NEWS RELEASE

Results for the half year ended 31 January 2018

3/27/2018

RNS Number : 9962I

Ferguson PLC

27 March 2018

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Results for the half year ended 31 January 2018

FERGUSON PLC

STRONG FIRST HALF PERFORMANCE, WELL POSITIONED FOR THE SECOND HALF

$m1		H1 2018	H1 2017[2]	Growth	Growth (at constant exchange rates)	Organic growth
Revenue	Ongoing businesses	10,027	9,090	+10.3%	+9.0%	+7.4%
	Non-ongoing businesses	-	292			
	Continuing businesses	10,027	9,382			
Trading profit	Ongoing businesses	698	607	+15.0%	+14.4%	
	Non-ongoing businesses	-	23			
	Continuing businesses	698	630			
Exceptional charges		(46)	(1)			
Statutory profit before tax		598	556			
Headline earnings per share		202.1c	173.3c	+16.6%	+15.8%	
Discontinued profit / (loss) after tax		18	(127)			
Net debt		1,401	1,632			
Interim dividend per share[3]		57.4c	52.1c	+10%		

Financial highlights

- Ongoing revenue 10.3% ahead of last year including organic growth of 7.4%.
- Gross margin of the ongoing business was 29.4%, 0.4% ahead of last year.
- Ongoing trading profit of $698 million, 15.0% ahead of last year.
- Statutory profit before tax after exceptional costs of $598 million, 7.6% ahead of last year.
- Net debt of $1.4 billion, 0.8x EBITDA.
- Interim dividend of 57.4 cents per share, an increase of 10%.
- Proposed $4 per share ($1 billion) special dividend and share consolidation.

- Ongoing share buyback to continue.

Operating highlights

- Strong US organic revenue growth of 8.7% with continued market share gains.
- Good growth in improved Canadian markets.
- UK restructuring programme accelerated in challenging markets.
- Six acquisitions completed in the first half for total consideration of $116 million.
- Sale of Stark Group expected to complete at end of March 2018.

John Martin, Chief Executive, commented:

"The Group delivered a strong trading performance in the first half driven by good growth and margin progression in the USA where we continued to grow well across all geographic regions and business units.

"US residential markets are growing well, commercial market growth is good and industrial markets have recovered. Canadian markets are healthy, though UK markets are challenging. Group organic revenue growth since the end of January has continued in line with growth in the second quarter, though comparators get progressively tougher through the second half. The Group is confident of achieving trading profit in line with analyst expectations for the full year."

"Following receipt of competition clearance, we expect to complete the sale of Stark Group at the end of March. Subject to completion, we are pleased to propose a special dividend of $1 billion, with an accompanying share consolidation. The balance sheet remains strong and the Group will continue to target net debt in the range of 1x to 2x EBITDA, consistent with investment grade credit metrics.

For further information please contact

Ferguson plc

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There will be an analyst and investor presentation at 0830 (UK time) today at the London Stock Exchange, 10 Paternoster Square, London EC4M 7LS. A live video webcast and slide presentation of this event will be available on **www.fergusonplc.com**. We recommend you register at 0815 (UK time). Photographs are also available at **www.fergusonplc.com**.

1) The Group uses Alternative Performance Measures ("APMs"), which are not defined or specified under IFRS, to provide additional helpful information. These measures are not considered to be a substitute for IFRS measures and are consistent with how business performance is planned, reported and assessed internally by management and the Board. Revenue, gross margin, operating expenses and trading profit within 'Group results', 'First half regional analysis', 'USA' and 'Canada and Central Europe' are on an ongoing basis. Ongoing is an APM and excludes businesses that have been closed, disposed of or held for sale. For further information on APMs, including a description of our policy, purpose, definitions and reconciliations to equivalent IFRS statutory measures see note 2 on pages 17 to 20. Unless otherwise stated, the measures referred to in this Results Announcement are APMs which are applied consistently with the basis and definitions set out in note 2.

2) Restated to present the Nordic region as discontinued operations in accordance with IFRS 5.

3) The interim dividend for the six months ended 31 January 2017 has been restated to cents using the GBP:USD exchange rate of £1:$1.4219. See page 6 for further details.

Group results

Ferguson plc delivered a strong trading result in the first half. In the USA, which accounts for 79% of revenue, markets remained good and the businesses continued to take market share. Canadian markets continued to recover and improved. In the UK, plumbing and heating markets were challenging.

Revenue of $10,027 million (2017: $9,090 million) was 9.0% ahead at constant exchange rates and 7.4% ahead on an organic basis. Inflation in the first half added 1% - 2% to revenue growth. Gross margins of 29.4% (2017: 29.0%) were 0.4% ahead of last year. Operating expenses were well controlled, 9.3% higher at constant exchange rates, including 1.4% from acquisitions.

Trading profit was $698 million (2017: $607 million), 14.4% ahead of last year at constant exchange rates. The trading margin was 7.0% (2017: 6.7%). Foreign exchange movements increased reported revenue by $108 million and trading profit by $3 million. In the first half we invested $116 million in six acquisitions with annualised revenue of $162 million.

The amortisation charge in relation to the Group's acquired intangible assets was $30 million (2017: $44 million). A $46 million pre-tax exceptional charge (2017: $1 million) was incurred which included a $37 million charge as a result of restructuring in the UK business.

Net finance costs were $27 million (2017: $29 million). The effective tax rate on trading profit and share of result from associate less net finance costs was 25.1% (2017: 27.7%), down on last year as a result of the Tax Cuts and Jobs Act in the USA.

Statutory profit before tax of $598 million (2017: $556 million) is after the exceptional charge. Headline earnings per share were 202.1 cents (2017: 173.3 cents) an increase of 15.8% at constant exchange rates, reflecting the growth in trading profit. Basic earnings per share from continuing operations were 176.1 cents (2017: 159.4 cents).

Operating and financial review

Further details of the financial performance and market conditions in the Group's businesses are set out below.

First half regional analysis

$m	Revenue 2018	Revenue 2017	Change (at constant exchange rates)	Trading profit 2018	Trading profit 2017	Change (at constant exchange rates)
USA	7,912	7,156	+10.6%	647	559	+15.7%
UK	1,354	1,277	+0.5%	38	44	(18.6%)
Canada and Central Europe	761	657	+9.3%	41	30	+27.2%
Central costs	-	-		(28)	(26)	
Group	10,027	9,090	+9.0%	698	607	+14.4%

Quarterly organic revenue growth

	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	H1 2018
USA	+4.8%	+6.9%	+8.8%	+8.7%	+8.3%	+9.1%	+8.7%

UK	(3.4%)	+3.1%	(1.4%)	+3.4%	+3.2%	(2.1%)	+0.5%
Canada and Central Europe	(1.7%)	+1.2%	+7.3%	+7.7%	+7.7%	+7.8%	+7.8%
Group	+3.1%	+5.9%	+7.1%	+8.0%	+7.6%	+7.3%	+7.4%

USA (89% of Group trading profit)

Revenue in the USA grew by 8.7% on an organic basis including inflation of 1% - 2%. Acquisitions generated 1.8% of additional revenue growth. Underlying US market growth continued to be good and was broadly based. All businesses continued to execute their growth strategies and generated organic revenue growth ahead of the market. Blended Branches grew well across all geographic regions, Waterworks growth was strong and Industrial revenues continued to recover well.

Organic revenue growth by end market

	% of US revenue	Organic revenue growth
Residential	~50%	+10 - 11%
Commercial	~35%	+5 - 6%
Civil / Infrastructure	~7.5%	+11 - 12%
Industrial	~7.5%	+10 - 11%

Gross margins improved due to continued effective purchasing, improved product mix and disciplined pricing. Operating expense growth was well controlled and improved labour productivity helped to partially offset labour

cost inflation of 3% - 4%. We continued to invest in our technology platforms to support future profitable growth. Total e-commerce now represents 23% of US revenues. Trading profit of $647 million (2017: $559 million) was 15.7% ahead of last year and the trading margin increased to 8.2% (2017: 7.8%).

Three bolt-on acquisitions were completed in the period with total annualised revenues of $132 million. As previously announced these included AC Wholesalers and Supply.com. We also acquired Duhig Stainless, a specialist Industrial pipe and valve business, based in California.

UK (5% of Group trading profit)

Organic revenue growth in the UK was 0.5%, including inflation of 3% - 4% offset by a reduction in revenue from closed branches and the exit of low margin business towards the end of the half. Going forward we expect these actions to reduce revenue by about 10%. Repair, maintenance and improvement markets were flat. Gross margins were slightly lower in competitive markets as a result of our decision to stop opportunistic forward buys. Operating costs increased with our move to in-night replenishment to improve customer service. Trading profit of $38 million was $6 million lower than last year, after a $2 million gain from favourable exchange rates. The trading margin was 2.8% (2017: 3.5%). We have accelerated the UK restructuring programme including the closure of a further 52 branches and a significant reduction in central support costs.

Canada and Central Europe (6% of Group trading profit)

In Canada and Central Europe organic revenue was 7.8% higher including price inflation of 1% - 2%. Acquisitions contributed 1.9% of additional growth. Markets in Canada have been good and we gained market share. Central Europe also continued to grow well.

Gross margins were ahead of last year and operating expenses were well controlled. Trading profit of $41 million

was $11 million ahead of last year including $2 million from favourable exchange rate movements. The trading margin was 5.4% (2017: 4.6%). As previously announced, we completed three acquisitions in the first half with total annualised revenue of $30 million.

Central costs

Central costs in the first half were $28 million, $2 million higher than last year predominantly due to adverse movements in foreign exchange rates.

Tax and pensions

The total tax charge of $158 million includes the ongoing tax charge of $169 million (2017: $160 million) which represents an ongoing effective tax rate on trading profit and share of result from associates less net finance costs of 25.1% (2017: 27.7%).

As previously announced, the enactment of the Tax Cuts and Jobs Act in the US reduced the US federal corporate income tax rate, effective 1 January 2018. We estimate a Group effective tax rate of approximately 25% for the current financial year ending 31 July 2018, a reduction from previous guidance of 28%. For the year ending 31 July 2019 we expect the Group's effective tax rate to be in the range 21% to 22%.

Continuing our commitment to the UK defined benefit pension scheme we will contribute approximately $100 million of additional funding in to the scheme in the second half.

Discontinued operations

On 14 March 2018 Lone Star Funds received competition clearance from the relevant EU authorities and we expect to complete the disposal of Stark Group at the end of March 2018. After deal costs, consideration is expected to be about $1.2 billion (€975 million). As previously indicated we have retained approximately $180 million (€150 million) of surplus property which we expect to exit in due course. Discontinued profit after tax was $18 million (2017: $127 million loss).

Cash flow

The Group generated EBITDA of $782 million (2017: $721 million). The Group experienced a normal seasonal working capital outflow of $398 million (2017: $328 million). Acquisitions resulted in a cash outflow of $120 million and capital investment was $175 million (2017: $91 million). Interest and tax payments amounted to $129 million (2017: $215 million) with the reduction primarily due to the change in the US federal corporate tax income rate and the timing of payments. Dividend payments were $248 million (2017: $209 million) and the share buyback was $335 million (2017: nil).

Net debt

The Group's net debt at 31 January 2018 was $1,401 million (31 January 2017: $1,632 million) and the ratio of net debt to the last twelve months EBITDA was 0.8x. The Group has a strong liquidity position with credit facilities of $3.5 billion and aims to operate with investment grade credit metrics and with a net debt to EBITDA ratio of between 1x and 2x.

Shareholder returns

As previously announced, ordinary dividends are now declared in US dollars with shareholders able to elect whether to receive them in US dollars or sterling. Dividend growth has been calculated using a base of 156.4 cents per share, derived from the total dividend for the year ended 31 July 2017 of 110 pence translated at a rate on the 23 March 2018 exchange rate of GBP:USD 1.4219.

An interim dividend of 57.4 cents per share (2017: 52.1 cents per share), an increase of 10%, will be paid on 27 April 2018 to shareholders on the register on 6 April 2018.

Our investment priorities remain focused on achieving organic growth above the rate of market growth, maintaining and growing the ordinary dividend in line with earnings through the cycle and investing in bolt-on acquisitions that meet our investment criteria. Any surplus cash after meeting these investment needs will be returned to shareholders on a reasonably prompt basis.

In light of the expected proceeds from the disposal of Stark Group at the end of March, the Board is proposing a special dividend and share consolidation of $4 per share, equivalent to approximately $1 billion. This is subject to completion of the disposal and shareholder approval. A General Meeting will be held on 23 May 2018. The ex-dividend, record and payment dates for the special dividend and the share consolidation factor will be announced in due course and will be set out in the documents available for shareholders in connection with the General Meeting once the transaction has closed.

The ongoing share buyback programme of approximately $650 million (£500 million) announced on 3 October 2017 will continue. To date we have purchased 4.8 million shares for $335 million (£252 million).

Outlook

US residential markets are growing well, commercial market growth is good and industrial markets have recovered. Canadian markets are healthy, though UK markets are challenging. Group organic revenue growth since the end of January has continued in line with growth in the second quarter, though comparators get progressively tougher through the second half. The Group is confident of achieving trading profit in line with analyst expectations for the full year.

Principal risks and uncertainties

The principal risks and uncertainties which affect the Group are:

New competitors and technology	Wholesale and distribution businesses in other industry sectors have been disrupted by the arrival of new competitors with lower-cost business models or new technologies to aggregate demand away from incumbents. The Board is attuned to both the risks and opportunities presented by these changes and is actively engaged as the Group takes action to respond.
Market conditions	This risk relates to the Group's exposure to short-term macroeconomic conditions and market cycles in our sector (i.e. periodic market downturns). Some of the factors driving market growth are beyond the Group's control and are difficult to forecast.
Pressure on margins	Ferguson's ability to maintain attractive profit margins can be affected by a range of factors. These include levels of demand and competition in our markets, the arrival of new competitors with new business models, the flexibility of the Group's cost base, changes in the cost of commodities or goods purchased, customer or supplier consolidation or manufacturers shipping directly to customers. There is a risk that the Group may not identify or respond effectively to changes in these factors. If it fails to do so, the amount of profit generated by the Group could be significantly reduced.
Information security	Technology systems and data are fundamental to the future growth and success of the Group. These digital assets are threatened by sophisticated security threats, including hacking, viruses, "phishing" or inadvertent errors. The Group is reliant on a number of different legacy technology systems, some of which have been in place for many years or have been subject to in-house development. Data breaches in our industry sector and others indicate that such events are highly likely and difficult to prevent. Sensitive employee, customer or other data may be stolen and distributed or used illegally, leading to increased operating costs, litigation and fines or penalties. These technology systems, on which our branches, distribution centres and e-commerce businesses rely, may be disrupted for several hours or days. As a result, Ferguson could forego revenue or profit margins if we are unable to trade.
Litigation	The international nature of the Group's operations exposes it to the potential for litigation from third parties and such exposure is considered to be greater in the USA than in Europe. Material levels of litigation may arise from many of the Group's activities. Significant levels of litigation in our industry sector have in the past related to products, associates or major contracts. Acquisitions and disposals and the restructuring of under-performing businesses may also give rise to litigation.

Health and safety	The Group does not operate in a high risk industry with regard to health and safety. The nature of Ferguson's operations can nevertheless expose its employees, contractors, customers, suppliers and other individuals to health and safety risks. Health and safety incidents can lead to loss of life or severe injuries.
Strategic change	To respond to changing customer needs the Group is changing traditional ways of working in its established businesses. These changes are underway in all of our key markets, especially the UK, and will continue for several years. The Group must successfully implement these changes without disrupting existing operations. The Group's ability to successfully execute these changes will affect its ability to grow profitably in the future.
Regulations	The Group's operations are affected by various statutes, regulations and standards in the countries and markets in which it operates. The amount of such regulation and the penalties 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. Breach of any legal or regulatory requirement could result in significant fines and penalties and damage to the Group's reputation.
Talent management and retention	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 a number of strategic change programmes, it is important that existing skill-sets and talent is retained. Failure to do so could delay the execution of strategic change programmes, result in a loss of "corporate memory" and reduce the Group's supply of future leaders.

The Group faces many other risks which, although important and subject to regular review, have been assessed as less significant and are not listed here.

Statement of directors' responsibilities

The directors confirm, to the best of their knowledge, that these condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

§ an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements and a description of the principal risks and uncertainties for the remaining

six months of the financial year; and

§ material related party transactions in the first six months and any material changes in the related party transactions described in the last Annual Report and Accounts.

The directors of Ferguson plc are listed in the Ferguson plc Annual Report and Accounts 2017. A list of current directors is maintained on the Ferguson plc website: **www.fergusonplc.com**.

By order of the Board,

John W Martin	Mike Powell
Group Chief Executive	Group Chief Financial Officer

Notes to statement

1. About Ferguson

Ferguson plc is the world's largest specialist trade distributor of plumbing and heating products to professional contractors principally operating in North America and the UK. Ongoing revenue for the year ended 31 July 2017

was $18.8 billion and ongoing trading profit was $1.3 billion. Ferguson plc is listed on the London Stock Exchange (LSE: FERG) and is in the FTSE 100 index of listed companies. For more information, please visit www.fergusonplc.com.

2. Financial calendar

General Meeting	23 May 2018
Q3 IMS for the period ending 30 April 2018	19 June 2018
Full Year Results for the year ended 31 July 2018	2 October 2018
Annual General Meeting	29 November 2018

3. Timetable for the interim dividend

The timetable for payment of the interim dividend of 57.4 cents per share is as follows:

Ex dividend date:	5 April 2018
Record date:	6 April 2018
Payment date:	27 April 2018

The dividend is declared in US dollars but will be paid in sterling, shareholders can elect to receive the dividend in

US dollars. A dividend reinvestment plan is in operation. Those shareholders who have not elected to receive dividends in US dollars or elected to participate in the dividend reinvestment plan, and who would like to make an election with respect to the 2018 interim dividend, may do so by contacting Equiniti on 0371 384 2268 (or if outside the UK +44 (0) 121 415 7173). The last day for election for the proposed interim dividend is 10 April 2018 and any requests should be made in good time ahead of that date.

4. Legal disclaimer

Certain information included in this announcement is forward-looking and involves known and unknown risks, assumptions and uncertainties that could cause actual results or outcomes to differ from those expressed or implied in any forward-looking statement. There forward-looking statements are based on the Company's current belief and expectations about future events and cover all matters which are not historical facts and include, without limitation, projections relating to results of operations and financial conditions and the Company's plans and objectives for future operations, including, without limitation, discussions of expected future revenues, financing plans, prospects, growth, strategies, expected expenditures and divestments, risks associated with changes in economic conditions, the strength of the plumbing and heating and building materials market in North America and Europe, fluctuations in product prices and changes in exchange and interest rates. Forward-looking statements are sometimes identified by the use of forward-looking terminology, including terms such as "believes", "estimates", "continues", "anticipates", "expects", "forecasts", "intends", "plans", "projects", "goal", "target", "aim", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations thereon or comparable terminology. Forward-looking statements are not guarantees of future performance and actual events or results may differ materially from any estimates or forecasts indicated, expressed or implied in such forward looking statements. All forward-looking statements in this announcement are based upon information known to the Company on the date of this announcement. Accordingly, no assurance can be given that any particular expectation will be met and readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as at the date of this announcement. Additionally, forward-looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Other than in accordance with applicable law, (including under the UK Listing Rules, the Prospectus Rules, the Disclosure Rules and the Transparency Rules of the Financial Conduct Authority), the Company undertakes no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, change in events or otherwise. Nothing in this announcement shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.

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Condensed consolidated income statement (unaudited)

Half year to 31 January 2018

		2018			Restated* 2017		
Half year to 31 January	Notes	Before exceptional items $m	Exceptional items (note 4) $m	Total $m	Before exceptional items $m	Exceptional items (note 4) $m	Total $m
Continuing operations							
Revenue	3	10,027	-	10,027	9,382	-	9,382
Cost of sales		(7,084)	(3)	(7,087)	(6,651)	(1)	(6,652)
Gross profit		2,943	(3)	2,940	2,731	(1)	2,730
Operating costs:							
amortisation of acquired intangible assets	10	(30)	-	(30)	(44)	-	(44)
other		(2,245)	(43)	(2,288)	(2,101)	-	(2,101)
Operating costs		(2,275)	(43)	(2,318)	(2,145)	-	(2,145)
Operating profit	3	668	(46)	622	586	(1)	585
Net finance costs	5	(27)	-	(27)	(29)	-	(29)
Share of result of associates		3	-	3	-	-	-
Profit before tax		644	(46)	598	557	(1)	556
Tax	6	(165)	7	(158)	(156)	-	(156)
Profit from continuing operations		479	(39)	440	401	(1)	400
Profit/(loss) from discontinued operations	7	37	(19)	18	(111)	(16)	(127)
Profit for the period attributable to shareholders of the company		516	(58)	458	290	(17)	273
Earnings per share	9						

Continuing operations and discontinued operations				
Basic earnings per share			183.3c	108.8c
Diluted earnings per share			182.0c	108.0c
Continuing operations only				
Basic earnings per share			176.1c	159.4c
Diluted earnings per share			174.9c	158.2c

Alternative performance measures				
Trading profit from ongoing operations	2, 3	698		607
Trading profit from non-ongoing operations	2, 3	-		23
Trading profit from continuing operations	2, 3	698		630
EBITDA	2	782		721
Headline earnings per share	2, 9	202.1c		173.3c

*Restated to present the Nordic businesses as discontinued operations in accordance with IFRS 5.

Condensed consolidated statement of comprehensive income (unaudited)

Half year to 31 January 2018

Half year to 31 January	2018 $m	Restated 2017 $m
Profit for the period	458	273
Other comprehensive income/(expense):		
Items that may be reclassified subsequently to profit or loss:		

Exchange gain/(loss) on translation of overseas operations1	114	(15)
Exchange loss on translation of borrowings and derivatives designated as hedges of overseas operations1	(24)	(44)
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gain on retirement benefit plans2	68	27
Income tax charge on retirement benefit plans2	(12)	(5)
Other comprehensive income/(expense) for the period	146	(37)
Total comprehensive income for the period	604	236

1 Impacting the translation reserve.

2 Impacting retained earnings.

Condensed consolidated statement of changes in equity (unaudited)

Half year to 31 January 2018

						Reserves		
	Notes	Share capital $m	Share premium $m	Translation reserve $m	Treasury shares $m	Own shares $m	Retained earnings $m	Non-controlling interest $m	Total equity $m
Profit for the period		-	-	-	-	-	458	-	458
Other comprehensive income		-	-	90	-	-	56	-	146
Total comprehensive income		-	-	90	-	-	514	-	604
Purchase of own shares by Employee Benefit Trusts		-	-	-	-	(34)	-	-	(34)
Issue of own shares by Employee Benefit Trusts		-	-	-	-	23	(23)	-	-
Credit to equity for share-based payments		-	-	-	-	-	16	-	16

Tax relating to share-based payments		-	-	-	-	-	(1)	-	(1)
Purchase of Treasury shares		-	-	-	(335)	-	-	-	(335)
Disposal of Treasury shares		-	-	-	18	-	(9)	-	9
Dividends paid	8	-	-	-	-	-	(248)	-	(248)
Net change to equity		-	-	90	(317)	(11)	249	-	11
At 1 August 2017		45	67	(746)	(743)	(76)	5,996	(3)	4,540
At 31 January 2018		45	67	(656)	(1,060)	(87)	6,245	(3)	4,551

							Reserves		
	Notes	Share capital $m	Share premium $m	Translation reserve $m	Treasury shares $m	Own shares $m	Retained earnings $m	Non-controlling interest $m	Total equity $m
Profit for the period		-	-	-	-	-	273	-	273
Other comprehensive (expense)/income		-	-	(59)	-	-	22	-	(37)
Total comprehensive (expense)/income		-	-	(59)	-	-	295	-	236
Purchase of own shares by Employee Benefit Trusts		-	-	-	-	(8)	-	-	(8)
Issue of own shares by Employee Benefit Trusts		-	-	-	-	23	(23)	-	-
Credit to equity for share-based payments		-	-	-	-	-	14	-	14
Tax relating to share-based payments		-	-	-	-	-	3	-	3
Disposal of Treasury shares		-	-	-	30	-	(15)	-	15
Dividends paid	8	-	-	-	-	-	(209)	-	(209)
Net change to equity		-	-	(59)	30	15	65	-	51
At 1 August 2016		45	67	(807)	(792)	(92)	5,419	(3)	3,837
At 31 January 2017		45	67	(866)	(762)	(77)	5,484	(3)	3,888

Condensed consolidated balance sheet (unaudited)

As at 31 January 2018

As at 31 July 2017 $m		Notes	As at 31 January 2018 $m	As at 31 January 2017 $m
	Assets			
	Non-current assets			
1,173	Intangible assets: goodwill	10	1,249	1,230
240	Intangible assets: other	10	264	278
1,068	Property, plant and equipment	10	1,122	1,867
164	Interests in associates		209	-
15	Financial assets	18	11	28
4	Retirement benefit assets		70	-
160	Deferred tax assets		149	141
299	Trade and other receivables		316	298
19	Derivative financial assets	18	13	20
3,142			3,403	3,862
	Current assets			
2,399	Inventories		2,590	2,723
2,766	Trade and other receivables		2,781	2,805
3	Current tax receivable		-	-
7	Derivative financial assets	18	7	13
2,525	Cash and cash equivalents	14	2,308	1,089
7,700			7,686	6,630
1,715	Assets held for sale	11	1,587	195
12,557	Total assets		12,676	10,687

	Liabilities			
	Current liabilities			
3,011	Trade and other payables		2,847	3,190
116	Current tax payable		167	111
2,150	Bank loans and overdrafts		2,178	1,253
4	Obligations under finance leases		4	5
107	Provisions	12	118	104
11	Retirement benefit obligations		7	10
5,399			5,321	4,673
	Non-current liabilities			
238	Trade and other payables		277	240
1,098	Bank loans		1,533	1,463
5	Obligations under finance leases		4	33
12	Deferred tax liabilities		11	75
159	Provisions	12	162	174
21	Retirement benefit obligations		15	122
-	Derivative financial liabilities	18	10	-
1,533			2,012	2,107
1,085	Liabilities held for sale	11	792	19
8,017	Total liabilities		8,125	6,799
4,540	Net assets		4,551	3,888
	Equity			
45	Share capital		45	45
67	Share premium		67	67
4,431	Reserves		4,442	3,779
4,543	Equity attributable to shareholders of the Company		4,554	3,891
(3)	Non-controlling interest		(3)	(3)

4,540	Total equity	4,551	3,888

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Condensed consolidated cash flow statement (unaudited)

Half year to 31 January 2018

Half year to 31 January	Notes	2018 $m	2017 $m
Cash flows from operating activities			
Cash generated from operations	13	390	410
Interest received		3	-
Interest paid		(31)	(34)
Tax paid		(101)	(181)
Net cash generated from operating activities		261	195
Cash flows from investing activities			
Acquisitions of businesses (net of cash acquired)	15	(120)	(296)
Disposals of businesses (net of cash disposed of)		(40)	-
Purchases of property, plant and equipment		(139)	(75)
Proceeds from sale of property, plant and equipment and assets held for sale		89	5
Purchases of intangible assets		(36)	(16)
Acquisition of associate		(35)	-
Net cash used in investing activities		(281)	(382)
Cash flows from financing activities			
Purchase of own shares by Employee Benefit Trusts		(34)	(8)

Purchase of Treasury shares		(335)	-
Proceeds from the sale of Treasury shares		9	15
Proceeds from borrowings and derivatives		746	445
Repayments of borrowings		(256)	(1)
Finance lease capital payments		(3)	(3)
Dividends paid to shareholders	8	(248)	(209)
Net cash (used)/generated from financing activities		(121)	239
Net cash (used)/generated		(141)	52
Effects of exchange rate changes		(5)	(18)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		(146)	34
Cash, cash equivalents and bank overdrafts at the beginning of the period1		586	328
Cash, cash equivalents and bank overdrafts at the end of the period	14	440	362

1 Cash, cash equivalents and bank overdrafts at 31 July 2017 included $43 million in assets held for sale.

Notes to the condensed consolidated interim financial statements (unaudited)

Half year to 31 January 2018

1. Basis of preparation

The Company is incorporated in Jersey under the Companies (Jersey) Law 1991 and is headquartered in Switzerland.

The condensed consolidated interim financial statements for the six months ended 31 January 2018 were approved by the Board of Directors on 26 March 2018. The condensed consolidated interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and

International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

No material new standards, amendments to standards or interpretations are effective in the period ending 31 July 2018.

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those set out in the Group's Annual Report and Accounts for the year ended 31 July 2017, except for the change in presentational currency shown below.

The Nordic businesses have been reclassified as discontinued operations in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" and the condensed consolidated interim financial statements and affected notes for the period ended 31 January 2017 have been restated to reflect this.

The condensed consolidated interim financial statements are unaudited. The financial information for the year ended 31 July 2017 does not constitute the Group's statutory financial statements. The Group's statutory financial statements for that year have been filed with the Jersey Registrar of Companies and received an unqualified auditor's report.

Functional and presentational currency

The majority of the Group's revenue and trading profit is now generated in US dollars and future dividends will be declared in US dollars.

The Company's functional currency was determined to have changed to US dollar from 1 August 2017 in line with IAS 21 "The Effects of Changes in Foreign Exchange Rates" and the change will be accounted for prospectively from this date.

The Group has changed its presentational currency to US dollar from 1 August 2017, which is expected to reduce the impact of foreign exchange rate movements.

A change in presentation currency is a change in accounting policy which is accounted for retrospectively. Financial information included in the condensed consolidated interim financial statements for the six months ended 31 January 2017 previously reported in sterling has been restated into US dollars using the procedures outlined below:

- assets and liabilities denominated in non-US dollar currencies were translated into US dollars at the closing rates of exchange on the relevant balance sheet date;

- non-US dollar income and expenditure were translated at the average rates of exchange prevailing for

the relevant period; and

• the cumulative translation reserve was set to nil at 1 August 2004, the date of transition to IFRS, and has been restated on the basis that the Group has reported in US dollars since that date. Share capital, share premium and the other reserves were translated at the historic rates prevailing on the date of each transaction.

Going concern

The condensed consolidated interim financial statements have been prepared on a going concern basis. The Directors of the Company are confident, on the basis of current financial projections and facilities available and after considering sensitivities, that the Group has sufficient resources for its operational needs and will remain in compliance with the financial covenants in its bank facilities for at least the next 12 months.

Accounting developments and changes

At the time of this report a number of accounting standards have been published, but not yet applied.

IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" are effective for the Group from the year ending 31 July 2019. The Group has completed an assessment of the impact of IFRS 9 and IFRS 15 and it is expected adoption will not have a material impact on the Group's consolidated financial results.

IFRS 16 "Leases" is effective for the Group for the year ending 31 July 2020. IFRS 16 represents a significant change for the treatment of leases in the lessee's financial results. Lessees will be required to apply a single model to recognise a lease liability and asset for all leases, including those classified as operating leases under current accounting standards (the Group's operating lease commitments were $1,129 million as at 31 July 2017), unless the underlying asset has a low value or the lease term is 12 months or less.

On adoption of IFRS 16 there will be a significant change to the financial statements, as each lease will give rise to a right of use asset, which will be depreciated on a straight-line basis, and a lease liability, with the related interest charge. This will replace existing lease balances on the balance sheet and charges to the income statement.

The Group continues to assess the full impact of IFRS 16, however the impact will depend on the transition approach and the contracts in effect at the time of adoption. It is therefore not yet practicable to provide a reliable estimate of the financial impact on the Group's consolidated financial results.

2. Alternative performance measures

The Group uses alternative performance measures ("APMs"), which are not defined or specified under IFRS. The Group believes that these APMs, which are not considered to be a substitute for IFRS measures, 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.

The Group reports some financial measures net of businesses or branches that have been disposed of, closed or classified as held for sale and uses the following terminology:

Non-ongoing operations: businesses and groups of branches, which do not meet the criteria to be classified as discontinued operations under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", which have been disposed of, closed or classified as held for sale. In 2017, the Group's Swiss business, Tobler, and a small Industrial business in the USA, Endries, were classified as non-ongoing.

Ongoing operations: continuing operations excluding non-ongoing operations.

A reconciliation between ongoing and continuing operations is shown below.

	Revenue		Trading profit	
Half year to 31 January	2018 $m	Restated 2017 $m	2018 $m	Restated 2017 $m
Ongoing operations	10,027	9,090	698	607
Non-ongoing operations	-	292	-	23
Continuing operations	10,027	9,382	698	630
Discontinued operations	1,338	1,310	59	24

Constant exchange rates

The Group measures some financial metrics on both a reported basis and at constant exchange rates. The constant exchange rate basis re-translates the prior period at the current period exchange rate to eliminate the effect of exchange rate fluctuations when comparing information year-on-year.

	Ongoing revenue		Ongoing trading profit	
Half year to 31 January	$m	%	$m	%
Reported 2017 at 2017 exchange rates	9,090		607	
Impact of exchange rates	108		3	
Reported 2017 at 2018 exchange rates	9,198		610	
Constant currency growth	829	9.0	88	14.4
Reported 2018	10,027		698	

Organic revenue growth

Management uses organic revenue growth as it provides a consistent measure of the percentage increase/decrease in revenue year-on-year, excluding the effect of currency exchange, trading days and acquisitions and disposals.

When entities are disposed in the period, the difference between the revenue and trading profit in the current period up to the date of disposal and the revenue and trading profit in the equivalent portion of the prior period is included in organic change.

	Ongoing revenue	
Half year to 31 January	$m	%
Reported 2017 at 2018 exchange rates	9,198	
Organic revenue growth	684	7.4
Trading days	-	
Acquisitions and disposals	145	
Reported 2018	10,027	

Exceptional items

Exceptional items are those which are considered significant by virtue of their nature, size or incidence. These items are presented as exceptional within their relevant income statement category to assist in the understanding of the trading and financial results of the Group as these types of cost/credit do not form part of the underlying business.

Examples of items that are considered by the Directors for designation as exceptional items include, but are not limited to:

• restructuring costs within a segment which are both material and incurred as part of a significant change in strategy or due to the closure of a large part of a business and are not expected to be repeated on a regular basis.

• significant costs incurred as part of the integration of an acquired business and which are considered to be material.

• gains or losses on disposals of businesses are considered to be exceptional in nature as they do not reflect the performance of the trading business.

• material costs or credits arising as a result of regulatory and litigation matters.

• gains or losses arising on significant changes to or closures of defined benefit pension plans are considered to be exceptional in nature as they do not reflect the performance of the trading business.

• other items which are material and considered to be non-recurring in nature and/or are not as a result of the underlying trading activities of the business.

If provisions have been made for exceptional items in previous years, then any reversal of these provisions is treated as exceptional.

Exceptional items for the current and prior period are disclosed in note 4.

Gross margin

The ratio of gross profit, excluding exceptional items, to revenue. This is presented for both ongoing operations and continuing operations. Gross margin is used by management for assessing business unit performance and is a key performance indicator for the Group.

Trading profit

Trading profit is defined as operating profit before exceptional items and the amortisation and impairment of

acquired intangible assets. Trading profit is used as a performance measure because it excludes costs and other items that do not form part of the underlying trading business.

		Ongoing		Continuing
Half year to 31 January	2018 $m	Restated 2017 $m	2018 $m	Restated 2017 $m
Operating profit	622	561	622	585
Amortisation and impairment of acquired intangible assets	30	44	30	44
Exceptional items in operating profit	46	2	46	1
Trading profit	698	607	698	630

Ongoing trading margin

The ratio of ongoing trading profit to ongoing revenue is used to assess business unit profitability and is a key performance indicator for the Group.

EBITDA

The profit before charges/credits relating to interest, tax, depreciation, amortisation, impairment and exceptional items. EBITDA is used in the net debt to last 12 months EBITDA ratio to assess the appropriateness of the Group's financial gearing.

Half year to 31 January	2018 $m	Restated 2017 $m
Trading profit	698	630
Depreciation, amortisation and impairment of property, plant and equipment and software excluding exceptional items in operating profit	84	91
EBITDA	782	721

Ongoing effective tax rate

The ongoing effective tax rate is the ratio of the ongoing tax charge to ongoing profit before tax and is used as a measure of the tax rate of the ongoing business.

Half year to 31 January	2018 $m	2017 $m
Tax charge in relation to continuing operations	(158)	(156)
Deduct: tax credit on the amortisation and impairment of acquired intangible assets	(9)	(12)
Deduct: tax credit on exceptional items	(7)	-
Add back: tax charge on profits from non-ongoing operations	-	6
Add back: non-recurring tax charges	5	2
Ongoing tax charge	(169)	(160)
Profit before tax and exceptionals from continuing operations	644	557
Add back: amortisation and impairment of acquired intangible assets	30	44
Deduct: other profits before tax from non-ongoing operations	-	(23)
Ongoing profit before tax	674	578
Ongoing effective tax rate	25.1%	27.7%

Headline profit after tax and headline earnings per share

Headline profit after tax is calculated as the profit from continuing operations after tax, before charges for amortisation and impairment of acquired intangible assets net of tax, exceptional items net of tax and non-recurring tax items.

Headline earnings per share is the ratio of headline profit after tax to the weighted average number of ordinary shares in issue during the period, excluding those held by the Employee Benefit Trusts and those held by the Company as Treasury shares. Headline earnings per share is used for the purpose of setting remuneration targets

for executive directors and other senior executives. See reconciliation in note 9.

Net debt

Net debt comprises cash and cash equivalents, bank overdrafts, bank loans, derivative financial instruments and obligations under finance leases. Net debt is a good indicator of the strength of the Group's balance sheet position and is widely used by credit rating agencies. See reconciliation in note 14.

3. Segmental analysis

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 and heating products.

The Group's business is not highly seasonal. The Group's customer base is highly diversified, with no individually significant customer.

Revenue by reportable segment for continuing operations is as follows:

Analysis of change in revenue	Restated 2017 $m	Exchange $m	Disposals $m	Acquisitions $m	Trading days $m	Organic change $m	2018 $m
USA	7,280	-	(123)	132	-	623	7,912
UK	1,277	68	-	-	2	7	1,354
Canada and Central Europe	825	43	(172)	13	(2)	54	761
Group	9,382	111	(295)	145	-	684	10,027

Analysis of change in trading profit/(loss)	Restated 2017	Exchange $m	Disposals $m	Acquisitions $m	Trading days $m	Organic change $m	2018 $m

	$m						
USA	569	-	(10)	4	-	84	647
UK	44	2	-	-	-	(8)	38
Canada and Central Europe	43	2	(13)	2	-	7	41
Central and other costs	(26)	(1)	-	-	-	(1)	(28)
Group	630	3	(23)	6	-	82	698

The reconciliation between trading profit/(loss) and operating profit/(loss) by reportable segment for continuing operations is as follows:

					Restated			
	2018				2017			
Half year to 31 January	Trading profit/(loss) $m	Exceptional items $m	Amortisation of acquired intangible assets $m	Operating profit/(loss) $m	Trading profit/(loss) $m	Exceptional items $m	Amortisation of acquired intangible assets $m	Operating profit/(loss) $m
USA	647	(4)	(27)	616	569	-	(43)	526
UK	38	(37)	-	1	44	(1)	-	43
Canada and Central Europe	41	-	(3)	38	43	-	(1)	42
Central and other costs	(28)	(5)	-	(33)	(26)	-	-	(26)
Group	698	(46)	(30)	622	630	(1)	(44)	585
Net finance costs				(27)				(29)
Share of result of associate				3				-
Profit before tax				598				556

The revenue and trading profit of the Group's ongoing operations are analysed in the following table. These are alternative performance measures.

	Revenue		Trading profit	
Half year to 31 January	2018	Restated	2018	Restated
	$m	2017	$m	2017
		$m		$m
Ongoing operations				
USA	7,912	7,156	647	559
UK	1,354	1,277	38	44
Canada and Central Europe	761	657	41	30
Central and other costs	-	-	(28)	(26)
Total ongoing operations	10,027	9,090	698	607
Non-ongoing operations	-	292	-	23
Continuing operations	10,027	9,382	698	630

Other information on assets and liabilities by segment is set out in the table below:

	31 January 2018			Restated 31 January 2017		
Segment assets and liabilities	Segment assets $m	Segment liabilities $m	Segment net assets/ (liabilities) $m	Segment assets $m	Segment liabilities $m	Segment net assets/ (liabilities) $m
USA	6,430	(2,343)	4,087	6,014	(2,105)	3,909
UK	1,347	(698)	649	1,142	(678)	464
Canada and Central Europe	807	(224)	583	763	(274)	489

Central and other costs	19	(129)	(110)	15	(106)	(91)
Discontinued	1,596	(824)	772	1,490	(696)	794
Total	10,199	(4,218)	5,981	9,424	(3,859)	5,565
Tax assets and liabilities	149	(178)	(29)	141	(186)	(45)
Net cash/(debt)	2,328	(3,729)	(1,401)	1,122	(2,754)	(1,632)
Group assets/(liabilities)	12,676	(8,125)	4,551	10,687	(6,799)	3,888

4. Exceptional items

Exceptional items included in operating profit from continuing operations are analysed by purpose as follows:

Half year to 31 January	2018 $m	Restated 2017 $m
Business restructuring	(37)	(19)
Other exceptional items	(9)	18
Total included in operating profit	(46)	(1)

For the half year to 31 January 2018, business restructuring comprises cost incurred in the UK in respect of its business transformation strategy and includes $3 million charged to cost of sales for inventory write downs.

Other exceptional items include a $4 million settlement cost on the closure of a defined benefit pension plan in the US.

5. Net finance costs

Half year to 31 January	2018 $m	Restated 2017 $m
Interest receivable	2	-
Interest payable		
- Bank loans and overdrafts	(29)	(27)
- Finance lease charges	-	(1)
Net interest expense on defined benefit obligation	-	(1)
Valuation gains/(losses) on financial instruments		
- Derivatives held at fair value through profit and loss	(10)	-
- Loans in a fair value hedging relationship	10	-
Total net finance costs	(27)	(29)

6. Tax

The tax charge on ordinary activities for the half year has been calculated by applying the expected full year rate to the half year results with specific adjustments for items that distort the rate (amortisation and impairment of acquired intangible assets, exceptional items and non-recurring tax items). The tax charge for the period comprises:

Half year to 31 January	2018 $m	Restated 2017 $m
Current tax charge	(156)	(154)
Deferred tax charge: origination and reversal of temporary differences	(2)	(2)
Total tax charge	(158)	(156)

The total tax charge includes an ongoing tax charge of $169 million (2017: $160 million). This equates to an ongoing effective tax rate of 25.1 per cent (2017: 27.7 per cent) on the ongoing profit before tax of $674 million (2017: $578 million). See note 2 for reconciliation.

The deferred tax charge of $2 million (2017: $2 million) includes a credit of $7 million (2017: charge $2 million) resulting from changes in tax rates. The current period tax rate change relates to the reduction in the US federal tax rate from 35 per cent to 21 per cent with effect from 1 January 2018.

7. Discontinued operations

The Group is in the process of selling its business and property assets (the "disposal group") in the Nordic region and, in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", the disposal group has been classified as discontinued and prior periods have been restated to reflect this.

As at 31 January 2018, the sales process for the small number of remaining French property assets is in progress and these are classified as discontinued.

The results from discontinued operations, which have been included in the Group income statement, are set out below.

	2018			Restated 2017		
Half year to 31 January	Before exceptional items $m	Exceptional items $m	Total $m	Before exceptional items $m	Exceptional items $m	Total $m
Revenue	1,338	-	1,338	1,310	-	1,310
Cost of sales	(1,002)	(5)	(1,007)	(981)	(11)	(992)
Gross profit	336	(5)	331	329	(11)	318
Operating costs:						
(loss)/gain on disposal of businesses	-	(19)	(19)	-	3	3
amortisation of acquired intangible assets	-	-	-	(4)	-	(4)

impairment of goodwill and acquired intangible assets	-	-	-	(130)	-	(130)
other	(277)	(5)	(282)	(305)	(17)	(322)
Operating costs	(277)	(24)	(301)	(439)	(14)	(453)
Operating profit/(loss)	59	(29)	30	(110)	(25)	(135)
Finance (costs)/income	(4)	1	(3)	(2)	2	-
Profit/(loss) before tax	55	(28)	27	(112)	(23)	(135)
Tax	(18)	9	(9)	1	7	8
Profit/(loss) from discontinued operations	37	(19)	18	(111)	(16)	(127)
Basic earnings/(loss) per share			7.2c			(50.6)c
Diluted earnings/(loss) per share			7.1c			(50.2)c

The discontinued exceptional items in 2018 relate predominantly to restructuring activities in the Nordic region, including the disposal of Silvan, a DIY business in Denmark.

The impairment of goodwill and acquired intangible assets in 2017 related to our Swedish business, Beijer.

During the period, discontinued operations used cash of $50 million (2017: $67 million) in respect of operating activities, generated $4 million (2017: used $24 million) in respect of investing activities and used $96 million (2017: $1 million) in respect of financing activities.

8. Dividends

	2018	2017
Half year to 31 January	$m	$m
Amounts recognised as distributions to equity shareholders:		
Final dividend for the year ended 31 July 2016: 66.72 pence per share	-	209
Final dividend for the year ended 31 July 2017: 73.33 pence per share	248	-

Dividends paid	248	209

The Company will declare future dividends in US dollars. Since 31 January 2018 the Directors proposed an interim dividend of 57.4 cents per share (2017: 36.67 pence per share) and a special dividend of $4 per share. These are not included as a liability in the balance sheet at 31 January 2018.

9. Earnings per share

	2018			Restated 2017		
	Earnings $m	Basic earnings per share cents	Diluted earnings per share cents	Earnings $m	Basic earnings per share cents	Diluted earnings per share cents
Attributable to shareholders of the Company						
Half year to 31 January						
Headline profit after tax from continuing operations	505	202.1		435	173.3	
Exceptional items (net of tax)	(39)	(15.6)		(1)	(0.4)	
Amortisation and impairment of acquired intangible assets (net of tax)	(21)	(8.4)		(32)	(12.7)	
Non-recurring tax charges	(5)	(2.0)		(2)	(0.8)	
Profit from continuing operations	440	176.1	174.9	400	159.4	158.2
Profit/(loss) from discontinued operations	18	7.2	7.1	(127)	(50.6)	(50.2)
Profit from continuing and discontinued operations	458	183.3	182.0	273	108.8	108.0

The weighted average number of ordinary shares in issue during the period, excluding those held by Employee Benefit Trusts and those held by the Company as Treasury shares, was 249.9 million (2017: 251.0 million).

The calculations of basic and diluted earnings per share are based on the profit attributable to ordinary shareholders and a weighted average number of shares outstanding during the related period.

The impact of all potentially dilutive share options on earnings per share would be to increase the weighted average number of shares in issue to 251.6 million (2017: 252.8 million).

10. Property, plant and equipment and intangible assets

	Goodwill $m	Other acquired intangible assets $m	Software $m	Total intangible assets $m	Property, plant and equipment $m	Total tangible and intangible fixed assets $m
Net book value at 1 August 2017	1,173	171	69	1,413	1,068	2,481
Additions	-	-	32	32	120	152
Acquisition of businesses	71	31	-	102	1	103
Disposals and transfers	-	-	1	1	(9)	(8)
Depreciation and amortisation	-	(30)	(13)	(43)	(71)	(114)
Impairment	-	-	(2)	(2)	(7)	(9)
Reclassified from held for sale	-	-	-	-	3	3
Exchange rate adjustment	5	1	4	10	17	27
Net book value at 31 January 2018	1,249	173	91	1,513	1,122	2,635

11. Assets and liabilities held for sale

As at 31 January	2018 $m	2017 $m
Properties awaiting disposal	8	68
Assets of disposal groups held for sale	1,579	127

Assets held for sale	1,587	195
Liabilities of disposal groups held for sale	792	19

As at 31 January 2018, the Group was in the process of selling its Nordic businesses and has classified these as held for sale.

The assets and liabilities of the disposal groups held for sale consist of:

As at 31 January	2018 $m
Intangible assets	37
Property, plant and equipment	887
Inventories	308
Trade and other receivables	324
Tax receivables	23
Trade and other payables	(617)
Provisions and retirement benefit obligations	(85)
Tax payables	(90)
	787

Since 31 January 2018, the Group has received merger clearance from the European Competition Authority for the sale of Stark Group, which is expected to complete at the end of March 2018. The income statement gain on the disposal will be calculated after completion and included in the second half results. The gain will be shown net of any recycling of reserves required.

12. Provisions

	Environmental and legal $m	Wolseley Insurance $m	Restructuring $m	Other provisions $m	Total $m
At 1 August 2017	78	72	59	57	266
Utilised in the period	(1)	(13)	(13)	(2)	(29)
Charge for the period	-	14	19	5	38
Changes in discount rate	(4)	-	-	-	(4)
Exchange rate adjustment	-	2	3	4	9
At 31 January 2018	73	75	68	64	280

Provisions have been analysed between current and non-current as follows:

Current	12	39	41	26	118
Non-current	61	36	27	38	162
Total provisions	73	75	68	64	280

Environmental and legal provisions include $64 million (31 July 2017: $69 million) on a discounted basis for the estimated liability for asbestos litigation. This amount has been actuarially determined as at 31 January 2018 based on advice from independent professional advisers. The Group has insurance that it currently believes significantly covers the estimated liability and accordingly an insurance receivable has been recorded in other receivables. Based on current estimates, the amount of performing insurance cover significantly exceeds the expected level of future claims and no material profit or cash flow impact is therefore expected to arise in the foreseeable future. Due to the nature of these provisions, the timing of any settlements is uncertain.

Wolseley Insurance provisions represent an estimate, based on historical experience, of the ultimate cost of settling outstanding claims and claims incurred but not reported on certain risks retained by the Group (principally US casualty and global property damage).

Restructuring provisions include provisions for staff redundancy costs and future lease rentals on closed branches primarily in the UK. Other provisions include warranty costs relating to businesses disposed of, rental commitments on vacant properties other than those arising from restructuring actions, dilapidations on leased properties and warranties.

13. Reconciliation of profit to cash generated from operations

Profit for the period is reconciled to cash generated from operations as follows:

Half year to 31 January	2018 $m	2017 $m
Profit for the period	458	273
Net finance costs	30	29
Share of result of associates	(3)	-
Tax charge	167	148
Loss/(profit) on disposal and closure of businesses and revaluation of disposal groups	19	(3)
Depreciation and impairment of property, plant and equipment	78	94
Amortisation and impairment of non-acquired intangible assets	15	15
Amortisation and impairment of goodwill and acquired intangible assets	30	178
Loss on disposal of property, plant and equipment and assets held for sale	3	-
Increase in inventories	(135)	(96)
Decrease in trade and other receivables	61	33
Decrease in trade and other payables	(324)	(265)
Decrease in provisions and other liabilities	(25)	(10)
Share-based payments	16	14
Cash generated from operations	390	410

Trading profit is reconciled to cash generated from operations as follows:

Half year to 31 January	2018 $m	2017 $m
Trading profit	698	630
Exceptional items in operating profit for continuing operations	(46)	(1)
Operating profit/(loss) from discontinued operations before the amortisation and impairment of goodwill and acquired intangible assets	30	(1)
Loss/(profit) on disposal and closure of businesses and revaluation of disposal groups	19	(3)
Depreciation and impairment of property, plant and equipment	78	94
Amortisation and impairment of non-acquired intangible assets	15	15
Loss on disposal of property, plant and equipment and assets held for sale	3	-
Increase in inventories	(135)	(96)
Decrease in trade and other receivable assets	61	33
Decrease in trade and other payables	(324)	(265)
Decrease in provisions and other liabilities	(25)	(10)
Share-based payments	16	14
Cash generated from operations	390	410

14. Reconciliation of opening to closing net debt

	1 August 2017 $m	Cash flows $m	Acquisitions/new finance leases $m	Disposal of businesses $m	Fair value adjustments $m	Held for sale movements $m	Exchange movements $m	31 January 2018 $m

Cash and cash equivalents	2,525							2,308
Bank overdrafts	(1,982)							(1,868)
	543	(125)	1	(17)	-	43	(5)	440
Derivative financial instruments	26	(6)	-	-	(10)	-	-	10
Bank loans	(1,266)	(484)	-	-	10	(105)	2	(1,843)
Obligations under finance leases	(9)	3	-	-	-	-	(2)	(8)
Net debt	(706)	(612)	1	(17)	-	(62)	(5)	(1,401)

Included in the cash and cash equivalents balance at 31 January 2018 is an amount of $1,768 million (31 July 2017: $1,876 million) which is part of the Group's cash pooling arrangement where there is an equal and opposite balance included within bank overdrafts. The amounts are subject to a master netting arrangement.

15. Acquisitions

The Group acquired six bolt-on businesses in the period ended 31 January 2018. All of these businesses are engaged in the distribution of plumbing and heating products. These transactions have been accounted for by the purchase method of accounting.

Name	Date	Country of incorporation	Shares/asset deal	% acquired
Wholesale Group, Inc.	August 2017	USA	Asset	100
Aircovent B.V.	August 2017	Netherlands	Shares	100
HM Wallace, Inc.	September 2017	USA	Shares	100
3097-3275 Quebec Inc.	September 2017	Canada	Shares	100
Tackaberry Heating Supplies Limited	September 2017	Canada	Shares	100
Duhig and Co., Inc.	January 2018	USA	Shares	100

The assets and liabilities acquired and the consideration for all acquisitions in the period are as follows:

	Book values acquired $m	Fair value adjustments $m	Provisional fair values acquired $m
Intangible assets			
- Customer relationships	-	10	10
- Trade names and brands	1	12	13
- Other	-	8	8
Property, plant and equipment	1	-	1
Inventories	20	(3)	17
Receivables	19	1	20
Cash, cash equivalents and bank overdrafts	1	-	1
Payables	(25)	-	(25)
Total	17	28	45
Goodwill arising			71
Consideration			116
Satisfied by:			
Cash			89
Deferred consideration			27
Total consideration			116

The fair value adjustments for the period ended 31 January 2018 are provisional figures, being the best estimates currently available. Amendments may be made to these figures in the 12 months following the date of acquisition when additional information is available for some of the judgemental areas.

The goodwill arising on these acquisitions is attributable to the anticipated profitability of the new markets and product ranges to which the Group has gained access and to additional profitability and operating efficiencies in respect of existing markets.

The acquisitions contributed $71 million to revenue and $2 million to the Group's trading profit for the period between the date of acquisition and the balance sheet date. If each acquisition had been completed on the first day of the financial year, Group revenue would have been $10,046 million and Group trading profit would have been $699 million. It is not practicable to disclose the impact of acquisitions on profit before or after tax, as the Group manages its borrowings as a portfolio and cannot attribute an effective borrowing rate to an individual acquisition.

It is also not practicable to disclose the impact of acquisitions on operating profit as the Group cannot estimate the amount of intangible assets that would have been acquired at a date other than the acquisition date.

The net outflow of cash in the half year to 31 January 2018 with respect to the purchase of businesses is as follows:

	2018 $m
Purchase consideration	89
Deferred and contingent consideration in respect of prior year acquisitions	32
Cash consideration	121
Cash acquired	(1)
Net cash outflow in respect of the purchase of businesses	120

16. Related party transactions

There are no material related party transactions requiring disclosure under IAS 24 "Related Party Disclosures" other than compensation of key management personnel which will be disclosed in the Group's Annual Report for the year ending 31 July 2018.

17. Contingent liabilities

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 employees. 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.

Warranties and indemnities in relation to business disposals

Over the past few years, the Group has disposed of a number of non-core businesses and various Group companies have provided certain standard warranties and indemnities to acquirers and other third parties. Provision is made where the Group considers that a liability is likely to crystallise, though it is possible that claims in respect of which no provision has been made could crystallise in the future. Group companies have also made contractual commitments for certain property and other obligations which could be called upon in an event of default. As at the date of these interim financial statements, there are no significant outstanding claims in relation to business disposals.

Environmental liabilities

The operations of certain Group companies are subject to specific environmental regulations. From time to time, the Group conducts preliminary investigations through third parties to assess potential risks including potential soil or groundwater contamination of sites. Where an obligation to remediate contamination arises then this is provided for, though future liabilities could arise from sites for which no provision is made.

Outcome of claims and litigation

The outcome of claims and litigation to which Group companies are party 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.

18. Financial risk management and financial instruments

The Group is exposed to risks arising from the international nature of its operations and the financial instruments which fund them, in particular to foreign currency risk, interest rate risk and liquidity risk. Full details of the Group's policies for managing these risks are disclosed in the Group's Annual Report and Accounts for the financial year ended 31 July 2017. Since the date of that report, there have been no significant changes in:

- the nature of the financial risks to which the Group is exposed;
- the nature of the financial instruments which the Group uses;
- its contractual cash outflows and the committed facilities available to fund them; or
- the difference between book value and fair value of any financial instruments.

At 31 January 2018, derivative financial net assets of $10 million were categorised at level 2 (2017: $33 million) and financial assets of $11 million were categorised at level 3 (2017: $28 million). There have been no transfers between categories.

Bank loans and overdrafts include senior unsecured loan notes with a book value at 31 January 2018 of $1,536 million (2017: $1,263 million) and an estimated fair value of $1,574 million (2017: $1,268 million).The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The fair value of financial instruments that are not traded in an active market (such as over-the-counter derivatives) is determined by using valuation techniques including net present value calculations. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves. The fair value of foreign exchange swaps has been calculated as the present value of the estimated future cash flows based on observable future foreign exchange rates.

The Group's other financial instruments are measured on bases other than fair value. Other receivables include an amount of $62 million (2017: $70 million) which has been discounted at a rate of 2.7 per cent (2017: 2.5 per cent) due to the long-term nature of the receivable. Other current assets and liabilities are either of short maturity or bear floating rate interest and so their fair values approximate to book values.

19. Subsequent events

Since 31 January 2018, the Group has received merger clearance from the European Competition Authority for the sale of Stark Group, which is expected to complete at the end of March 2018.

20. Exchange rates

Exchange rates (equivalent to $1)	2018	2017

Pound Sterling		
Income statement (average rate for the six months to 31 January)	0.75	0.79
Balance sheet (rate at 31 January)	0.70	0.79
Balance sheet (rate at 31 July)		0.76
Euro		
Income statement (average rate for the six months to 31 January)	0.84	0.92
Balance sheet (rate at 31 January)	0.81	0.92
Balance sheet (rate at 31 July)		0.85
Canadian Dollar		
Income statement (average rate for the six months to 31 January)	1.26	1.33
Balance sheet (rate at 31 January)	1.23	1.30
Balance sheet (rate at 31 July)		1.25

Independent review report to Ferguson plc

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 January 2018 which comprises the Condensed consolidated income statement, the Condensed consolidated balance sheet, the Condensed consolidated statement of comprehensive income, the Condensed consolidated statement of changes in equity, the Condensed consolidated cash flow statement and related notes 1 to 20. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 January 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP

Statutory Auditor

London, UK

26 March 2018

This information is provided by RNS

The company news service from the London Stock Exchange

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