indicating continued expansion in the economy. Consumer confidence levels have been high in recent years. During 2018, the unemployment rate fell below 4% for the first time since 2000.

The key market growth drivers in the US are:

- *Population growth* – Total population growth of more than 6% is expected in the US over the next decade.
- *Housing transactions* – Existing home sales is an indicator of the strength of the market. The seasonally adjusted annual rate of sales has remained at approximately 5.0 to 5.5 million over the four years to December 2018.
- *Consumer confidence* – In the US, consumer confidence in 2018 was high; for example, August 2018 was the highest in 14 years. There is a correlation between consumer confidence and activity levels in the Group's markets.
- *Ageing housing stock* – The median age of homes in the US is 42 years, creating demand for repairs, maintenance and improvement in the large installed base of existing homes.
- *Increasing comfort levels in homes* – 80% of new homes in the US have two or more bathrooms. There is a trend towards increasing levels of comfort in homes.
- *Disposable income* – The US has the highest levels of disposable income per household in the OECD.

The four end markets that the Group serves in the US have different characteristics and as such certain market data is more relevant to specific end markets. Management monitors the activity levels of these markets through various indicators of home improvement and repair spending and commercial/industrial construction spending. The following macroeconomic trends, which are an example of the indicators monitored, have an impact on all business units in the US.

- *Residential markets* – LIRA provides a short-term outlook of national home improvement and repair spending. It is designed to project the annual rate of change in spending for the current quarter and subsequent four quarters. LIRA projections suggest continued absolute growth in 2019. In addition, existing home sales is an indicator of the strength of the market. The seasonally adjusted annual rate of sales has remained at approximately 5.0 to 5.5 million over the four years to December 2018.
- *Commercial market* – The AIA Billings Index – Commercial/Industrial is used as a leading economic indicator of construction activity. Any score below 50 indicates a decline in business activity across the architecture profession, whereas an index score above 50 indicates growth. The AIA Billings Index – Commercial/Industrial score was above 50 during 11 of the 12 months to December 2018.
- *Civil/Infrastructure market* – The AIA Billings Index – Commercial/Industrial is also an indicator for the Civil/Infrastructure market. The non-residential construction Put In Place measure is an indicator of growth in the market, reflecting the value spent each month on construction. The value of non-residential Put In Place spend grew throughout 2018.
- *Industrial market* – An indicator of the strength of the industrial market is the Institute of Supply Chain Management Purchase Managers Index (“**ISCM Purchase Managers Index**”). Any reading above 50 indicates that the manufacturing economy is generally expanding, where a reading below 50 indicates that it is generally declining. The ISCM Purchase Managers Index reading was above 50 throughout 2018, indicating growth in the market for that period.

United Kingdom

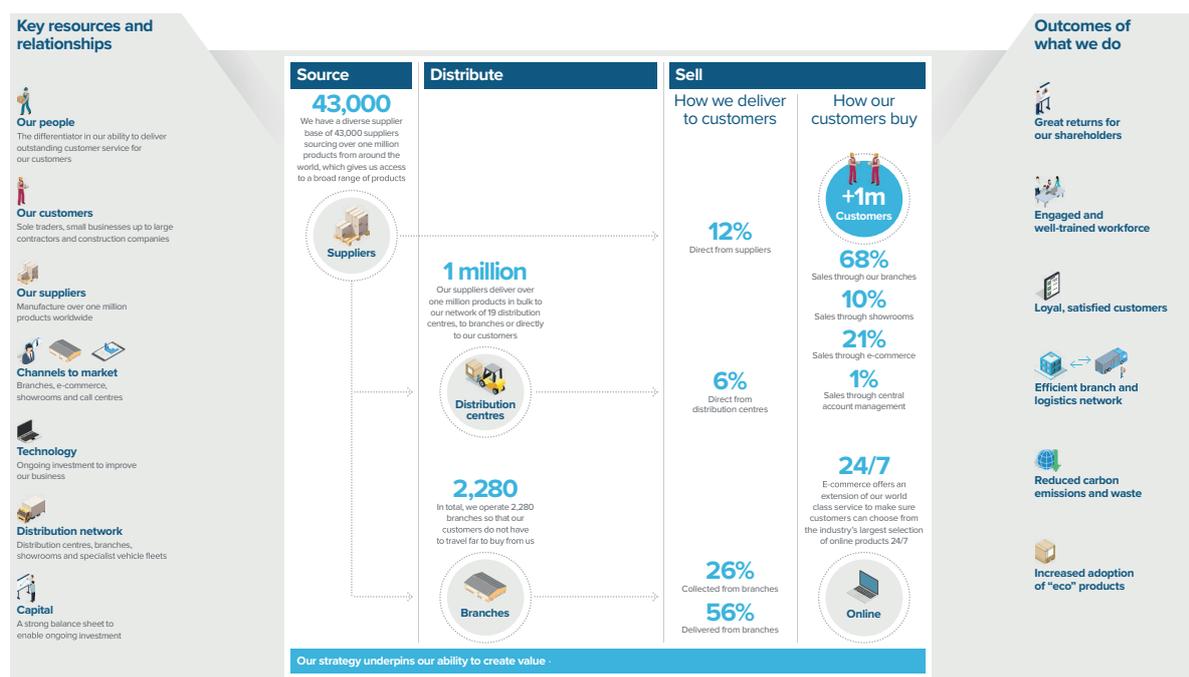
In the UK, the markets remain challenging as GDP growth has remained subdued. Consumer confidence has also been negative over the past few years which indicates an adverse sentiment towards current and future economic conditions.

Canada

In Canada, quarterly GDP growth has averaged 2.1% between the first quarter of 2018 and the third quarter. Consumer confidence has been high throughout the year with an average of 55. A score above 50 indicates positive sentiment towards current and future economic conditions.

The Group's Business Model

The Group's business model is designed around the three key pillars: (i) source, (ii) distribute and (iii) sell.



The Group's Strengths

Highly Engaged Associates Delivering Excellent Customer Service

Through the delivery of exceptional customer service and the development of strong and enduring relationships with customers, associates are fundamental to the Group's success. The Group drives a strong sales culture by ensuring its associates have the best tools, knowledge and data to support their activities. Associate success, from branch and sales associates to management, is celebrated through the Group's reward programmes which are reviewed annually to ensure they continue to reward high performance and drive the right behaviours that support the Group's corporate objectives. All businesses in the Group measure associate engagement and take action to identify improvements locally, regionally and nationally. The Group's associate engagement scores over the last six years have consistently exceeded 75% (above industry averages).

Diversified Customer Base Provides Resilience

The Group's customers and their success depend in part on its ability to provide a broad range of products, ready for collection or delivery on the same or next day or at an agreed time. The Group's customers also value high quality advice and efficient service from its knowledgeable associates, local relationships, competitive pricing and billing and order accuracy.

The Group's income sources are diversified. For the financial year ended 31 July 2018, no single customer accounted for more than 1% of Group revenue and total revenue from the top 10 customers in the US (its largest market) accounted for less than 2.5% of Group revenue. The Group serves over one million customers who often require a basket of goods which plays well to the Group's wide and diversified product range and large-scale logistics and supply chain.

Diversified Supplier Base Provides Market-Leading Offering

The Group's scale and diverse supplier base provides access to a broad range of quality products. The ability to provide a basket of products for customers is important. Customers also rely on the Group's associates' advice and expertise to assist and advise on their specific projects. For example, about 50% of revenue in the US is won through a competitive tender process whereby the Group advises the customer on the right products, with suitable specifications, to meet the requirements of the bid.

The Group's scale enables its central sourcing teams in each region to negotiate competitive prices in return for access to its over one million customers.

Suppliers deliver in bulk to the Group's distribution centres, branches or directly to the Group's customers while the Group predominantly distributes to customers from branches. Each business assesses its suppliers against set criteria, including a supplier code of conduct, to provide protection to both the Group and its customers in the event of a product failure or breach of regulation in the supply chain.

The Group's supplier base is also highly diversified. For the financial year ended 31 July 2018, no single supplier represented more than 5% of Group cost of sales and its top 10 suppliers (by cost of sales) in the US accounted for less than 25% of Group cost of sales.

Diversity of Supply Channels and Geographic Coverage Available to Customers

The Group's customer base is fragmented and its customers can interact with the Group through multiple sales order channels on a 24/7 basis, through a combination of branches, showrooms, transactional websites, call centres and inside/outside sales teams. Orders are also fulfilled via a variety of channels; for example, in the financial year ended 31 July 2018, orders were fulfilled 12% direct from suppliers, 6% direct from distribution centres, 26% collected from branches and 56% delivered from branches.

A large proportion of the Group's business is conducted through branches and this extensive branch network means that professional contactors often operate within 20 miles of a local branch and may visit them several times per week. The branch network is also an important fulfilment channel particularly when customers need immediate availability of items for pick-up. To support customers' needs, the Group operated 2,280 branches and 19 distribution centres as at 31 July 2018. Within the US segment, the Group has a sales presence in all 50 states.

In addition, the Group increasingly provides customers with a variety of digital channels, which complement their working patterns. Revenue from e-commerce accounted for \$4.3 billion, or 21%, of the Group's revenue for the financial year ended 31 July 2018, which represented an increase of 13% from the financial year ended 31 July 2017. The Group's multi-channel approach allows its customers to access products and advice 24 hours a day, seven days a week, wherever it is required.

Large-scale Distribution Network

The Group's extensive distribution network, which as at 31 July 2018 included 2,280 branches, 19 distribution centres and a large fleet of 5,900 vehicles, enables assurance of same or next day availability of a wide basket of products to customers. The Group's customers rely upon it for prompt and flexible delivery options to meet their needs. Suppliers deliver in bulk to the Group's distribution centres, branches or directly to customers. The Group predominantly distributes from branches to customers, though increasingly, in large metropolitan areas it is using specialist market distribution centres to centralise final mile logistics and reduce costs.

During the financial year ended 31 July 2018, the Group identified several opportunities to improve network efficiency, which are expected to improve product flow for greater network speed, mitigate double handling, bring the network closer to customers for same day or next day delivery and support the e-commerce channel capabilities.

Significant Investments in Technology

The Group continually seeks to invest in technology to improve its business, and to reach new and existing customers. E-commerce revenue is growing and accounted for \$4.3 billion, or 21%, of the Group's revenue for the financial year ended 31 July 2018, which represented an increase of 13% from the financial year ended 31 July 2017. Additional technology investments are aimed at improving execution and efficiency in all areas of the Group's business, including warehousing, fleet, inventory and customer relationship management, back-office human resources and financial management, and internal reporting systems. As many of the Group's competitors are small local distributors who often lack resources to make such investments, this investment in technology is expected to provide a significant competitive advantage.

The Group has a clearly defined global technology strategy and roadmap. This provides a route forward for the development of the Group's order and transaction management systems in the US and for the incremental investment required. The Group expects therefore to increase its focus on strategic investments and aims to provide a seamless experience for customers no matter what sales order channel is used and for the Group's associates to spend less time processing orders and more time interacting with customers, enhancing productivity and customer service. During the financial year ended 31 July 2018, the Group added "accelerate innovation" as one of its strategic priorities.

Strong Cash Flow Generation

The Group's business model reflects a value-add service proposition leading to a strong, through-cycle cash flow profile. Working capital (defined as stock (or inventory) and trade receivables minus trade payables) represented 12% of revenue for the financial year ended 31 July 2018 (and 12% in the financial year ended 31 July 2017). The Group's cash conversion rate, the ratio of Adjusted EBITDA from continuing and discontinued operations to cash generated from operating activities over the last three years are shown in the table below.

	Year ended 31 July			
	2018	2017 (Restated) ⁽¹⁾	2017	2016 (Restated) ⁽²⁾
	(\$ million, unless otherwise indicated, audited)		(£ million, unless otherwise indicated, audited)	
Adjusted EBITDA from continuing operations ⁽³⁾	1,687	1,519	1,199	971
Adjusted EBITDA from discontinued operations ⁽³⁾	59	113	90	85
Adjusted EBITDA from continuing and discontinued operations ⁽³⁾	1,746	1,632	1,289	1,056
Cash generated from operating activities	1,323	1,410	1,115	1,019
Cash conversion ⁽³⁾⁽⁴⁾	76%	86%	87%	96%
Profit for the year.....	1,267	920	783	650
EU IFRS Cash Conversion ⁽⁵⁾	104%	153%	142%	157%

Notes:

- (1) Restated to present results of the non-US dollar denominated subsidiaries in US dollars at the average exchange rate for the period or at the relevant period end rate ("period" being the financial year ended 31 July 2017).
- (2) Restated to present the Nordic Operations as discontinued operations in accordance with IFRS 5.
- (3) This is a non-EU IFRS financial measure. See the section of this Prospectus titled "Important Information – Presentation of Certain Key Alternative Performance Measures" as well as "Presentation of Financial and Certain Other Information – Non-EU IFRS Financial Measures/Alternative Performance Measures", Note 2 to the 2018 audited consolidated financial statements and Note 2 to the 2017 audited consolidated financial statements, each incorporated by reference into this Prospectus as set forth in Part VIII ("Documents Incorporated by Reference").
- (4) Cash generated from operations divided by Adjusted EBITDA from continuing and discontinued operations.
- (5) This is calculated as cash generated from operations divided by profit for the year attributable to Shareholders of the Group.

The Group's Strategies

Generate the Best Profitable Growth in the United States

The Group's businesses are not homogeneous and they require specific strategies which depend on local market conditions, specific customer wants and the competitive environment. The Group continues to target profitable growth across all its businesses and is particularly focused on three key drivers that are believed to enable this growth, particularly in the US:

Fulfilling customer wants

- *Engaged associates* – Well trained, highly engaged associates deliver excellent customer service. A relentless focus in this area drives customer loyalty.
- *Excellent service ethic* – The Group's aim is to provide the best customer service in the industry consistently across branches and regions.
- *Strong sales culture* – The Group will continue to drive a strong sales culture. When associates are proud and confident about the Group's services and have the best tools, knowledge and data to support them, the Group will achieve the strongest results. Associates engage with existing and new customers to make sure the Group is front of mind when it comes to bids for work, which generate a significant portion of Group revenue.

Attractive growth opportunities

- *Organic expansion* – The Group's objective is to accelerate profitable growth through above market revenue growth and targeted branch expansion.
- *Bolt-on acquisitions* – The Group complements its organic growth strategy with selective bolt-on acquisitions to expand its leadership positions or capabilities and to extend the value of its brand. The Group aims to rapidly integrate such acquisitions into its network to deliver attractive returns on capital.
- *Adjacent opportunities* – The Group will utilise existing knowledge, skills and infrastructure to capitalise on new adjacent market opportunities.

Excellent execution

- *Operating model and e-commerce development* – The Group needs to ensure that its operating model is agile and flexible so it can adapt to changing customer wants and that it is able to flex its cost base when required. Increasingly, the Group's customers want to deal with it online and it must ensure that it has the leading e-commerce platform in each market in its industry.
- *Pricing discipline* – The Group will work constantly to understand its customers' needs more accurately and structure its pricing to be fair, consistent and transparent.
- *Own brand penetration* – The Group will systematically build upon and extend its portfolio of own brand categories which provide additional choice and great value for customers. The Group has an opportunity to offer a wider range of own brand products to customers, some of which attract higher gross margins.

Execute the United Kingdom restructuring & repositioning programme

The Group will continue to implement the restructuring and repositioning programme to improve the UK segment. During the financial year ended 31 July 2018, the Group made certain changes to accelerate the pace of change and improve focus and accountability.

An important part of the Group's strategy in the UK is to invest in more disciplined category management, defining a clear range of products to drive availability, upon which customers can rely. The re-configuration of logistics and supply chain infrastructure is currently underway, and included a move to in-night replenishment of branches, which supports a better service proposition for customers. The Group has surplus

distribution centre capacity and closed one distribution centre, which is expected to reduce the double-handling of inventory. The Group has also downsized and relocated the UK headquarters in Leamington.

In the financial year ended 31 July 2018, the Group closed the BCG wholesale business, which generated unsustainably low margins, completed 75 branch closures, and implemented a redundancy programme, which has lowered the UK segment's cost base, but which negatively impacted financial performance for the financial year ended 31 July 2018. However, it is expected these actions will help build a better business for the future.

Capitalise on the significant growth opportunity in Canada

The Group aims to capitalise on the significant growth opportunity in Canada. Encouraging growth and progress have been made towards fulfilling the Group's strategic objectives during the financial year ended 31 July 2018. Revenue growth in the Canadian business for the financial year ended 31 July 2018 was good, with the Group improving gross margins, enabling it to fund significant investments in the development of the business model, as well as generating good financial returns. As part of this strategy, the Group has allocated more resources to the development of its own brand products and has implemented a new platform for B2B e-commerce to improve functionality and drive further penetration. During the financial year ended 31 July 2018, a new distribution centre was opened in Montreal, and distribution facilities in Toronto have been consolidated to give customers greater access to inventory from the distribution centre in Milton. The Group has also implemented new demand planning technology to drive better availability for customers.

Accelerate innovation across the Group

During the financial year ended 31 July 2018, a new priority was introduced to accelerate Group-wide innovation to ensure identification of new technology and business models to stay relevant to customers. The Group continues to develop its operating model to ensure that it is agile and flexible so that it can adapt to changing customer and consumer wants and that it is able to flex its cost base when required. The Group's customers want to interact online and the Group intends to offer leading e-commerce platforms in each market in which it operates which smaller competitors cannot match. The Group has also established an "innovation and disruption" team to identify and pursue opportunities in the market. In addition, the Group has set up its own in-house Ferguson Ventures division to invest, partner or venture with innovative businesses, people and emerging technologies that can enhance the customer or contractor experience. The team includes associates from inside and outside the business, along with some specialist help, to identify promising new products and technologies and develop their full potential.

Capital allocation strategy

The Group maintains discipline in its capital allocation approach while continuing to seek to enhance shareholder value. In order to allocate capital the Group utilises a four-step capital allocation priority policy:

- (1) to re-invest in organic growth opportunities;
- (2) to fund the ordinary dividend to grow in line with the Group's expectations of long-term earnings growth;
- (3) to fund selective bolt-on acquisitions to improve the Group's market leadership positions or expand the capabilities of its existing business model; and
- (4) if there is excess cash after these priorities, to return it to shareholders.

The Group targets a leverage ratio range based on its strong and robust cash flow fundamentals of net debt in the range of 1 to 2 times EBITDA. This target range provides flexibility and headroom throughout the cycle to continue investing in the underlying business. This target range also provides a minimum of 1.5 times headroom against the key financial covenant of 3.5 times contained in other principal financing agreements.

The Group's Business Segments

The following table sets forth a breakdown of revenue from ongoing operations, organic revenue growth, like-for-like revenue growth, operating profit, trading profit from ongoing operations, and trading margin for the Group's segments the financial years ended 31 July 2018, 2017 and 2016.

	Year ended 31 July			
	2018	2017	2017	2016
	(\$ million, unless otherwise indicated) (audited)	(Restated) ⁽¹⁾	(£ million, unless otherwise indicated) (audited)	(Restated) ⁽²⁾
United States Segment				
Revenue	16,670	15,193	11,994	9,456
Ongoing revenue ⁽³⁾	16,670	14,977	11,824	9,288
Organic revenue growth ⁽³⁾	9.9%	7.3%	7.3%	4.8%
Operating profit	1,343	1,231	998	743
Trading profit from ongoing operations ⁽³⁾	1,406	1,204	950	761
Ongoing trading margin ⁽³⁾	8.4%	8.0%	8.0%	8.2%
United Kingdom Segment				
Revenue	2,568	2,548	2,012	1,996
Ongoing revenue ⁽³⁾	2,568	2,548	2,012	1,996
Like-for-like revenue growth ⁽³⁾	0.7%	1.0%	1.0%	(1.6)%
Operating profit/(loss)	3	61	48	(41)
Trading profit from ongoing operations ⁽³⁾	73	96	76	74
Ongoing trading margin ⁽³⁾	2.8%	3.8%	3.8%	3.7%
Canada and Central Europe⁽⁴⁾ Segment				
Revenue	1,514	1,543	1,218	1,097
Ongoing revenue ⁽³⁾	1,514	1,320	1,042	862
Organic revenue growth ⁽³⁾	6.9%	3.5%	3.5%	0.6%
Operating profit	76	245	224	51
Trading profit from ongoing operations ⁽³⁾	83	57	45	37
Ongoing trading margin ⁽³⁾	5.5%	4.3%	4.3%	4.3%
Total				
Revenue	20,752	19,284	15,224	12,549
Ongoing revenue ⁽³⁾	20,752	18,845	14,878	12,146
Organic revenue growth ⁽³⁾	7.5%	6.0%	6.0%	3.3%
Operating profit	1,360	1,478	1,224	711
Trading profit from ongoing operations ⁽³⁾	1,507 ⁽⁵⁾	1,307 ⁽⁶⁾	1,032 ⁽⁷⁾	827 ⁽⁸⁾
Ongoing trading margin ⁽³⁾	7.3%	6.9%	6.9%	6.8%

Notes:

- (1) Restated in the Group's 2018 Annual Report and Accounts to present the results of the non-US dollar denominated subsidiaries in US dollars at the average exchange rate for the period or at the relevant period end rate ("period" being the financial year ended 31 July 2017).
- (2) Restated in the Group's 2017 Annual Report and Accounts to present the Nordic Operations as discontinued operations in accordance with IFRS 5. The Group's original financial results for the financial year ended 31 July 2016 can be found in the Group's 2016 Annual Report and Accounts, incorporated by reference into this Prospectus as set forth in Part VIII ("Documents Incorporated by Reference").
- (3) This is a non-EU IFRS financial measure. See the section of this Prospectus titled "Important Information – Presentation of Certain Key Alternative Performance Measures" as well as "Presentation of Financial and Certain Other Information – Non-EU IFRS Financial Measures/Alternative Performance Measures", Note 2 to the 2018 audited consolidated financial statements and Note 2 to the 2017 audited consolidated financial statements, each incorporated by reference into this Prospectus as set forth in Part VIII ("Documents Incorporated by Reference").
- (4) Following the Group's disposition of Wasco (its Netherlands B2B business) on 30 January 2019, which was its last Central European business, this segment will be referred to as the Canada segment.
- (5) Includes \$(55) million for Central and other costs.
- (6) Includes \$(50) million for Central and other costs.
- (7) Includes £(39) million for Central and other costs.
- (8) Includes £(45) million for Central and other costs.

United States

The Group is a market leading distributor of plumbing and heating products in the US, operating across the country and serving the residential, commercial, civil and industrial markets. The US segment predominantly serves the RMI markets, as well as the new construction market.

For the financial years ended 31 July 2018, 2017, and 2016, the ratio of revenue generated in the US in each market sector was as follows:

	Year ended 31 July		
	2018	2017	2016
	% of Segment Revenue		
Residential RMI	34	34	31
Non-Residential RMI	24	25	21
Residential New Construction	18	18	17
Non-Residential New Construction	17	16	15
Civil/Infrastructure	7	7	16

For the financial year ended 31 July 2018, the Group operated seven business units in the US offering different categories of plumbing and heating products and solutions to fit customers' needs. The majority of the business units predominantly serve trade customers with a smaller number serving end consumers. The Group has no direct competitors that operate across all of the markets in which it operates. Each business unit in the US has its own competitors which range from large, national companies, including trade sales by large home improvement chains, to small, privately owned distributors.

The Group endeavours to constantly strengthen its position in existing and adjacent markets in the US segment through selective bolt-on acquisitions. The Group completed nine, nine and thirteen bolt-on acquisitions in the US during the financial years ended 31 July 2018, 2017 and 2016, respectively. Between 31 July 2018 and 31 January 2019, the Group had completed ten bolt-on acquisitions in the US.

For the financial year ended 31 July 2018, the Group had 26,501 associates in the US segment and operated 1,448 branches serving all 50 states. These branches are in turn served by ten distribution centres, providing same day and next day product availability, which is believed to be a key competitive advantage.

For the financial years ended 31 July 2018, 2017 and 2016, the ratio of revenue generated in the US from each business unit (as described in further detail below) was as follows:

Business Units	Year ended 31 July		
	2018	2017	2016
	% of Segment Revenue		
Blended Branches	58	60	62
Waterworks Standalone	16	16	16
B2C e-commerce	9	7	6
HVAC Standalone	7	7	7
Other (Industrial Standalone, Fire and Fabrication and Facilities Supply)	10	10	9

The business units in the United States are as follows:

- *Blended Branches* – The Blended Branches business is the Group's largest business unit in the US segment and serves three customer segments: Residential Trade, Residential Showroom, and Commercial – serving customers across the residential and commercial sectors for RMI and new construction. Organic revenue growth for the Blended Branches business for the financial year ended 31 July 2018 was 8.5% (11.4% in the western region of the US, 8.2% in the north central region of the US, 8.1% in the south central region of the US and 6.4% in the east region of the US).

In certain markets where it is more efficient and effective, the US segment serves customers through a Blended Branches location rather than a standalone HVAC, Waterworks, Industrial or Facilities Supply business.

Residential Trade serves the residential RMI and new construction sectors with a large proportion of sales through the branch counters. It provides plumbing and sanitary supplies, tools, repair parts and bathroom fixtures to plumbing contractors.

Residential Showroom operates a national network of 276 showrooms, serving consumers and trade customers, which showcase bathroom, kitchen and lighting products and assist customers by providing advice and project management services for their home improvement projects.

Commercial provides commercial plumbing and mechanical contractors with products and services, including bidding and tendering support and timeline planning to assist with their construction projects.

- *Waterworks* – The Waterworks business distributes PVF, hydrants, meters and related water management products alongside related services including water line tapping and pipe fusion. Waterworks sales tend to be part of large planned projects to public and private water and sewer authorities, utility contractors, public works/line contractors and heavy highway contractors on residential, commercial and municipal projects across the water, sanitary sewer and storm water management markets. Organic revenue growth for the Waterworks business for the financial year ended 31 July 2018, was 11.5%.
- *B2C e-commerce* – The B2C e-commerce business sells directly to consumers and trade customers online predominantly using the Group's product lines and distribution network. The majority of B2C business is conducted through the brand Build.com, which is supported by a call centre of sales consultants who provide advice and customer support. Organic revenue growth for the B2C e-commerce business for the financial year ended 31 July 2018 was 12.9%.
- *HVAC* – The HVAC business supplies heating, ventilation, air conditioning and refrigeration equipment, parts and supplies to specialist contractors. The business predominantly serves the residential and commercial markets for repair and replacement. Organic revenue growth for the HVAC business for the financial year ended 31 July 2018 was 8.9%.
- *Industrial* – The Industrial business is a supplier of PVF and industrial maintenance, repair and operations specialising in delivering automation, instrumentation, engineered products and turn-key solutions in a highly fragmented market. This business unit also provides supply chain management solutions for a full range of PVF supplies focusing on providing cost savings across the entire supply chain. The Industrial business distributes products to industrial customers across all sectors including oil and gas, mining, chemical and power.
- *Fire and Fabrication* – The Fire and Fabrication business caters to fire protection contractors and engineers offering fire protection products, fire protection systems and bespoke fabrication services to commercial contractors for new construction projects.
- *Facilities Supply* – The Facilities Supply business provides products, services and solutions to enable reliable maintenance of facilities across multiple RMI markets including multi-family properties, government agencies, hospitality, education and healthcare.

Combined organic revenue growth for the Industrial, Fire and Fabrication and Facilities Supply business units for the financial year ended 31 July 2018 was 14.1%.

United Kingdom

In the UK, the Group principally operates under the Wolseley brand predominantly in the trade market through 567 branches covering the whole country as at 31 July 2018. These branches are served by six distribution centres. As at 31 July 2018, the UK segment had 5,617 associates. The UK segment is implementing a restructuring and repositioning programme that will simplify the business, improve its customer proposition and network and will lower its cost base.

The UK segment mainly serves RMI markets, and has relatively low exposure to the new residential construction market. For the financial year ended 31 July 2018, revenue generated from the residential RMI and non-residential RMI sectors was 50% and 12% of segment revenue, respectively, while revenue generated from the residential new construction sector was 11% of segment revenue. Revenue generated from the non-residential new construction and the civil infrastructure sectors was 17% and 10% of segment revenue, respectively.

The business units in the UK are as follows:

- *Blended* – Blended is the Group’s largest business within the UK, generating 84% of the unit’s revenue. The business operates under the Wolseley brand with a number of smaller brands including William Wilson. This business provides plumbing and heating products, air conditioning and refrigeration products, and the associated pipes, valves and fittings to trade customers in the residential and commercial sectors, for mostly RMI purposes. The business also provides specialist above ground drainage products.
- *Infrastructure* – The Infrastructure business specialises in below ground drainage and serves the civil infrastructure and utilities markets.

Canada (previously known as “Canada and Central Europe”)

In the financial year ended 31 July 2018, the segment operated across two countries, Canada and the Netherlands. The Group disposed of Wasco (its Netherlands B2B business), which was the last of its Central European businesses, on 30 January 2019. As at 31 July 2018, the segment had 3,167 associates and 265 branches.

Wolseley Canada operates in the trade market serving the residential, commercial and industrial sectors in both RMI and new construction. As at 31 July 2018, this segment operated 230 branches serviced by two distribution centres across Canada

For the financial years ended 31 July 2018, 2017 and 2016, the ratio of revenue generated in the segment in each market sector was as follows:

	Year ended 31 July		
	2018	2017	2016
	% of Segment Revenue		
Residential RMI	43	44	43
Non-Residential RMI	17	17	16
Residential New Construction	19	21	22
Non-Residential New Construction	19	16	17
Civil/Infrastructure	2	2	2

For the financial year ending 31 July 2018, the business units in this segment were as follows:

- *Wolseley Canada* – Wolseley Canada generated 79% of the segment’s revenue for the financial year ended 31 July 2018 and distributes plumbing, HVAC and refrigeration equipment, supplying products to residential and commercial contractors nationwide. It also supplies specialist water and waste water treatment solutions to residential, commercial and municipal contractors, and supplies PVF solutions to industrial customers.
- *Wasco (Netherlands)* – Wasco generated 21% of the segment’s revenue for the financial year ended 31 July 2018 and is a distributor of heating, plumbing and related spare parts across the Netherlands. The Group disposed of Wasco on 30 January 2019.

The Group's Associates

The Group's associates are essential to the long-term success of the business, which requires consistent investment in the development of associates to ensure that the Group is positioned to attract and retain the best talent. The Group's associates enable the delivery of excellent customer service, development of strong customer and supplier relationships, maximisation of operational efficiencies and acceleration of the adoption of new operating models.

The table below sets forth the average number of full time equivalent ("FTE") associates by business segment for the periods presented.

Average FTE Associates by Segment	Year ended 31 July		
	2018	2017	2016 (Restated) ⁽¹⁾
United States	25,129	24,086	22,468
United Kingdom	5,871	6,064	6,208
Canada and Central Europe	2,962	3,257	3,489
Other	94	104	104
Total Group	34,056	33,511	32,269

Notes:

- (1) Restated in the Group's 2017 Annual Report and Accounts to present the Nordic Operations as discontinued operations in accordance with IFRS 5.

Remuneration arrangements differ to reflect local markets. Incentive programmes have been developed in each business for branch and sales associates to ensure that high performance is well rewarded. The Group adjusts measures to the type of role or team, but typically incentivises based on combinations of trading profit, gross margin, gross profit, average cash-to-cash days and net promoter score. The Group's total staff costs were \$2,913 million for the financial year ended 31 July 2018.

Principal Investments

For information on the Group's principal investments, see notes 28, 30 and 29 to the audited consolidated financial statements for the financial years ended 31 July 2018, 2017, and 2016, respectively, and notes 12 and 13 to the unaudited consolidated interim financial statements for the six months ended 31 January 2019, which are incorporated by reference into this Prospectus as set forth in Part VIII ("*Documents Incorporated by Reference*").

Regulatory Landscape

The Group's operations are affected by various statutes, regulations and standards in the countries and markets in which it operates, including, but not limited to, the US, the UK and Canada. The amount of such regulation and the penalties for any breaches can vary. 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.

Intellectual Property

The Group relies on a combination of intellectual property laws, confidentiality procedures and contractual provisions to protect its proprietary assets and its brand. The Group has registered or applied for registration of trademarks, service marks, copyrights and internet domain names, both domestically and internationally.

Litigation

Group companies are, from time to time, subject to certain claims and litigation arising in the normal course of business in relation to, among other things, the products that they supply, contractual and commercial disputes and disputes with customers, suppliers, other business partners and associates. Provision is made if, on the basis of current information and professional advice, liabilities are considered likely to arise. In the case of unfavourable outcomes, the Group may benefit from applicable insurance protection. The outcome of claims and litigation to which the Group's businesses are party to during the ordinary course of business cannot readily be foreseen as, in some cases, the facts are unclear, further time is needed to assess properly the merits of the case, or they are part of continuing legal proceedings. However, based on information currently available, the Directors consider that the cost to the Group of an unfavourable outcome arising from such litigation is not expected to have a material adverse effect on the financial position of the Group.

Property, Plant and Equipment

There is no existing or planned property, plant or equipment which is individually material to the Group.

For the financial year ended 31 July 2018, the Group operated from 1,448 branches and ten distribution centres and facilities in the US, from 567 branches and six distribution centres and facilities in the UK and from 265 branches and three distribution centres and facilities in Canada and Central Europe. The majority of these properties are leased, and none is considered to have a value that is significant in relation to the Group's assets as a whole.

Key Subsidiaries

The Group comprises a large number of companies. This table below lists the Group's principal subsidiaries as determined for the Group audited consolidated financial statements for the financial year ended 31 July 2018. Immediately following, and conditional upon, the Scheme becoming effective, Old Ferguson will become a direct wholly-owned subsidiary of New Ferguson.

<u>Company Name</u>	<u>Principal Activity</u>	<u>Country of Incorporation</u>
Capstone Global Solutions AG ⁽⁴⁾	Operating company	Switzerland
Ferguson Enterprises, Inc. ⁽⁵⁾	Operating company	US
Ferguson Finance (Switzerland) AG	Financing company	Switzerland
Ferguson Group Services Limited.....	Service company	England and Wales
Ferguson Holdings (Switzerland) AG*	Investment company	Switzerland
Wasco Holdings B.V. ⁽⁶⁾	Operating company	The Netherlands
Wolseley Canada Inc.	Operating company	Canada
Wolseley Capital, Inc.	Financing company	US
Wolseley Insurance Limited	Operating company	Isle of Man
Wolseley Investments, Inc.	Investment company	US
Wolseley Limited*.....	Investment company	England and Wales
Wolseley UK Limited	Operating company	England and Wales

Notes:

- (1) Shareholdings in companies marked * are held 100% directly by Old Ferguson. The proportion of the voting rights in the subsidiary undertakings held directly by Old Ferguson do not differ from the proportion of the ordinary shares held. All other shareholdings in the above-mentioned companies are held by intermediate subsidiary undertakings.
- (2) All shareholdings in the above subsidiary undertakings are of ordinary shares or equity capital.
- (3) All subsidiary undertakings have been included in the Group consolidated financial statements.
- (4) Capstone Global Solutions AG changed its name to Ferguson Global AG on 16 October 2018.
- (5) Ferguson Enterprises, Inc. was converted to a limited liability company under the laws of the state of Virginia with effect from 31 March 2019 and is, as of the date of this Prospectus, known as Ferguson Enterprises, LLC.
- (6) The Group disposed of Wasco Holdings B.V. on 30 January 2019.

PART III FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements for the Group for the financial years ended 31 July 2018, 2017 and 2016, prepared in accordance with EU IFRS, together with the audit reports and notes in respect of each such year, and the unaudited half year results for the six months ended 31 January 2019 and 2018, are incorporated by reference into this Part III (“*Financial Information of the Group*”) as described in Part VIII (“*Documents Incorporated by Reference*”) of this Prospectus.

Deloitte LLP, whose address is 1 New Street Square, London EC4A 3BZ, are the Auditors of the Group and have audited the financial statements of the Group for the financial years ended 31 July 2018, 2017 and 2016. Their reports in respect of the financial statements for each of the foregoing years were unqualified. Deloitte LLP is registered to carry out audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales.

The tables below set out the Group’s selected consolidated financial information as at and for the financial years ended 31 July 2018, 2017 and 2016 and the six months ended 31 January 2019 and 2018. The data has been extracted without material adjustment from the audited consolidated financial statements for the financial years ended 31 July 2018, 2017 and 2016 and the unaudited half year results for the six months ended 31 January 2019 and 2018.

The historical financial information should not be viewed as a likely indicator of future financial performance. See the section of this Prospectus titled “*Risk Factors*” and Part IV “*Operating and Financial Review of the Group*”. Investors should read the whole of this Prospectus, including the information incorporated by reference into this Prospectus, and not rely solely on the summarised financial information below.

Selected Consolidated Statement of Income

	Six months ended 31 January		Year ended 31 July			
	2019 (\$ million, unaudited)	2018 (\$ million, unaudited)	2018 (\$ million, audited)	2017 (Restated) ⁽¹⁾ (\$ million, audited)	2017 (\$ million, audited)	2016 (Restated) ⁽²⁾ (\$ million, audited)
Revenue	10,847	10,027	20,752	19,284	15,224	12,549
Cost of sales	(7,654)	(7,087)	(14,708)	(13,701)	(10,816)	(8,957)
Gross profit	3,193	2,940	6,044	5,583	4,408	3,592
Operating costs:						
Amortisation of acquired intangible assets	(44)	(30)	(65)	(81)	(64)	(48)
Impairment of goodwill and acquired intangible assets	–	–	–	–	–	(94)
Other	(2,440)	(2,288)	(4,619)	(4,024)	(3,120)	(2,739)
Operating costs	(2,484)	(2,318)	(4,684)	(4,105)	(3,184)	(2,881)
Operating profit	709	622	1,360	1,478	1,224	711
Net finance costs	(35)	(27)	(53)	(54)	(43)	(36)
Share of profit/(loss) after tax of associates	2	3	2	(1)	(1)	–
Impairment of interests in associates.....	–	–	(122)	–	–	–
Gain on disposal of interests in associates.....	3	–	–	–	–	–
Profit before tax	679	598	1,187	1,423	1,180	675
Tax	(139)	(158)	(346)	(370)	(292)	(210)
Profit from continuing operations	540	440	841	1,053	888	465
Profit/(loss) from discontinued operations	46	18	426	(133)	(105)	185
Profit for the year or period	586	458	1,267	920	783	650

Notes:

- (1) Restated in the Group's 2018 Annual Report and Accounts to present the results of the non-US dollar denominated subsidiaries in US dollars at the average exchange rate for the period or at the relevant period end rate ("period" being the financial year ended 31 July 2017).
- (2) Restated in the Group's 2017 Annual Report and Accounts to present the Nordic Operations as discontinued operations in accordance with IFRS 5. The Group's original financial results for the financial year ended 31 July 2016 can be found in the Group's 2016 Annual Report and Accounts, incorporated by reference into this Prospectus as set forth in Part VIII ("*Documents Incorporated by Reference*").

Selected Consolidated Statement of Financial Condition

	As at	As at 31 July			
	31 January		2017		2016
	2019	2018	(Restated) ⁽¹⁾	2017	(Restated) ⁽²⁾
	(\$ million, unaudited)	(\$ million, audited)		(£ million, audited)	
Total Assets	10,751	10,149	12,557	9,503	8,151
Total Liabilities	6,461	6,092	8,017	6,067	5,250
Equity attributable to shareholders	4,291	4,058	4,543	3,438	2,903
Non-controlling interest.....	(1)	(1)	(3)	(2)	(2)
Total equity	4,290	4,057	4,540	3,436	2,901

Notes:

- (1) Restated in the Group's 2018 Annual Report and Accounts to present the results of the non-US dollar denominated subsidiaries in US dollars at the average exchange rate for the period or at the relevant period end rate ("period" being the financial year ended 31 July 2017).
- (2) Restated in the Group's 2017 Annual Report and Accounts to present the Nordic Operations as discontinued operations in accordance with IFRS 5. The Group's original financial results for the financial year ended 31 July 2016 can be found in the Group's 2016 Annual Report and Accounts, incorporated by reference into this Prospectus as set forth in Part VIII ("*Documents Incorporated by Reference*").

PART IV OPERATING AND FINANCIAL REVIEW OF THE GROUP

This Part IV is intended to convey the Directors' perspectives on the operating performance and financial condition of the Group from 1 August 2015 to 31 January 2019. The discussion should be read in conjunction with the rest of this Prospectus, the Annual Report and Accounts for the financial years ended 31 July 2018, 2017 and 2016, and the unaudited half year interim results for the six months ended 31 January 2019 and 2018, which are incorporated by reference into this Prospectus as set forth in Part VIII ("Documents Incorporated by Reference"). The following discussion contains forward-looking statements that involve risks and uncertainties that could cause the actual results of the Group to materially differ from those expressed or implied by such forward-looking statements. These risks and uncertainties are discussed in the section headed "Risk Factors" as well as in "Cautionary Note Regarding Forward-Looking Statements", which is found in the section of this Prospectus headed "Important Information".

The discussion and financial information in this Part IV has been extracted without material adjustment from the historical financial information incorporated by reference into this Prospectus, which has been prepared in accordance with the EU IFRS. The following discussion makes reference to certain alternative performance measures which are described more fully in the section of this Prospectus titled "Important Information - Presentation of Certain Key Alternative Performance Measures" as well as Note 2 to the 2018 audited consolidated financial statements and Note 2 to the 2017 audited consolidated financial statements, each incorporated by reference into this Prospectus as set forth in Part VIII ("Documents Incorporated by Reference").

Overview of the Group's Business

The Group is a leading specialist distributor of plumbing and heating products, supplying such products to professional contractors and consumers principally in the RMI markets, as well as the new construction market. The Group creates value by bridging the gap between suppliers and customers, providing suppliers a cost-effective route to market and specialist advice to customers on a wide range of products with delivery where and when required. The Group's diverse supplier base enables it to market over one million products from approximately 43,000 suppliers around the world to approximately one million customers (in the financial year ended 31 July 2018). The Group facilitates delivery of its products through its network of 19 distribution centres and 2,280 branches (as at 31 July 2018).

The Group operates in three geographic regions, the United States, the United Kingdom and Canada, each of which is an operating segment for financial reporting purposes:

United States. The Group is progressively focusing more resources on its businesses in the US, which generated 93.3% of its trading profit for the financial year ended 31 July 2018. The Group operates seven business units in the US offering different categories of plumbing and heating products and solutions which are in turn served by a single distribution and logistics network. Most of the business units predominantly cater to trade customers with a smaller number serving retail consumers and remodelling contractors.

Each business unit is aligned around specialist customer types with its own competitors, which range from large, national companies – including trade sales by large home improvement chains – to small, privately owned supply houses. These markets are typically fragmented with few large competitors, so the Group primarily competes with many small, local distributors. Consequently, there continues to be opportunities to grow the business geographically, particularly in large metropolitan areas across the US.

As at 31 July 2018, the US segment had 26,501 associates and 1,448 branches which cover all 50 US states. These are served by 10 distribution centres which ensure excellent availability of stock for customers. The US segment's revenue was \$16,670 million, \$15,193 million (£11,994 million) and £9,456 million for the financial years ended 31 July 2018, 2017 and 2016, respectively. This represented 80.3%, 78.8% and 75.4% of the Group's total revenue for the financial years ended 31 July 2018, 2017 and 2016, respectively. The US segment's trading profit was \$1,406 million, \$1,224 million (£966 million) and £775 million for the financial years ended 31 July 2018, 2017 and 2016, respectively. This represented 93.3%, 91.3% and 90.4% of the Group's total trading profit for the financial years ended 31 July 2018, 2017 and 2016, respectively.

For the six months ended 31 January 2019 and 2018, the US segment's revenue was \$8,874 million and \$7,912 million, respectively. This represented 81.8% and 78.9% of the Group's total revenue for the six months ended 31 January 2019 and 2018, respectively. The US segment's trading profit was \$700 million and \$647 million, which represented 93.0% and 92.7% of the Group's total trading profit for the six months ended 31 January 2019 and 2018, respectively.

United Kingdom. In the UK, the Group principally operates under the Wolseley brand. The Group's UK segment predominantly operates in the trade plumbing and heating markets and has relatively low exposure to the new residential construction market. The business provides plumbing and heating products primarily to trade customers in the residential and commercial sectors, for RMI purposes. The UK segment is implementing a major restructuring and repositioning programme that will simplify the business, improve its customer proposition and network and will lower its cost base.

As at 31 July 2018, the UK segment had 5,617 associates and 567 branches covering the entire country, which are in turn served by six distribution centres. The UK segment's revenue was \$2,568 million, \$2,548 million (£2,012 million) and £1,996 million for the financial years ended 31 July 2018, 2017 and 2016, respectively. This represented 12.4%, 13.2% and 15.9% of the Group's total revenue for the financial years ended 31 July 2018, 2017 and 2016, respectively. The UK segment's trading profit was \$73 million, \$96 million (£76 million) and £74 million for the financial years ended 31 July 2018, 2017 and 2016, respectively. This represented 4.8%, 7.2% and 8.6% of the Group's total trading profit for the financial years ended 31 July 2018, 2017 and 2016, respectively.

For the six months ended 31 January 2019 and 2018, the UK segment's revenue was \$1,177 million and \$1,354 million, respectively. This represented 10.9% and 13.5% of the Group's total revenue for the six months ended 31 January 2019 and 2018, respectively. The UK segment's trading profit was \$30 million and \$38 million, which represented 4.0% and 5.4% of the Group's total trading profit for the six months ended 31 January 2019 and 2018, respectively.

Canada (previously known as "Canada and Central Europe"). The segment operated across two countries for the financial year ended 31 July 2018, Canada and the Netherlands, which contributed 79% and 21%, respectively, of the segment's revenue. The segment served the residential, commercial and industrial sectors both in the RMI and new construction markets. As at 31 July 2018, the segment had 3,167 associates and 265 branches.

The Group disposed of Wasco (its Netherlands B2B business), which was the last of its Central European businesses, on 30 January 2019. For the financial year ended 31 July 2018, Wasco contributed revenue of \$322 million (\$269 million for the financial year ended 31 July 2017) and trading profit of \$13 million (\$9 million for the financial year ended 31 July 2017). Wasco contributed \$181 million of revenue and \$9 million of trading profit in the period ended 31 January 2019 up to the point of disposal.

Wolseley Canada distributes plumbing, HVAC and refrigeration equipment, supplying products to residential and commercial contractors nationwide. It also supplies specialist water and waste water treatment systems to residential, commercial and municipal contractors, and supplies PVF solutions to industrial customers. As at 31 July 2018, it had 230 branches serviced by two distribution centres across Canada.

The segment's revenue was \$1,514 million, \$1,543 million (£1,218 million) and £1,097 million for the financial years ended 31 July 2018, 2017 and 2016, respectively. This represented 7.3%, 8.0% and 8.7% of the Group's total revenue for the financial years ended 31 July 2018, 2017 and 2016, respectively. The segment's trading profit was \$83 million, \$71 million (£56 million) and £53 million for the financial years ended 31 July 2018, 2017 and 2016, respectively. This represented 5.5%, 5.3% and 6.2% of the Group's total trading profit for the financial years ended 31 July 2018, 2017 and 2016, respectively.

For the six months ended 31 January 2019 and 2018, the segment's revenue was \$796 million and \$761 million, respectively. This represented 7.3% and 7.6% of the Group's total revenue for the six months ended 31 January 2019 and 2018, respectively. The segment's trading profit was \$48 million and \$41 million,

which represented 6.4% and 5.9% of the Group's total trading profit for the six months ended 31 January 2019 and 2018, respectively.

Presentation of Financial Information

General

The Group reports consolidated financial information in accordance with EU IFRS. The consolidation perimeter of the Group comprises Old Ferguson and all of its subsidiaries.

The preparation of the Group's financial statements in conformity with EU IFRS requires the use of certain critical accounting estimates (see the section of this Part IV headed "*Accounting Policies and Critical Estimates and Judgements*"). It also requires management to exercise its judgment in the process of applying accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Group's consolidated financial statements, are disclosed in the applicable financial statements (see Note 1 of the 2018, 2017 and 2016 audited consolidated financial statements incorporated by reference into this Prospectus as set forth in Part VIII ("*Documents Incorporated by Reference*").

Please also refer to the Auditor's unqualified audit reports for the Group's audited consolidated financial statements for 2018, 2017 and 2016, which include the Auditor's description of the risks of material misstatement to those financial statements that had the greatest effect on the audits, the key audit procedures to address those risks and the findings from those procedures.

Segments

The Group's reportable segments are the operating businesses overseen by distinct divisional management teams responsible for their performance. All reportable segments derive their revenue from a single business activity – the distribution of plumbing, heating or related products. The Group's business is not highly seasonal and the Group's customer base is highly diversified, with no individually significant customer.

In accordance with IFRS 8 ("*Operating Segments*"), the Group has identified three reportable segments, the United States, United Kingdom and Canada (previously "Canada and Central Europe"), based on the manner in which services or products are internally reported to the Chief Operating Decision Maker (as defined in IFRS 8). The Group disposed of Wasco (its Netherlands B2B business), which was the last of its Central European businesses, on 30 January 2019. Wasco does not meet the criteria in IFRS 5 to be classified as a discontinued operation and is therefore included in the results of the continuing operations for all periods presented in the Prospectus. To assist in the understanding of the results of the businesses which have not been disposed of, closed or classified as held for sale, the Group presents certain financial information on an ongoing basis (see the subheading "*Presentation of Certain Key Alternative Performance Measures*" of the "*Important Information*" section of this Prospectus). Wasco is excluded from the ongoing operations for the six months ended 31 January 2019 and for comparability is also excluded from the ongoing operations for the six months ended 31 January 2018. Wasco is included in the ongoing operations for the financial years ended 31 July 2018, 31 July 2017 and 31 July 2016.

Restatement of Results

Until the fiscal year ended 31 July 2017, the Group reported its results in pounds sterling and its main currency exposure arose on the translation of overseas earnings into pounds sterling. From the fiscal year beginning 1 August 2017 onwards, the Group has presented its consolidated financial statements in US dollars and, as the majority of revenue and trading profit is generated in US dollars, the impact of foreign exchange rate movements have been reduced. Statutory financial information included in the Group's financial statements for the financial years ended 31 July 2017 and 2016 (as contained in the Group's 2018 Annual Report and Accounts) previously reported in pounds sterling has been restated into US dollars using (i) the closing exchange rates on the relevant balance sheet date for assets and liabilities denominated in non-US dollar currencies and (ii) the average exchange rates prevailing for the relevant period in which income or expenditures were reported in non-US dollar currencies. For more information please see Note 1 to the Group's audited consolidated financial statements for the financial year ended 31 July 2018, which is

incorporated by reference into this Prospectus as set forth in Part VIII (“*Documents Incorporated by Reference*”).

In the financial year ended 31 July 2018, the Group sold its business and property assets in the Nordic Operations and, in accordance with IFRS 5 (“*Non-current Assets Held for Sale and Discontinued Operations*”), the Nordic Operations have been classified as discontinued. Accordingly, the comparative financial information for the financial year ended 31 July 2016 included in the 2017 audited consolidated financial statements has been restated for consistency and comparability to reflect the Nordic Operations as a discontinued operation. See Note 3 to the 2017 audited consolidated financial statements incorporated by reference into this Prospectus as set forth in Part VIII (“*Documents Incorporated by Reference*”). The Group’s original financial results for the financial year ended 31 July 2016 can be found in the Group’s 2016 Annual Report and Accounts, incorporated by reference into this Prospectus as set forth in Part VIII (“*Documents Incorporated by Reference*”).

Alternative Performance Measures

In this Prospectus certain financial measures, referred to as APMs, that are not recognised by EU IFRS or any other internationally recognised generally accepted accounting principles are presented. Such APMs presented in this Prospectus include: (i) results presented on a constant exchange basis, (ii) organic revenue growth, (iii) like-for-like revenue growth, (iv) organic revenue growth by segment, (v) revenue from non-ongoing operations, (vi) revenue from ongoing operations, (vii) gross profit from non-ongoing operations, (viii) gross profit from ongoing operations, (ix) ongoing gross margin, (x) trading profit from continuing operations, (xi) trading profit from non-ongoing operations, (xii) trading profit from ongoing operations, (xiii) ongoing trading margin, (xiv) trading profit from non-ongoing operations by segment, (xv) trading profit from ongoing operations by segment, (xvi) ongoing trading margin by segment, (xvii) adjusted EBITDA, (xviii) adjusted EBITDA from discontinued operations, (xix) net debt, and (xx) cash conversion rate.

APMs have certain limitations as analytical tools and you should not consider them in isolation or as substitutes for analysis of the Group’s results as reported under EU IFRS. Because of such limitations, they should not be considered substitutes for the relevant EU IFRS measures. For further information on such limitations see the section headed “*Important Information – Presentation of Certain Key Alternative Performance Measures*”, and, for reconciliations of APMs to the nearest EU IFRS measures see Note 2 to the 2018 audited consolidated financial statements and Note 2 to the 2017 audited consolidated financial statements, each incorporated by reference into this Prospectus as set forth in Part VIII (“*Documents Incorporated by Reference*”).

Key Factors Affecting the Group’s Results of Operations and Comparability

The Group’s results of operations have been affected in the periods under review, and are expected to continue to be affected, by the following principal factors relating to the business.

Market Trends

The residential, commercial, industrial and municipal construction markets in which the Group operates are sensitive to changes in the economy and, as a result, changes in the economic conditions in any of the Group’s geographic markets, particularly the US, affect the Group’s business, financial condition and results of operations. Management monitors the activity levels of these markets through various indicators of home improvement and repair spending and commercial/industrial construction spending.

In the US residential RMI market, for example, management monitors the Leading Indicator of Remodelling Activity (“**LIRA**”) which provides a short-term outlook of national home improvement and repair spending to owner-occupied homes. LIRA is designed to project the annual rate of change in spending for the current quarter and subsequent four quarters. The LIRA projections suggest continued absolute growth in 2019. In addition, existing home sales is an indicator of the strength of the market. The seasonally adjusted annual rate of sales has remained at approximately 5.0 to 5.5 million over the four years to December 2018.

In the US commercial RMI market the AIA Billings Index – Commercial/Industrial is used as a leading economic indicator of construction activity. Any score below 50 indicates a decline in business activity across the architecture profession, whereas an index score above 50 indicates growth. The AIA Billings Index – Commercial/Industrial score was above 50 during 11 of the 12 months to December 2018.

The AIA Billings Index – Commercial/Industrial is also an indicator for the US Civil/Infrastructure market. The non-residential construction Put In Place measure is an indicator of growth in the market, reflecting the value spent each month on construction. The value of non-residential Put In Place spend grew throughout 2018.

An indicator of the strength of the US industrial market is the Institute of Supply Chain Management Purchase Managers Index (“**ISCM Purchase Managers Index**”). Any reading above 50 indicates that the manufacturing economy is generally expanding, where a reading below 50 indicates that it is generally declining. The ISCM Purchase Managers Index reading was above 50 throughout 2018, indicating growth in the market.

In the context of the overall economic health in the US, the gross domestic product (“**GDP**”) is a key indicator. The rate of quarterly GDP growth in the US has increased from the third quarter of 2016 through to the third quarter of 2018, indicating continued expansion in the economy.

In the UK, the markets remain challenging as GDP growth has remained subdued. Consumer confidence has also been negative over the past few years which indicates an adverse sentiment towards current and future economic conditions.

In Canada, quarterly GDP growth has averaged 2.1% between the first quarter of 2018 and the third quarter. Consumer confidence has been high throughout the year with an average of 55. A score above 50 indicates positive sentiment towards current and future economic conditions.

Exchange Rates

The Group has international operations, principally in the US, the UK and Canada (previously “Canada and Central Europe”), which provided 80.3%, 12.4% and 7.3%, respectively, of the Group’s revenue for the financial year ending 31 July 2018. The revenue of the foregoing segments are denominated in the currencies of the countries in which the operations are located. Until the financial year ended 31 July 2017, the Group reported its results in pounds sterling and its main currency exposure arose on the translation of overseas earnings into pounds sterling. From the financial year beginning 1 August 2017 onwards the Group has presented its consolidated financial statements in US dollars as the majority of its revenue and trading profit is generated in US dollars, and as a result the impact of foreign exchange rate movements has been reduced.

The results of the non-US dollar denominated subsidiaries were translated into US dollars at (i) the average exchange rate for the period in respect of the income statement and (ii) at the relevant period end rate in respect of the balance sheet, in the 2018 consolidated financial statements. The results of the non-pound sterling denominated subsidiaries were translated into pounds sterling at (i) the average exchange rate for the period in respect of the income statement and (ii) at the relevant period end rate in respect of the balance sheet, in the 2017 consolidated financial statements. For further information see Note 1 “*Accounting Policies*” to the 2018 audited consolidated financial statements and 2017 audited consolidated financial statements, each of which are incorporated into this Prospectus as set forth in Part VIII (“*Documents Incorporated by Reference*”).

Consequently, the Group’s reported results are affected by fluctuations in the rates of exchange between the US dollar and the other currencies in which it receives revenue and incurs expenses. Certain information in this Prospectus and in the 2018 audited consolidated financial statements and 2017 audited consolidated financial statements are presented both on a reported basis and at constant exchange rates, which removes the translation effect of foreign exchange movements, to enable a better understanding of the underlying performance of each business in the context of the Group. For further information see Note 2 “*Alternative Performance Measures*” to the 2018 audited consolidated financial statements and 2017 audited consolidated financial statements, each of which are incorporated into this Prospectus as set forth in Part VIII (“*Documents Incorporated by Reference*”).

In the financial years ended 31 July 2018 and 2017, these currency effects primarily reflect a movement of the average US dollar exchange rate against the pound sterling, euro and Canadian dollar as follows:

	Year ended 31 July ⁽¹⁾	
	2018 Weakening of dollar	2017 Strengthening/(weakening) of dollar
Pounds sterling	(6.4%)	13.3%
Euro	(9.2%)	1.6%
Canadian dollars	(4.0%)	(0.2%)

Notes:

- (1) For more information see “*Foreign Currency Risk*” in Note 23 (“*Financial Instruments and Financial Risk Management*”) to the 2018 audited consolidated financial statements, incorporated by reference into this Prospectus as set forth in Part VIII (“*Documents Incorporated by Reference*”).

In the financial years 31 July 2017 and 2016, these currency effects primarily reflect a movement of the average pound sterling exchange rate against the US dollar, euro and Canadian dollar as follows:

	Year ended 31 July ⁽¹⁾	
	2017 Weakening of sterling	2016 Strengthening/(weakening) of sterling
US dollars	(15.3%)	(6.8%)
Euro	(13.5%)	(0.8%)
Canadian dollars	(15.5%)	4.1%

Notes:

- (1) For more information see “*Foreign Currency Risk*” in Note 37 (“*Additional Information*”) to the 2017 audited consolidated financial statements, incorporated by reference into this Prospectus as set forth in Part VIII (“*Documents Incorporated by Reference*”).

Acquisitions and Disposals

The Group has historically generated growth through a combination of organic growth and selectively pursuing acquisitions, which are a small part of its growth model. During the financial years ended 31 July 2018, 2017 and 2016 the Group completed a total of 13, 11 and 16 acquisitions, respectively, investing \$416 million, \$331 million (£256 million) and £113 million, respectively, in these acquisitions. For the six months ended 31 January 2019, the Group completed 11 acquisitions, investing \$589 million.

Acquisitions are reflected in the Group’s financial statements as from the date of each acquisition. Accordingly, the full year effects of acquisitions on the income statement and cash flow statement of the Group are generally not reflected in the financial statements during the financial year in which such acquisitions are completed, but only in the following financial year.

Since 2010 the Group has concluded a number of disposals in order to focus the business where the most attractive returns are available. During the financial years ended 31 July 2018, 2017 and 2016, the Group completed disposals in each of these years, receiving a total of \$1,320 million, \$300 million (£231 million) and £9 million, respectively, for these disposals, and which represented 13.0%, 2.4% and 0.1%, respectively, of the Group’s total assets. During the six months ended 31 January 2019, the Group disposed of four businesses, receiving a total of \$199 million, which represented 1.9% of the Group’s total assets.

The Group disposed of Wasco (its Netherlands B2B business), which was the last of its Central European businesses, on 30 January 2019, and received net proceeds of \$111 million.

These acquisitions and disposals are detailed in Notes 12 and 13 to the unaudited consolidated interim financial statements for the six months ended 31 January 2019, Notes 28 and 29 to the 2018 audited consolidated financial statements, Notes 30 and 31 to the 2017 audited consolidated financial statements, and Notes 29 and 30 to the 2016 audited consolidated financial statements, which are incorporated by reference into this Prospectus as set forth in Part VIII (“*Documents Incorporated by Reference*”).

Significant Restructuring Initiatives

In October 2016, the Group announced a restructuring and repositioning programme for its UK segment, which involved, for example, substantial cost reduction initiatives, exits of low return businesses, branch closures and staff reductions. This restructuring has impacted the financial results of the Group by increasing cash outflows whilst this restructuring is being implemented. When the costs of the restructuring are material, the Group records them as exceptional items on the face of the income statement.

The Group's restructuring costs in the UK segment were \$31 million, \$72 million, \$51 million (£40 million) and £10 million in the six months ended 31 January 2019 and the financial years ended 31 July 2018, 2017 and 2016, respectively, primarily relating to the costs of staff redundancies, providing for future lease costs on closed branches and writing down the carrying amount of assets. Such charges had an adverse effect on the results of the Group's operations.

Labour

The Group's largest operating costs consists of staff costs, which were \$2,913 million, \$2,710 million (£2,140 million) and £1,766 million in the financial years ended 31 July 2018, 2017 and 2016, respectively, primarily consisting of wages and salaries, which were \$2,608 million (56% of total operating costs before exceptional items), \$2,449 million (£1,936 million) (57% of total operating costs before exceptional items), and £1,585 million (55% of total operating costs before exceptional items) in years ended 31 July 2018, 2017 and 2016, respectively. The average number of associates for continuing operations for the financial years ended 31 July 2018, 2017 and 2016 was 34,056, 33,511 and 32,269, respectively.

Raw Materials and Commodities

Some of the Group's products contain significant amounts of commodity-priced materials, predominantly plastic, copper and steel, and other components which are subject to price changes based upon fluctuations in the commodities market. To a lesser extent, fluctuations in the price of fuel could affect transportation costs. The Group's ability to adjust prices in a timely manner to account for such fluctuations may often depend on market conditions, its fixed costs and other factors.

Recent Developments

The Group disposed of Wasco (its Netherlands B2B business), which was the last of its Central European businesses, on 30 January 2019. Wasco is included in the financial results of the continuing operations until 30 January 2019 but is excluded from the results of the ongoing operations.

Principal Income Statement Items

The following section presents the Group's income statement line items derived from its Consolidated Income Statement for the financial year ended 31 July 2018. For a description of key accounting policies see Note 1 to the Group's audited consolidated financial statements for the financial years ended 31 July 2018, 2017 and 2016, incorporated into this Prospectus as set forth in Part VIII ("*Documents Incorporated by Reference*").

Revenue. Revenue is the amount receivable for the provision of goods and services falling within the Group's ordinary activities, excluding intra-group sales, estimated and actual sales returns, trade and early settlement discounts, value added tax and similar sales taxes. The Group acts as principal for direct sales which are delivered directly to the customer by the supplier. Revenue from the provision of goods is recognised when the risks and rewards of ownership of goods have been transferred to the customer. The risks and rewards of ownership of goods are deemed to have been transferred when the goods are shipped to, or picked up by, the customer and title has passed to them. Revenue from services is recognised by reference to the stage of completion of the contract. Revenue from the provision of goods and services is only recognised when the amounts to be recognised are fixed or determinable and collectability is reasonably assured.

Cost of Sales. Cost of sales includes purchased goods, the cost of bringing inventory to its present location and condition and labour and overheads attributable to assembly and construction services.

Gross Profit. Gross profit is revenue less cost of sales.

Operating Costs. Operating costs include labour, infrastructure, fleet, marketing and advertising, information technology and other administrative costs.

Operating Profit. Operating profit is gross profit less operating costs.

Finance Costs. Finance costs consist of interest payable and interest receivable, including on bank loans and overdrafts; the unwind of fair value adjustments to senior unsecured loan notes and finance lease charges; net interest expense or income on defined benefit obligations; and valuation gains or losses on financial instruments, including derivatives held at fair value through profit and loss.

Share of Result of Associates. Share of result of associates represents the Group's share of the profit or loss after tax of its associate undertakings.

Tax. Tax expense reflects the taxes due or receivable in all applicable jurisdictions on estimated taxable profits or losses arising out of transactions in the relevant financial period.

Profit from Continuing Operations. Profit from continuing operations represents the financial result from businesses that are not classified as discontinued under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

Profit/(Loss) from Discontinued Operations. Profit/(loss) from discontinued operations represents the post-tax profit or loss from business classified as discontinued under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

Results of Operations

The following is a discussion of the Group's key operating metrics and results of operations, comparing the six months ended 31 January 2019 and 2018, as well as the financial years ended 31 July 2018, 2017 and 2016. The tables below summarise the Group's consolidated income statement and certain other measures for the periods indicated and should be read in connection with, and is qualified in its entirety by reference to, the 2019 consolidated interim results and notes thereto, the 2018, 2017 and 2016 audited consolidated financial statements and notes thereto, all of which are incorporated by reference into this Prospectus as set forth in Part VIII ("Documents Incorporated by Reference").

Group Results of Operations for the Six Months Ended 31 January 2019 and 2018 (USD)

	Six months ended 31 January	
	2019	2018
	(\$ million, unaudited)	
Revenue	10,847	10,027
Cost of sales	(7,654)	(7,087)
Gross profit	3,193	2,940
Operating costs:		
Amortisation of acquired intangible assets.....	(44)	(30)
Impairment of goodwill and acquired intangibles	–	–
Other	(2,440)	(2,288)
Operating costs	(2,484)	(2,318)
Operating profit	709	622
Net finance costs.....	(35)	(27)
Share of profit after tax of associates.....	2	3
Impairment of interests in associates	–	–
Gain on disposal of interests in associates	3	–
Profit before tax	679	598
Tax	(139)	(158)
Profit from continuing operations	540	440
Profit from discontinued operations	46	18
Profit for the period	586	458

Revenue

Group revenue for the six months ended 31 January 2019 and 2018 was \$10,847 million and \$10,027 million, respectively. The \$820 million, or 8.2%, increase in Group revenue from 2018 to 2019 was principally a result of organic growth of \$665 million and acquisitions (acquisitions completed in the year ended 31 July 2018 and six months ended 31 January 2019 increased revenue by \$289 million), partly offset by a reduction in trading days (which reduced revenue by \$59 million) and movements in foreign exchange rates (which reduced revenue by \$75 million). On an organic revenue growth basis, growth was 6.6% for the six months ended 31 January 2019, to widespread growth in the US across all geographic regions, major business units and end-markets. In other geographies residential markets weakened in Canada and in the UK markets were flat.

Cost of Sales

Cost of sales for the six months ended 31 January 2019 and 2018 was \$7,654 million and \$7,087 million, respectively. The \$567 million, or 8.0%, increase in cost of sales from 2018 to 2019 was principally a result of the factors discussed above.

Gross Profit

Gross profit for the six months ended 31 January 2019 and 2018 was \$3,193 million and \$2,940 million, respectively. The \$253 million, or 8.6%, increase in gross profit from 2018 to 2019 was principally a result of the factors discussed above. Group gross margin of 29.4% improved by 10 basis points from 29.3% in 2018.

Operating Costs

Operating costs for the six months ended 31 January 2019 and 2018 were \$2,484 million and \$2,318 million, respectively. The \$166 million, or 7.2%, increase in operating costs from 2018 to 2019 was a result of an increase in amortisation of acquired intangibles of \$14 million and an increase in other operating costs before exceptional items of \$196 million, mainly due to increases in labour costs, partly offset by a decrease in exceptional costs of \$44 million, principally due to gains on disposal of businesses in the six months ended 31 January 2019.

Operating Profit

Operating profit for the six months ended 31 January 2019 and 2018 was \$709 million and \$622 million, respectively. The \$87 million, or 14.0%, increase in operating profit from 2018 to 2019 was principally a result of the factors discussed above.

Finance Costs

Finance costs for the six months ended 31 January 2019 and 2018 were \$35 million and \$27 million, respectively. The \$8 million, or 29.6%, increase in finance costs from 2018 to 2019 was principally due to higher average net debt and an increase in US interest rates for the six months.

Share of Profit after Tax of Associates

Share of profit after tax of associates for the six months ended 31 January 2019 and 2018 was \$2 million and \$3 million, respectively.

Gain on disposal of Interests in Associates

Gain on disposal of interests in associates for the six months ended 31 January 2019 and 2018 was \$3 million and \$nil, respectively. The \$3 million increase was due to a partial disposal of the interest in Swiss-company Meier Tobler AG in the six months ended 31 January 2019.

Profit Before Tax

Profit before tax for the six months ended 31 January 2019 and 2018 was \$679 million and \$598 million, respectively. The \$81 million, or 13.5%, increase in profit before tax from 2018 to 2019 was principally a result of the factors discussed above.

Tax

Tax for the six months ended 31 January 2019 and 2018 was \$139 million and \$158 million, respectively. The \$19 million, or 12.0%, decrease in tax from 2018 to 2019 was principally due to the reduction in the US federal corporate income tax rate from 1 January 2018.

Profit from Continuing Operations

Profit from continuing operations for the six months ended 31 January 2019 and 2018 was \$540 million and \$440 million, respectively. The \$100 million, or 22.7%, increase in profit from continuing operations from 2018 to 2019 was principally a result of the above factors.

Profit from Discontinued Operations

Profit from discontinued operations for the six months ended 31 January 2019 and 2018 was \$46 million and \$18 million, respectively. The \$28 million increase in profit from discontinued operations from 2018 to 2019 was principally a result of gains recognised on the disposal of property in the Nordics.

Profit for the Period

Profit for the period for the six months ended 31 January 2019 and 2018 was \$586 million and \$458 million, respectively. The \$128 million, or 27.9%, increase in profit for the period from 2018 to 2019 was principally a result of the above factors.

Segment Results of Operations for the Six Months Ended 31 January 2019 and 2018 (USD)

The table below summarises the Group's revenue and trading profit by operating segment for the six months ended 31 January 2019 and 2018.

	Six months ended 31 January	
	2019	2018
	(\$ million, unaudited)	
United States Segment		
Revenue	8,874	7,912
Trading profit	700	647
United Kingdom Segment		
Revenue	1,177	1,354
Trading profit	30	38
Canada and Central Europe Segment		
Revenue	796	761
Trading profit	48	41
Central and other costs		
Revenue	–	–
Trading profit/(loss)	(25)	(28)
Totals		
Revenue	10,847	10,027
Trading Profit	753	698

United States Segment

- *Revenue.* The US segment's revenue accounted for 81.8% and 78.9% of total Group revenue for the six months ended 31 January 2019 and 2018, respectively. The US segment's revenue for 2019 and 2018 was \$8,874 million and \$7,912 million, respectively. The \$962 million, or 12.2%, increase in the US segment's revenue from 2018 to 2019 was principally a result of organic growth of \$765

million and acquisitions (acquisitions resulted in revenue of \$256 million in the 6 months ended 30 January 2019), partly offset by a reduction in workdays of \$59 million. Organic revenue growth was 9.7% for the US, due to strong performance across all geographic regions, major business units and end-markets as well as inflation.

- *Trading Profit.* The US segment's trading profit for the six months ended 31 January 2019 and 2018 was \$700 million and \$647 million, respectively. The \$53 million, or 8.2%, increase in the US segment's trading profit from 2018 to 2019 was principally a result of an organic increase in sales offset by the related increase in operating costs (which increased trading profit by \$52 million), acquisitions (acquisitions resulted in trading profit of \$13 million in the 6 months ended 30 January 2019), partly offset by a reduction in workdays (which decreased trading profit by \$12 million).

United Kingdom Segment

- *Revenue.* The UK segment's revenue accounted for 10.9% and 13.5% of total Group revenue for the six months ended 31 January 2019 and 2018, respectively. The UK segment's revenue for 2019 and 2018 was \$1,177 million and \$1,354 million, respectively. The \$177 million, or 13.1%, decrease in the UK segment's revenue from 2018 to 2019 was principally a result of an organic change in sales (which decreased revenue by \$135 million) and movements in foreign exchange rates (which decreased revenue by \$42 million).
- *Trading Profit.* The UK segment's trading profit for the six months ended 31 January 2019 and 2018 was \$30 million and \$38 million, respectively. The \$8 million, or 21.1%, decrease in the UK segment's trading profit from 2018 to 2019 was principally a result of the decrease in sales (which decreased trading profit by \$7 million) and movements in foreign exchange rates of \$1 million.

Canada and Central Europe Segment

- *Revenue.* The Canada and Central Europe segment's revenue accounted for 7.3% and 7.6% of total Group revenue for the six months ended 31 January 2019 and 2018, respectively. The Canada and Central Europe segment's revenue for 2019 and 2018 was \$796 million and \$761 million, respectively. The \$35 million, or 4.6%, increase in the Canada and Central Europe segment's revenue from 2018 to 2019 was principally a result of an increase in organic sales (which increased revenue by \$35 million) and acquisitions (which increased revenue by \$33 million), partly offset by movements in foreign exchange rates (which decreased revenue by \$33 million).
- *Trading Profit.* The Canada and Central Europe segment's trading profit for the six months ended 31 January 2019 and 2018 was \$48 million and \$41 million, respectively. The \$7 million, or 17.1%, increase in the Canada and Central Europe segment's trading profit from 2018 to 2019 was principally a result of an organic increase in trading profit of \$6 million and acquisitions (which increased trading profit by \$3 million), partly offset by movements in foreign exchange rates of \$2 million.

Central and Other Costs

- *Trading Profit/(Loss).* Central and other costs trading loss for the six months ended 31 January 2019 and 2018 was \$25 million and \$28 million, respectively. The \$3 million, or 10.7%, decrease in Central and other costs trading loss from 2018 to 2019 was principally a result of moving certain Group roles to the US.

Group Results of Operations for the Financial Years Ended 31 July 2018 and 2017 (USD)

	Year ended 31 July	
	2018	2017 (Restated) ⁽¹⁾
	(\$ million, audited)	
Revenue	20,752	19,284
Cost of sales	(14,708)	(13,701)
Gross profit	6,044	5,583
Operating costs:		
Amortisation of acquired intangible assets	(65)	(81)
Impairment of goodwill and acquired intangibles	–	–
Other	(4,619)	(4,024)
Operating costs	(4,684)	(4,105)
Operating profit	1,360	1,478
Net finance costs	(53)	(54)
Share of profit/(loss) after tax of associates	2	(1)
Impairment of interests in associates	(122)	–
Profit before tax	1,187	1,423
Tax	(346)	(370)
Profit from continuing operations	841	1,053
Profit/(loss) from discontinued operations	426	(133)
Profit for the year	1,267	920

Notes:

- (1) Restated in the Group's 2018 Annual Report and Accounts to present the results of the non-US dollar denominated subsidiaries in US dollars at the average exchange rate for the period or at the relevant period end rate ("period" being the financial year ended 31 July 2017).

Revenue

Group revenue for the financial years ended 31 July 2018 and 2017 was \$20,752 million and \$19,284 million, respectively. The \$1,468 million, or 7.6%, increase in Group revenue from 2017 to 2018 was principally a result of organic growth of \$1,439 million, movements in foreign exchange rates (which increased revenue by \$229 million) and acquisitions (acquisitions completed in the financial years ended 31 July 2017 and 2018 increased revenue by \$239 million), partly offset by disposal of businesses (which reduced revenue by \$439 million). On an organic revenue growth basis, growth was 7.5% for the financial year ended 31 July 2018, due to strong performance of the market in the US as well as inflation which accelerated in the second half of the year following the US steel/commodity tariff announcements. Canada and Central Europe growth was broadly in line with the markets, whereas UK revenue was reduced by branch closures.

Cost of Sales

Cost of sales for the financial years ended 31 July 2018 and 2017 was \$14,708 million and \$13,701 million, respectively. The \$1,007 million, or 7.3%, increase in cost of sales from 2017 to 2018 was principally a result of the factors discussed above.

Gross Profit

Gross profit for the financial years ended 31 July 2018 and 2017 was \$6,044 million and \$5,583 million, respectively. The \$461 million, or 8.3%, increase in gross profit from 2017 to 2018 was principally a result of the factors discussed above. Group gross margin of 29.1% improved by 10 basis points from 29.0% in 2017, in part because of the increase in supplier rebates.

Operating Costs

Operating costs for the financial years ended 31 July 2018 and 2017 were \$4,684 million and \$4,105 million, respectively. The \$579 million, or 14.1%, increase in operating costs from 2017 to 2018 was principally a

result of staff cost increases (which increased operating costs by \$203 million) caused by a 8.0% increase in the number of associates, wage inflation and an increase in commissions and bonuses from the good performance in the year and an increase in exceptional costs of \$284 million caused primarily by the gain on disposal of businesses of \$265 million in the financial year ended 31 July 2017.

Operating Profit

Operating profit for the financial years ended 31 July 2018 and 2017 was \$1,360 million and \$1,478 million, respectively. The \$118 million, or 8.0%, decrease in operating profit from 2017 to 2018 was principally a result of the factors discussed above.

Finance Costs

Finance costs for the financial years ended 31 July 2018 and 2017 were \$53 million and \$54 million, respectively. The \$1 million, or 1.9%, decrease in finance costs from 2017 to 2018 was principally due to lower average net debt for the year, partly offset by an increase in US interest rates.

Share of Result of Associates

Share of result of associates for the financial years ended 31 July 2018 and 2017 was \$2 million profit and \$1 million loss, respectively. The \$3 million increase in share of result of associates from 2017 to 2018 was principally a result of the integration costs incurred in 2017, the first year of trading for the combined Swiss-company Meier Tobler AG, which was the result of an investment made into an associate during 2017.

Impairment of Interests in Associates

Impairment of interests in associates for the financial years ended 31 July 2018 and 2017 was \$122 million and \$nil, respectively. The \$122 million was due to a one-off impairment of interests in associates' Swiss-company Meier Tobler AG, for the financial year ended 31 July 2018.

Profit Before Tax

Profit before tax for the financial years ended 31 July 2018 and 2017 was \$1,187 million and \$1,423 million, respectively. The \$236 million, or 16.6%, decrease in profit before tax from 2017 to 2018 was principally a result of the factors discussed above.

Tax

Tax for the financial years ended 31 July 2018 and 2017 was \$346 million and \$370 million, respectively. The \$24 million, or 6.5%, decrease in tax from 2017 to 2018 was principally due to the reduction in the US federal tax rate from 35% to 21% on 1 January 2018.

Profit from Continuing Operations

Profit from continuing operations for the financial years ended 31 July 2018 and 2017 was \$841 million and \$1,053 million, respectively. The \$212 million, or 20.1%, decrease in profit from continuing operations from 2017 to 2018 was principally a result of the above factors.

Profit/(Loss) from Discontinued Operations

Profit/(loss) from discontinued operations for the financial years ended 31 July 2018 and 2017 was \$426 million profit and \$133 million loss, respectively. The \$559 million increase in profit from discontinued operations from 2017 to 2018 was principally a result of a gain recognised on the disposal of the Nordic Operations.

Profit for the Year

Profit for the financial years ended 31 July 2018 and 2017 was \$1,267 million and \$920 million, respectively. The \$347 million, or 37.7%, increase in profit for the year from 2017 to 2018 was principally a result of the above factors.

Segment Results of Operations for the Financial Years Ended 31 July 2018 and 2017 (USD)

The table below summarises the Group's revenue and trading profit by operating segment for the financial years ended 31 July 2018 and 2017.

	Year ended 31 July	
	2018	2017 (Restated) ⁽¹⁾
(\$ million, audited)		
United States Segment		
Revenue	16,670	15,193
Trading profit	1,406	1,224
United Kingdom Segment		
Revenue	2,568	2,548
Trading profit	73	96
Canada and Central Europe Segment		
Revenue	1,514	1,543
Trading profit	83	71
Central and other costs		
Revenue	–	–
Trading profit/(loss)	(55)	(50)
Total		
Revenue	20,752	19,284
Trading Profit	1,507	1,341

Notes:

- (1) Restated in the Group's 2018 Annual Report and Accounts to present the results of the non-US dollar denominated subsidiaries in US dollars at the average exchange rate for the period or at the relevant period end rate ("period" being the financial year ended 31 July 2017).

United States Segment

- *Revenue.* The US segment's revenue accounted for 80.3% and 78.8% of total Group revenue for the financial years ended 31 July 2018 and 2017, respectively. The US segment's revenue for 2018 and 2017 was \$16,670 million and \$15,193 million, respectively. The \$1,477 million, or 9.7%, increase in the US segment's revenue from 2017 to 2018 was principally a result of organic growth of \$1,488 million and acquisitions (acquisitions in the financial year ended 31 July 2018 resulted in revenue of \$205 million), partly offset by disposals (which reduced revenue by \$216 million). Organic revenue growth was 9.9% for the US, due to strong performance of the market as well as inflation which accelerated in the second half of the year following the US steel/commodity tariff announcements.
- *Trading Profit.* The US segment's trading profit for the financial years ended 31 July 2018 and 2017 was \$1,406 million and \$1,224 million, respectively. The \$182 million, or 14.9%, increase in the US segment's trading profit from 2017 to 2018 was principally a result of an organic increase in sales offset by the related increase in operating costs (which increased trading profit by \$198 million), partly offset by disposals that occurred in 2017 (which decreased trading profit by \$20 million).

United Kingdom Segment

- *Revenue.* The UK segment's revenue accounted for 12.4% and 13.2% of total Group revenue for the financial years ended 31 July 2018 and 2017, respectively. The UK segment's revenue for 2018 and 2017 was \$2,568 million and \$2,548 million, respectively. The \$20 million, or 0.8%, increase in the UK segment's revenue from 2017 to 2018 was principally a result of favourable movements in foreign exchange rates (which increased revenue by \$163 million), partly offset by an organic change in sales (which decreased revenue by \$143 million).
- *Trading Profit.* The UK segment's trading profit for the financial years ended 31 July 2018 and 2017 was \$73 million and \$96 million, respectively. The \$23 million, or 24.0%, decrease in the UK segment's trading profit from 2017 to 2018 was principally a result of the decrease in sales (which

decreased trading profit by \$29 million), partly offset by movements in foreign exchange rates of \$6 million.

Canada and Central Europe Segment

- *Revenue.* The Canada and Central Europe segment's revenue accounted for 7.3% and 8.0% of total Group revenue for the financial years ended 31 July 2018 and 2017, respectively. The Canada and Central Europe segment's revenue for 2018 and 2017 was \$1,514 million and \$1,543 million, respectively. The \$29 million, or 1.9%, decrease in the Canada and Central Europe segment's revenue from 2017 to 2018 was principally a result of the disposal of Tobler Haustechnik AG in the prior year (which decreased revenue by \$223 million), partly offset by movements in foreign exchange rates (which increased revenue by \$66 million), an increase in organic sales (which increased revenue by \$94 million) and acquisitions (which increased revenue by \$34 million).
- *Trading Profit.* The Canada and Central Europe segment's trading profit for the financial years ended 31 July 2018 and 2017 was \$83 million and \$71 million, respectively. The \$12 million, or 16.9%, increase in the Canada and Central Europe segment's trading profit from 2017 to 2018 was principally a result of an organic increase in trading profit of \$19 million, partly offset by the prior year Tobler Haustechnik AG profit of \$14 million.

Central and Other Costs

- *Trading Profit/(Loss).* Central and other costs trading loss for the financial years ended 31 July 2018 and 2017 was \$55 million and \$50 million, respectively. The \$5 million, or 10.0%, increase in Central and other costs trading loss from 2017 to 2018 was principally a result of a one-off insurance credit in 2017, partly offset by cost savings from moving certain Group roles to the US.

Group Results of Operations for the Financial Years Ended 31 July 2017 and 2016 (GBP)

	Year ended 31 July	
	2017	2016 (Restated) ⁽¹⁾
	(£ million, audited)	
Revenue	15,224	12,549
Cost of sales	(10,816)	(8,957)
Gross profit	4,408	3,592
Operating costs:		
Amortisation of acquired intangible assets	(64)	(48)
Impairment of goodwill and acquired intangibles	–	(94)
Other	(3,120)	(2,739)
Operating costs	(3,184)	(2,881)
Operating profit	1,224	711
Net finance costs	(43)	(36)
Share of profit/(loss) after tax of associates	(1)	–
Impairment of interests in associates	–	–
Profit before tax	1,180	675
Tax	(292)	(210)
Profit from continuing operations	888	465
Profit/(loss) from discontinued operations	(105)	185
Profit for the year	783	650

Notes:

- (1) Restated in the Group's 2017 Annual Report and Accounts to present the Nordic Operations as being discontinued operations in accordance with IFRS 5. The Group's original financial results for the financial year ended 31 July 2016 can be found in the Group's 2016 Annual Report and Accounts, incorporated by reference into this Prospectus as set forth in Part VIII ("Documents Incorporated by Reference").

Revenue

Group revenue for the financial years ended 31 July 2017 and 2016 was £15,224 million and £12,549 million, respectively. The £2,675 million, or 21%, increase in Group revenue from 2016 to 2017 was principally a result of movements in foreign exchange rates (which increased revenue by £1,609 million), organic increase in sales (which increased revenue by £892 million) and acquisitions (acquisitions in the financial year ended 31 July 2017 resulted in revenue of £294 million in that year), partly offset by disposals (which reduced revenue by £120 million). On an organic revenue growth basis, growth was 6% for the financial year ended 31 July 2017, primarily due to performance of the market in the US and improved conditions in the commodities and industrial markets.

Cost of Sales

Cost of sales for the financial years ended 31 July 2017 and 2016 was £10,816 million and £8,957 million, respectively. The £1,859 million, or 21%, increase in cost of sales from 2016 to 2017 was primarily as a result of the 15.3% weakening of pounds sterling against US dollars and the costs associated with the other factors discussed above.

Gross Profit

Gross profit for the financial years ended 31 July 2017 and 2016 was £4,408 million and £3,592 million, respectively. The £816 million, or 22.7%, increase in gross profit from 2016 to 2017 was principally a result of the factors discussed above.

Operating Costs

Operating costs for the financial years ended 31 July 2017 and 2016 were £3,184 million and £2,881 million, respectively. The £303 million, or 10.5%, increase in operating costs from 2016 to 2017 was a result of an increase in operating costs before exceptional items of £537 million, principally due to movements in foreign exchange rates, partly offset by an increase in exceptional income of £234 million, mainly due to gains on disposal and closure of businesses.

Operating Profit

Operating profit for the financial years ended 31 July 2017 and 2016 was £1,224 million and £711 million, respectively. The £513 million, or 72.2%, increase in operating profit from 2016 to 2017 was principally a result of the factors discussed above.

Finance Costs

Finance costs for the financial years ended 31 July 2017 and 2016 were £43 million and £36 million, respectively. The £7 million, or 19.4%, increase in finance costs from 2016 to 2017 was principally a result of foreign exchange rate movements, as the majority of the Group's debt is held in US dollars and its reporting currency at the time was pounds sterling, and a small increase in the pension interest expense.

Share of Result of Associates

Share of result of associates for the financial years ended 31 July 2017 and 2016 was £1 million loss and nil, respectively. The £1 million decrease in share of result of associate from 2016 to 2017 was principally a result of an investment made into an associate, Swiss-company Meier Tobler AG, during 2017.

Profit Before Tax

Profit before tax for the financial years ended 31 July 2017 and 2016 was £1,180 million and £675 million, respectively. The £505 million, or 74.8%, increase in profit before tax from 2016 to 2017 was principally a result of the factors discussed above.

Tax

Tax for the financial years ended 31 July 2017 and 2016 was £292 million and £210 million, respectively. £60 million of the £82 million increase was principally a result of an increase in the ongoing tax charge on

operations before exceptional items, the amortisation and impairment of acquired intangible assets and non-recurring tax items of £277 million (£217 million in 2016). This was primarily due to increased taxable profits in the US principally due to strong trading performance.

The remaining £22 million increase from 2016 to 2017 was principally as a result of tax charges on disposals in the US offset by tax credits on audit settlements.

Profit from Continuing Operations

Profit from continuing operations for 2017 and 2016 was £888 million and £465 million, respectively. The £423 million, or 91.0%, increase in profit from continuing operations from 2016 to 2017 was principally a result of the above factors.

Profit/(Loss) from Discontinued Operations

Profit/(loss) from discontinued operations for 2017 and 2016 was a loss of £105 million and a profit of £185 million, respectively. The £290 million decrease in profit/(loss) from discontinued operations from 2016 to 2017 was principally a result of an impairment charge of £102 million relating to the Group's Swedish building materials business, Beijer, due to a sharp deterioration in performance during the first half of the financial year ended 31 July 2017 and discontinued exceptional items relating to the property exit and redundancy costs from the closure of branches across the Nordic region.

Profit for the Year

Profit for the financial years ended 31 July 2017 and 2016 was £783 million and £650 million, respectively. The £133 million, or 20.5%, increase in profit for the year from 2016 to 2017 was principally a result of the above factors.

Segment Results of Operations for the Financial Years Ended 31 July 2017 and 2016 (GBP)

	Year ended 31 July	
	2017	2016 (Restated) ⁽¹⁾
	(£ million, audited)	
United States Segment		
Revenue	11,994	9,456
Trading profit	966	775
United Kingdom Segment		
Revenue	2,012	1,996
Trading profit	76	74
Canada and Central Europe Segment		
Revenue	1,218	1,097
Trading profit	56	53
Central and other costs		
Revenue	–	–
Trading profit/(loss)	(39)	(45)
Total		
Revenue	15,224	12,549
Trading Profit	1,059	857

Notes:

- (1) Restated in the Group's 2017 Annual Report and Accounts to present the Nordic Operations as being discontinued operations in accordance with IFRS 5. The Group's original financial results for the financial year ended 31 July 2016 can be found in the Group's 2016 Annual Report and Accounts, incorporated by reference into this Prospectus as set forth in Part VIII ("Documents Incorporated by Reference").

United States Segment

- *Revenue.* The US segment's revenue accounted for 78.8% and 75.4% of total Group revenue for 2017 and 2016, respectively. The US segment's revenue for 2017 and 2016 was £11,994 million and £9,456 million, respectively. The £2,538 million, or 26.8%, increase in the US segment's revenue from 2016 to 2017 was principally a result of movements in foreign exchange rates of £1,445 million, organic sales growth (£843 million) and acquisitions of £285 million, partly offset by disposals of £35 million.
- *Trading Profit.* The US segment's trading profit for 2017 and 2016 was £966 million and £775 million, respectively. The £191 million, or 24.6%, increase in the US segment's trading profit from 2016 to 2017 was principally a result of movements in foreign exchange rates of £118 million, increases in revenue and ongoing gross margin improvements, partly offset by an increase in the number of associates.

United Kingdom Segment

- *Revenue.* The UK segment's revenue accounted for 13.2% and 15.9% of total Group revenue for 2017 and 2016, respectively. The UK segment's revenue for 2017 and 2016 was £2,012 million and £1,996 million, respectively. The £16 million, or 0.8%, increase in the UK segment's revenue from 2016 to 2017 was principally a result of price inflation.
- *Trading Profit.* The UK segment's trading profit for 2017 and 2016 was £76 million and £74 million, respectively. The £2 million, or 2.7%, increase in the UK segment's trading profit from 2016 to 2017 was principally a result of increased revenue.

Canada and Central Europe Segment

- *Revenue.* The Canada and Central Europe segment's revenue accounted for 8.0% and 8.7% of total Group revenue for 2017 and 2016, respectively. The Canada and Central Europe segment's revenue for 2017 and 2016 was £1,218 million and £1,097 million, respectively. The £121 million, or 11.0%, increase in the Canada and Central Europe segment's revenue from 2016 to 2017 was principally a result of movements in foreign exchange rates of £164 million, organic increase in sales of £33 million, offset by a decrease of £85 million due to disposals.
- *Trading Profit.* The Canada and Central Europe segment's trading profit for 2017 and 2016 was £56 million and £53 million, respectively. The £3 million, or 5.7%, increase in the Canada and Central Europe segment's trading profit from 2016 to 2017 was principally a result of movements in foreign exchange rates of £8 million, partly offset by the impact from disposals of £5 million.

Central and Other Costs

- *Trading Profit/(Loss).* Central and other costs trading loss for 2017 and 2016 was £39 million and £45 million, respectively. The £6 million, or 13.3%, decrease in Central and other costs trading loss from 2016 to 2017 was principally a result of a one-off insurance gain.

Liquidity and Capital Resources

Overview

The Group needs continued access to funding in order to meet its trading obligations, to support investment in the organic growth of the business, to pay dividends and to make acquisitions when opportunities arise. Its sources of funding include cash flows generated by operations and borrowings from banks and other financial institutions.

Capital Resources

The Group seeks a balance between certainty of funding and a flexible, cost-effective borrowing structure. The Group maintains a policy of ensuring sufficient borrowing headroom to finance all investment, dividends and anticipated bolt-on acquisitions for the following financial year with an additional contingent safety margin.

The Group's net debt at 31 July 2018 and 31 January 2019 includes both short-term and long-term borrowings less cash and cash equivalents together with the fair value of certain derivative financial instruments. Net debt was (i) \$1,885 million and \$1,401 million as at 31 January 2019 and 2018 and (ii) \$1,080 million, \$706 million (or £534 million) and £936 million as at 31 July 2018, 2017 and 2016, respectively, and is shown in the balance sheet under the following headings:

	As at 31 January		As at 31 July			
	2019	2018	2018	2017 (Restated) ⁽¹⁾	2017	2016
	(\$ million, unaudited)		(\$ million, audited)		(£ million, audited)	
Cash and cash equivalents	699	2,308	833	2,525	1,911	940
Bank overdrafts.....	(296)	(1,868)	(375)	(1,982)	(1,500)	(692)
Borrowings less cash	403	440	458	543	411	248
Derivative financial instruments..	3	10	(2)	26	20	31
Bank and other loans	(2,286)	(1,843)	(1,530)	(1,266)	(958)	(1,184)
Obligations under finance leases.	(5)	(8)	(6)	(9)	(7)	(31)
Net debt⁽²⁾	(1,885)	(1,401)	(1,080)	(706)	(534)	(936)

Notes:

- (1) Restated in the Group's 2018 Annual Report and Accounts to present the results of the non-US dollar denominated subsidiaries in US dollars at the average exchange rate for the period or at the relevant period end rate ("period" being the financial year ended 31 July 2017).
- (2) Net debt is a measure of liabilities from financing activities, including bank overdrafts, bank loans, derivative financial instruments and obligations under finance leases, offset by cash and cash equivalents. Net debt is used as a performance measure because it is a good indicator of the strength of the Group's balance sheet position and it is widely used by credit rating agencies.

The following table sets forth the breakdown of the Group's net debt by currency as at 31 July 2018, 2017 and 2016:

	As at 31 July			
	2018	2017 (Restated) ⁽¹⁾	2017	2016
	(\$ million, audited)		(£ million, audited)	
US dollars	(1,299)	(768)	(581)	(917)
Pounds sterling	97	69	52	2
Euro, Danish kroner and Swedish kroner	23	8	6	(14)
Other currencies	99	(15)	(11)	(7)
Total	(1,080)	(706)	(534)	(936)

Notes:

- (1) Restated in the Group's 2018 Annual Report and Accounts to present the results of the non-US dollar denominated subsidiaries in US dollars at the average exchange rate for the period or at the relevant period end rate ("period" being the financial year ended 31 July 2017).

To assess the appropriateness of its capital structure based on current and forecast trading, the Group's principal measure of financial gearing is the ratio of net debt to adjusted EBITDA (such metrics to be calculated in accordance with the relevant agreement). The Group aims to operate with investment grade credit metrics and ensure this ratio remains within 1 to 2 times. The Group's main borrowing facilities contain a financial covenant that is, based on the definitions included therein, limiting the ratio of net debt to adjusted EBITDA to 3.5:1. For covenant reporting purposes a number of adjustments are made to adjusted EBITDA. Compliance with the aforementioned covenant is required as at measurement dates which are set at 31 July and 31 January of each year.

Facilities

The following section summarises certain material provisions of the Group's material debt.

Multicurrency Revolving Credit Facility

The Group's Multicurrency Revolving Credit Facility is governed by the Multicurrency Revolving Credit Facility Agreement, dated as of 3 June 2015, as further amended, supplemented and restated, among Old Ferguson and Wolseley Limited as original borrowers and original guarantors, the lenders and arrangers party thereto, and the agent.

The Multicurrency Revolving Credit Facility consists of a £800 million unsecured, multicurrency revolving loan facility, which terminates in September 2022. The size of the facility decreases to £680 million for the period September 2021 to September 2022. Borrowings are available to each of the borrowers under the Multicurrency Revolving Credit Facility, including future subsidiaries that accede as borrowers under the Multicurrency Revolving Credit Facility, and bear interest at a rate equal to the sum of LIBOR, or in relation to any loan in euro, EURIBOR, or in relation to any loan in Canadian dollars, CDOR, or in relation to any loan in Danish krone, CIBOR, plus an applicable margin determined based on the Group's leverage ratio, which is defined therein as the ratio of net debt to EBITDA. The Group is required to pay a quarterly commitment fee and utilisation fee in certain circumstances.

The borrowers under the Multicurrency Revolving Credit Facility are permitted to prepay and re-borrow amounts outstanding under the Multicurrency Revolving Credit Facility, in whole or in part, at any time. All obligations under the Multicurrency Revolving Credit Facility are unconditionally guaranteed by Old Ferguson and Wolseley Limited, to the extent each entity is not the borrower. In certain circumstances, the Multicurrency Revolving Credit Facility provides that outstanding amounts drawn must be prepaid by the borrowers.

The Multicurrency Revolving Credit Facility contains certain customary affirmative covenants, as well as certain customary negative covenants that, among other things, restrict, subject to certain exceptions, the ability of Old Ferguson and its subsidiaries to incur indebtedness, grant liens on present or future assets and revenue, sell assets, or engage in acquisitions, mergers or consolidations. In addition, subject to certain exceptions, the Multicurrency Revolving Credit Facility requires the Group to maintain a leverage ratio as described above. The Multicurrency Revolving Credit Facility also contains certain customary events of default and cross-default provisions. As at 31 July 2018, \$nil million was drawn under the Multicurrency Revolving Credit Facility.

Trade Receivables Securitisation Arrangements

The Group's Trade Receivables Securitisation Arrangements are governed by the Receivables Purchase Agreement, dated as of 31 July 2013, as further amended, supplemented and restated, among Old Ferguson, Ferguson Receivables, LLC as seller, Ferguson Enterprises, LLC as servicer, the originators, the lenders as conduit purchasers and committed purchasers, letters of credit banks, facility agents, administrative agent and co-administrative agent party each thereto, and the Purchase and Contribution Agreement, dated as of 31 July 2013, as further amended, supplemented and restated, among Ferguson Enterprises, LLC and its various subsidiaries party thereto as originators and Ferguson Receivables, LLC as purchaser.

The Trade Receivables Securitisation Arrangements consist of trade receivables funding for up to \$600 million, terminating in December 2021. It provides for purchases of undivided ownership interests in a revolving pool of certain of the Group's trade receivables and related security generated by the originators, transferred to the seller which are then in turn securitised against lending advances made by the conduit purchasers and committed purchasers. At all times all borrowings under the Trade Receivables Securitisation Arrangements are recorded on the balance sheet of the Group.

Fees are payable under the Trade Receivables Securitisation Arrangements at a rate equal to LIBOR plus an applicable margin, determined based on the Group's leverage ratio, which is defined as the ratio of net debt to adjusted EBITDA (each as defined therein).

The Trade Receivables Securitisation Arrangements contain certain customary affirmative covenants, as well as certain customary negative covenants that, among other things, restrict, subject to certain exceptions, the ability of Old Ferguson and its subsidiaries party thereto from incurring indebtedness, granting additional liens on the receivables and selling assets or engaging in acquisitions, mergers or consolidations.

In addition, subject to certain exceptions, the Trade Receivables Securitisation Arrangements require the Group to maintain a leverage ratio and the level of the leverage ratio determines the value received for pledged collateral and the extent of the Group's financial reporting obligations. The Trade Receivables Securitisation Arrangements also contain certain customary events of default and cross-default provisions. As at 31 July 2018, \$nil million has been advanced under the Trade Receivables Securitisation Arrangements.

Private Placement Notes

In November 2017, Wolseley Capital, Inc. ("**Wolseley Capital**") privately placed \$450 million aggregate principal private placement notes (collectively, the "**2017 Private Placement Notes**") pursuant to a note and guarantee agreement dated as of 30 November 2017. The 2017 Private Placement Notes consist of \$55 million of 3.30% Series L Guaranteed Senior Notes due November 30, 2023, \$150 million of 3.44% Series M Guaranteed Senior Notes due November 30, 2024, \$150 million of 3.51% Series N Guaranteed Senior Notes due November 30, 2026 and \$95 million of Floating Rate Series O Guaranteed Senior Notes due November 30, 2023.

In June 2015, Wolseley Capital privately placed \$800 million aggregate principal private placement notes (collectively, the "**2015 Private Placement Notes**") pursuant to a note and guarantee agreement dated as of 25 June 2015. The 2015 Private Placement Notes consist of \$250 million of 3.43% Series I Guaranteed Senior Notes due September 1, 2022, \$400 million of 3.73% Series J Guaranteed Senior Notes due September 1, 2025 and \$150 million of 3.83% Series K Guaranteed Senior Notes due September 1, 2027.

In November 2005, Wolseley Capital, privately placed \$281 million of 5.32% Series F Guaranteed Senior Notes due November 2020 (the "**2005 Private Placement Notes**" and together with the 2017 Private Placement Notes and the 2015 Private Placement Notes, the "**Private Placement Notes**") pursuant to a note and guarantee agreement dated as of November 16, 2005.

Interest on the fixed rate 2017 Private Placement Notes is payable semi-annually on May and November 30 of each year. Interest on the floating rate 2017 Private Placement Notes is payable quarterly on 28 February, 30 May, 30 August and 30 November of each year. Interest on the 2015 Private Placement Notes is payable semi-annually on 1 March and 1 September of each year. Interest on the 2005 Private Placement Notes is payable semi-annually on 15 May and 15 November of each year.

Wolseley Capital may repay the Private Placement Notes, in whole or in part, at any time at a price equal to 100% of the principal amount being prepaid plus a "make-whole" prepayment premium. Wolseley Capital is also required to consult with noteholders upon a change of control and any consequent proposed amendments to the terms of the Private Placement Notes and if no agreement is reached regarding any proposed changes offer to repurchase the notes at a price equal to 100% of their principal amount plus accrued interest.

The note purchase agreements contain certain customary affirmative covenants, as well as certain customary negative covenants that, among other things, restrict, subject to certain exceptions, Old Ferguson's non-guarantor subsidiaries' ability to incur indebtedness and the Group's ability to enter into affiliate transactions, grant liens on its assets, sell assets, or engage in acquisitions, mergers or consolidations. In addition, subject to certain exceptions, the note purchase agreements require the Group to maintain a ratio of net debt to adjusted EBITDA as described above.

The Private Placement Notes contain customary events of default. Upon an event of default and an acceleration of the Private Placement Notes, Wolseley Capital must repay the Private Placement Notes plus a make-whole premium and accrued and unpaid interest. As at 31 July 2018, the Group's private placement bonds have a par value of \$1,530 million.

Note 32 (“*Operating Lease Commitments*”) of the 2018 audited consolidated financial statements, incorporated into this Prospectus by reference as set forth in Part VIII (“*Documents Incorporated by Reference*”).

The table below summarises the Group’s lease commitments for the financial years ended 31 July 2018, 2017 and 2016.

	As at 31 July			
	2018	2017 (Restated) ⁽¹⁾	2017	2016
	(\$ million)		(£ million)	
Within one year	328	344	260	253
Later than one year and less than five years	591	609	461	457
After five years.....	162	176	133	143
Total operating lease commitments	1,081	1,129	854	853

Notes:

(1) Restated in the Group’s 2018 Annual Report and Accounts to present the results of the non-US dollar denominated subsidiaries in US dollars at the average exchange rate for the period or at the relevant period end rate (“period” being the financial year ended 31 July 2017).

Operating lease payments mainly represent rents payable for properties. Some of the Group’s operating lease arrangements have renewal options and rental escalation clauses. No arrangements have been entered into for contingent rental payments.

The commitments shown above include commitments for onerous leases which have already been provided for. At 31 July 2018, 2017 and 2016, provisions include an amount of \$32 million, \$36 million (£27 million) and £25 million in respect of minimum lease payments for such onerous leases net of sublease income expected to be received, respectively. The total minimum sublease income expected to be received under non-cancellable subleases at 31 July 2018, 2017 and 2016 was \$6 million, \$10 million (£7 million) and £8 million, respectively.

The commitments above, for the financial years ended 31 July 2018, 2017 and 2016 include \$nil million, \$120 million (£91 million) and £102 million operating lease commitments, respectively, for discontinued operations.

Contractual Obligations

The table below sets forth the Group’s anticipated contractual cash outflows (excluding interest income and income from derivatives), including interest payable in respect of its trade and other payables and bank borrowings on an undiscounted basis as at the financial year ended 31 July 2018.

	As at 31 July 2018			
	Trade and Other Payables	Debt	Interest on Debt	Total
	(\$ million)			
Due in less than one year	2,829	5	68	2,902
Due in one to two years	44	1	63	108
Due in two to three years	59	281	52	392
Due in three to four years.....	19	–	44	63
Due in four to five years	16	250	40	306
Due in over five years	160	1,001	92	1,253
Total	3,127	1,538	359	5,024

Cash flows

The table below summarises the Group's cash flow for the six months ended 31 January 2019 and 2018 as well as the financial years ended 31 July 2018, 2017 and 2016.

	Six months ended 31 January		Year ended 31 July			
	2019	2018	2018	2017 ⁽¹⁾	2017	2016
	(\$ million)		(\$ million)		(£ million)	
Net cash generated from operating activities	121	261	1,036	950	752	787
Net cash generated from/(used in) investing activities	(587)	(281)	700	(209)	(167)	(266)
Net cash generated from/(used by) financing activities	414	(121)	(1,857)	(472)	(374)	(547)
Net cash (used)/generated	(52)	(141)	(121)	269	211	(26)
Effects of exchange rate changes	(3)	(5)	(7)	(13)	(15)	18
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	(55)	(146)	(128)	256	196	(8)
Cash, cash equivalents and bank overdrafts at the beginning of the period	458	586	586	330	248	256
Cash, cash equivalents and bank overdrafts at the end of the period	403	440	458	586	444	248

Notes:

- (1) Restated in the Group's 2018 Annual Report and Accounts to present the results of the non-US dollar denominated subsidiaries in US dollars at the average exchange rate for the period or at the relevant period end rate ("period" being the financial year ended 31 July 2017).

Cash Flows from Operating Activities

Net cash generated from operating activities for the six months ended 31 January 2019 and 2018 was \$121 million and \$261 million, respectively. The \$140 million, or 53.6%, decrease in cash flow from operating activities from 2018 to 2019 was principally a result of a \$103 million decrease in cash generated from operations and an increase in tax paid in the six months ended 31 January 2019.

Net cash generated from operating activities for the financial years ended 31 July 2018 and 2017 was \$1,036 million and \$950 million, respectively. The \$86 million, or 9.1%, increase in cash flow from operating activities from 2017 to 2018 was principally a result of a reduction in tax paid due to the US tax rate changes in the financial year ended 31 July 2018.

Net cash generated from operating activities for the financial years ended 31 July 2017 and 2016 was £752 million and £787 million, respectively. The £35 million, or 4.4%, decrease in cash flow from operating activities from 2016 to 2017 was principally a result of £96 million increase in cash from operations offset by an increase in interest paid and tax paid.

Cash Flows from Investing Activities

Net cash generated/(used) in investing activities for the six months ended 31 January 2019 and 2018 was \$(587) million and \$(281) million, respectively. The \$306 million, or 108.9%, decrease in cash flow from investing activities from 2018 to 2019 was principally a result of acquisitions of businesses in the US in the six months ended January 2019.

Net cash generated/(used) in investing activities for the financial years ended 31 July 2018 and 2017 was \$700 million and \$(209) million, respectively. The \$909 million, or 434.9%, increase in cash flow from investing activities from 2017 to 2018 was principally a result of the disposal proceeds from the Nordic Operations in the financial year ended 31 July 2018.

Net cash generated/(used) in investing activities for the financial years ended 31 July 2017 and 2016 was £(167) million and £(266) million, respectively. The £99 million, or 37.2%, decrease in cash flow from investing activities from 2016 to 2017 was principally a result of the disposal proceeds from selling a non-core US business and Tobler Haustechnik AG in the financial year ended 31 July 2017.

Cash Flows from Financing Activities

Net cash generated from/(used by) financing activities for the six months ended 31 January 2019 and 2018 was \$414 million and \$(121) million, respectively. The \$535 million, or 442.1%, increase in cash flow from financing activities from 2018 to 2019 was principally a result of issuing public loan notes in the US in the six months to 31 January 2019 and returning surplus cash to Shareholders via a share buyback programme in the six months to 31 January 2018.

Net cash generated from/(used by) financing activities for the financial years ended 31 July 2018 and 2017 was \$(1,857) million and \$(472) million, respectively. The \$1,385 million, or 293.4%, increase in cash flow from financing activities from 2017 to 2018 was principally a result of returning the Nordic disposal proceeds to Shareholders via a special dividend and a share buyback programme.

Net cash generated from/(used by) financing activities for the financial years ended 31 July 2017 and 2016 was £(374) million and £(547) million, respectively. The £173 million, or 31.6%, decrease in cash flow from financing activities from 2016 to 2017 was principally a result of no share buyback taking place in the financial year ended 31 July 2017, partly offset by a reduction in proceeds from borrowings.

Capitalisation & Indebtedness

The following capitalisation and indebtedness information for the Group, unless otherwise stated, has been extracted without material adjustment from Old Ferguson's unaudited consolidated interim results for the six months ended 31 January 2019, which are incorporated by reference as described in Part VIII ("*Documents Incorporated by Reference*") of this Prospectus.

	As at 31 January 2019
	(\$ millions, unaudited)
Current Debt	
Guaranteed.....	296
Secured	–
Unguaranteed/unsecured	6
Total Current Debt.....	302
Non-Current Debt (excluding current portion of long-term debt)	
Guaranteed.....	–
Secured	–
Unguaranteed/unsecured	2,280
Total Non-Current Debt	2,280
Total Debt.....	2,582
Shareholders' Equity	
Share capital	45
Share premium	67
Reserves.....	4,179
Total Capitalisation.....	6,873

There has been no material change in the Group's capitalisation since 31 January 2019.

The following table sets out the Group's net indebtedness as at 31 January 2019.

	As at 31 January 2019
	(\$ millions, unaudited)
Cash	699
Cash Equivalent.....	–
Trading Securities.....	–
Liquidity	699
Current Financial Receivable.....	3
Current bank debt.....	(296)
Current position of non-current debt.....	–
Other financial debt.....	(8)
Current finance debt.....	(301)
Net current financial indebtedness	398
Non-current bank loans	–
Bond issued	(750)
Other non-current loans.....	(1,533)
Non-current financial indebtedness.....	(2,283)
Net financial indebtedness	(1,885)

Financial Risk Management Policies and Hedging Activities

The following is an overview of the principal market risks to which the Group is subject. These risks are also described in the “*Risk Factors*” section of this Prospectus.

The Group is exposed to market risks arising from its international operations and the financial instruments which fund them. The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk and liquidity risk. The Group has well-defined policies for the management of interest rate, liquidity, foreign exchange and counterparty exposures, which have been consistently applied during the six months ended 31 January 2019 and financial years ended 31 July 2018, 2017 and 2016. By the nature of its business, the Group also has trade credit and commodity price exposures, the management of which is delegated to the operating businesses. There has been no change since the previous year in the major financial risks faced by the Group.

Policies for managing each of these risks are regularly reviewed and are summarised below. When the Group enters into derivative transactions (principally interest rate swaps and foreign exchange contracts), the purpose of such transactions is to hedge certain interest rate and currency risks arising from the Group's operations and its sources of finance. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments or speculative transactions be undertaken.

Credit Risk Management

The Group's sources of funding currently comprise cash flows generated by operations, equity contributed by Shareholders and borrowings from banks and other financial institutions. In order to maintain or adjust the capital structure, the Group may pay a special dividend, return capital to Shareholders, repurchase its own shares, issue new shares or sell assets to reduce debt.

Credit Risk

The Group provides sales on credit terms to most of its customers. There is an associated risk that customers may not be able to pay outstanding balances.

At 31 January 2019, the maximum exposure to credit risk was \$2,814 million.

At 31 July 2018, the maximum exposure to credit risk was \$3,005 million (2017: \$2,673 million (£2,022 million), 2016: £2,187 million).

Each of the Group's businesses have established procedures in place to review and collect outstanding receivables. Significant outstanding and overdue balances are reviewed on a regular basis and resulting actions are put in place on a timely basis. In some cases, protection is provided through credit insurance arrangements. All of the major businesses use professional, dedicated credit teams, in some cases field-based. Appropriate provisions are made for debts that may be impaired on a timely basis. Concentration of credit risk in trade receivables is limited as the Group's customer base is large and unrelated. Accordingly, the Group considers that there is no further credit risk provision required above the current provision for impairment.

The Group has cash balances deposited for short periods with financial institutions and enters into certain contracts (such as interest rate swaps) which entitle the Group to receive future cash flows from financial institutions. These transactions give rise to credit risk on amounts due from counterparties with a maximum exposure of \$429 million (2017: \$560 million (£424 million); 2016: £237 million). This risk is managed by setting credit and settlement limits for a panel of approved counterparties.

Liquidity Risk

The Group maintains a policy of ensuring sufficient borrowing headroom to finance all investment and capital expenditure included in its strategic plan, with an additional contingent safety margin.

The Group has estimated its anticipated contractual cash outflows (excluding interest income and income from derivatives) including interest payable in respect of its trade and other payables and bank borrowings on an undiscounted basis. The principal assumptions are that floating rate interest is calculated using the prevailing interest rate at the balance sheet date and cash flows in foreign currency are translated using spot rates at the balance sheet date. See "*Contractual Obligations*" of this Part IV above.

Foreign Currency Risk

The Group has significant overseas businesses whose revenue are mainly denominated in the currencies of the countries in which the operations are located. Approximately 80% of the Group's revenue is in US dollars. Within each country it operates, the Group does not have significant transactional foreign currency cash flow exposures. However, those that do arise may be hedged with either forward contracts or currency options. The Group does not normally hedge profit translation exposure since such hedges have only a temporary effect.

The Group's policy is to adjust the currencies in which its net debt is denominated materially to match the currencies in which its trading profit is generated. The net effect of currency translation was to increase revenue by \$229 million (2017: decrease by \$391 million, 2016: increase by £548 million) and to increase trading profit by \$7 million (2017: decrease by \$6 million, 2016: increase by £46 million).

See "*Exchange Rates*" within this Part IV for further information relating to (i) the movement of the average US dollar exchange rate against the pound sterling, euro and Canadian dollar for the six months ending 31 January 2019 and 2018, as well as for the financial years ending 31 July 2018 and 2017 and (ii) the movement of the average pound sterling exchange rate against the US dollar, euro and Canadian dollar for the financial years ended 31 July 2017 and 2016.

The Group has net financial liabilities denominated in foreign currencies which have been designated as hedges of the net investment in its overseas subsidiaries. The principal value of those financial liabilities designated as hedges at 31 July 2018 was \$431 million (2017: \$2,019 million). The loss on translation of these financial instruments into US dollars of \$11 million (2017: \$7 million) has been taken to the translation reserve.

Net Investment Hedging

Exchange differences arising from the translation of the net investment in foreign operations are recognised directly in the currency translation reserve. Gains and losses on those hedging instruments designated as hedges of the net investments in foreign operations are recognised in the currency translation reserve to the extent that the hedging relationship is effective; these amounts are included in exchange differences on translation of foreign operations as stated in the Group statement of comprehensive income. Gains and losses

relating to hedge ineffectiveness are recognised immediately in the income statement for the period. Gains and losses accumulated in the translation reserve are included in the income statement when the foreign operation is disposed of.

Interest Rate Risk

At 31 July 2018, 70% of loans were at fixed rates. The Group borrows in the desired currencies principally at rates determined by reference to short-term benchmark rates applicable to the relevant currency or market, such as LIBOR. Rates which reset at least every 12 months are regarded as floating rates and the Group then, if appropriate, considers interest rate swaps to generate the desired interest rate profile.

The Group reviews deposits and borrowings by currency at Treasury Committee meetings. The Treasury Committee gives prior approval to the interest rate basis of debt items.

In November 2017, the Group entered into interest rate swap contracts comprising fixed interest receivable on \$355 million of notional principal. These contracts expire between November 2023 and November 2026 and the fixed interest rates range between 3.30% and 3.51%. These swaps were designated as a fair value hedge against a portion of the Group's outstanding debt.

The table below shows the income statement movement on interest rate swaps at fair value through profit and loss.

At fair value through profit and loss (hedge accounting not applied)	2018	2017 (Restated)⁽¹⁾	2017	2016
	(\$ million)		(£ million)	
At 1 August.....	26	38	29	34
Settled	(9)	(12)	(9)	(11)
Valuation gain credited to income statement	(17)	–	–	1
Exchange	–	–	–	5
At 31 July	–	26	20	29

Notes:

- (1) Restated in the Group's 2018 Annual Report and Accounts to present the results of the non-US dollar denominated subsidiaries in US dollars at the average exchange rate for the period or at the relevant period end rate ("period" being the financial year ended 31 July 2017).

There are no fixed rate interest borrowings that form part of a hedge relationship.

Monitoring Interest Rate and Foreign Currency Risk

The Group monitors its interest rate and foreign currency risk by reviewing the effect on financial instruments over various periods of a range of possible changes in interest rates and exchange rates. The financial impact for reasonable approximation of possible changes in interest rates and exchange rates are as follows. The Group has estimated that an increase of one percentage point in the principal floating interest rates to which it is exposed would result in a charge to the income statement of \$nil million (2017: \$nil million). The Group has estimated that a weakening of the US dollar by 10% against gross borrowings denominated in foreign currency in which the Group does business would result in a charge to the currency translation reserve of \$4 million (2017: \$146 million).

The Group does not require operating businesses to adhere to a formalised risk management policy in respect of trade credit risk or commodity price risk and does not consider that there is a useful way of quantifying the Group's exposure to any of the macroeconomic variables that might affect the collectability of receivables or the prices of commodities.

Hedge Accounting

The Group has elected to apply hedge accounting to some of its financial instruments.

Derivative financial instruments, in particular interest rate swaps and foreign exchange swaps, are used to manage the financial risks arising from the business activities of the Group and the financing of those activities. There is no trading activity in derivative financial instruments.

At the inception of a hedging transaction involving the use of derivative financial instruments, the Group documents the relationship between the hedged item and the hedging instrument together with its risk management objective and the strategy underlying the proposed transaction. The Group also documents its assessment, both at the inception of the hedging relationship and subsequently on an ongoing basis, of the effectiveness of the hedge in offsetting movements in the fair values or cash flows of the hedged items.

Derivative financial instruments are recognised as assets and liabilities measured at their fair values at the balance sheet date. Where derivative financial instruments do not fulfil the criteria for hedge accounting contained in International Accounting Standard 39, changes in their fair values are recognised in the income statement. When hedge accounting is used, the relevant hedging relationships are classified as fair value hedges, cash flow hedges or net investment hedges.

Where the hedging relationship is classified as a fair value hedge, the carrying amount of the hedged asset or liability is adjusted by the increase or decrease in its fair value attributable to the hedged risk and the resulting gain or loss is recognised in the income statement where, to the extent that the hedge is effective, it will be offset by the change in the fair value of the hedging instrument. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity. Where the hedging relationship is classified as a cash flow hedge or as a net investment hedge, to the extent the hedge is effective, changes in the fair value of the hedging instrument arising from the hedged risk are recognised directly in equity.

When the hedged item is recognised in the financial statements, the accumulated gains and losses recognised in equity are either recycled to the income statement or, if the hedged item results in a non-financial asset, are recognised as adjustments to its initial carrying amount. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Accounting Policies and Critical Estimates and Judgements

For information on the Group's accounting policies and critical estimation and judgment, see Note 1 of the 2018, 2017 and 2016 audited consolidated financial statements and Note 1 of the unaudited consolidated interim financial statements for the six months ended 31 January 2019, incorporated into this Prospectus by reference as set forth in Part VIII ("*Documents Incorporated by Reference*").

PART V PROFIT FORECAST

SECTION A: PROFIT FORECAST FOR THE GROUP FOR THE YEAR ENDING 31 JULY 2019

1. General

On 26 March 2019, the Group issued its half year results for the financial year ending 31 July 2019 containing the following statement, which is characterised as a profit forecast (the “**Profit Forecast**”):

“After a strong revenue performance in the first half our growth rate has moderated recently in line with conditions in our markets. While we still expect to generate further revenue growth in the second half, we have revised our estimates of Group organic revenue growth to between 3-5%. Consequently, we expect trading profit for the full year to be towards the lower end of the range of analysts’ expectations.”

A footnote to the foregoing statement read: “Current analysts’ consensus for Group trading profit for 2019 is published on the Company’s corporate website. The bottom of the range is \$1,585 million and the average is \$1,629 million.”

The Profit Forecast constitutes a profit forecast under the Prospectus Rules. The Board have considered and confirms that the Profit Forecast continues to be valid at the date of this Prospectus.

Trading profit is defined as operating profit before exceptional items and the amortisation and impairment of acquired intangible assets. Trading profit is used as an alternative performance measure because it excludes costs and other items that do not form part of the underlying trading business. The Group’s definition of exceptional items includes costs incurred on major restructuring programmes, gains or losses on the disposal of businesses and other significant one-off items. The Directors consider trading profit to be a more accurate reflection of the underlying business performance of the Group and believe use of this measure enables the monitoring of performance on a consistent basis across the Group.

For more information, including a reconciliation of trading profit to statutory operating profit, see the section of this Prospectus titled “*Important Information – Presentation of Certain Key Alternative Performance Measures*” and Note 2 to the 2018 audited consolidated financial statements, incorporated by reference into this Prospectus as set forth in Part VIII (“*Documents Incorporated by Reference*”).

2. Basis of preparation

The Profit Forecast has been properly compiled on the basis of the assumptions stated below and on a basis consistent with the accounting policies of the Group, which are in accordance with IFRS and are those which the Group anticipates will be applicable for the financial year ending 31 July 2019, subject to the early adoption of standards where the Directors believe appropriate.

The Directors have prepared the Profit Forecast on the basis of (i) the audited consolidated financial statements contained in the Group’s 2018 Annual Report and Accounts; (ii) the unaudited consolidated financial results for the eight months ending on 31 March 2019; and (iii) a forecast for the four months ending on 31 July 2019.

3. Assumptions

3.1 *Factors outside the influence or control of the Directors*

During the financial year ending 31 July 2019:

- there will be:
 - no material change, particularly in regions in which the Group operates, to the current prevailing global macroeconomic and political conditions;
 - no material change in market conditions within the plumbing and heating industry in respect of customer demand or the competitive landscape;
 - no material change in relevant exchange rates as compared with the average foreign exchange rates assumed in the Profit Forecast;
 - no material change in the Group's labour costs driven by external parties or regulations, including medical, pension and other post-retirement benefits;
 - no material change in inflation, interest or tax rates in the Group's principal markets compared with forecasts;
 - no adverse event that will have a material impact on the Group's financial performance;
 - no change in legislation, tariffs or regulatory environment in the Group's principal markets that materially impact its operations or the accounting principles or standards it follows (which are material in the context of the Profit Forecast);
 - no business disruption that materially affects the Group, its suppliers or customers by reason of technological faults, natural disasters, severe adverse weather conditions, acts of terrorism, cyber-attack, pandemics, epidemics, other disease, industrial disruption, civil disturbance or government action; and
- no other issue material to the Profit Forecast beyond those issues already known to the Directors at the current time will arise in respect of the Group's contracts, relationships or obligations.

3.2 *Factors within the influence or control of the Directors*

During the financial year ending 31 July 2019:

- there will be no material deterioration in the Group's relationship with customers and suppliers in a manner that is material in the context of the Profit Forecast;
- the Group will not execute any acquisitions or disposals that are material in the context of the Profit Forecast (taking into account any potential related transaction or abortive costs); and
- there will be no material change in the current key management (including managers of key business units) of the Group.

SECTION B: ACCOUNTANT'S REPORT ON THE PROFIT FORECAST

Deloitte.

Deloitte LLP
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London EC4A 3HQ
United Kingdom

The Board of Directors
on behalf of Ferguson NewCo plc
1020 Eskdale Road
Winnersh Triangle
Wokingham RG41 5TS
United Kingdom

Barclays Bank PLC
5 The North Colonnade
Canary Wharf
London
E14 4BB

26 April 2019

Ladies and Gentlemen

Ferguson NewCo plc (the “Company” and, together with its subsidiaries, the “Group”)

We report on the profit forecast comprising forecast trading profit of Ferguson NewCo plc (the “Company”) and its subsidiaries (together, the “Group”) for the year ending 31 July 2019 (the “Profit Forecast”). The Profit Forecast, and the material assumptions upon which it is based are set out on page 103 of the Prospectus (the “Prospectus”) issued by the Company dated 26 April 2019. This report is required by Annex I item 13.2 of Commission Regulation (EC) No 809/2004 (the “Prospectus Directive Regulation”).

Responsibilities

It is the responsibility of the directors of the Company (the “Directors”) to prepare the Profit Forecast in accordance with the requirements of the Prospectus Directive Regulation.

It is our responsibility to form an opinion as required by the Prospectus Directive Regulation as to the proper compilation of the Profit Forecast and to report that opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

Basis of Preparation of the Profit Forecast

The Profit Forecast has been prepared on the basis stated on page 102 of the Prospectus and is based on the unaudited interim financial results for the six months ended 31 January 2019, the unaudited management accounts for the eight months ended 31 March 2019 and a forecast for the four months to 31 July 2019. The Profit Forecast is required to be presented on a basis consistent with the accounting policies of the Group.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included evaluating the basis on which the historical financial information included in the Profit Forecast has been prepared and considering whether the Profit Forecast has been accurately computed based upon the disclosed assumptions and the accounting policies of

the Group. Whilst the assumptions upon which the Profit Forecast are based are solely the responsibility of the Directors, we considered whether anything came to our attention to indicate that any of the assumptions adopted by the Directors which, in our opinion, are necessary for a proper understanding of the Profit Forecast, have not been disclosed or if any material assumption made by the Directors appears to us to be unrealistic.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Profit Forecast has been properly compiled on the basis stated.

Since the Profit Forecast and the assumptions on which it is based relate to the future and may therefore be affected by unforeseen events, we can express no opinion as to whether the actual results reported will correspond to those shown in the Profit Forecast, and differences may be material.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices. We have not consented to the inclusion of this report and our opinion in any registration statement filed with the SEC under the US Securities Act 1933 (either directly or by incorporation by reference) or in any offering document enabling an offering of securities in the United States (whether under Rule 144A or otherwise). We therefore accept no responsibility to, and deny any liability to, any person using this report and opinion in connection with any offering of securities inside the United States of America or who makes a claim on the basis they had acted in reliance on the protections afforded by United States of America law and regulation.

Opinion

In our opinion, the Profit Forecast has been properly compiled on the basis stated and the basis of accounting used is consistent with the accounting policies of the Group.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex I item 1.2 of the Prospectus Directive Regulation.

Yours faithfully

Deloitte LLP

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 1 New Street Square, London EC4A 3HQ, United Kingdom. Deloitte LLP is the United Kingdom affiliate of Deloitte NWE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (“DTTL”), DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NWE LLP do not provide services to clients.

PART VI TAXATION

The following statements are intended only as a general guide to certain UK, Jersey and US tax considerations and do not purport to be a complete analysis of all potential UK, Jersey and US tax consequences of acquiring, holding or disposing of New Ferguson Shares. They are based on current UK, Jersey and US law and what is understood to be the current practice of HMRC, Revenue Jersey and the IRS as at the date of this Prospectus, all of which may change, possibly with retroactive effect. They apply only to New Ferguson Shareholders who are resident and, in the case of individuals domiciled, for tax purposes in (and only in) the UK or the US (except insofar as express reference is made to the treatment of non-UK or non-US residents), who hold their New Ferguson Shares as an investment (other than in an individual savings account or pension arrangement) and who are the absolute beneficial owner of both the New Ferguson Shares and any dividends paid on them. The tax position of certain categories of New Ferguson Shareholders who are subject to special rules (such as persons acquiring their New Ferguson Shares in connection with employment, dealers in securities, insurance companies and collective investment schemes) is not considered. The following assumes the Proposals have been effected in full and that New Ferguson will be treated as tax resident solely in the UK.

Prospective investors who are in any doubt as to their tax position or who may be subject to tax in another jurisdiction should consult their professional advisers without delay.

UK Taxation

1.1 **Implementation of the Scheme and New Ferguson Reduction of Capital**

1.1.1 *Taxation of Income*

The Scheme should not be treated as involving a distribution subject to UK tax as income.

1.1.2 *Taxation of Chargeable Gains*

For the purposes of UK taxation of chargeable gains (“CGT”), the issue of New Ferguson Shares to Old Ferguson Shareholders in consideration for the transfer of their Old Ferguson Shares should be treated as a reorganisation of share capital. Accordingly, Old Ferguson Shareholders should not be treated as making a disposal of all or part of their holding of Old Ferguson Shares and no liability to CGT should arise. Instead, the New Ferguson Shares acquired and the Old Ferguson Shares transferred will, for CGT purposes, be treated as the same asset and as having been acquired at the same time as the Old Ferguson Shares.

If an Old Ferguson Shareholder alone, or together with persons connected with him, holds more than 5% of, or any class of, the shares in or debentures of Old Ferguson (including the Old Ferguson Shares), such Old Ferguson Shareholder will be eligible for the above treatment only if the Scheme is effected for bona fide commercial reasons and does not form part of a scheme or arrangement of which the main purpose, or one of the main purposes, is avoidance of liability to CGT or corporation tax on chargeable gains. If these conditions are not met, then such Old Ferguson Shareholders will be treated as receiving New Ferguson Shares in consideration for the transfer of his or her Old Ferguson Shares which may, depending on the individual circumstances, give rise to a chargeable gain or allowable loss for CGT purposes. Clearance has been received from HMRC under section 138 TCGA 1992 that the Scheme will be effected for bona fide commercial reasons and will not form part of such a scheme or arrangement.

1.1.3 *New Ferguson Reduction of Capital*

The New Ferguson Reduction of Capital should not have any UK tax consequences for Old Ferguson Shareholders. It should not result in a disposal by any Old Ferguson Shareholders of any of their New Ferguson Shares, either on the basis that there is no disposal as a general matter or because the New Ferguson Reduction of Capital is treated as a reorganisation of the share capital of New Ferguson.

1.2 ***Income from New Ferguson Shares***

New Ferguson is not required to withhold UK tax when paying a dividend. Liability to tax on dividends will depend upon the individual circumstances of a New Ferguson Shareholder.

1.2.1 *UK Resident Individual New Ferguson Shareholders*

Under current UK tax rules specific rates of tax apply to dividend income. These include a nil rate of tax (the “nil rate band”) for the first £2,000 of dividend income in any tax year and different rates of tax for dividend income that exceeds the nil rate band. No tax credit attaches to dividend income. For these purposes “dividend income” includes UK and non-UK source dividends and certain other distributions in respect of shares.

An individual New Ferguson Shareholder who is resident for tax purposes in the UK and who receives a dividend from New Ferguson will not be liable to UK tax on the dividend to the extent that (taking account of any other dividend income received by the New Ferguson Shareholder in the same tax year) that dividend falls within the nil rate band.

To the extent that (taking account of any other dividend income received by the New Ferguson Shareholder in the same tax year) the dividend exceeds the nil rate band, it will be subject to income tax at 7.5% to the extent that it falls below the threshold for higher rate income tax. To the extent that (taking account of other dividend income received by the New Ferguson Shareholder in the same tax year) it falls above the threshold for higher rate income tax then the dividend will be taxed at 32.5% to the extent that it is within the higher rate band, or 38.1% to the extent that it is within the additional rate band. For the purposes of determining which of the taxable bands dividend income falls into, dividend income is treated as the highest part of a New Ferguson Shareholder’s income. In addition, dividends within the nil rate band which would (if there was no nil rate band) have fallen within the basic or higher rate bands will use up those bands respectively for the purposes of determining whether the threshold for higher rate or additional rate income tax is exceeded.

1.2.2 *UK Resident Corporate New Ferguson Shareholders*

It is likely that most dividends paid on the New Ferguson Shares to UK resident corporate shareholders would fall within one or more of the classes of dividend qualifying for exemption from corporation tax. However, it should be noted that the exemptions are not comprehensive and are also subject to anti-avoidance rules.

1.2.3 *UK Resident Exempt New Ferguson Shareholders*

UK resident New Ferguson Shareholders who are not liable to UK tax on dividends, including exempt pension funds and charities, are not entitled to any tax credit in respect of dividends paid by New Ferguson.

1.2.4 *Non-UK Resident New Ferguson Shareholders*

No tax credit will attach to any dividend paid by New Ferguson. A New Ferguson Shareholder resident outside the UK may also be subject to non-UK taxation on dividend income under local law. A New Ferguson Shareholder who is resident outside the UK for tax purposes should consult his or her own tax adviser concerning his or her tax position on dividends received from New Ferguson.

1.3 ***Disposal of New Ferguson Shares***

1.3.1 *UK Resident New Ferguson Shareholders*

A disposal or deemed disposal of New Ferguson Shares by a New Ferguson Shareholder who is resident in the UK for tax purposes may, depending upon the New Ferguson Shareholder’s circumstances and subject to any available exemption or relief (such as the annual exempt

amount for individuals), give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of capital gains.

1.3.2 *Non-UK Resident New Ferguson Shareholders*

New Ferguson Shareholders who are not resident in the UK will not generally be subject to UK taxation of capital gains on the disposal or deemed disposal of New Ferguson Shares unless they are carrying on a trade, profession or vocation in the UK through a branch or agency (or, in the case of a corporate New Ferguson Shareholder, a permanent establishment) in connection with which the New Ferguson Shares are used, held or acquired. Non-UK tax resident New Ferguson Shareholders may be subject to non-UK taxation on any gain under local law.

An individual New Ferguson Shareholder who has been resident for tax purposes in the UK but who ceases to be so resident or becomes treated as resident outside the UK for the purposes of a double tax treaty for a period of five years or fewer and who disposes of all or part of his or her New Ferguson Shares during that period may be liable to capital gains tax on his or her return to the UK, subject to any available exemptions or reliefs.

1.4 ***Stamp Duty and SDRT***

No UK stamp duty or SDRT will be payable on the issue of New Ferguson Shares under the Scheme.

UK stamp duty will in principle be payable on any instrument of transfer of the New Ferguson Shares which is executed in the UK or which “relates to any matter or thing done or to be done” in the UK. However, in practice, UK stamp duty should generally not need to be paid on any instruments transferring New Ferguson Shares, provided that such transfer instruments are executed and retained outside of the UK.

No UK SDRT will be payable in respect of any agreement to transfer New Ferguson Shares.

The statements in this paragraph summarise the current position on stamp duty and SDRT and are intended as a general guide only. These statements have been prepared on the basis that the New Ferguson Shares are not registered in a register kept in the UK by or on behalf of New Ferguson. It is not intended that such a register will be kept in the UK. The New Ferguson Shares will be registered in a register kept in Jersey.

1.5 ***Inheritance Tax***

Liability to UK inheritance tax may arise in respect of New Ferguson Shares on the death of, or on a gift of New Ferguson Shares by, an individual holder of such New Ferguson Shares who is domiciled, or deemed to be domiciled, in the UK.

The New Ferguson Shares should not be assets situated in the UK for the purposes of UK inheritance tax. Accordingly, neither the death of a holder of such New Ferguson Shares nor a gift of such New Ferguson Shares by a holder should give rise to a liability to UK inheritance tax if the holder is neither domiciled nor deemed to be domiciled in the UK.

For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts where the donor reserves or retains some benefit. Special rules also apply to close companies and to trustees of settlements who hold New Ferguson Shares, bringing them within the charge to inheritance tax. Shareholders should consult an appropriate tax adviser if they make a gift or transfer at less than full market value or if they intend to hold any New Ferguson Shares through trust arrangements.

Jersey Taxation

The following summary of the anticipated treatment of New Ferguson and holders of New Ferguson Shares (other than residents of Jersey) is based on Jersey taxation law and practice as it is understood to apply at the date of this Prospectus. It does not constitute legal or tax advice and does not address all aspects of Jersey tax law and practice. New Ferguson Shareholders should consult their professional advisers on the implications of acquiring, buying, holding, selling or otherwise disposing of New Ferguson Shares under the laws of the jurisdictions in which they may be liable to taxation. New Ferguson Shareholders should be aware that tax laws, rules and practice and their interpretation may change.

1.1 Taxation of New Ferguson

On the basis that it is centrally managed and controlled and considered resident for tax purposes in the UK, New Ferguson should not be regarded as resident for tax purposes in Jersey. Therefore, New Ferguson will not be liable for Jersey income tax other than on Jersey source income (except where such income is exempted from income tax pursuant to the Income Tax (Jersey) Law 1961, as amended) and dividends on New Ferguson Shares may be paid by New Ferguson without withholding or deduction for or on account of Jersey income tax. The holders of New Ferguson Shares (other than residents of Jersey) will not be subject to any tax in Jersey in respect of the holding, sale or other disposition of such New Ferguson Shares.

1.2 Stamp Duty

In Jersey, no stamp duty is levied on the issue or transfer of the New Ferguson Shares except that stamp duty is payable on Jersey grants of probate and letters of administration, which will generally be required to transfer New Ferguson Shares on the death of a holder of such New Ferguson Shares. In the case of a grant of probate or letters of administration, stamp duty is levied according to the size of the estate (wherever situate in respect of a holder of New Ferguson Shares domiciled in Jersey, or situate in Jersey in respect of a holder of New Ferguson Shares domiciled outside Jersey) and is payable on a sliding scale at a rate of up to 0.75% of such estate, capped at £100,000.

Jersey does not otherwise levy taxes upon capital, inheritances, capital gains or gifts nor are there other estate duties.

US Taxation

The following is a general summary based on present law of certain US federal income tax considerations relevant to the exchange of Old Ferguson Shares and Old Ferguson ADRs for New Ferguson Shares and New Ferguson ADRs pursuant to the Scheme and the ownership of New Ferguson Shares and New Ferguson ADRs. It addresses only US Holders (as defined below) that exchange Old Ferguson Shares or Old Ferguson ADRs pursuant to the Scheme, hold their Old Ferguson Shares or Old Ferguson ADRs and will hold their New Ferguson Shares or New Ferguson ADRs as capital assets and use the US dollar as their functional currency.

This summary is for general information only and is not a substitute for tax advice. It is not a complete description of all of the tax considerations that may be relevant to a particular US Holder. It does not address all of the considerations relevant to US Holders subject to special tax regimes, such as banks and other financial institutions, insurance companies, dealers in currencies and securities, traders in securities that elect mark-to-market treatment, regulated investment companies, real estate investment trusts, tax-exempt entities, pass-through entities (including S-corporations), US expatriates, investors liable for alternative minimum tax or persons holding Old Ferguson Shares, Old Ferguson ADRs, New Ferguson Shares or New Ferguson ADRs as part of a hedge, straddle, conversion or other integrated financial transaction. It does not address persons resident or ordinarily resident in the UK or that hold Old Ferguson Shares, Old Ferguson ADRs, New Ferguson Shares or New Ferguson ADRs through a permanent establishment or fixed base outside the US. It does not consider consequences for persons that own directly, indirectly or constructively, 5% or more (by voting power or value) of the equity interests of Old Ferguson or New Ferguson. It also does not address US federal taxes other than the income tax (such as estate and gift tax) or US state and local tax or non-US tax considerations.

As used here, “**US Holder**” means a beneficial owner of Old Ferguson Shares, Old Ferguson ADRs, New Ferguson Shares or New Ferguson ADRs that for US federal income tax purposes is (i) an individual citizen or resident of the US, (ii) a corporation organised in or under the laws of the US, any State thereof, or the District of Columbia, (iii) a trust subject to the control of a US person and the primary supervision of a US court or (iv) an estate the income of which is subject to US federal income taxation regardless of its source.

The US federal tax consequences to a partner in a partnership generally will depend on the status of the partner and the activities of the partnership. US Holders that are partnerships are urged to consult their own tax advisers about the tax consequences to their partners of receiving New Ferguson Shares or New Ferguson ADRs in connection with the Scheme and owning and disposing of New Ferguson Shares or New Ferguson ADRs.

Holders of Old Ferguson ADRs or New Ferguson ADRs generally will be treated for US federal income tax purposes as holding the Old Ferguson Shares or New Ferguson Shares, respectively, represented by the Old Ferguson ADRs or New Ferguson ADRs.

The Directors of Old Ferguson believe, and this discussion assumes, that Old Ferguson is not, nor has it been, a passive foreign investment company (“**PFIC**”) for US federal income tax purposes. In addition, the Directors of Old Ferguson believe, and this discussion assumes, that New Ferguson will not be a PFIC for the current taxable year or in the foreseeable future. New Ferguson’s status as a PFIC must be determined annually, and it therefore could change. If Old Ferguson has been a PFIC for any year during a US Holder’s holding period, or if New Ferguson were to be a PFIC in any year during any US Holder’s holding period, such US Holder could suffer material adverse tax consequences.

1.1 *Share Exchange in the Scheme*

Old Ferguson and New Ferguson intend to treat the Scheme as a tax-free reorganisation for US federal income tax purposes under section 368(a) of the US Internal Revenue Code (a “**tax-free reorganisation**”). In the event that the Scheme does not qualify as a tax-free reorganisation, Old Ferguson and New Ferguson intend to treat the Scheme as a tax-free transaction in which Old Ferguson is contributed to New Ferguson in an incorporation of a new holding company and no gain or loss is required to be recognised by US Holders that receive only New Ferguson Shares or New Ferguson ADRs in exchange for their Old Ferguson Shares or Old Ferguson ADRs (an “**incorporation exchange**”). The proper US federal income tax treatment of the Scheme is not certain, however, and neither Old Ferguson nor New Ferguson has sought a ruling from US federal tax authorities or an opinion from US federal tax counsel on the proper treatment of the Scheme. Although the discussion in this section assumes that the Scheme constitutes a tax-free reorganisation or a tax-free incorporation exchange, each Holder should consult its own tax adviser about the proper US federal, state and local income tax treatment of the Scheme.

Assuming that the Scheme is a tax-free reorganisation or a tax-free incorporation exchange, a US Holder will recognise no gain or loss on exchange of Old Ferguson Shares or Old Ferguson ADRs for New Ferguson Shares or New Ferguson ADRs. A US Holder’s basis in New Ferguson Shares or New Ferguson ADRs will equal its aggregate adjusted tax basis in the Old Ferguson Shares or Old Ferguson ADRs surrendered in the Scheme, and its holding period in the New Ferguson Shares or New Ferguson ADRs will include the period it held the Old Ferguson Shares or Old Ferguson ADRs. If a US Holder acquired different blocks of Old Ferguson Shares or Old Ferguson ADRs at different times or at different prices, the US Holder’s basis and holding period in the New Ferguson Shares or New Ferguson ADRs will be determined separately for each block of Old Ferguson Shares or Old Ferguson ADRs.

A US Holder may be required to attach to its tax return for the year in which it receives New Ferguson Shares or New Ferguson ADRs a statement regarding application of the tax-free reorganisation requirements (including information about the Old Ferguson Shares or Old Ferguson ADRs it exchanged and the New Ferguson Shares or New Ferguson ADRs it received) and to maintain certain records regarding the Scheme.

If the Scheme were not a tax-free reorganisation and also does not qualify as a tax-free incorporation exchange in which no gain or loss is recognised, a US Holder receiving New Ferguson Shares or New Ferguson ADRs in exchange for Old Ferguson Shares or Old Ferguson ADRs pursuant to the Scheme would recognise a capital gain or loss equal to the difference between (x) the fair market value of the New Ferguson Shares or New Ferguson ADRs as at the time the Scheme becomes effective and (y) its adjusted tax basis in the Old Ferguson Shares or Old Ferguson ADRs surrendered in the Scheme. Any gain would be a long-term gain if the US Holder held the Old Ferguson Shares or Old Ferguson ADRs for more than one year, and a gain realised by non-corporate US Holders generally would be included in determining net investment income that may be subject to the 3.8% Medicare surtax on net investment income. Deductions for capital losses are subject to limitations. Any gain or loss generally would be treated as arising from US sources. The holder would have a tax basis in the New Ferguson Shares or New Ferguson ADRs equal to their fair market value as at the time the Scheme becomes effective and a holding period beginning on the day following the Scheme Effective Date. US Holders should consult their tax advisers regarding any special rules relating to “extraordinary dividends” that may be potentially applicable to them if they have received a dividend from Old Ferguson in an amount greater than 10% of that US holder’s tax basis in its Old Ferguson Shares or Old Ferguson ADRs.

1.2 *Dividends on New Ferguson Shares or New Ferguson ADRs*

US Holders generally must include dividends paid on New Ferguson Shares or New Ferguson ADRs in their gross income as ordinary income from foreign sources. Distributions in excess of New Ferguson’s current and accumulated earnings and profits should be a non-taxable return of capital to the extent of the US Holder’s basis in the New Ferguson Shares or New Ferguson ADRs and thereafter as a capital gain. However, New Ferguson does not maintain calculations of its earnings and profits in accordance with US federal income tax principles. US Holders therefore should assume that any distribution by New Ferguson with respect to New Ferguson Shares or New Ferguson ADRs will be treated as ordinary dividend income. Dividends will not be eligible for the dividends-received deduction generally available to US corporations. However, dividends should be eligible for the reduced rate on qualified dividend income available to certain eligible non-corporate US Holders that satisfy a minimum holding period and other generally applicable requirements if New Ferguson qualifies for benefits under the income tax treaty between the UK and the US (the “US-UK Treaty”). New Ferguson expects to qualify for benefits under the US-UK Treaty.

Dividends paid to US Holders in a currency other than US dollars will be includible in income in a US dollar amount determined at the spot rate on the date of receipt whether or not converted into US dollars at that time. A US Holder will have a basis in the non-US currency received equal to its US dollar value on the date of receipt. Gain or loss on a subsequent conversion or other disposition of the non-US currency for a different amount generally will be treated as ordinary income or loss from sources within the US for foreign tax credit limitation purposes.

1.3 *Dispositions of New Ferguson Shares or New Ferguson ADRs*

US Holders generally will recognise a capital gain or loss on the sale or other disposition of New Ferguson Shares or New Ferguson ADRs in an amount equal to the difference between their adjusted tax basis in the shares and the US dollar value of the amount realised. Any gain will be a long-term gain if the US Holder has held the Old Ferguson Shares or Old Ferguson ADRs and the New Ferguson Shares and New Ferguson ADRs for a combined period longer than one year. Any loss will be a long-term loss if the US Holder has held the Old Ferguson Shares or Old Ferguson ADRs and the New Ferguson Shares and New Ferguson ADRs for a combined period longer than one year. Deductions for capital losses are subject to limitations. Any gain or loss generally will be treated as arising from US sources. US Holders should consult their tax advisers regarding any special rules relating to “extraordinary dividends” that may be potentially applicable to them if they have received a dividend from New Ferguson or Old Ferguson in an amount greater than 10% of that US holder’s tax basis in its New Ferguson Shares or New Ferguson ADRs.

A US Holder that receives a currency other than US dollars in exchange for its shares will realise an amount equal to the US dollar value of the currency received at the spot rate on the date of disposition (or, if the shares are traded on an established securities market and a US Holder is a cash-basis or electing accrual basis taxpayer, at the spot rate on the settlement date). A US Holder will have a tax basis in the currency received equal to the US dollar value of the currency on the settlement date. Any currency gain or loss realised on the settlement date or on a subsequent conversion or other disposition of the currency for a different US dollar amount generally will be US source ordinary income or loss.

1.4 *Medicare Tax on Net Investment Income*

Certain non-corporate US Holders whose income exceeds certain thresholds generally will be subject to a 3.8% surtax on their “net investment income” (which generally includes, among other things, dividends on, and capital and foreign currency gain from, the sale or other disposition of New Ferguson Shares or New Ferguson ADRs). Non-corporate US Holders should consult their own tax advisers regarding the possible effect of such tax on their ownership and disposition of New Ferguson Shares or New Ferguson ADRs.

1.5 *Information Reporting and Backup Withholding*

Dividends on the New Ferguson Shares or New Ferguson ADRs and proceeds from the disposition of those shares may be reported to the US Internal Revenue Service (the “IRS”) unless the holder is a corporation or otherwise establishes a basis for exemption. Backup withholding tax may apply to amounts subject to reporting if the holder fails to provide an accurate taxpayer identification number or to meet other conditions. The amount of any backup withholding tax may be credited against or refunded to the extent it exceeds the holder’s US federal income tax liability.

A US Holder may be required specifically to report the receipt of New Ferguson Shares or New Ferguson ADRs in the Scheme. A US Holder may also be required specifically to report a sale or other taxable disposition of the Old Ferguson Shares, New Ferguson Shares, Old Ferguson ADRs or New Ferguson ADRs to the IRS if it recognises a foreign currency or other loss from a single transaction that exceeds, in the case of an individual or trust, \$50,000 in a single taxable year or, in other cases, various higher thresholds. US Holders should consult their tax advisers about these possible reporting requirements.

Certain US Holders are required to report information to the IRS with respect to an account with a non-US financial institution through which such US Holders’ shares or ADRs are held. Investors who fail to report required information could become subject to substantial penalties. US Holders are encouraged to consult with their own tax advisers about these and any other reporting obligations arising from their investment in shares or ADRs.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE IMPORTANT TO A PARTICULAR HOLDER. EACH HOLDER SHOULD CONSULT HIS OR HER OWN TAX ADVISER ABOUT THE TAX CONSEQUENCES OF PARTICIPATING IN THE SCHEME AND HOLDING NEW FERGUSON SHARES OR NEW FERGUSON ADRS UNDER THE HOLDER’S OWN CIRCUMSTANCES.

PART VII ADDITIONAL INFORMATION

1. Responsibility

New Ferguson and the Directors, whose names appear in the section headed “*New Ferguson Directors, Company Secretary and Advisers*” of this Prospectus, accept responsibility for the information contained in this Prospectus. To the best of the knowledge of New Ferguson and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

2. Incorporation and Registered Office

New Ferguson was incorporated and registered in Jersey on 8 March 2019 as a private company limited by shares under Jersey Companies Law with the registered number 128484. New Ferguson was re-registered as a public company on 26 March 2019.

New Ferguson’s registered office is at 26 New Street, St. Helier, Jersey JE2 3RA, Channel Islands and its principal place of business is at 1020 Eskdale Road, Winnersh Triangle, Wokingham RG41 5TS, United Kingdom. New Ferguson’s telephone number is +44 (0) 118 927 3800.

The principal legislation under which New Ferguson operates is Jersey Companies Law and subordinated legislation made under Jersey Companies Law.

3. Share Capital of New Ferguson

3.1 *Share Capital at Latest Practicable Date and Scheme Effective Date*

On incorporation, the authorised share capital of New Ferguson was £50,000,000 divided into 500,000,000 ordinary shares of 10 pence each. Of such shares, two were subscribed by the subscriber to the memorandum of association of New Ferguson and were paid up in full by that subscriber.

As at 24 April 2019, the Latest Practicable Date prior to posting of this Prospectus, the authorised and issued share capital of New Ferguson is and, immediately prior to implementation of the Scheme, will be as set out below. The two issued and paid up New Ferguson Shares are the New Ferguson Subscriber Shares.

Class	Authorised Number	Aggregate Nominal Value (£)	Issued and Paid up Number	Aggregate Nominal Value (£)
New Ferguson Shares	500,000,000	50,000,000	2	0.20

Upon the Scheme Effective Date, the New Ferguson Subscriber Shares shall cease to be entitled to dividends or distributions, shall no longer carry the right to receive notice of, attend or vote at any meeting and shall become redeemable at any time thereafter, for their nominal amount, at the option of the Board. It is proposed that the New Ferguson Subscriber Shares will be redeemed on the Scheme Effective Date and that the Board will elect to redeem such shares prior to, but conditional upon, the Scheme becoming effective.

Under the Scheme, New Ferguson will issue New Ferguson Shares, credited as fully paid, to Old Ferguson Shareholders on the basis of one New Ferguson Share for every Old Ferguson Share held at the Scheme Record Time, and the share capital of New Ferguson will (assuming no exercise of rights outstanding under the Old Ferguson Employee Share Schemes prior to the Scheme Effective Date and assuming that Ferguson Subscriber Shares are redeemed in accordance with their terms) be as follows:

Class	Authorised Number	Aggregate Nominal Value (£)	Issued and Paid up Number	Aggregate Nominal Value (£)
New Ferguson Shares	500,000,000	50,000,000	231,988,622	23,198,862.20

Following the New Ferguson Reduction of Capital, the share capital of New Ferguson will remain as above as the New Ferguson Reduction of Capital involves a cancellation of share premium and not of nominal value.

3.2 *Shareholder Authorities Passed at the General Meeting*

By resolutions passed on 25 April 2019, the holders of New Ferguson Subscriber Shares resolved that:

3.2.1 subject to and conditional upon the Scheme becoming effective, New Ferguson, and any company which is or becomes its subsidiary at any time during the period to which this resolution relates, be and are hereby generally authorised pursuant to Articles 213 and 214 of the New Ferguson Articles, during the period commencing on the date of this resolution and ending on the date of New Ferguson's first AGM, to:

- (a) make political donations to political parties and/or independent election candidates;
- (b) make political donations to political organisations other than political parties; and
- (c) incur political expenditure,

provided that in each case any such donations and expenditure made by New Ferguson or by any such subsidiary shall not exceed £100,000 per company and together with those made by any such subsidiary and New Ferguson shall not exceed in aggregate £100,000.

3.2.2 subject to and conditional upon the Scheme becoming effective, Deloitte LLP be appointed as New Ferguson's auditors until the conclusion of New Ferguson's first AGM.

3.2.3 subject to and conditional upon the Scheme becoming effective, the Audit Committee be authorised on behalf of New Ferguson's Directors to agree the remuneration of New Ferguson's auditors.

3.2.4 subject to and conditional upon the Scheme becoming effective, for the purpose of the power conferred on the Directors pursuant to Article 12 of the New Ferguson Articles to allot or sell Equity Securities (as defined in the New Ferguson Articles), the Authorised Allotment Amount (as defined in the New Ferguson Articles) shall be:

- (a) an aggregate nominal amount of up to £23,250,000 as required for the purposes of the Scheme; and
- (b) an aggregate nominal amount of up to £8,812,788, which shall be increased by an additional aggregate nominal amount of up to £8,812,788, provided that the Directors' power in respect of such latter amount may only be used in connection with a pre-emptive issue (as defined in the New Ferguson Articles),

provided that this authority shall, unless previously revoked or varied, expire at the conclusion of New Ferguson's first AGM (or, if earlier, at the close of business on 29 February 2020) save that the Directors may, before such expiry, make offers or agreements (whether or not conditional) within the terms of this authority which would or might require Equity Securities to be allotted or sold after such expiry, and the Directors may allot or sell Equity Securities pursuant to such offers or agreements as if the authority conferred on them hereby had not expired.

3.2.5 subject to and conditional upon the Scheme becoming effective, New Ferguson shall adopt the following share schemes, the terms of which replicate the terms of the existing Old Ferguson Share Schemes:

- (a) the Ferguson Group Employee Share Purchase Plan 2019;
- (b) the Ferguson Group International Sharesave Plan 2019; and
- (c) the Ferguson Group Long Term Incentive Plan 2019.

3.2.6 conditional upon and with effect from the Scheme Effective Date, the name of New Ferguson be changed to Ferguson plc.

- 3.2.7 conditional upon and with effect from the Scheme Effective Date, the New Ferguson Articles be adopted as the articles of association of New Ferguson in substitution for, and to the exclusion of, the existing articles of association of New Ferguson.
- 3.2.8 subject to and conditional upon: (i) the passing of the special resolutions approving the Scheme and the New Ferguson Reduction of Capital as set out in the notice of the Scheme General Meeting; (ii) the New Ferguson Shares required to be allotted and issued by New Ferguson pursuant to the Scheme having been allotted and issued and registered in the names of the persons entitled to such New Ferguson Shares in New Ferguson's register of members; and (iii) the Scheme becoming effective, New Ferguson's share premium account (including the amount arising upon the allotment and issue of the New Ferguson Shares pursuant to the Scheme) on the date on which the Scheme becomes effective be cancelled and an equivalent amount be credited to a reserve of profit to be available to New Ferguson to be:
- (a) distributed by New Ferguson from time to time as dividends in accordance with Jersey Companies Law and the New Ferguson Articles; or
 - (b) applied by New Ferguson from time to time towards any other lawful purpose to which such a reserve may be applied.
- 3.2.9 subject to and conditional upon the Scheme becoming effective and the passing of the resolution set out in 3.2.4 above, the Directors be empowered pursuant to Article 12.4 of the New Ferguson Articles to allot or sell Equity Securities (as defined in the New Ferguson Articles) wholly for cash as if Article 13 of the New Ferguson Articles did not apply and for the purposes of paragraph (b) of Article 12.4 of New Ferguson Articles, the Non Pre-emptive Amount (as defined in the New Ferguson Articles) shall be an aggregate nominal value of up to £1,321,918 provided that this authority shall, unless previously revoked or varied, expire at the conclusion of New Ferguson's first AGM (or, if earlier, at the close of business on 29 February 2020), save that the Directors may before such expiry make offers or agreements (whether or not conditional) within the terms of this authority which would or might require Equity Securities to be allotted or sold after such expiry and the Directors may allot or sell Equity Securities pursuant to such offers or agreements as if the authority conferred on them hereby had not expired.
- 3.2.10 subject to and conditional upon the Scheme becoming effective and the passing of the resolution set out in 3.2.4 above, in addition to any authority granted under the resolution set out in 3.2.9 above, the Directors be empowered to allot or sell Equity Securities (as defined in the New Ferguson Articles) wholly for cash under the authority given by the resolution set out in 3.2.4 above as if Article 13 of the New Ferguson Articles did not apply to any such allotment or sale, such authority to be:
- (a) limited to the allotment and/or sale of Equity Securities wholly for cash up to an aggregate nominal amount of £1,321,918; and
 - (b) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of the proposal of this resolution,

provided that this authority shall, unless previously revoked or varied, expire at the conclusion of New Ferguson's first AGM (or, if earlier, at the close of business on 29 February 2020), save that the Directors may before such expiry make offers or agreements (whether or not conditional) within the terms of this authority which would or might require Equity Securities to be allotted or sold after such expiry and the Directors may allot or sell Equity Securities pursuant to such offers or agreements as if the authority conferred on them hereby had not expired.

3.2.11 subject to and conditional upon the Scheme becoming effective, pursuant to Article 57 of Jersey Companies Law, New Ferguson be and is hereby generally and unconditionally authorised to make market purchases of its ordinary shares, provided that:

- (a) the maximum number of New Ferguson Shares hereby authorised to be purchased is 23,185,045 ordinary shares of 10 pence;
- (b) the minimum price (exclusive of expenses) which may be paid for each New Ferguson Share is 10 pence;
- (c) the maximum price (exclusive of expenses) which may be paid for each New Ferguson Share is the higher of:
 - (i) an amount equal to 105% of the average of the middle market quotations of a New Ferguson Share as derived from the London Stock Exchange Daily Official List for the five Business Days immediately preceding the day on which the New Ferguson Share is contracted to be purchased; and
 - (ii) an amount equal to the higher of the price of the last independent trade of a New Ferguson Share and the highest current independent bid for a New Ferguson Share on the trading venue(s) where the purchase is carried out;
- (d) the power hereby granted shall expire at the conclusion of New Ferguson's first AGM (or, if earlier, at the close of business on 29 May 2020);
- (e) a contract to purchase shares under this authority may be made prior to the expiry of this authority and concluded in whole or in part after the expiry of this authority; and
- (f) pursuant to Article 58A of Jersey Companies Law, New Ferguson may hold as treasury shares any New Ferguson Shares purchased pursuant to the authority conferred in this resolution.

3.3 *Other*

Save as disclosed in subsection 3.1 of this Part VII, at the date of this Prospectus there has been (i) no issue of shares or loan capital of New Ferguson since its incorporation and (ii) no share or loan capital of New Ferguson is under option or agreed to be put under option.

At the date of this Prospectus, New Ferguson has no subsidiaries and accordingly, there has been no issue of, or agreement to issue, share or loan capital by any subsidiary undertaking of New Ferguson for cash or other consideration and no such issue is now proposed.

The New Ferguson Shares have not been marketed and are not available in whole or in part to the public otherwise than pursuant to the Scheme.

No commissions, discounts, brokerages or other special terms have been granted in respect of the issue of any share capital of New Ferguson.

4. **Share Capital of Old Ferguson**

As at 24 April 2019, being the Latest Practicable Date prior to the publication of this Prospectus, the issued share capital (excluding treasury shares) of Old Ferguson upon implementation of the Scheme, and assuming no options are exercised under the Old Ferguson Employee Share Schemes between that date and the Scheme Effective Date, is expected to be as follows:

Class	Issued and Paid up Number	Aggregate nominal Value (£)
Existing Old Ferguson 11 ^{227/563} pence ordinary shares	231,988,622	26,454,119.96

Prior to the Scheme Effective Date Old Ferguson intends to cancel all Old Ferguson Shares held in treasury.

5. Summary of the New Ferguson Articles

Under Jersey Companies Law, the capacity of a Jersey company is not limited by anything contained in its memorandum or articles of association. Accordingly, the memorandum of association of a Jersey incorporated company, and hence New Ferguson, does not contain an objects clause.

There are a number of differences between Jersey Companies Law and the Companies Act which may impact on the rights of holders of New Ferguson Shares. As such, where considered appropriate and subject to Jersey Companies Law, provisions have been incorporated into the New Ferguson Articles to enshrine rights that are not conferred by Jersey Companies Law but which shareholders in a company listed on the London Stock Exchange would normally expect. These provisions are marked with an asterisk in the summary below. In all material respects the New Ferguson Articles are the same as the Old Ferguson Articles.

The following summary of certain provisions of the New Ferguson Articles does not purport to be complete and is qualified in its entirety by the full terms of the New Ferguson Articles. Copies of the Old Ferguson Articles and the New Ferguson Articles are also available for inspection as described in paragraph 24 of Part VIII ("*Documents Available for Inspection*") of this Prospectus.

The New Ferguson Articles include provisions to the following effect:

5.1 *Share Rights*

Subject to the provisions of Jersey Companies Law relating to authority to allot, pre-emption rights or otherwise and to any resolution of the Company in a general meeting passed pursuant to those provisions and any provision of the New Ferguson Articles, all unissued shares for the time being in the capital of the Company are at the disposal of the Board. The Board may allot such shares on any terms and conditions, grant options over them, offer them for sale or otherwise dispose of them in any other way. The Board may issue shares which are to be redeemed or are liable to be redeemed at the option of the Company or the holder on such terms as provided by the New Ferguson Articles subject to the provisions of Jersey Companies Law.

(a) *Voting Rights on New Shares*

Subject to any rights or restrictions as to voting attached to any shares, on a show of hands, every member present in person or (subject to certain conditions) by proxy shall have one vote, and, on a poll, every member present in person or by proxy has one vote for every share of which he or she is the holder.

If at the time of any general meeting or class meeting, a member owes the Company any money in relation to his or her share, he or she will not be entitled to vote that share (either in person or by proxy) or exercise any other right attached to that share at that general meeting or class meeting. A member may not (amongst other things) exercise voting rights in the Company in respect of shares which are the subject of a restriction notice served after failure to provide the Company with information concerning interests in certain shares required to be provided by the Company, in accordance with the New Ferguson Articles.

(b) *Dividends*

Subject to the provisions of Jersey Companies Law, the members may by ordinary resolution declare dividends, but no dividend shall exceed the amount recommended by the Board. Subject to the provisions of Jersey Companies Law, the Board may pay interim dividends if it appears to the Board that it is justified by the financial position of the Company.

Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid. All dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during the whole period in respect of which the dividend is paid. Any amount paid on a share in advance of the date on which a call is payable will not be treated as paid up for these purposes.

The Company does not have to pay interest on any dividend or other money due to a member in respect of his or her shares, unless the rights of the share state otherwise. If a dividend or other money payable in respect of a share remains unclaimed for 12 years from the date it was declared or became due for payment, the Board can pass a resolution to forfeit the payment and the member will lose the right to the dividend.

If recommended by the Board, members can pass an ordinary resolution to direct that a dividend will be satisfied in whole or in part by distributing assets instead of cash. This includes, amongst other things, paid up shares or debentures of another company. The Board can make any arrangements it wishes to settle any difficulties which may arise in connection with the distribution, including for example (i) the valuation of the assets, or (ii) the payment of cash to any member on the basis of that value in order to adjust the rights of members, and (iii) the transfer of any asset to a trustee. The Board may, if authorised by an ordinary resolution of the Company, offer members the right to elect to receive shares by way of scrip dividend (which are credited as fully paid) instead of cash in respect of some or all of their dividend.

(c) *Variation of Rights*

Subject to the provisions of Jersey Companies Law, rights attached to any class of shares in the capital of the Company may be varied or abrogated either with the written consent of the holders of at least three quarters in nominal value of the issued shares of the class, or with the sanction of a special resolution passed at a separate class meeting of the class of members affected. While the Company's shares are divided into different classes, the rights of a share will be treated as varied if either (i) the capital paid up on that share or class of shares is reduced (unless this results from the Company buying back or redeeming its own shares), or (ii) another share is allotted which has (a) priority for payment of a dividend, (b) priority on a return of capital or (c) voting rights more favourable than those attached to that share or class of shares.

(d) *Lien and Forfeiture*

The Company has the right to any unpaid money on a partly paid share. This covers any money which is owed to the Company by the member, where the money has been called for or is payable under the terms on which the share was issued. The Company has the right to sell any partly paid share if a member fails to pay any money due on the partly paid share within 14 clear days of notice of the amount of money owed being given to the holder of the share or to the person entitled to the share by transmission.

The Board can call at any time on members on one or more occasions to pay any money which they owe to the Company on a share, provided that there must be at least one month between the payment dates of two consecutive calls and that the call is made in accordance with the New Ferguson Articles and the terms of allotment of the relevant share. Members must be given at least one month's notice of a requirement to pay and the notice must state when and where the payment is to be made. If a member does not pay the money due under a call or any instalment of a call by the due date, he or she must pay interest on the amount due from the due date until it is actually paid. If the terms of any allotment of any share require money to be paid when the share is allotted or on a fixed date, the amount payable will be treated in the same way as if a valid call had been made for that money the same date the money is due. If the money is not paid, the provisions of the New Ferguson Articles relating to calls and forfeiture will apply as if the member had been notified of a valid call for that amount on that date.

(e) *Ownership of Shares by Non-UK Persons*

There are no provisions in the New Ferguson Articles that restrict non-UK resident or Overseas Shareholders from holding shares or from exercising voting rights attaching to shares.

(f) *Transfer of Shares*

A transfer of a Certificated share must be in writing, either by the usual transfer form or in any other form which the Board approves. The transfer form must be signed by or on behalf of the person transferring the share and, unless the share is fully paid, by or on behalf of the person acquiring the share. The transfer form does not need to have a seal attached. If the Certificated shares being transferred are only partly paid, the Board is entitled to refuse to register the transfer without giving any reason for the refusal as long as it does not prevent dealings in shares from taking place on an open and proper basis. The Board can also refuse to register the transfer of a Certificated share if: (i) the transfer form is not lodged, properly stamped (if stamping is required), at the registered office (or any other place chosen by the Board) together with the appropriate share certificate for the shares being transferred and any other evidence of transfer that the Board reasonably asks for; (ii) the transfer is for more than one class of shares; or (iii) the transfer is to more than four joint members.

If the Board refuses to register a transfer of a share, it must notify the person to whom the shares were being transferred of this refusal. This notice must be sent out within two months of the date on which the transfer form was received by the Company (in the case of Certificated shares). An instrument of transfer which the Board refuses to register shall be returned to the person lodging it when notice of the refusal is sent. If the transfer is of shares in CREST, the notice must be sent out within two months of the date on which the operator instruction was received by the Company. Neither the Board nor anyone else can charge a member for registering a transfer form or other documents relating to his or her shares or affecting his or her title to a share.

(g) *Pre-emption Rights**

If the Company issues certain specific kinds of additional securities, current members will generally have pre-emption rights to those securities on a pro rata basis. Pre-emption rights are transferable during the subscription period relating to a particular offering. The members may, by way of special resolution, grant authority to the Board to allot shares as if the pre-emption rights did not apply.

(h) *Liquidation Rights*

If the Company is wound up, the liquidator can, with the approval of a special resolution passed by the members and any other sanction required by Jersey Companies Law, divide some or all of the Company's assets among the members. The liquidator may determine the value of such assets and how they are to be divided between the members.

(i) *Disclosure of Shareholdings*

Pursuant to the New Ferguson Articles, the provisions of chapter five of the Disclosure Guidance and Transparency Rules are deemed to be incorporated by reference in the New Ferguson Articles as if New Ferguson were a UK issuer. Accordingly, the New Ferguson Articles require members to notify the Company if the voting rights attached to shares held by them (subject to some exceptions) reach, exceed or fall below 3% and each 1% threshold thereafter up to 100%. In addition, pursuant to the New Ferguson Articles, the Company may also send a notice to any person whom it knows or believes to be interested in its shares, requiring such person to confirm whether he or she has such an interest and, if so, details of that interest. Under the New Ferguson Articles, if a member fails to supply the information requested in the notice or provides information that is materially inaccurate, the Board may serve a restriction notice on such person stating amongst other things that the member may not attend or vote at any general meeting or class meeting in respect of some or all of his or her shares.

(j) *Rights to Share in New Ferguson's Profits*

If authorised by ordinary resolution of the members, the Board can pass a resolution to capitalise any undistributed profits (unless required for paying a preferential dividend) or other sum in any reserve or fund. The amount capitalised must be distributed to the members or holders of shares of any class on the record date as if it were distributed by way of dividend.

(k) *Circulation of Shareholder Resolutions**

Members of the Company may require the Company to circulate a notice of a resolution to members. For this purpose, the members must represent (i) at least 5% of the total voting rights of all members who have a right to vote on the relevant resolution, or (ii) not less than 100 in number who have a right to vote on such resolution and hold an average of at least £100 of nominal value, per member, of paid up shares in the Company. Similarly, if so requested, the Company shall also circulate to members a statement of not more than 1,000 words with respect to a matter referred to in a proposed resolution to be dealt with at a particular meeting or other business to be dealt with at that meeting.

(l) *Information Rights**

A member has the right to nominate another person, on whose behalf he or she holds shares, to enjoy the same information rights as defined and stipulated in sections 146 to 149 of the Companies Act (with certain exceptions).

(m) *Power to Require Website Publication of Audit Concerns**

If so requested by members, the Company shall publish on its website a statement setting out any matter relating to the audit of its accounts or any circumstances connected with an auditor of the Company ceasing to hold office. For this purpose, the members must represent (i) at least 5% of the total voting rights of all members who have a right to vote at the relevant general meeting, or (ii) not less than 100 in number who have a right to vote at such meeting and hold an average of at least £100 of nominal value, per member, of paid up shares in the Company.

(n) *Independent Report on Poll**

Members may require the Board to obtain an independent report on any poll taken, or to be taken, at a general meeting of the Company in accordance with the Companies Act (with certain exceptions).

5.2 **General Meetings**

The Company will hold an annual general meeting each year in accordance with the requirements of Jersey Companies Law. All other general meetings of the members are called general meetings. The Board can call a general meeting whenever it decides to, and may make arrangements for persons entitled to attend the general meeting to do so by simultaneous attendance and participation at a satellite meeting place anywhere in the world. All annual general meetings can only be held if members have been given at least 21 clear days' notice. Members must be given at least 14 clear days' notice of all other general meetings. The members can require the Board to call a general meeting in accordance with Jersey Companies Law.

Notice of a general meeting must be sent to all of the Company's members (subject to certain exceptions for holders of partly-paid shares), the Board and the auditors. The notice calling a general meeting must specify the place, day, time and general nature of the business of the meeting. A notice calling an annual general meeting must state that the meeting is an annual general meeting. A member may attend and/or vote at general meetings or class meetings in person or by proxy. The New Ferguson Articles contain provisions for the appointment of proxies, including electronic communication of appointments and cut off times for appointments prior to general meetings. Even if a director is not a member, he or she is entitled to attend and speak at any general meeting or class meeting. A quorum for a general meeting is three people (including members and/or proxies) entitled

to vote at the meeting. If a quorum is not present within 30 minutes of the time set for the general meeting (or such longer time not exceeding one hour as the chair of the meeting may determine), the meeting shall be adjourned to such later time and date as the chair of the meeting may determine, unless the meeting was called at the request of the members in which case it shall be dissolved. If the general meeting is adjourned for more than 30 days, the Board must give members at least seven clear days' notice of the adjourned meeting.

5.3 *Directors*

(a) *Appointment of Directors*

The Company must have at least two Directors on the Board (not counting alternate directors). There is no maximum number of directors. Subject to the New Ferguson Articles, members (by ordinary resolution) or the Board can appoint any person willing to be a director either to fill a vacancy or as an additional director. Where the appointment is made by the Board, the director must retire at the next general meeting and can then be put forward by the Board for reappointment by Shareholders in accordance with the New Ferguson Articles.

(b) *Eligibility of New Directors*

A person will only be eligible for appointment as a Director of the Board if: (i) he or she is a retiring Director; (ii) he or she is recommended by the Board; or (iii) a member who is entitled to vote at the general meeting has given the Company a written notice at least seven days (but not more than 21 days) before the date for which the meeting is called of his or her intention to propose someone (other than himself or herself) as a Director. The notice must include all the details of that person which would be required to be included in the register of Directors, and be accompanied by a written confirmation from the proposed Director confirming his or her willingness to be appointed as a Director.

(c) *No Share Qualification*

Directors do not need to be Shareholders in the Company.

(d) *Retirement of Directors by Rotation*

At every annual general meeting, one third of the Directors on the Board must retire or, if the number of directors is not divisible by three, the number of directors nearest to one third shall retire from office but: (i) if any Directors will have been a Director for three years or more since he or she was last appointed (or re-appointed) at the date fixed for the annual general meeting, he or she must retire; and (ii) if there is only one Director, he or she must retire. A Director who retires at an annual general meeting may be proposed for re-appointment if he or she is willing to act as a Director. Subject to Jersey Companies Law and the New Ferguson Articles, the Directors to retire by rotation will firstly be those Directors who wish to retire without re-appointment, and secondly those who have served the longest as a Director since their last appointment or re-appointment. If Directors were last re-appointed directors on the same day, they can agree among themselves who is to retire. If they cannot agree, then they must draw lots to decide. In the event that all Directors retire at an annual general meeting and at the end of such meeting the number of Directors that have been appointed or re-appointed is less than the minimum number of directors required under the New Ferguson Articles, all retiring Directors will be deemed to have been re-appointed as Directors to act for the purpose of filling vacancies and calling a general meeting as soon as reasonably practicable thereafter (at which point they shall retire).

(e) *Remuneration of Directors**

The total fees paid to Non Executive Directors (other than amounts payable under any other article) must not exceed £1,500,000 a year or any other sum agreed by ordinary resolution at a general meeting.

If a Non Executive Director performs any other service which in the Board's opinion is beyond the scope of his or her role as a Non Executive Director, the Board can decide to pay him or her additional remuneration. This can take the form of a salary, commission or anything else the Board decides. The benefits paid to an Executive Director will be decided by the Board (or any duly constituted committee of the Board), and can be of any description. This includes, but is not limited to: (i) admission to, or continuance of, membership of any scheme (including a share purchase scheme) or fund established or financed or contributed to by the Company for the provision of pensions, life assurance or other benefits for employees or their dependants; and (ii) the payment of a pension or other benefits to him or her or to his or her dependants on or after his or her retirement or death.

The provisions contained in sections 215 to 221 of the Companies Act in relation to payments made to directors (or a person connected to such directors) for loss of office and the circumstances in which such payments would require the approval of members broadly apply to the Company, and the Company shall comply with such provisions as if it were a company incorporated in the UK.

(f) *Appointment of Executive Directors*

Subject to Jersey Companies Law, the Board can appoint a Director to any executive position, on such terms and for such period as it thinks fit. The Board can also terminate or vary an executive appointment whenever it wishes and decide on any fee or other form of remuneration to be paid for such appointment. This fee or other remuneration may be as well as or instead of any fees payable as a Director.

(g) *Permitted Interests of Directors*

Subject to the provisions of Jersey Companies Law, as long as a Director has disclosed the nature and extent of his or her interest to the Board, a Director can: (i) be a party to, or otherwise have an interest in, any transaction or arrangement with the Company or in which the Company has a direct or indirect interest; (ii) act by himself or herself or through his or her firm in a paid professional role for the Company (other than as auditor); and (iii) be a Director, officer or employee of, or a party to a transaction or arrangement with, or otherwise interested in, any body corporate in which the Company has any interest whether direct or indirect.

A Director who has, and is permitted to have, any interest referred to in the above paragraph can keep any remuneration or other benefit which he or she derives as a result of having that interest as if he or she were not a Director. Any disclosure may be made at a meeting of the Board, by notice in writing or by general notice or otherwise in accordance with Jersey Companies Law. The Board may authorise Directors' actual and potential conflicts of interests, provided that any Director concerned does not vote or count towards the quorum at the meeting where the matter is considered. Where a Director's relationship with another person has been authorised and such relationship gives rise to an actual or potential conflict of interest, the Director will not be in breach of the general duties he or she owes to the Company if he or she absents himself or herself from meetings, or makes arrangements not to receive documents and information, relating to the actual or potential conflict of interest for so long as he or she reasonably believes that the same subsists.

5.4 ***Borrowing Powers***

Subject to the relevant legislation and the New Ferguson Articles, the Board can exercise all the Company's powers relating to borrowing money, giving security over all or any of the Company's business and activities, property, assets (present and future) and uncalled capital, and issuing debentures and other securities.

5.5 *Indemnity of Officers*

As long as the Company complies with the provisions of Jersey Companies Law relating to the indemnification of officers, it will indemnify every Director or other officer of the Company out of the assets of the Company against any liability incurred by him or her for negligence, default, breach of duty, breach of trust or otherwise in relation to the affairs of the Company. This provision does not affect any indemnity which a Director or officer is otherwise entitled to.

5.6 *Other*

The Company is to comply with the provisions of Listing Rules 9.4.1 to 9.4.3 in relation to its adoption of employee share schemes or long term incentive plans, which require such schemes or plans to be approved by Shareholders in a general meeting.

Each member must comply with the notification obligations to the Company contained in Chapter 5 of the Disclosure Guidance and Transparency Rules including, without limitation, the provisions of DTR 5.1.2 as if the Company were a UK issuer. The vote holder and issuer notification rules contained in chapter five of the DTRs shall apply to the Company as well as each holder of shares on the same basis.

If a member fails to comply with obligations under the relevant rule, the Board may impose certain restrictions on that holder, including giving a notice to the relevant member requiring the member to change the relevant shares held in Uncertificated form to Certificated form, or that the member may not change any of the relevant shares held in Certificated form to Uncertificated form. If the holder does not comply with the notice, the Board may authorise any person to instruct an authorised operator to change the relevant shares held in Uncertificated form to Certificated form.

The Company may not make a political donation to a political party or other political organisation, or to an independent election candidate, or incur any political expenditure, unless such donation or expenditure is authorised by an ordinary resolution in accordance with the New Ferguson Articles and is passed before the donation is made or the expenditure incurred.

6. **Mandatory Bids and Compulsory Acquisition Rules relating to New Ferguson Shares**

6.1 *Mandatory Bids*

The City Code on Takeovers and Mergers (the “**City Code**”) will apply to New Ferguson as it currently does to Old Ferguson. Under the City Code, if an acquisition of an interest in New Ferguson Shares were to increase the aggregate holding of an acquirer and its “concert parties” to an interest in New Ferguson Shares carrying 30% or more of the voting rights in New Ferguson, the acquirer and, depending upon the circumstance, its concert parties, would be required (except with the consent of the UK Takeover Panel) to make an offer in cash (or accompanied by a cash alternative) for the outstanding New Ferguson Shares at a price not less than the highest price paid for any interest in the New Ferguson Shares by the acquirer or its concert parties during the 12 months prior to the announcement of the offer. A similar obligation to make such a mandatory offer would also arise on the acquisition of New Ferguson Shares by a person (together with its concert parties) interested in New Ferguson Shares carrying between 30% and 50% of the voting rights in New Ferguson if the effect of such acquisition were to increase the percentage of shares carrying voting rights in which he or she is interested.

6.2 *Squeeze-Out and Sell-Out*

Jersey Companies Law provides that where a person (the “**Offeror**”) makes a takeover offer to acquire all of the shares (or all of the shares of any class) in a Jersey company (other than any shares already held by the Offeror at the date of the offer), if the Offeror has by virtue of acceptances of the offer acquired or contracted to acquire not less than 90% in nominal value of the shares (or class of shares) to which the offer relates, the Offeror may (subject to the requirements of Jersey Companies Law), by notice to the holders of the shares (or class of shares) to which the offer relates which the Offeror has not already acquired or contracted to acquire, compulsorily acquire those shares. A holder

of any shares who receives a notice of compulsory acquisition may (within six weeks from the date on which such notice was given) apply to the Royal Court for an order that the Offeror not be entitled and bound to purchase the holder's shares or that the Offeror purchase the holder's shares on terms different to those of the offer.

Where before the end of the period within which the takeover offer can be accepted, the Offeror has by virtue of acceptances of the offer acquired or contracted to acquire not less than 90% in nominal value of all of the shares (or all of the shares of a particular class) of the Jersey company, the holder of any such shares (or class of shares) who has not accepted the offer may, by written notice to the Offeror, require the Offeror to acquire the holder's shares. The Offeror shall (subject to the requirements of Jersey Companies Law) be entitled and bound to acquire the holder's shares on the terms of the offer or on such other terms as may be agreed. Where a holder gives the Offeror a notice of compulsory acquisition, each of the Offeror and the holder of the shares is entitled to apply to the Royal Court for an order that the terms on which the Offeror is entitled and bound to acquire the holder's shares shall be such as the court thinks fit.

7. ADR Facility

Old Ferguson maintains a Tier I sponsored ADR programme with Deutsche Bank Trust Company Americas, 60 Wall Street, New York, New York 10005. Each American Depositary Share ("ADS") in the programme evidenced by an ADR represents one-tenth of an Old Ferguson Share. In connection with the transfer of the Old Ferguson Shares to New Ferguson, the ADR facility will be terminated. A new ADR facility will be established in respect of the New Ferguson Shares issued pursuant to the Scheme. Following the Scheme becoming effective, the existing Old Ferguson Shares underlying each Old Ferguson ADS will be transferred to New Ferguson and the Depositary will be issued one New Ferguson Share for every Old Ferguson Share it holds at the Scheme Record Time. New Ferguson ADSs will be issued by the Depositary in respect of the New Ferguson Shares issued to it, with each New Ferguson ADS representing one-tenth of one New Ferguson Share. Persons registered as holding Old Ferguson ADRs on the record date to be established by the Depositary will be entitled to receive New Ferguson ADRs when they have surrendered their Old Ferguson ADRs to the Depositary for exchange in accordance with the terms of the Deposit Agreement. Old Ferguson ADR Holders will be issued New Ferguson ADRs on the same basis as their existing holdings of Old Ferguson ADRs as set forth in paragraph 9 of Part IV of the Scheme Circular.

8. Directors and Senior Executives

8.1 Directors

The following table lists the names and positions of the Directors.

<u>Name</u>	<u>Current Position at Ferguson</u>
Gareth Davis	Chairman and Non Executive Director
John Martin	Group Chief Executive and Executive Director
Mike Powell	Group Chief Financial Officer and Executive Director
Kevin Murphy	Chief Executive Officer, USA and Executive Director
Tessa Bamford	Independent Non Executive Director
Cathy Halligan	Independent Non Executive Director
Alan Murray	Senior Independent Non Executive Director
Tom Schmitt	Independent Non Executive Director
Darren Shapland	Independent Non Executive Director
Nadia Shouraboura	Independent Non Executive Director
Jacky Simmonds	Independent Non Executive Director

John Martin and Mike Powell were appointed as Directors of New Ferguson on 8 March 2019, while the remaining individuals in the foregoing table were appointed as Directors of New Ferguson on 22 March 2019.

At the Scheme Effective Date, the business address of each of the Directors of New Ferguson will be 1020 Eskdale Road, Winnersh Triangle, Wokingham, RG41 5TS, United Kingdom.

8.1.1 *Directors' Biographies*

Gareth Davis

Chairman

Mr. Davis has served as a Non Executive Director since 2003 and was appointed Chairman in 2011. He is also the chairman of the Group's Nominations Committee. Mr. Davis spent 38 years in the tobacco industry and was Chief Executive of Imperial Tobacco Group plc from its incorporation in 1996 until May 2010. From 2010 to April 2018, he was chairman of William Hill PLC. He also serves as chairman of DS Smith Plc.

John Martin

Group Chief Executive

Mr. Martin was appointed as Group Chief Financial Officer and Executive Director in 2010 and assumed management responsibility for the Group's Canadian business between 2013 and 2016. Mr. Martin was appointed as Group Chief Executive in 2016 and is the chairman of the Group's Executive Committee. Previously he was a partner at Alchemy Partners, and prior to that was Chief Financial Officer of Travellex Group and Hays Plc.

Mike Powell

Group Chief Financial Officer

Mr. Powell, a chartered management accountant, joined the Company in June 2017 as Group Chief Financial Officer and as an Executive Director. He is also a member of the Group's Executive Committee. From July 2014 until joining the Group, Mr. Powell was Group Finance Director of BBA Aviation plc. Before joining BBA Aviation plc he served as Chief Financial Officer of AZ Electronic Materials plc and Nippon Sheet Glass. Prior to that he spent 15 years at Pilkington plc in a variety of operational and finance roles. He also serves as a non executive director of Low & Bonar plc.

Kevin Murphy

Chief Executive Officer, USA

From 2007 until his appointment in 2017 as Chief Executive Officer, USA and Executive Director, Mr. Murphy was Chief Operating Officer of Ferguson Enterprises, LLC and a member of its senior leadership team. He joined Ferguson Enterprises, LLC as an Operations Manager in 1999 and subsequently held several leadership positions including three years as Vice President of the US Waterworks division. Mr. Murphy is a member of the Group's Executive Committee.

Tessa Bamford

Independent Non Executive Director

Ms. Bamford was appointed as a Non Executive Director of the Group in 2011 and is a member of the Audit, Remuneration and Nominations Committees. Ms. Bamford was formerly a founder and Director of Cantos Communications (2001 to 2011) and until 30 June 2018, she was a non executive director of Barratt Developments plc. Previously, Ms. Bamford was a Director of J Henry Schroder & Co, where she worked for 12 years in a number of roles and, prior to that, worked in corporate finance for Barclays de Zoete Wedd. She also serves as a consultant at Spencer Stuart.

Cathy Halligan

Independent Non Executive Director

Ms. Halligan was appointed as a Non Executive Director of the Group in January 2019 and is a member of the Audit, Remuneration and Nominations Committees. She also serves as a non executive director at FLIR Systems Inc. and Ulta Beauty Inc. and is an advisor to Narvar and Chanel, Inc. Ms. Halligan was an independent director at Wilton Brands from 2016 to 2018. She was senior vice president of Sales and Marketing of PowerReviews (2010 to 2012). From

2005 to 2010 she worked at Walmart.com and was Chief Marketing Officer from 2007 to 2009. Prior to that Ms. Halligan held executive marketing roles at Blue Nile Inc. and Williams-Sonoma, Inc. before becoming an Associate Partner at Prophet.

Alan Murray

Senior Independent Non Executive Director

Mr. Murray was appointed as a Non Executive Director of the Group in 2013. He is a member of the Audit, Remuneration and Nominations Committees. He was, from 2010 until August 2017, a member of the Supervisory Board of HeidelbergCement AG and was previously a non executive director of International Power plc (2007 to 2011). Prior to that, he spent 19 years at Hanson plc and was Group Chief Executive between 2002 and 2007. From 2007 until 2008, he was a member of the Management Board of HeidelbergCement AG. Mr. Murray is a qualified chartered management accountant. He also serves as a non executive director of Owens-Illinois, Inc.

Tom Schmitt

Independent Non Executive Director

Mr. Schmitt was appointed as a Non Executive Director of the Group in February 2019. He is a member of the Audit, Remuneration and Nominations Committees. He is currently Chief Executive Officer and director of Forward Air Corporation. Mr. Schmitt was, from 2015 to 2018, Chief Commercial Officer and a Management Board member of Schenker AG. Prior to that, he was President and Chief Executive Officer of AquaTerra Corporation (2013 to 2015) and a Non Executive Director at Zooplus AG (2013 to 2016). From 2010 to 2012 he served as President and Chief Executive Officer of Purolator Inc. From 1998 to 2010, Mr. Schmitt worked for FedEx, latterly as President and Chief Executive Officer of the company's supply chain business.

Darren Shapland

Independent Non Executive Director

Mr. Shapland was appointed as a Non Executive Director of the Group in 2014 and is the chairman of the Audit Committee and serves as a member of the Remuneration and Nominations Committees. Until September 2016, he was chairman of Poundland Group plc. He was a non executive director of Ladbrokes plc until 2015. Between 2012 and 2013, he was Chief Executive Officer of Carpetright plc. From 2005 to 2010, Mr. Shapland was Chief Financial Officer of J Sainsbury plc and from 2010 to 2011, Group Development Director of J Sainsbury plc. He was also chairman of Sainsbury's Bank. Prior to that, Mr. Shapland held a variety of senior finance and operational positions at Carpetright plc, Superdrug Stores plc, the Burton Group and Arcadia. He also serves as the chairman of Topps Tiles Plc.

Nadia Shouraboura

Independent Non Executive Director

Dr. Shouraboura was appointed as a Non Executive Director of the Group in 2017 and is a member of the Audit, Remuneration and Nominations Committees. She is a member of the Supervisory Board of X5 Retail Group N.V. Dr. Shouraboura was a non executive director of Cimpres NV from February 2015 until November 2018 and Chief Executive Officer of Hointer Inc. from August 2012 until October 2018. From 2004 to 2012, she was a Technology Vice President for Amazon.com, Inc. Prior to that, Dr. Shouraboura was Head of System Development for Trading at Exelon Power Team, Senior Principal at Diamond Management and Technology and Co-founder and Vice President, IT at Starlight Multimedia Inc.

Jacky Simmonds

Independent Non Executive Director

Ms. Simmonds was appointed as a Non Executive Director of the Group in 2014. She is the chairwoman of the Remuneration Committee and serves as a member of the Audit and Nominations Committees. She was Group People Director of easyJet plc from 2015 to 2017. Before joining easyJet plc, she was Group HR Director of TUI Travel plc from 2010 until 2015,

HR Director for TUI UK from 2007 to 2010 and a divisional Director of First Choice Holidays PLC until 2007. She was also a member of the Supervisory Board of TUI Deutschland, GmbH and a director of PEAK Adventure Travel Group Limited. She also serves as the Group Chief People Officer of VEON Ltd.

8.1.2 *Other Directorships/Partnerships of the Board*

In respect of each Director, details are set out below regarding the company (not including any member of the Group) for which such Director has been a member of the administrative, management or supervisory bodies or partner at any time in the five years prior to the date of this Prospectus:

Name	Current Directorship⁽¹⁾/ Partnership	Previous Directorship⁽¹⁾/ Partnership
Gareth Davis	DS Smith plc	William Hill PLC
John Martin	None	None
Mike Powell	Low & Bonar plc	AZ Electronic Materials S.A. AZ Electronic Material (UK) Limited Balderton Aviation Holdings Limited Balderton Aviation Limited BBA Aviation Finance BBA Aviation plc BBA Aviation Pensions (GP) Limited BBA Aviation Pensions (Initial LP) Limited BBA Aviation Services Limited BBA Finance BBA Finance No. 1 BBA Finance No. 3 BBA Finance No. 4 Limited BBA Finance No. 5 BBA Financial Services BBA Financial Services (UK) Limited BBA Group Limited BBA Holdings Limited BBA International Investments, S.A.R.L. BBA Properties Limited BBA Overseas Holdings Limited BBA ROW Investments, S.A.R.L. BBA US Investments, S.A.R.L. Dallas Airmotive (UK) Limited Guthrie Overseas Investments Limited Guthrie Trustees Limited Merck Performance Material Services UK Limited The Guthrie Corporation Limited
Kevin Murphy	None	None
Tessa Bamford	None	Barratt Developments plc
Cathy Halligan	FLIR Systems, Inc. Ulta Beauty, Inc.	Wilton Brands LLC
Alan Murray	Hanson Pension Trustees Limited Owens-Illinois, Inc.	HeidelbergCement AG

Name	Current Directorship⁽¹⁾/ Partnership	Previous Directorship⁽¹⁾/ Partnership
Tom Schmitt	Forward Air Corporation, Inc. Cyberport GmbH	AquaTerra Corporation DB Schenker AG Dicom Transportation Group, L.P. Zooplus AG
Darren Shapland	Aerofoil Energy Limited Moo Print Limited Notonthehighstreet Enterprises Limited Topps Tiles Plc	Fat Face Group Limited Ladbrokes plc Maplin Electronics Group (Holdings) Limited Maplin Electronics (Holdings) Limited Maplin Electronics Limited MEL Bidco Limited MEL Midco Limited MEL Topco Limited Poundland Group Limited
Nadia Shouraboura	Anko Retail Incorporated Tosca Services, LLC X5 Retail Group, N.V.	Cimpress N.V. Hointer, Inc.
Jacky Simmonds	Kyivstar Optimum Telecom Algerie S.p.a. Pakistan Mobile Communications Ltd VEON Amsterdam BV VEON Limited	EasyJet plc PEAK Adventure Travel Group Limited TUI Deutschland, GmbH

(1) These appointments may also include membership in administrative, management or supervisory bodies.

8.1.3 *Conflicts of Interest and Other Matters Relating to the Board*

There are no conflicts of interest between any duties owed by the Directors to New Ferguson and their private interests or other duties. New Ferguson has procedures in place to identify and manage conflicts that may arise.

During the five years immediately prior to the date of this Prospectus none of the Directors have:

- been convicted in relation to a fraudulent offence;
- been associated with any bankruptcies, receiverships or liquidations whilst acting in his or her capacity as member of an administrative, management or supervisory body of a company, a partner with unlimited liability, or a founder or a member of senior management of a company, other than Mr. Shapland who was a non executive director of the Maplin Group of Companies until his resignation from those companies on 28 February 2018 when they entered administration. The Maplin Group of Companies were subsequently placed into creditors voluntary liquidation with effect from 1 May 2018;
- received an official public incrimination and/or sanction by a statutory or regulatory authority (including designated professional bodies) or been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer; or
- been appointed as (i) a member of the administrative, management or supervisory bodies of New Ferguson, or (ii) a member of senior management of New Ferguson,

pursuant to an arrangement or understanding with Major Shareholders, customers, suppliers or others.

There are no family relationships between any of the Directors, or between any of the Directors and the Senior Executives.

8.2 *Senior Executives*

Executive management of the Group is led by the executive leadership team comprised of John Martin, Mike Powell and Kevin Murphy and is supported by the Executive Committee (of which the foregoing individuals are members). The purpose of the Executive Committee is to assist the Group Chief Executive in the performance of his duties in the following areas: the general corporate purpose of the Group, Group strategy and corporate policies, risks and controls.

8.2.1 *Executive Committee Composition*

The Executive Committee is comprised of the following individuals:

<u>Name</u>	<u>Current Position at Ferguson</u>
John Martin	Group Chief Executive and Executive Director
Mike Powell	Group Chief Financial Officer and Executive Director
Kevin Murphy	Chief Executive Officer, USA and Executive Director
Mike Brooks	Chief Marketing Officer, USA
Alex Hutcherson	Chief Operating Officer, USA
Sammie Long	Chief Human Resources Officer
Simon Oakland	Chief Executive Officer, Canada and Head of Corporate Development
Mike Sajor	Group Chief Information Officer

8.2.2 *Senior Executives' Biographies*

John Martin

Group Chief Executive and Executive Director

See paragraph 8.1.1 (“*Directors’ Biographies*”) above, for Mr. Martin’s biography.

Mike Powell

Group Chief Financial Officer and Executive Director

See paragraph 8.1.1 (“*Directors’ Biographies*”) above, for Mr. Powell’s biography.

Kevin Murphy

Chief Executive Officer, USA and Executive Director

See paragraph 8.1.1 (“*Directors’ Biographies*”) above, for Mr. Murphy’s biography.

Mike Brooks

Chief Marketing Officer, USA

Mr. Brooks was appointed as Chief Marketing Officer for the US business in March 2016. He joined the Group as the Director of Information Technology for Stock Building Supply in 1997 and held a number of internal roles until 2007 when he became Vice President of eBusiness, including the B2C offering Build.com. Previously he was President and Chief Executive Officer of Norcon Technologies, Inc. and held roles with MCI System House. Mr. Brooks is also a director of Lackey Clinic and serves on the College of William & Mary’s Business Analytics Advisory Board as well as the policy advisory board for the Harvard joint centre for housing studies.

Alex Hutcherson*Chief Operating Officer, USA*

Mr. Hutcherson was appointed Chief Operating Officer, USA in August 2017. He joined the Group in 1988 as a trainee and has, over the past 30 years, served as Branch, General and Area Managers in many of the US regions. In 2007, he was promoted to Vice President of Sales. Most recently, he was Vice and Senior Vice President of HVAC business in the US, positions he was appointed to in 2012 and 2016 respectively.

Sammie Long*Chief Human Resources Officer*

Ms. Long was appointed Chief Human Resources Officer in 2017. Before joining the Group, Ms. Long was Chief Human Resources Officer for the Kellogg Company. Prior to her 14-year career in human resources at Kellogg, Ms. Long held human resources positions at Sharp Electronics UK Ltd and Fujitsu Services Europe.

Simon Oakland*Chief Executive Officer, Canada and Head of Corporate Development*

Mr. Oakland was appointed Chief Executive Officer of the Group's Canada and Central Europe segment in July 2016. Mr. Oakland joined the Group in 2013 with responsibility for M&A and was regional director for the Group's French businesses. Prior to this, he spent five years with Alchemy Partners and ten years with Nikko Securities. He also held a number of non executive directorships in the UK and Europe including Banque Nagelmackers, Biofusion plc, Cabot Financial, RoadChef, Meier Tobler AG and Parkdean Resorts UK Limited.

Mike Sajor*Group Chief Information Officer*

Mr. Sajor joined the Group as Group Chief Information Officer in January 2018. He was most recently Senior Vice President and Global Chief Information Officer for Apollo Education Group. Mr. Sajor has previously led large IT programmes for Ann Inc. (parent company of Ann Taylor/Loft), Merck & Company, Bell Laboratories, AT&T Bell Laboratories and Lucent Technologies.

8.2.3 Other Directorships/Partnerships of the Executive Committee

In respect of each Senior Executive, details are set out below of the companies and partnerships (not including any member of the Group) of which such Senior Executive has been a member of the administrative, management or supervisory bodies or partner at any time in the five years before the date of this Prospectus.

Name	Current Directorship⁽¹⁾/ Partnership	Previous Directorship⁽¹⁾/ Partnership
John Martin	See table in 8.1.2 above	See table in 8.1.2 above
Mike Powell	See table in 8.1.2 above	See table in 8.1.2 above
Kevin Murphy	See table in 8.1.2 above	See table in 8.1.2 above
Mike Brooks	None	JJ Haines and Company, LLC
Alex Hutcherson	Seed Equity, LLC	None
Sammie Long	None	Kellogg Company
Simon Oakland	Group Silverline Limited Zainzuck Limited	Anbang Belgium Holdings Limited Banque Nagelmackers N.V. Meier Tobler AG
Mike Sajor	None	Vocado, LLC

(1) These appointments may also include membership in administrative, management or supervisory bodies.

8.2.4 *Conflicts of Interest and Other Matters Related to Senior Executives*

There are no conflicts of interest between any duties owed by Senior Executives to New Ferguson and their private interests or other duties. New Ferguson has procedures in place to identify and manage conflicts that may arise.

During the five years immediately prior to the date of this Prospectus, none of the Senior Executives have:

- been convicted in relation to a fraudulent offence;
- been associated with any bankruptcies, receiverships or liquidations whilst acting in his or her capacity as member of an administrative, management or supervisory body of a company, a partner with unlimited liability, a founder or a member of senior management of a company;
- received an official public incrimination and/or sanction by a statutory or regulatory authority (including designated professional bodies) or been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer; or
- been appointed as (i) a member of the administrative, management or supervisory bodies of New Ferguson, or (ii) a member of senior management of New Ferguson, pursuant to an arrangement or understanding with Major Shareholders, customers, suppliers or others.

There are no family relationships between any of the Senior Executives, or between any of the Senior Executives and the Directors.

8.3 *Share Dealing Code*

New Ferguson has adopted a share dealing code which is based on the Market Abuse Regulation.

8.4 *Corporate Governance Code*

New Ferguson recognises the importance of, and is committed to, high standards of corporate governance. Old Ferguson's compliance with the UK Corporate Governance Code issued by the Financial Reporting Council, as amended from time to time (the "**Governance Code**") is described in Old Ferguson's Annual Report and Accounts for the financial years ended 31 July 2018, 2017 and 2016, which are incorporated by reference into this Prospectus as set out in Part VIII ("*Documents Incorporated by Reference*").

An updated Governance Code released on 16 July 2018 will apply to New Ferguson with effect from the financial year beginning 1 August 2019. The Financial Reporting Council describes the updated Governance Code as placing emphasis on businesses building trust by forging strong relationships with key stakeholders and calling for companies to establish a corporate culture that is aligned with the company purpose and business strategy, and which promotes integrity and values diversity. The main changes cover areas including workforce and stakeholders, culture, succession, diversity and remuneration.

Old Ferguson is a member of the FTSE 100 Index. The Board is committed to high standards of corporate governance and supports the Governance Code which sets standards of good practice for UK listed companies. Although New Ferguson (being Jersey incorporated) is not subject to the Companies Act, the Board retains its standards of governance and corporate responsibility as if it were subject to the Companies Act. New Ferguson, upon listing, is expected to be included in the FTSE 100 Index.

8.5 *The Board*

The Board comprises the Non Executive Chairman, the Group Chief Executive, the Group Chief Financial Officer, the Chief Executive Officer, USA, and seven independent Non Executive Directors. Summary biographical details for each of the Directors are described at paragraph 8.1.1 (“*Directors’ Biographies*”) above.

The Board considers that its Chairman, Gareth Davis, and the following Directors are independent as they do not have any interest or business or other relationship which could, or could be perceived to, interfere materially with their ability to act in the best interests of New Ferguson: Tessa Bamford, Cathy Halligan, Alan Murray, Tom Schmitt, Darren Shapland, Nadia Shouraboura, and Jacky Simmonds. The Board has considered the criteria proposed by the Governance Code in assessing the independence of the Directors, which it does as part of its annual Board effectiveness review.

Non Executive Directors are appointed for a term of three years (for which purpose their appointments with Old Ferguson are taken into account), and any subsequent terms are considered by the Nominations Committee and the Board. All Directors are subject to a vote for re-election at the AGM and all current Directors, excluding Cathy Halligan and Tom Schmitt (whose appointments did not commence until 1 January 2019 and 11 February 2019, respectively), were elected or re-elected at the 2018 AGM.

The Board is responsible to the Shareholders for the overall governance and performance of the Group. The Board’s role is to provide effective and entrepreneurial leadership necessary to enable the Group’s business objectives to be met and to review the overall strategic development of the Group as a whole. The Board is:

- collectively responsible for the long-term success of the Group;
- accountable to Shareholders and responsible for the proper conduct of the business;
- responsible for setting the overall strategic direction of the Group;
- responsible for overseeing the effective management of the Group and ensuring the appropriate leadership and resources are in place to meet objectives;
- responsible for reviewing the performance of the Board and its Committees and ensuring effective succession planning;
- responsible for ensuring effective financial reporting;
- responsible for approving key strategic projects in the best interests of the Group; and
- responsible for maintaining a sound system of risk management and internal controls.

Other than those strategic decisions and authorities of the Group reserved as matters for the Board, other matters, responsibilities and authorities are delegated to Board Committees (as discussed in paragraph 8.9 below) and to the Executive Committee.

8.6 *The Chairman, Group Chief Executive and Senior Independent Non Executive Director*

The effective working of the Board is crucial to the long-term prospects and strategic aims of the Group and is achieved through strong and open working relationships between the Directors, and, in particular, the Chairman, Group Chief Executive and Senior Independent Non Executive Director, whose roles are agreed and set out in writing.

The Chairman is responsible for overall leadership and governance of the Board, including but not limited to, induction, development and performance evaluation. The Chairman provides the Board with insight into the views of the Group’s Major Shareholders and promotes a culture of challenge and debate at Board and Committee meetings.

The Group Chief Executive is responsible for the effective leadership of the Group and the implementation of the strategies and pursuit of the objectives agreed by the Board. In addition to managing and developing the Group's operations and business models, the Group Chief Executive works closely with the Group Chief Financial Officer to ensure prudent financial controls and is responsible for developing and implementing policies integral to improving the business (including in relation to health, safety and sustainability).

The Senior Independent Non Executive Director provides a sounding board for the Chairman and an intermediary for other Directors as needed, and chairs the Board in the absence of the Chairman. Further, this individual is made available to investors and Shareholders where communications through the Chairman or Executive Directors may not seem appropriate.

8.7 *Efficacy of the Board*

The Board undertakes a formal review of its performance and that of its Committees each year, with an external evaluation every three years. The Board and Committee effectiveness reviews generally focus on, among other things, the boardroom atmosphere and Director contribution, Board understanding of market dynamics and stakeholder views, Chairman and individual Director effectiveness reviews and scrutiny of actions taken following the prior year's review. For discussion of the results of the external Board and Committee effectiveness review for the financial year ended 31 July 2018 see the 2018 Annual Report and Accounts, incorporated by reference into this Prospectus as set out in Part VIII ("*Documents Incorporated by Reference*").

8.8 *Operation of the Board*

The terms of appointment for the Directors state that they are expected to attend in person all meetings of the Board and Committees of which they are a member.

8.9 *Board Committees*

The Board has delegated specific responsibilities to three standing Committees of the Board. The following paragraphs discuss the composition and primary responsibilities of these standing Committees; however, for further discussion see the 2018 Annual Report and Accounts, incorporated by reference into this Prospectus as set out in Part VIII ("*Documents Incorporated by Reference*").

8.9.1 *Audit Committee*

The Audit Committee is chaired by Darren Shapland. The other members are Tessa Bamford, Cathy Halligan, Alan Murray, Tom Schmitt, Nadia Shouraboura, and Jacky Simmonds. The composition of the Audit Committee is in accordance with the requirement of the Governance Code that the Audit Committee should consist of at least three independent non executive directors, of whom, at least one has recent and relevant financial experience. Both Darren Shapland and Alan Murray have served as the Chief Financial Officer of large international businesses during their careers and are therefore believed to satisfy the Governance Code requirements for financial experience and, together with the other members, contribute to sectoral competence.

The Audit Committee is responsible for:

- making recommendations to the Board on such matters as the appointment of the external auditors, the terms of such engagement and the standards for reviewing the performance, objectivity and independence of the external auditors;
- reviewing the Annual Report and Accounts and other related financial disclosure (with ultimate responsibility for these matters remaining with the Board);
- assessing the effectiveness of the internal audit function, and policies relating to risk management, fraud and whistleblowing;

- monitoring the overall integrity of the financial reporting by the Group and its subsidiaries; and
- ensuring compliance with legal and regulatory requirements and the effectiveness of internal controls.

The Audit Committee recommends and monitors Group policies and procedures to ensure that the independence and objectivity of the external auditor are not impaired, which include, among other things, setting restrictions on the types of services which the external auditor can provide, in line with the Audit Practices Board Ethical Standards on Auditing. The Audit Committee complied with the provisions of the Statutory Audit Services Order 2014 for the financial year ended 31 July 2018.

8.9.2 *Remuneration Committee*

The Remuneration Committee is chaired by Jacky Simmonds. The other members are Tessa Bamford, Cathy Halligan, Alan Murray, Tom Schmitt, Darren Shapland, and Nadia Shouraboura. The composition of the Remuneration Committee is in accordance with the requirements of the Governance Code that the Remuneration Committee should consist of at least three independent non executive directors.

The Remuneration Committee is responsible for:

- reviewing and recommending to the Board the framework and policy for the remuneration of the Chairman, the Executive Directors and the Executive Committee; and
- considering the business strategy of the Group and how the remuneration policy reflects and supports that strategy.

During the financial year ended 31 July 2018 the Remuneration Committee received advice and/or services from various parties as set forth in the 2018 Annual Report and Accounts, incorporated by reference into this Prospectus as set out in Part VIII (“*Documents Incorporated by Reference*”).

8.9.3 *Nominations Committee*

The Nominations Committee is chaired by Gareth Davis. The other members are Tessa Bamford, Cathy Halligan, Alan Murray, Tom Schmitt, Darren Shapland, Nadia Shouraboura, and Jacky Simmonds. The composition of the Nominations Committee is in accordance with the requirement of the Governance Code that a majority of its members should be independent non executive directors.

The Nomination Committee is responsible for considering:

- the size, composition and balance of the Board;
- the retirement and appointment of Directors;
- succession planning for the Board and Senior Executives; and
- making recommendations to the Board on the foregoing matters.

The standard process used by the Nominations Committee for Board appointments involves the use of an external search consultancy to engage in targeted recruitment based on the skills and experience required. The Nominations Committee does not use open advertising to search for suitable candidates.

9. Directors' and Senior Executives' Interests in the Ferguson Group

On the Scheme becoming effective, assuming that no further Old Ferguson Shares have been purchased by them or issued after 24 April 2019 (being the Latest Practicable Date prior to the publication of this Prospectus), the Directors and the Senior Executives will have the following beneficial interests in New Ferguson Shares by virtue of the effect of the Scheme on their Old Ferguson Shares.

Name	Shares Beneficially Held at Immediately Prior to Admission		Shares Beneficially Held Immediately Following Admission	
	Number of Old Ferguson Shares	Percentage of Issued Share Capital of Old Ferguson ⁽¹⁾	Number of New Ferguson Shares	Percentage of Issued Share Capital of New Ferguson
Directors				
Gareth Davis	14,538	0.006	14,538	0.006
John Martin	133,537	0.058	133,537	0.058
Mike Powell	10,028	0.004	10,028	0.004
Kevin Murphy	30,006	0.013	30,006	0.013
Tessa Bamford	1,940	0.001	1,940	0.001
Cathy Halligan	–	0.000	–	0.000
Alan Murray	2,368	0.001	2,368	0.001
Tom Schmitt	–	0.000	–	0.000
Darren Shapland	1,989	0.001	1,989	0.001
Nadia Shouraboura	–	0.000	–	0.000
Jacky Simmonds	1,894	0.001	1,894	0.001
Senior Executives				
Mike Brooks	4,984	0.002	4,984	0.002
Alex Hutcherson	5,103	0.002	5,103	0.002
Sammie Long	–	0.000	–	0.000
Simon Oakland	5,536	0.002	5,536	0.002
Mike Sajor	–	0.000	–	0.000

Notes:

(1) The percentages of share capital are exclusive of treasury shares.

The Directors and the Senior Executives have the same voting rights as all other Shareholders.

Details of the Directors' and the Senior Executives' non-beneficial interests in the Old Ferguson Shares and, on the Scheme Effective Date, the New Ferguson Shares, subject to options and awards under the Old Ferguson Employee Share Schemes are set out below in paragraph 14 ("*Executive Directors and Senior Executives – Incentive Awards*") of this Part VII ("*Additional Information*").

No Director has or has had any interest in any transactions which are or were unusual in their nature or conditions or are or were significant to the business of the Group or any of its subsidiary undertakings and which were affected by the Group or any of its subsidiaries during the current or immediately preceding financial year or during an earlier financial year and which remain in any respect outstanding or unperformed.

There are no outstanding loans or guarantees granted or provided by any member of the Group to or for the benefit of any of the Directors.

Save as set out in this Part VII ("*Additional Information*"), it is not expected that any Director will have any interest in the share or loan capital of New Ferguson following Admission and there is no person to whom any capital of any member of the Group is under option or agreed unconditionally to be put under option.

10. Interests of Major Shareholders

Information provided to Old Ferguson pursuant to the Disclosure Guidance and Transparency Rules regarding its substantial Shareholders is published on a Regulatory Information Service.

As at the Latest Practicable Date, insofar as Old Ferguson has been notified in accordance with the Disclosure Guidance and Transparency Rules, the following persons are interested, directly or indirectly, in 3% or more (or 5% in the case of investment managers) of Old Ferguson's issued share capital and thus have a corresponding interest in New Ferguson's issued share capital immediately following Admission.

Name	Shares Beneficially Held Immediately Prior to Admission		Shares Beneficially Held Immediately Following Admission	
	Number of Old Ferguson Shares ⁽²⁾	Percentage of Old Ferguson Share Capital ⁽³⁾	Number of New Ferguson Shares ⁽²⁾	Percentage of New Ferguson Share Capital ⁽³⁾
BlackRock, Inc.	24,276,845	10.46	24,276,845	10.46
FIL Limited	12,339,472	5.32	12,339,472	5.32
Norges Bank	8,660,609	3.73	8,660,609	3.73

Notes:

- (1) This assumes there is no additional issue of Old Ferguson Shares by Old Ferguson between the Latest Practicable Date and Admission and no acquisition or disposal of Old Ferguson Shares by the Major Shareholders during that period.
- (2) This is the number of Old Ferguson Shares that have been notified to Old Ferguson by the respective Major Shareholder (adjusted, as appropriate, to take into account subsequent consolidations of Old Ferguson's share capital). Since the disclosure date, Major Shareholders' interests in Old Ferguson may have changed.
- (3) The percentages of share capital are exclusive of treasury shares and calculated as at 24 April 2019 (being the Latest Practicable Date). Since the disclosure date, Major Shareholders' interests in Old Ferguson may have changed.

None of the Major Shareholders referred to above have different voting rights from other Shareholders.

As at 24 April 2019 (being the Latest Practicable Date prior to the publication of this Prospectus), New Ferguson is controlled jointly by two natural persons, John Martin and Mike Powell, and as a result of the Scheme, there will be a change of control of New Ferguson.

11. Directors' Service Agreements and Letters of Appointment

It is intended that New Ferguson will comply with the terms of the Old Ferguson directors' remuneration policy, as approved by Old Ferguson Shareholders at the 2018 AGM, with any necessary modifications to reflect the Scheme. Shareholders' approval of New Ferguson's Directors' remuneration policy is expected to be sought at the 2019 AGM.

Prior to the publication of this Prospectus, each of the Executive Directors and Non Executive Directors (including the Chairman) as at the date of this Prospectus entered into a new letter of appointment with New Ferguson relating to his or her appointment to the Board. Details of the letters are summarised below. In addition, each of the Executive Directors has a service agreement with Wolseley Limited, details of which are summarised below. Their appointment letters with New Ferguson are co-terminus with their service agreements and do not provide for any additional remuneration in respect of the appointment to the New Ferguson Board.

11.1 Service Agreements of the Executive Directors

The Executive Directors have entered into service agreements with Wolseley Limited. Details of these service agreements are set out below:

Name	Date of Service Agreement with Wolseley Limited	Date of Appointment to the Old Ferguson Board	Commencement Date of Employment ⁽¹⁾	Notice Period
John Martin (Group Chief Executive)	31 August 2016	1 April 2010	1 September 2016	12 months employer/6 months employee
Mike Powell (Group Chief Financial Officer)	28 February 2017	1 June 2017	1 June 2017	As above
Kevin Murphy (Chief Executive Officer, USA)	17 July 2017	1 August 2017	1 August 2017	As above

Notes:

- (1) Commencement date of employment for the position specified in the table.

Details of (i) aggregate remuneration received and (ii) the incentive share options and awards held by the foregoing Executive Directors for the financial year ended 31 July 2018 are set out in paragraphs 12.1 (“*Directors’ Remuneration*”) and 14 (“*Executive Directors and Senior Executives*”) below.

11.1.1 *John Martin’s Service Agreement*

John Martin is employed by Wolseley Limited as Group Chief Executive pursuant to a service agreement dated 31 August 2016. John Martin’s annual base salary is currently £899,160, and he is eligible to participate in New Ferguson’s annual discretionary performance-related bonus plans. John Martin may also be granted shares and/or options under the Old Ferguson Employee Share Schemes or, following the Scheme Effective Date, the New Ferguson Employee Share Schemes.

The service agreement is not for a fixed term although it is subject to earlier termination for cause. The agreement may be terminated by Wolseley Limited giving 12 months’ written notice or John Martin giving six months’ written notice. Wolseley Limited reserves the right to pay John Martin in lieu of notice. If Wolseley Limited terminates the agreement by exercising its right to pay in lieu of notice, it is required to make a payment equal to the aggregate of John Martin’s basic salary, the value of company pension contributions which he would have been entitled to and the cost to Wolseley Limited of providing all other benefits for the unexpired notice period. Wolseley Limited may make the payment in lieu of notice in equal monthly instalments during the payment in lieu of notice period, subject to mitigation. The first instalment shall be made to John Martin within one month of the date upon which his employment terminates.

John Martin does not participate in any New Ferguson pension arrangements but is instead paid a salary supplement of 30% of base salary in lieu of membership of the Group pension scheme. Otherwise, the agreement makes no provision for benefits upon termination of employment.

John Martin is entitled to be reimbursed for all reasonable expenses (incurred with the prior approval of the Board) and the provision of healthcare insurance and car benefits.

11.1.2 *Mike Powell’s Service Agreement*

Mike Powell’s service agreement has the same terms as those of John Martin’s outlined in paragraph 11.1.1 save that Mike Powell is employed by Wolseley Limited as Group Chief Financial Officer, pursuant to a service agreement dated 28 February 2017. His annual base salary is currently £550,000. He receives a salary supplement of 25% of base salary in lieu of membership of the Group pension scheme.

11.1.3 *Kevin Murphy’s Service Agreement*

Kevin Murphy’s service agreement has the same terms as those of John Martin’s outlined in paragraph 11.1.1 save that Kevin Murphy is employed by Wolseley Limited as Chief Executive Officer of Ferguson Enterprises, LLC pursuant to a service agreement dated 17 July 2017. His annual base salary is currently \$975,000. He participates in a defined contribution pension arrangement and receives a company contribution of 16% of base salary, which includes a 401k plan and Executive Retirement Plan arrangements.

11.2 *Letters of Appointment of the Chairman and Non Executive Directors*

The Chairman and the Non Executive Directors have each entered into letters of appointment with New Ferguson (which are conditional upon the Scheme becoming effective) on substantially the same terms as those with Old Ferguson. Details of these letters of appointment are set out below:

Name	Date of Old Ferguson Letter of Appointment	Date of Appointment to the Old Ferguson Board	New Ferguson End of Current Term Date
Gareth Davis.....	29 May 2003	1 July 2003 and 20 January 2011 (as Chairman)	20 January 2020
Tessa Bamford	22 March 2011	22 March 2011	22 March 2020
Cathy Halligan	12 December 2018	1 January 2019	1 January 2022
Alan Murray	11 December 2012	1 January 2013	1 January 2022
Tom Schmitt.....	11 February 2019	11 February 2019	11 February 2022
Darren Shapland.....	3 April 2014	1 May 2014	1 May 2020
Nadia Shouraboura.....	7 June 2017	1 July 2017	1 July 2020
Jacky Simmonds.....	21 May 2014	21 May 2014	21 May 2020

The Group's policy on Non Executive Directors' remuneration is set by the Board with account taken of the time and responsibility involved in each role, including where applicable the chairing of Board Committees. A summary of such fees is as follows:

	2018/19 (£000)⁽¹⁾	2017/18 (£000)
Chair's Fee	393.0	383.0
Non Executive Director Base Fee.....	68.5	66.7
Additional Fees:		
Senior Independent Director	14.0	13.1
Chair of Audit Committee.....	20.0	19.3
Chair of Remuneration Committee.....	20.0	16.3
Employee Engagement Director ⁽²⁾	10.0	–

Notes:

- (1) The Non Executive Directors (including the chair) will also have the benefit of a travel allowance of £2,500 (each way), where there would be a need for intercontinental flight in excess of five hours (one way) based on the home location of the Non Executive Director or chair and the location of the Board (or Committee) meeting, up to a maximum of £30,000 per annum.
- (2) Alan Murray will be appointed as Employee Engagement Director from July 2019, in connection with which he will receive an additional annual fee of £10,000 commencing from July 2019, pro-rated for the current financial year.

A summary of the fees paid to the Chairman and the Non Executive Directors for the financial year ended 31 July 2018 are set out in paragraph 12.1 ("*Directors' Remuneration*") below.

The appointment of the Chairman and each Non Executive Director is for an initial term of three years (and is renewable for a further two three-year terms, for which purpose their appointments with Old Ferguson are taken into account), unless terminated earlier by either party with notice, or by New Ferguson for cause. The appointment of the Chairman and each Non Executive Director is also subject to re-election by New Ferguson in a general meeting, the New Ferguson Articles, and continued satisfactory performance. If the Chairman or a Non Executive Director is not re-elected by the Shareholders, their appointment terminates automatically not later than the end of the general meeting provided that the number of Directors at the end of this meeting exceeds the minimum number of directors required by the New Ferguson Articles. If this is not the case then all the retiring Directors who stood for re-appointment at the general meeting shall be deemed to have been re-appointed as Directors and shall remain in office, but they may only act for the purpose of filling vacancies and convening further general meetings of New Ferguson and performing such duties as are appropriate to maintain New Ferguson as a going concern and to comply with New Ferguson's legal and regulatory obligations.

The Chairman and Non Executive Directors are not entitled to receive any compensation on termination of their appointment and no fees will be payable in respect of any unserved portion of the

term of their appointment. Further, Non Executive Directors are not entitled to participate in the Group's share, bonus or pension schemes.

The Chairman and each Non Executive Director is entitled to reimbursement from New Ferguson of reasonable expenses incurred in the performance of their duties. The Chairman and each Non Executive Director is subject to a confidentiality undertaking without limitation in time. The Chairman and Non Executive Directors may, in certain circumstances, obtain independent professional advice in the furtherance of their duties as Directors at New Ferguson's expense.

11.3 *Other Service Agreements or Letters of Appointment*

John Martin, Mike Powell and Kevin Murphy have each entered into a letter of appointment with New Ferguson, governing the terms of their engagement as a director of New Ferguson.

Save as set out in this paragraph 11.3, and paragraphs 11.1 and 11.2 above, there are no existing or proposed service agreements or letters of appointment between the Directors and any member of the Group.

12. Directors' and Senior Executives' Remuneration

12.1 *Directors' Remuneration for the Financial Year Ended 31 July 2018*

Director	Fees/Salary ⁽¹⁾ (000)	Benefits ⁽²⁾ (000)	Annual Incentives ⁽³⁾ (000)	LTIP ⁽⁴⁾ (000)
Executive Directors				
John Martin	£877.2	£315.1	£1,003.5	£1,756.4
Mike Powell	£510.0	£147.4	£521.2	–
Kevin Murphy	\$900.0	\$218.7	\$1,060.2	–
Chairman and Non Executive Directors				
Gareth Davis.....	£383.0	–	–	–
Tessa Bamford	£66.7	–	–	–
Cathy Halligan ⁽⁵⁾	–	–	–	–
Alan Murray.....	£79.8	–	–	–
Tom Schmitt ⁽⁵⁾	–	–	–	–
Darren Shapland.....	£86.0	–	–	–
Nadia Shouraboura.....	£66.7	–	–	–
Jacky Simmonds.....	£83.0	–	–	–

Notes:

- (1) For the financial year ended 31 July 2019, John Martin, Mike Powell and Kevin Murphy will be paid the following base salaries, respectively, £899,160, £550,000 and \$975,000.
- (2) Benefits include (i) pre-tax figures for private health insurance, car benefit (car allowance, car, driver), tax and financial advice and tax gross up arrangements, (ii) shares in all-employee share plans granted during the year (John Martin, Mike Powell and Kevin Murphy entered into a five year sharesave contract, three year sharesave contract and a one year ESPP savings contract, respectively), the value of which represents the gain, calculated by determining the difference between the option price and the share price at the date the option price was set on the maximum number of shares granted, and (iii) pension benefits (Kevin Murphy participates in the defined contribution pension arrangements of Ferguson Enterprises, LLC receiving contributions of 16% of base salary from Ferguson Enterprises, LLC; during the financial year ended 31 July 2018, John Martin and Mike Powell received salary supplements in lieu of Group pension scheme membership).
- (3) Annual incentives comprise bonuses earned during the period.
- (4) The award vested on 19 January 2019 and John Martin exercised this award on 21 January 2019. The value of the long term incentive award was determined using the share price on the date of exercise of 5,337 pence. Mike Powell and Kevin Murphy were granted awards in the 16/17 financial year under the RSBO and OSP, respectively. As there were no performance conditions attached to those awards, they were reported in the remuneration disclosure for the financial year ending 31 July 2017, rather than for the year in which they vested.
- (5) Cathy Halligan and Tom Schmitt were appointed to the Board after 31 July 2018. See paragraph 11.2 of this Part VII ("*Additional Information*") for details about their appointments.

For a more granular review of the Directors' remuneration, see the 2018 Annual Report and Accounts, incorporated by reference into this Prospectus as set forth in Part VIII ("*Documents Incorporated by Reference*").

12.2 *Senior Executives' Remuneration for the Financial Year Ended 31 July 2018*

The aggregate amount of remuneration paid by Old Ferguson or its subsidiaries to the Senior Executives in the financial year ended 31 July 2018 was approximately \$11 million. This amount comprises salary, annual bonus, car allowance, pension contributions and private medical insurance. The incentive awards granted to the Senior Executives for the financial year ended 31 July 2018 are set forth in paragraph 14 of this Part VII ("*Additional Information*").

13. **Employee Share Schemes**

13.1 *Existing Ferguson Employee Share Schemes*

Where permitted under the terms of the Old Ferguson Employee Share Schemes, it is intended that, with effect from the Scheme Effective Date, participants in the Old Ferguson Employee Share Schemes will be granted Replacement Awards over New Ferguson Shares which will have substantially the same value as the Old Ferguson Shares which were subject to the original options and awards under the respective Old Ferguson Employee Share Schemes immediately before the Scheme Effective Date. No new options or awards will be granted under the Old Ferguson Employee Share Schemes following the Scheme Effective Date.

Details of the options and awards granted to the Executive Directors and Senior Executives under each of the Old Ferguson Employee Share Schemes are set out in paragraph 14 ("*Directors and Senior Executives – Incentive Awards*") below.

Details of the impact of the Scheme on existing options and awards granted under the Old Ferguson Employee Share Schemes are set out in paragraph 3.8 of Part I ("*The Scheme and Related Proposals*") of this Prospectus.

13.2 *New Ferguson Employee Share Schemes*

The following is a summary of the main provisions of the New Ferguson Employee Share Schemes which have been adopted by New Ferguson, conditional upon the Old Ferguson Shareholders approving their adoption by New Ferguson at the Scheme General Meeting to be held on 29 April 2019 and subject to the Scheme becoming effective (except that adoption of the DBP, OSP and POSP (as defined below) will not be subject to, or conditional upon Old Ferguson Shareholder approval). The New Ferguson Employee Share Schemes replicate the terms of the existing Old Ferguson Employee Share Schemes which they replace. Participation in the schemes by the Executive Directors of New Ferguson will be on terms that are consistent with New Ferguson's remuneration policy from time to time.

New Ferguson will operate the following share schemes for employees (subject to the Scheme becoming effective):

- The Ferguson Group Deferred Bonus Plan 2019 ("**DBP**")
- The Ferguson Group Employee Share Purchase Plan 2019 ("**ESPP**")
- The Ferguson Group International Sharesave Plan 2019 ("**ISP**")
- The Ferguson Group Long Term Incentive Plan 2019 ("**LTIP**")
- The Ferguson Group Ordinary Share Plan 2019 ("**OSP**")
- The Ferguson Group Performance Ordinary Share Plan 2019 ("**POSP**")

(together, the "**New Ferguson Employee Share Schemes**").

The following terms are common to each of the New Ferguson Employee Share Schemes:

Dilution Limits

New Ferguson Shares may be issued to satisfy options and awards granted under any of the New Ferguson Employee Share Schemes, save for the DBP, OSP and POSP.

No option or award may be granted under the New Ferguson Employee Share Schemes, excluding the DBP, OSP and POSP, if it would cause the number of New Ferguson Shares and Old Ferguson Shares that have been issued pursuant to awards or options granted in the preceding 10 years under the New Ferguson Employee Share Schemes and the Old Ferguson Employee Share Schemes to exceed 10% of New Ferguson's issued ordinary share capital at the proposed date of grant. In addition, no option or award may be granted under the discretionary share plans operated by New Ferguson if it would cause the number of New Ferguson Shares and Old Ferguson Shares that have been issued or may be issued pursuant to awards and options granted in the preceding 10 years under such plans and any discretionary Old Ferguson Share Scheme to exceed 5% of New Ferguson's issued ordinary share capital at the proposed date of grant.

These limits do not include options or awards which have lapsed. The limits do not relate to New Ferguson Shares purchased in the market unless they are held in treasury.

Timing of Grants

Awards and options under the New Ferguson Employee Share Schemes may normally only be granted within 42 days after the announcement of New Ferguson's results for any period, although, they may be granted at other times if the Remuneration Committee of New Ferguson considers that there are exceptional circumstances justifying a grant.

Variations of Share Capital

Options and awards under the New Ferguson Employee Share Schemes may be adjusted if there is a variation in New Ferguson's share capital (including a rights issue or any sub-division or consolidation of the share capital) or in the event of a demerger, or payment of a special dividend or similar event which materially affects the market price of the New Ferguson Shares.

Amendments

The Board or, where appropriate the Remuneration Committee of New Ferguson, may amend the New Ferguson Employee Share Schemes provided that (other than in respect of the DBP, OSP and POSP) the prior approval of New Ferguson Shareholders in a general meeting is obtained to any amendments which provide an advantage to participants and which relate to eligibility, the number of New Ferguson Shares that may be issued under the relevant scheme, the individual limit on participation, the terms on the vesting of options or awards, the rights attaching to the New Ferguson Shares or the adjustment of options or awards. New Ferguson Shareholders' approval is not required for minor amendments to benefit the administration of a scheme to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or New Ferguson.

Other Provisions

Options and awards granted under the New Ferguson Employee Share Schemes are personal to the participant and may not be transferred except on death. They are not pensionable.

The New Ferguson Shares allotted or transferred on vesting of an option or award will rank equally with other New Ferguson Shares then in issue.

The New Ferguson Employee Share Schemes may be terminated or suspended at any time but any termination will not affect participants' subsisting rights.

Copies of the rules of the New Ferguson Employee Share Schemes, as summarised below, will be available for inspection as described in paragraph 24 of this Part VII ("*Additional Information*").

13.3 *The Ferguson Group Deferred Bonus Plan 2019 (“DBP”)*

The Remuneration Committee may grant an award under the DBP to any associate (including an Executive Director) who was a participant in any annual bonus plan operated by the Group during the financial year immediately preceding the proposed date of grant as a means of deferring part of that associate’s annual bonus into New Ferguson Shares.

The Remuneration Committee shall decide whether the award shall be granted in the form of an option, a conditional award or a phantom award, or any combination of these awards. No consideration shall be payable for the grant of such awards. An award shall be over such number of New Ferguson shares as have a value equal to the amount of a participant’s annual bonus which they are required to defer.

The vesting date of an award shall be the third anniversary of the last day of the financial year immediately preceding the proposed date of grant, or such other date as the Remuneration Committee considers appropriate.

If, before an award has vested, a participant ceases to be an associate of the Group then the award shall continue on its original vesting timetable, save that (i) awards will lapse on the date of cessation if a participant ceases to be an associate of the Group by reason of misconduct and (ii) subject to the Remuneration Committee’s discretion, awards may vest on the date of death of an associate or on cessation of employment in other exceptional circumstances.

In the event of a takeover or scheme of arrangement of New Ferguson, awards will vest automatically, subject to the Remuneration Committee’s discretion to determine that they will be rolled-over into awards over shares in the acquiring company.

13.4 *The Ferguson Group Employee Share Purchase Plan 2019 (“ESPP”)*

The ESPP is designed to qualify as a share purchase plan for the purposes of the US Internal Revenue Code. Under the ESPP, eligible associates of participating companies in the Group may be invited to apply for options to acquire New Ferguson Shares or ADRs at an exercise price fixed at the date of grant. An associate (including an Executive Director) of a participating company in the Group will be eligible to participate in the ESPP if they have been continuously employed for at least one year prior to the date of grant, customarily work more than twenty hours per week and more than five months in a calendar year.

A participant is required to make savings from pay in USD with a minimum contribution of \$25 (or, in Canada, the Canadian Dollar equivalent) and a maximum contribution that reflects the maximum sterling amount permitted under the ISP. The savings may be used to exercise the related option at the end of the relevant option period. The exercise price per New Ferguson Share payable on exercise of an option may not be less than 85% of the market value of a New Ferguson Share on the date of grant. The number of New Ferguson Shares or ADRs over which an option is granted will be such that the total exercise price payable will correspond to the total savings payable from the savings arrangement at the end of the one year savings period.

An option will be exercised automatically on the exercise date specified by the Board of New Ferguson at the time of grant, which may be no later than 60 days following the first anniversary of the date of grant unless the participant has left employment or withdrawn from the ESPP before that date.

Options normally lapse if a participant leaves employment. However, if the employment ends no more than three months prior to the normal exercise date by reason of redundancy, injury or disability, retirement, death, the sale of the company or business in which they work or any other reason that at the Board’s discretion, the participant (or executor or heir) may retain the option until the earlier of the normal exercise date and three months from the date of termination (although the participant may not make any further savings contributions) and his or her options may be exercised over such number of New Ferguson Shares or (ADRs as may be acquired) at the exercise price using the savings made up to the date of death or cessation of employment.

Options will, subject to the discretion of the Remuneration Committee to require roll-over, be automatically exercised following a takeover, scheme of arrangement or winding-up of New Ferguson over the lower of (i) such number of New Ferguson Shares or ADRs as may be acquired at the exercise price with the savings made up to the date of the relevant event and (ii) the number of New Ferguson Shares over which the option was granted.

13.5 *The Ferguson Group International Sharesave Plan 2019 (“ISP”)*

Under the ISP, eligible associates may be invited to apply for options to acquire New Ferguson Shares at the end of a fixed option period which will not normally be fewer than three years from the date of grant of an option at an exercise price fixed at the date of grant. The ISP includes a UK Sharesave Plan under which eligible associates in the UK shall benefit from favourable tax treatment in respect of options granted to them (the “UK Sharesave”). An associate of a participating subsidiary in the Group will be eligible to participate in the ISP if, at the date of invitation, they have been employed for such continuous period as the Board of New Ferguson may determine (not exceeding one year, or five years in the case of the UK Sharesave).

A participant is required to enter into a savings contract with a nominated bank or savings carrier under which he or she may choose to make monthly savings from pay of between £10 and such amount as may be determined by the Board but not exceeding £500 (or such greater amount as is permitted under the UK Sharesave in accordance with applicable tax legislation) over the relevant savings period. The minimum and maximum savings amounts for participants outside the UK are the local currency equivalent of the Sterling amounts set out above. The savings may be used to exercise the related option at the end of the relevant option period. The exercise price per New Ferguson Share payable on exercise of an option may not be less than 80% of the market value of a New Ferguson Share on the date of grant. The number of New Ferguson Shares over which an option is granted will be such that the total exercise price payable will correspond to the total savings payable from the savings arrangement at the end of the savings period.

Options will be exercisable for a period of six months after the end of the option period. Options normally lapse if a participant leaves employment. However, if the employment ends by reason of retirement, disability, injury, redundancy, the sale of the company or business in which they work or any other reason at the Board’s discretion, options may be exercised for up to six months after leaving over such number of New Ferguson Shares as may be acquired at the exercise price together with the savings that have accrued up to the date of exercise, after which they will lapse. If the employment ends by reason of death, such options may be exercised for up to 12 months after the date of death.

Subject to the discretion of the Remuneration Committee to require (or, in the case of the UK Sharesave, permit) rollover, options will be exercisable for a period of six months following a takeover, scheme of arrangement or winding-up of New Ferguson over the lower of (i) such number of New Ferguson Shares as may be acquired at the exercise price with the savings made up to the date of the relevant event, and (ii) the number of New Ferguson Shares over which the option was granted.

13.6 *The Ferguson Group Long Term Incentive Plan 2019 (“LTIP”)*

All associates of the Group, including Executive Directors, will be eligible to participate in the LTIP at the discretion of the Remuneration Committee. The Remuneration Committee shall decide whether an award under the LTIP will take the form of an option, a restricted share award, a conditional award or a phantom award, or any combination of these awards. Awards under the LTIP will entitle participants to acquire New Ferguson Shares or New Ferguson ADRs for no consideration to the extent that specified performance targets have been satisfied over a three year performance period. In respect of any financial year, an associate may not be granted an award over New Ferguson Shares with a market value in excess of three and a half times the associate’s salary.

An award will vest on the third anniversary of the date of grant, to the extent that the performance condition has been satisfied, conditional on the participant remaining in employment (except in certain specified circumstances). Where it is impractical for legal or regulatory reasons to deliver New

Ferguson Shares following the vesting of an award, New Ferguson may pay, or procure the payment of, an equivalent cash amount, subject to all necessary deductions.

New Ferguson's shareholding guidelines require Executive Directors to retain vested shares (after taking into account any shares sold to pay tax, social security or similar liabilities) received from awards made under the LTIP for two years from the vesting date (except in exceptional circumstances and with the approval of the Remuneration Committee). For awards granted as options, it will be sufficient to hold the vested but unexercised nil cost options for this period.

Awards will normally be forfeited if a participant leaves employment. However, if the employment ends by reason of injury, ill health, disability, redundancy, the sale of a participant's employing company or the business in which he or she works or any other reason at the discretion of the Remuneration Committee, awards will vest on the original vesting date to the extent the performance condition has been met at such date, unless the Remuneration Committee determines that it should vest on the date of cessation to the extent that the performance condition has been met at such date. In the case of death, an award will vest immediately to the extent the performance condition has been met at such date. Vested awards will be subject to time pro-rating, unless the Remuneration Committee determines otherwise.

Awards may also vest early in the event of a takeover, scheme of arrangement or winding-up of New Ferguson to the extent that the performance condition has been satisfied up to the date of the relevant event.

13.7 *The Ferguson Group Ordinary Share Plan 2019 ("OSP")*

Any associates of the Group excluding Executive Directors of New Ferguson will be eligible to participate in the OSP at the discretion of the Remuneration Committee. The Remuneration Committee shall decide whether an award under the OSP will take the form of an option, a restricted share award, a conditional award or a phantom award, or any combination of these awards. Options and awards may be over New Ferguson Shares or New Ferguson ADRs. No consideration is payable for the grant of such awards.

In respect of any financial year, the maximum total market value of New Ferguson Shares over which an award is granted to a participant may not exceed 100% of the participant's salary (subject to the discretion of the Remuneration Committee to determine otherwise). The Remuneration Committee shall determine the vesting date, which shall not (unless it determines otherwise) be earlier than the third anniversary of the date of grant. Where it is impractical for legal or regulatory reasons to deliver New Ferguson Shares following the vesting of an award, New Ferguson may pay, or procure the payment of, an equivalent cash amount, subject to all necessary deductions.

Awards will normally be forfeited if a participant leaves employment. However, if the employment ends by reason of redundancy, death, injury or disability, retirement, the sale of a participant's employing company or the business in which he or she works or any other reason at the discretion of the Remuneration Committee, awards will vest on the date of cessation.

In the event of a takeover, scheme of arrangement or winding up of New Ferguson, subject to the discretion of the Remuneration Committee to require roll-over, all outstanding awards will automatically vest and awards granted in the form of an option shall be automatically exercised provided that any exercise price payable by the participant on exercise is no more than the offer price or consideration.

On the vesting of an award which takes the form of an option, the participant may exercise the option during the period of 90 days following the vesting date, save that if the award has vested due to a participant's death or if the participant dies during the 90 day period, the award may be exercised during the period of 12 months following the date of death.

13.8 *The Ferguson Group Performance Ordinary Share Plan 2019 (“POSP”)*

Any associates of the Group excluding Executive Directors of New Ferguson will be eligible to participate in the POSP at the discretion of the Remuneration Committee. The Remuneration Committee shall decide whether an award under the POSP will take the form of an option, a restricted share award, a conditional award or a phantom award, or any combination of these awards. Options and awards may be over New Ferguson Shares or New Ferguson ADRs. No consideration is payable for the grant of such awards.

The Remuneration Committee shall determine the vesting date which shall not (unless the Remuneration Committee determines otherwise) be earlier than the third anniversary of the date of grant. Vesting is subject to the satisfaction of performance conditions set by the Remuneration Committee. Where it is impractical for legal or regulatory reasons to deliver New Ferguson Shares following the vesting of an award, New Ferguson may pay, or procure the payment of, an equivalent cash amount, subject to all necessary deductions.

Awards will normally be forfeited if a participant leaves employment. However, if the employment ends by reason of injury, ill health, disability, redundancy, retirement, the sale of a participant’s employing company or the business in which he or she works or any other reason at the discretion of the Remuneration Committee, awards will vest on the original vesting date to the extent the performance condition has been met at such date, unless the Remuneration Committee determines that it should vest on the date of cessation to the extent that the performance condition has been met at such date. In the case of death, an award will vest immediately to the extent the performance condition has been met at such date.

In the event of a takeover, scheme of arrangement or winding up of New Ferguson, subject to the discretion of the Remuneration Committee to require roll-over, all outstanding awards will automatically vest and awards granted in the form of an option shall be automatically exercised provided that any exercise price payable by the participant on exercise is no more than the offer price or consideration.

On the vesting of an award which takes the form of an option, the participant may exercise the option during the period of 90 days following the vesting date, save that if the award has vested due to a participant’s death or if the participant dies during the 90 day period, the award may be exercised during the period of 12 months following the date of death.

13.9 *Employee Benefit Trusts*

Old Ferguson has two employee benefits trusts - the 2011 Employee Benefit Trust (“**Jersey Trust**”) and Ferguson plc US Trust (“**US Trust**”) which were established in connection with the obligation to satisfy historical and future share awards under the long term incentive plans and any other employee incentive plans (“**Share Awards**”). The Old Ferguson Shares currently held in trust on behalf of associates of Old Ferguson will be replaced with New Ferguson Shares upon the Scheme becoming effective and will continue to be held in the relevant trust subject to the same terms and conditions as the original shares that they replace and will be used to satisfy options and awards which have been exchanged for options and awards which relate to New Ferguson Shares.

It is expected that New Ferguson will establish a new employee benefit trust following the Scheme Effective Date which will be resident and administered in Jersey, and will assume the US Trust.

14. Directors and Senior Executives – Incentive Awards

As at the Latest Practicable Date, awards to the Directors and Senior Executives under the Group’s incentive employee share schemes were as follows:

Name	Unvested Awards ⁽¹⁾		Total Awards (Unexercised)
	Awards With Performance Conditions ⁽²⁾	Awards Without Performance Conditions	
Directors			
John Martin	156,354 ⁽³⁾	344 ⁽⁴⁾	156,698
Mike Powell	65,356 ⁽⁵⁾	4,024 ⁽⁶⁾	69,380
Kevin Murphy	79,509 ⁽⁷⁾	5,638 ⁽⁸⁾	85,147
Senior Executives⁽⁹⁾			
Mike Brooks	27,822	6,647	34,469
Alex Hutcherson	29,785	6,758	36,543
Sammie Long	35,162	1,929	37,091
Simon Oakland	58,520	227	58,747
Mike Sajor	25,676	7,710	33,386

Notes:

- (1) Neither the Chairman nor any Non Executive Directors participate in any of the Group’s employee share schemes.
- (2) For details of the particular performance-based conditions to which an LTIP award made to Executive Directors and certain Senior Executives is subject, see the Directors’ Remuneration Report contained in the Group’s Annual Report and Accounts for the financial years 2018, 2017 and 2016, which are incorporated by reference into this Prospectus as set forth in Part VIII (“*Documents Incorporated by Reference*”). Details of the performance-based condition to which POSP awards made to Senior Executives are subject is detailed in footnote 9 below.
- (3) This aggregate figure is comprised of various awards made to John Martin under the LTIP and is in the form of nil cost options.
- (4) This award is comprised of options to purchase 344 Old Ferguson Shares granted under the UK SAYE Appendix of the ISP.
- (5) This aggregate figure is comprised of awards of nil cost options to purchase 46,497 Old Ferguson Shares granted under the LTIP and 18,859 conditional shares awarded under the PBBO. The PBBO award was made in June 2017 and will normally vest in November 2019, subject to the same performance conditions as those applied to the LTIP award made in the financial year ended 31 July 2017 (see the Directors’ Remuneration Report in the Group’s 2018 Annual Report and Accounts incorporated by reference into this Prospectus).
- (6) This aggregate figure is comprised of an award of 2,439 conditional shares under the RSBO, nil cost options to purchase 1,379 Old Ferguson Shares granted under the DBP and options to purchase 206 Old Ferguson Shares granted under the UK SAYE Appendix of the ISP.
- (7) This aggregate figure is comprised of an award of nil cost options to purchase 65,573 Old Ferguson Shares awarded under the LTIP and 13,936 conditional shares awarded under the POSP. The POSP award was granted in November 2016 and will normally vest in November 2019, subject to performance conditions relating to trading profit growth of the Group’s US segment over a three-year period ending 31 July 2019.
- (8) This aggregate figure is comprised of an award of 5,574 conditional shares under the OSP and options to purchase 64 Old Ferguson Shares granted under the ESPP. The OSP award was granted in November 2017 and will normally vest in November 2020 and is not subject to performance conditions.
- (9) For POSP awards made to Senior Executives, the performance-based condition is trading profit growth of the relevant business segment over a three-year period.

15. Ferguson Group Pensions

The Group operates a variety of pension schemes including funded and unfunded defined benefit schemes in the UK and overseas. The Proposals will not result in any changes to the provision of retirement benefits. It is intended that the same Group employers will continue to operate and participate in the pension scheme. It is intended that New Ferguson will offer a guarantee to the UK defined benefit pension scheme on equivalent terms as the current guarantees provided by Old Ferguson.

16. Subsidiaries and Corporate Structure

16.1 Corporate Structure

Following the Scheme Effective Date, New Ferguson will be the principal holding company of the Group.

16.2 Significant Subsidiaries and Associated Undertakings of New Ferguson

Following the Scheme Effective Date, the principal subsidiaries and subsidiary undertakings of New Ferguson will be as follows:

<u>Name</u>	<u>Country of Incorporation and Registered Office</u>	<u>Percentage of Ownership Interest and Voting Power</u>	<u>Primary Activity</u>
Ferguson Enterprises, LLC.	12500 Jefferson Ave Newport News VA 23602 USA	100%	Operating company
Ferguson Finance plc	1020 Eskdale Road Winnersh Triangle Wokingham RG41 5TS United Kingdom	100%	Financing company
Ferguson Finance (Switzerland) AG	Grafenauweg 10 CH-6301 Zug Switzerland	100%	Financing company
Ferguson Global AG	Grafenauweg 10 CH-6301 Zug Switzerland	100%	Operating company
Ferguson Group Services Limited	1020 Eskdale Road Winnersh Triangle Wokingham RG41 5TS United Kingdom	100%	Service company
Ferguson Holdings (Switzerland) AG	Grafenauweg 10 CH-6301 Zug Switzerland	100%	Investment company
Wolseley Canada Inc.	880 Laurentian Drive Burlington ON L7N 3V6 Canada	100%	Operating company
Wolseley Capital, Inc.	12500 Jefferson Ave Newport News VA 23602 USA	100%	Financing company
Wolseley Insurance Limited.....	Tower House Loch Promenade Douglas IM1 2LZ Isle of Man	100%	Operating company
Wolseley Investments, Inc.	12500 Jefferson Ave Newport News VA 23602 USA	100%	Investment company
Wolseley Limited	1020 Eskdale Road Winnersh Triangle Wokingham RG41 5TS United Kingdom	100%	Investment company
Wolseley UK Limited	2 Kingmaker Court Warwick Technology Park Gallows Hill Warwick CV34 6DY United Kingdom	100%	Operating company

17. Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) (i) have been entered into by Old Ferguson or another member of the Group within the two years immediately preceding the date of this Prospectus which are material to the Group or (ii) have been entered into prior to such period

and contain provisions under which a member of the Group has an obligation or entitlement which is material to the Group as at the date of this Prospectus.

17.1 Sponsor's Agreement

On 4 April 2019, New Ferguson, Old Ferguson and the Sponsor entered into the Sponsor Agreement which sets out the terms on which the Sponsor was appointed for the purposes of New Ferguson's application for Admission. The Sponsor Agreement contains, among other things, customary warranties and undertakings given by New Ferguson and Old Ferguson to the Sponsor and customary indemnities from New Ferguson and Old Ferguson in favour of the Sponsor. The Sponsor Agreement is governed by English law.

17.2 Debt Facilities

See the "*Facilities*" and "*Capitalisation and Indebtedness*" section of Part IV ("*Operating and Financial Review of the Group*") of this Prospectus.

18. Related Party Transactions

Save as disclosed in note 31, 33 and 32 to the audited consolidated financial statements included in the Old Ferguson Annual Report and Accounts for the financial years ended 31 July 2018, 2017 and 2016, respectively, and in note 14 to the unaudited consolidated interim financial statements for the six months ended 31 January 2019, which are incorporated by reference into this Prospectus as set out in Part VIII ("*Documents Incorporated by Reference*"), there were no related party transactions entered into by New Ferguson, Old Ferguson or any member of the Group during the financial years ended 31 July 2018, 2017 and 2016 or for the six months ended 31 January 2019.

Between 1 February 2019 and the date of this Prospectus, the Group purchased goods and services totalling \$2 million from, and owed \$nil million in respect of these goods and services to, a company that is controlled by another company in respect of which one of the Group's Directors is the chief executive officer.

19. Litigation and Arbitration Proceedings

There are no governmental, legal or arbitration proceedings (including such proceedings which are pending or threatened of which New Ferguson is aware) during a period covering at least the previous 12 months preceding the date of this Prospectus which may have, or have had in the recent past, significant effects on New Ferguson or the Group's financial position or profitability.

20. Working Capital

It is the opinion of New Ferguson that the working capital available to the Group is sufficient for the Group's present requirements, that is, for at least the next 12 months following the date of this Prospectus.

21. No Significant Change

There has been no significant change in the financial or trading position of the Group since 31 January 2019, being the date to which the latest published financial information in relation to the Group was prepared.

22. Auditors

Deloitte LLP of 1 New Street Square, London EC4A 3HQ, United Kingdom, independent Auditors, have reviewed and issued a review report for the Group's interim financial statements for each of the six months ended 31 January 2019 and 31 January 2018, have audited and rendered an unqualified Auditor's report for each of the Group's financial statements for the financial years ended 31 July 2018, 2017 and 2016, and have prepared the report contained in Part V ("*Profit Forecast*"). Deloitte LLP is registered to carry out audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales.

Deloitte LLP has given and has not withdrawn its written consent to the inclusion in this Prospectus of its report set out in section B of Part V (“*Profit Forecast*”) in the form and context in which it appears and has authorised the contents of that part of this Prospectus for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules.

23. Miscellaneous

The total costs and expenses relating to the issue of this Prospectus, Admission and the implementation of the Scheme are estimated to amount to approximately \$10 million and are payable by the Group.

24. Documents Available for Inspection

This Prospectus together with the documents incorporated into it by reference (as set out in Part VIII (“*Documents Incorporated by Reference*”) of this Prospectus) will be made available to the public in accordance with Prospectus Rule 3.2.1 by the same being made available, free of charge, at www.fergusonplc.com and at New Ferguson’s principal place of business being 1020 Eskdale Road, Winnersh Triangle, Wokingham RG41 5TS, United Kingdom.

Copies of the following documents are available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) up to, and for a period of 12 months following, Admission at www.fergusonplc.com, New Ferguson’s principal place of business as referenced in the preceding paragraph, and will also be available for inspection at the General Meeting for at least 15 minutes prior to and during the meeting:

- (a) the Old Ferguson Articles in their present form;
- (b) the memorandum of association of New Ferguson and the New Ferguson Articles;
- (c) the proposed Old Ferguson Amended Articles;
- (d) the rules of the Old Ferguson Employee Share Schemes and draft rules of the New Ferguson Employee Share Schemes;
- (e) the accountants’ report on the Profit Forecast set out in Part V (“*Profit Forecast*”) of this Prospectus;
- (f) the historical financial information for the Group in respect of the three financial years ended 31 July 2018, 2017 and 2016;
- (g) the documents incorporated by reference into this Prospectus as described in Part VIII (“*Documents Incorporated by Reference*”) of this Prospectus; and
- (h) this Prospectus dated 26 April 2019.

PART VIII DOCUMENTS INCORPORATED BY REFERENCE

The tables below set out the documents (or parts thereof) that are incorporated by reference into, and form part of, this Prospectus so as to provide certain information required pursuant to the Prospectus Rules and only the parts of the documents identified in the tables below are incorporated into, and form part of, this Prospectus. The parts of these documents which are not incorporated by reference are either not relevant for investors or are covered elsewhere in this Prospectus. To the extent that any part of any information referred to below itself contains information which is incorporated by reference, such information shall not form part of this Prospectus.

Document Information Incorporated by Reference	Page Number in Reference Document
2019 Interim Results of Old Ferguson	
The discussion and analysis for the six months ended 31 January 2019 contained in the “Operating and financial review” section.....	3
Independent Auditor’s review report.....	28
Condensed consolidated income statement (unaudited)	10
Condensed consolidated statement of comprehensive income (unaudited)	11
Condensed consolidated statement of changes in equity (unaudited)	11
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PART IX DEFINITIONS

Capitalised terms used in this Prospectus but not defined herein shall have the meanings given to them in the Scheme Circular.

The following definitions apply throughout this Prospectus unless the context otherwise requires:

“€” or “euro” or “Euro”	the lawful currency of the member states of the EU that adopted the euro in Stage Three of the Treaty establishing the Economic Monetary Union on 1 January 1999
“£” or “sterling” or “pounds sterling” or “GBP” or “pence”	the lawful currency of the United Kingdom
“\$” or “US dollars” or “USD” or “cents”	the lawful currency of the United States
“2005 Private Placement Notes”	the \$281 million of 5.32% Series F Guaranteed Senior Notes due November 2020 issued by Wolseley Capital in November 2005
“2015 Private Placement Notes”	the \$800 million in aggregate principal private placement notes issued by Wolseley Capital in June 2015
“2017 Private Placement Notes”	the \$450 million in aggregate principal private placement notes issued by Wolseley Capital in November 2017
“2018 4.5% Notes”	the \$750 million of 4.5% notes due 2028 issued by Ferguson Finance and guaranteed (i) prior to the Scheme Effective Date by Old Ferguson and (ii) subsequent to the Scheme Effective Date by New Ferguson
“2018 AGM”	the annual general meeting of Old Ferguson which took place on 29 November 2018 in Zug, Switzerland
“2019 AGM”	the annual general meeting of New Ferguson which is expected to take place in November 2019 in the United Kingdom
“associates”	the Group’s employees, unless context requires otherwise
“Admission”	admission of the New Ferguson Shares to the premium listing segment of the Official List and to trading on the LSE’s main market for listed securities
“ADR”	an American depositary receipt
“ADS”	an American depositary share
“Advocate”	a person entitled to practise as an advocate before the Royal Court of Jersey pursuant to the Advocates and Solicitors (Jersey) Law of 1997, as amended, modified or re-enacted from time to time
“AGM”	annual general meeting of New Ferguson or Old Ferguson, as context requires
“AIA Billings Index”	American Institute of Architects Billing Index which is an economic indicator of construction activity in the United States
“Annual Report and Accounts”	the Annual Report and Accounts of Old Ferguson for the year specified
“APMs”	alternative performance measures

“Articles”	the New Ferguson Incorporation Articles or the New Ferguson Articles, as the context requires
“Audit Committee”	the Audit Committee of Old Ferguson, or, following the Scheme Effective Date, of New Ferguson
“Auditor” or “Auditor’s”	the Group’s auditor, Deloitte LLP
“B2B”	business-to-consumer
“B2C”	business-to-business
“Barclays”	Barclays Bank PLC
“Board”	(i) prior to the Scheme Effective Date, the Board of Directors of Old Ferguson; and (ii) subsequent to the Scheme Effective Date, the Board of Directors of New Ferguson, unless the context requires otherwise
“Brexit”	the vote by the people of the United Kingdom to leave the European Union in the referendum held on 23 June 2016
“Business Day”	any day other than Saturday or Sunday on which banks in London and Jersey are open for the transaction of normal banking business
“Certificated” or “in Certificated form”	in relation to a share or other security, a share or other security which is not in uncertificated form
“CGT”	UK taxation of chargeable gains
“Chairman”	(i) prior to the Scheme Effective Date, the Chairman of the Board of Directors of Old Ferguson; and (ii) subsequent to the Scheme Effective Date, the Chairman of the Board of Directors of New Ferguson, unless the context requires otherwise
“City Code”	the UK City Code on Takeovers and Mergers issued by the Panel on Takeovers and Mergers, as amended from time to time
“Court Hearing”	the hearing by the Royal Court of Jersey of the representation seeking the sanction of the Scheme under Article 125 of Jersey Companies Law
“Court Meeting”	the meeting of the Old Ferguson Shareholders (including as instructed by, or represented by, holders of Old Ferguson ADRs) to be held at IBZ Schulen AG, Landis + Gyr-Strasse 1, CH-6300 Zug, Switzerland at 11.00 a.m. Swiss time on 29 April 2019, convened pursuant to an order of the Royal Court pursuant to Article 125 of Jersey Companies Law for the purposes of considering, and, if thought fit, approving the Scheme (with or without amendment), including any adjournment thereof, notice of which is set out in Part VI (“ <i>Notices of Meetings</i> ”) of the Scheme Circular
“Companies Act”	the Companies Act 2006 of the United Kingdom, as amended, modified or re-enacted from time to time
“CREST”	the relevant system (as defined in the CREST Regulations) for the paperless settlement of trades in listed securities in the United Kingdom, of which Euroclear is the operator (as defined in the CREST Regulations)

“CREST member”	a person who has been admitted by Euroclear as a system-member (as defined in the CREST Regulations)
“Crest Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755)
“Daily Official List”	the daily record setting out the price of all trades in shares and other securities conducted on the LSE
“DBP”	The Ferguson Group Deferred Bonus Plan 2019 and The Ferguson Group Deferred Bonus Plan 2015 (as the case may be)
“Debt Substitution”	the assumption by New Ferguson of Old Ferguson’s role in relation to the 2018 4.5% Notes (unless Old Ferguson elects otherwise)
“Deposit Agreement”	the agreement between Deutsche Bank Trust Company Americas, as depositary, and the owners of the Old Ferguson ADRs or the New Ferguson ADRs (as context requires), as amended from time to time
“Depositary”	Deutsche Bank Trust Company Americas, as depositary for the sponsored Tier I ADR facility of Old Ferguson and New Ferguson
“Directors”	(i) prior to the Scheme Effective Date, the Directors of Old Ferguson and (ii) from the Scheme Effective Date, the Directors of New Ferguson (referred to singularly as “ Director ”)
“Disclosure Guidance and Transparency Rules” or “DTRs”	the Disclosure Guidance and Transparency Rules produced by the Financial Conduct Authority and forming part of the FCA Handbook
“EEA”	the European Economic Area
“ESPP”	The Ferguson Group Employee Share Purchase Plan 2019 and The Ferguson Group Employee Share Purchase Plan 2011 (as the case may be)
“EU”	the European Union
“EU IFRS”	International Financial Reporting Standards as adopted by the European Union
“Euroclear”	Euroclear UK & Ireland Limited, the operator of CREST
“Excluded Territories”	Australia, Canada, Japan, South Africa and any other jurisdiction where the distribution of this Prospectus and/or the transfer of New Ferguson Shares (or any transaction contemplated thereby or any activities carried out in connection therewith) would breach applicable law; “ Excluded Territory ” means one of them
“Executive Committee”	(i) prior to the Scheme Effective Date, the Executive Committee of Old Ferguson and (ii) from and subsequent to the Scheme Effective Date, the Executive Committee of New Ferguson, in each case which provides day-to-day direction of the Group
“Executive Directors”	the Executive Directors as at the date of this Prospectus, or, where the context so requires, the Executive Directors from time to time
“FCA”	Financial Conduct Authority, acting in its capacity as the competent authority for the purposes of Part VI of FSMA and in the exercise of its functions in respect of the admission to listing on the Official List otherwise than in accordance with Part VI of FSMA

“FCA Handbook”	the book of rules and guidance maintained by the FCA
“Ferguson Finance”	Ferguson Finance plc, a company organised under the laws of England and Wales, with registration number 11581816, whose registered address is at 1020 Eskdale Road, Winnersh Triangle, Wokingham RG41 5TS, United Kingdom
“Forms of Proxy”	the forms of proxy sent to Old Ferguson Shareholders for use in connection with the Court Meeting and the Scheme General Meeting, which accompanied the Scheme Circular
“FSMA”	the UK Financial Services and Markets Act 2000, as amended from time to time
“FTE”	full-time equivalent
“GDP”	Gross Domestic Product
“GDPR”	the General Data Protection Regulation (EU) 2016/679
“Governance Code”	the UK Corporate Governance Code issued by the Financial Reporting Council, as amended from time to time
“Group” or “Ferguson Group”	(i) prior to the Scheme Effective Date, Old Ferguson, together with its consolidated subsidiaries from time to time; and (ii) from the Scheme Effective Date, New Ferguson, together with its consolidated subsidiaries from time to time
“HMRC”	HM Revenue & Customs
“HVAC”	heating, ventilating and air conditioning
“IAS”	International Accounting Standard
“IASB”	International Accounting Standards Board
“IFRS”	International Financial Reporting Standards
“incorporation exchange”	a share-for-share exchange in connection with the incorporation of a new company that qualifies as tax-free for United States federal income tax purposes under section 351(a) of the US Internal Revenue Code
“ISIN”	International Securities Identification Number
“ISP”	The Ferguson Group International Sharesave Plan 2019 and The Ferguson Group International Sharesave Plan 2011 (as the case may be)
“IRS”	Internal Revenue Service of the United States
“ISCM Purchase Managers Index”	the Institute of Supply Chain Management Purchase Managers Index; an indicator of the strength of the industrial market in the US
“Jersey”	the Bailiwick of Jersey
“Jersey Companies Law”	the Companies (Jersey) Law 1991 of Jersey, as amended, modified or re-enacted from time to time
“Jersey Registrar of Companies”	the registrar of companies in Jersey

“Jersey Trust”	the 2011 Employee Benefits Trust, which was established in connection with the obligation to satisfy historical and future share awards under associate incentive plans
“Latest Practicable Date”	24 April 2019, being the latest practicable date prior to publication of this Prospectus
“LIBOR”	the London Interbank Offered Rate
“LIRA”	Leading Indicator of Remodelling Activity which provides a short-term outlook of national home improvement and repair spending for owner-occupied homes in the United States
“Listing Rules”	the listing rules issued by the FCA pursuant to section 73A of FSMA
“London Stock Exchange” or “LSE”	London Stock Exchange plc
“LTIP”	The Ferguson Group Long Term Incentive Plan 2019 and The Ferguson Group Long Term Incentive Plan 2015 (as the case may be)
“Major Shareholders”	the persons who were interested, directly or indirectly, in 3% or more (or 5% in the case of investment managers) of Old Ferguson’s voting share capital (on the basis of their disclosed existing holdings of Old Ferguson Shares as at the Latest Practicable Date in accordance with the Disclosure Guidance and Transparency Rules)
“Market Abuse Regulation”	Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014
“members”	members of Old Ferguson or New Ferguson on the register of members at any relevant date and “member” shall be construed accordingly
“Multicurrency Revolving Credit Facility”	the Multicurrency Revolving Credit Facility Agreement, dated as of 3 June 2015, as further amended, supplemented and restated, among Old Ferguson and Wolseley Limited as original borrowers and original guarantors, the lenders and arrangers party thereto, including Barclays Bank PLC, Bank of America Merrill Lynch International Limited, BNP Paribas London Branch, Royal Bank of Canada and Sumitomo Mitsui Banking Corporation Europe Limited, and the agent
“NAFTA”	North American Free Trade Agreement
“New Ferguson” or the “Company”	Ferguson NewCo plc, a company incorporated in Jersey on 8 March 2019, with registered number 128484, which is expected to be renamed “Ferguson plc” on the Scheme Effective Date
“New Ferguson ADR”	an ADR, issued by the Depositary, representing an interest in New Ferguson ADSs
“New Ferguson ADS”	an ADS representing one-tenth of a New Ferguson Share
“New Ferguson Articles”	the articles of association adopted by the holders of the New Ferguson Subscriber Shares to take effect as the articles of association of New Ferguson at the Scheme Effective Date, a summary of which is set out at paragraph 5 (“ <i>Summary of the New</i> ”) of the Prospectus

	<i>Ferguson Articles</i>) of Part VI (<i>Additional Information</i>) of this Prospectus, as amended from time to time
“New Ferguson Employee Share Schemes”	the employee share schemes operated by New Ferguson, including the DBP, ESPP, ISP, LTIP, OSP and POSP
“New Ferguson Reduction of Capital” or “Reduction of Capital”	the reduction of capital proposed to be undertaken by New Ferguson on the Scheme Effective Date
“New Ferguson Shares”	ordinary shares of 10 pence each in the share capital of New Ferguson
“New Ferguson Shareholders”	the holders of the New Ferguson Shares from time to time (and “New Ferguson Shareholder” means any one of them)
“New Ferguson Subscriber Shares”	the two subscriber ordinary shares with a nominal value of 10 pence each in the capital of New Ferguson
“Nominations Committee”	the Nominations Committee of Old Ferguson, or, following the Scheme Effective Date, of New Ferguson
“Non Executive Directors”	the Non Executive Directors of Old Ferguson prior to the Scheme Effective Date or of New Ferguson from the Scheme Effective Date, as the context requires, or, where the context so requires, the Non Executive Directors from time to time
“Nordic Operations”	the businesses and properties the Group maintained in the Nordic region which have been, or are in the process of being, disposed of (together the “disposal group”), and, in accordance with IFRS 5 (<i>Non-current Assets Held for Sale and Discontinued Operations</i>), the disposal group has been classified in the Group’s financial statements as discontinued and prior periods have been restated to reflect this
“Official List”	the Official List maintained by the FCA in accordance with section 74(1) of FSMA
“Old Ferguson”	Ferguson plc, a company incorporated in Jersey with registered number 106605, whose registered office is at 26 New Street, St. Helier, Jersey JE2 3RA (to be renamed “Ferguson Holdings Limited” on the Scheme Effective Date)
“Old Ferguson Amended Articles”	the articles of association of Old Ferguson to be adopted to take effect at the Scheme Effective Time
“Old Ferguson Articles”	the articles of association of Old Ferguson in effect as at the date of this Prospectus
“Old Ferguson ADR Holders”	the holders of Old Ferguson ADRs from time to time (and “Old Ferguson ADR Holder” means any one of them)
“Old Ferguson ADR”	an ADR, issued by the Depositary, representing an interest in Old Ferguson ADSs
“Old Ferguson ADS”	an ADS representing one-tenth of an Old Ferguson Share
“Old Ferguson Employee Share Schemes”	the employee share schemes operated by Old Ferguson
“Old Ferguson Shares”	the ordinary shares of 11 ^{227/563} pence each in the share capital of Old Ferguson

“Old Ferguson Shareholders”	a holder for the time being of Old Ferguson Shares (other than New Ferguson)
“OSP”	The Ferguson Group Ordinary Share Plan 2019 and The Ferguson Group Ordinary Share Plan 2011 (as the case may be)
“Overseas Shareholder”	qualifying Shareholders who are citizens, residents or nationals of, jurisdictions outside the United Kingdom or Jersey
“Par Call Date”	the date three months prior to the 24 October 2028 maturity date of the 2018 4.5% Notes, after which time the Group can redeem the 2018 4.5% Notes without payment of a make-whole premium
“PBBO”	the New Ferguson and Old Ferguson (as the case may be) Performance Based Buyout Plan
“Pensions Regulator”	the UK Pensions Regulator established under section 1 of the Pensions Act 2004
“PFIC”	Passive Foreign Investment Company for US federal income tax purposes
“POSP”	The Ferguson Group Performance Ordinary Share Plan 2019 and The Ferguson Group Performance Ordinary Share Plan 2016 (as the case may be)
“PRA”	Prudential Regulatory Authority
“Private Placement Notes”	the collective reference to (i) the 2017 Private Placement Notes (ii) 2015 Private Placement Notes and (iii) the 2005 Private Placement Notes
“Profit Forecast”	the profit forecast as described in Part V of this Prospectus (“ <i>Profit Forecast</i> ”)
“Proposals”	collectively, the Scheme, the Share Scheme Proposals, and the New Ferguson Reduction of Capital
“Prospectus Directive”	Directive 2003/71/EC, as amended, and includes any relevant implementing measures in each member state of the EEA that has implemented Directive 2003/71/EC
“Prospectus Rules”	the rules and regulations introduced by the FCA to implement the Prospectus Directive in the UK made pursuant to section 73A of FSMA
“PVF”	pipes, valves and fittings
“Registrar”	Equiniti (Jersey) Limited of 26 New Street, St. Helier, Jersey JE2 3RA, Channel Islands
“Regulatory Information Service”	one of the regulatory information services authorised by the FCA to receive, process and disseminate regulatory information in respect of listed companies
“Remuneration Committee”	the Remuneration Committee of Old Ferguson or, from the Scheme Effective Date, of New Ferguson
“Replacement Awards”	equivalent options or awards over New Ferguson Shares for which participants in the Old Ferguson Employee Share Schemes can

	exchange their outstanding options and awards under the Old Ferguson Employee Share Schemes
“Restricted Territories”	member states of the EEA (excluding the UK), Hong Kong and Singapore, and “Restricted Territory” means any one of them
“RIS”	Regulatory Information Service
“RMI”	repair, maintenance and improvement construction market
“Royal Court”	the Royal Court of Jersey
“RSBO”	the New Ferguson and Old Ferguson (as the case may be) Restricted Share Buy Out Plan
“Scheme”	the scheme of arrangement between Old Ferguson and the holders of Scheme Shares including any modification, addition or condition approved by the Royal Court, details of which are set out in the Scheme Circular posted to Shareholders
“Scheme Circular”	the circular dated 4 April 2019 sent to holders of Old Ferguson Shares containing the details of the Proposals
“Scheme Effective Date”	the date on which the Scheme becomes effective in accordance with its terms
“Scheme Effective Time”	the time at which the Scheme becomes effective on the Scheme Effective Date
“Scheme General Meeting”	the general meeting of Old Ferguson to be held at IBZ Schulen AG, Landis + Gyr-Strasse 1, CH-6300 Zug, Switzerland at 11.15 a.m. Swiss time on 29 April 2019 (or as soon as possible after the conclusion or adjournment of the Court Meeting) and any adjournment thereof
“Scheme Record Time”	6.00 p.m. on the Business Day immediately prior to the Scheme Effective Date
“Scheme Shareholder”	a holder of Scheme Shares
“Scheme Shares”	<ul style="list-style-type: none"> (i) all Old Ferguson Shares in issue at the date of the Scheme and remaining in issue at the Scheme Record Time; (ii) all additional (if any) Old Ferguson Shares in issue at the Scheme Voting Record Time and remaining in issue at the Scheme Record Time; and (iii) all further (if any) Old Ferguson Shares which may be in issue at or after the Scheme Voting Record Time in respect of which the original or any subsequent holders shall be bound by the Scheme or in respect of which the original or any subsequent holders shall have agreed in writing to be so bound, and remaining in issue at the Scheme Record Time
	excluding in each case Old Ferguson Shares held by New Ferguson
“Scheme Voting Record Time”	7.30 p.m. Swiss time (6.30 p.m. UK time) on Thursday 25 April 2019 or, if either the Court Meeting or Scheme General Meeting is adjourned, the time that is 48 hours (excluding non-working days) before the time and date set for the adjourned meeting. If both the Court Meeting and the Scheme General Meeting are adjourned to

	the same date, the voting record time for both meetings will be the time that is 48 hours (excluding non-working days) before the time and date set for the later to occur of the adjourned Court Meeting and the adjourned Scheme General Meeting
“SDRT”	stamp duty reserve tax
“SEC”	Securities and Exchange Commission of the US
“Securities Act”	the United States Securities Act of 1933, as amended
“Securities Exchange Act”	the United States Securities Exchange Act of 1934, as amended
“SEDOL”	Stock Exchange Daily Official List
“Senior Executives”	the senior executives of the Group, at the date of this document being the Executive Directors and the other members of the Executive Committee
“Share Awards”	historical and future awards under the Group’s long term incentive plans or any other associate incentive plans
“Share Scheme Proposals”	the adoption by New Ferguson of the New Ferguson Employee Share Schemes in accordance with the ordinary resolutions to approve the adoption by New Ferguson of the New Ferguson Employee Share Schemes, with the exception of the DBP, OSP and POSP, to be proposed at the Scheme General Meeting, as set out in the Scheme Circular
“Shareholders”	holders of Old Ferguson Shares (and holders of Old Ferguson ADRs as the context requires) prior to the Scheme Effective Date and holders of New Ferguson Shares (and holders of New Ferguson ADRs as the context requires) from and subsequent to the Scheme Effective Date, as the context requires
“Sponsor” or “Barclays”	Barclays Bank PLC in its capacity as sponsor
“subsidiary” or “subsidiary undertaking”	has the meaning given in the Companies Act
“Takeover Code”	the City Code on Takeovers and Mergers in the United Kingdom
“Takeover Panel”	the Panel on Takeovers and Mergers, which is the entity that administers the City Code on Takeovers and Mergers
“Tax Act”	Tax Cuts and Jobs Act
“tax-free reorganisation”	a tax-free reorganisation for United States federal income tax purposes under section 368(a) of the United States Internal Revenue Code
“TCGA 1992”	the Taxation of Chargeable Gains Act 1992
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK Sharesave”	the New Ferguson and Old Ferguson UK Sharesave Plan
“Uncertificated” or “in Uncertificated form”	in relation to a share or other security, a share or other security title to which is recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which may be transferred by means of CREST

“US” or “United States”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
“US Holder”	a beneficial owner of shares or ADRs that for US federal income tax purposes is (i) an individual citizen or resident of the US, (ii) a corporation or other business entity organised in or under the laws of the US or its political subdivisions, (iii) a trust subject to the control of a US person and the primary supervision of a US court or (iv) an estate the income of which is subject to US federal income taxation regardless of its source
“US Trust”	Ferguson plc US Trust that was established in connection with the obligation to satisfy historical and future share awards under the long term incentive plans and any other associate incentive plans
“US-UK Treaty”	income tax treaty between the United Kingdom and the United States
“VAT”	value added tax chargeable under or pursuant to the Value Added Tax Act 1994 or the EU Directive 2006/112/EC on the common system of value added tax and any other sales, purchase or turnover tax of a similar notice, whether imposed in the UK or elsewhere
“Wolseley Capital”	Wolseley Capital, Inc., incorporated in the state of Delaware in the United States, with file number 4028987, whose registered address is 12500 Jefferson Avenue, Newport News, VA 23602, United States
“Wolseley Limited”	Wolseley Limited, incorporated under the laws of England and Wales, with registered number 00029846, whose registered address is 1020 Eskdale Road, Winnersh Triangle, Wokingham RG41 5TS, United Kingdom

