NEWS RELEASE

Results for the year ended 31 July 2018

10/2/2018

RNS Number : 6151C
Ferguson PLC
02 October 2018

Ferguson plc

Results for the year ended 31 July 2018

GOOD RESULTS AND SIGNIFICANT PROGRESS IN EXECUTING OUR STRATEGIC PRIORITIES

USDm	2018	2017	Change	Change (at constant exchange rates)	Organic change
Statutory financial results					
Revenue	20,752	19,284	+7.6%		
Profit for the year attributable to shareholders	1,267	920			
Basic earnings per share	515.7c	366.1c			
Ordinary dividend per share	189.3c	156.4c	+21%		
Alternative performance measures1					
Ongoing revenue	20,752	18,845	+10.1%	+8.8%	+7.5%
Ongoing gross margin	29.2%	28.9%			
Ongoing trading profit	1,507	1,307	+15.3%	+14.7%	
Headline earnings per share	444.4c	366.1c	+21.4%		
Net debt	1,080	706			

Highlights

- US ongoing revenue growth of 11.3% including 9.9% on an organic basis and continued market share gains.
- Gross margin in the ongoing business was 0.3% ahead of last year.
- Good US residential and commercial markets and strong industrial market.
- Solid trading performance in Canada.
- UK trading profits lower in challenging markets, restructuring programme continuing.
- Completed 13 acquisitions for $415 million with 5 further acquisitions since year end for $240 million.
- Completed disposal of Nordics business and initiated the disposal of Wasco, our remaining business in Central Europe.

- Returned over $2 billion to shareholders during the year through dividends and buybacks.

- Proposed final dividend re-based upwards, 21% ahead of last year.

1) The Group uses Alternative Performance Measures ("APMs"), which are not defined or specified under International Financial Reporting Standards ("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. 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 13 to 15.

John Martin, Group Chief Executive, commented:
"The Group delivered a good result in the year, revenue increased to $20.8 billion and ongoing trading profit increased by $200 million to $1.5 billion. In the USA, which generated 90 per cent of Group trading profit, all businesses grew well and continued to gain market share, with the Industrial business having a particularly strong year. Markets in the USA and Canada have remained good throughout the year despite recent inflationary pressures, though the UK remains tough.
"We continue to execute our strategy to allocate resources to markets and businesses where we are best equipped to win. Our focus remains on investing in organic growth, supplemented by selective bolt-on acquisitions where we can expand our leadership positions or invest in capabilities to extend the value of our brand.
"Given the Group's track record of excellent cash generation and the ongoing strength of the balance sheet, a proposed final dividend of 131.9 cents has been recommended. This brings the total dividend to 189.3 cents, 21 per cent ahead of last year and includes an upwards rebasing of 10 per cent.
"In the first eight weeks of our new financial year organic revenue growth has been broadly in line with the overall growth rate last year, though growth in September was slightly lower than August. The growth in our order books suggests continued growth in the months ahead."

For further information please contact
Ferguson plc

Mike Powell, Group Chief Financial Officer	Tel:	+41 (0) 41 723 2230
Mark Fearon, Director of Corporate Communications and IR	Mobile:	+44 (0) 7711 875070

Media Enquiries

Mike Ward, Head of Corporate Communications	Mobile:	+44 (0) 7894 417060
Tim Danaher (Brunswick)	Tel:	+44 (0) 20 7404 5959

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 available on **www.fergusonplc.com.**

Financial results

Ferguson delivered a good set of results, gaining market share in supportive markets in the US, which account for 90% of trading profit. Market conditions were also good in Canada where we continued to make progress, though markets were weaker in the UK where we are continuing to execute the restructuring plan.

Statutory results

Revenue of $20,752 million (2017: $19,284 million) was 7.6% ahead of last year which included the results of two disposals for part of the year.

Profit for the year attributable to shareholders increased to $1,267 million (2017: $920 million). The increase was driven by profit growth in the operating segments and the gain on disposal within profit from discontinued operations, partially offset by a one-off exceptional gain on disposal in the prior year and impairment of associate

in the current year.

Alternative performance measures

Ongoing revenue of $20,752 million (2017: $18,845 million) was 10.1% ahead, with growth driven by the US, Canada and Central Europe. Ongoing organic revenue growth was 7.5%, with a further 1.3% of growth from acquisitions and 1.3% from favourable movements in foreign exchange rates. Ongoing gross margin of 29.2% (2017: 28.9%) was 30 basis points ahead driven by improved procurement and disciplined pricing. Ongoing operating expenses were 8.7% higher at constant exchange rates and included 1.2% from acquisitions.

Ongoing trading profit was $1,507 million (2017: $1,307 million), 14.7% ahead of last year at constant exchange rates. The ongoing trading margin was 40 basis points ahead of last year at 7.3%. Foreign exchange rate movements increased revenue by $229 million and trading profit by $7 million. The number of trading days was the same in both years.

Operating and financial review

Further details of the financial performance of the Group's businesses is set out below.

Regional analysis

USDm	Revenue 2018	Revenue 2017	Change **(at constant exchange rates)**	Trading profit 2018	Trading profit 2017	**Change (at constant exchange rates)**
USA	16,670	14,977	+11.3%	1,406	1,204	+16.8%
UK	2,568	2,548	(5.3%)	73	96	(28.8%)
Canada and Central Europe	1,514	1,320	+9.2%	83	57	+37.7%
Central costs	-	-		(55)	(50)	
Ongoing businesses	20,752	18,845	+8.8%	1,507	1,307	+14.7%
Non-ongoing businesses	-	439		-	34	
Continuing operations	20,752	19,284		1,507	1,341	

Quarterly organic revenue growth

	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018
USA	+8.7%	+8.3%	+9.1%	+10.6%	+11.4%	+9.9%
UK1	+4.2%	+3.9%	(1.7%)	+0.7%	(0.1%)	+0.7%
Canada and Central Europe	+7.7%	+7.7%	+7.8%	+6.5%	+5.9%	+6.9%
Ongoing businesses	+8.0%	+7.6%	+7.3%	+7.1%	+8.1%	+7.5%

1 The UK revenue growth rate is presented on a like-for-like basis to remove the impact of closed branches and the exit of low margin business. Like-for-like is organic revenue growth (-5.3%) excluding the effect of branch openings and closures and the exit of low margin business (-6.0%).

USA (90% of Group trading profit)

The US business grew ongoing revenue 9.9% on an organic basis and acquisitions contributed a further 1.4%. Price inflation was about 2.5%. Blended Branches grew strongly with good growth across all four geographical regions with the West generating organic revenue growth of 11.4%, North Central 8.2%, South Central 8.1% and the East 6.4%. Waterworks grew well and our Industrial business generated strong growth in a good market, also benefitting from two large capital projects. All business units continued to gain market share.

The organic revenue growth by customer end market was as follows:

	% of US revenue	Market growth	Organic revenue

			growth
Residential	~50%	~7%	+10%
Commercial	~35%	~6%	+8%
Civil / Infrastructure	~7%	~6%	+11%
Industrial	~8%	~10%	+20%
USA		6-7%	+9.9%

Gross margin was ahead due to improvements in procurement and disciplined pricing. Operating expense growth included labour cost inflation of 3% - 4%. Ongoing trading profit was $1,406 million (2017: $1,204 million). The ongoing trading margin improved by 40 basis points to 8.4% (2017: 8.0%).

E-commerce accounted for $3.8 billion (23%) of revenue in the USA and we have continued to invest in our B2B and B2C platforms to develop more sophisticated applications to add value to our customers' businesses. We have also allocated significant resources to accelerating our own brand capabilities, which now represent 6.9% of our US revenues, through the development of new products and categories and selective acquisitions.

Nine acquisitions were completed during the year with total annualised revenue of $354 million. In addition to previously announced acquisitions, at the end of the year we bought SafeStep Walk-In-Tub Company, a retailer of own brand bathtubs and showers. Since the year end we have acquired four more businesses which generated $160 million of annualised revenue. This included Jones Stephens, a master distributor of own brand plumbing products, Millennium Lighting an own brand provider of decorative lighting fixtures, Action Automation a leading industrial supplier of actuators and Grand Junction Pipe & Supply a waterworks business based in Grand Junction, Colorado.

UK (5% of Group trading profit)

In the UK, like-for-like revenue was 0.7% ahead including price inflation of about 3%. Organic revenue was 5.3% lower due to the closure of branches and the exit of low margin wholesale business. Gross margins were at similar levels to last year. Trading profit of $73 million (2017: $96 million) was after a $6 million benefit from foreign exchange movements and the trading margin was 2.8% (2017: 3.8%).

We continued to implement the restructuring programme and in March we appointed Mark Higson to lead the business. We made good progress in improved category management, re-configuration of our logistics and supply chain and the reduction in branch network and distribution centre capacity. Whilst trading performance was

disappointing, some of the restructuring actions have been a headwind to our financial performance this year and we are confident that they will help us build a better business going forward.

Canada and Central Europe (5% of Group trading profit)

Canada and Central Europe organic revenue grew by 6.9% including price inflation of about 2%. Acquisitions contributed a further 2.5% of growth. Gross margins were ahead of last year due to improved procurement and product mix. Operating expenses were well controlled. Ongoing trading profit of $83 million (2017: $57 million) included a one-off gain of $6 million from a legal settlement and a $3 million benefit from foreign exchange movements. The ongoing trading margin was 5.5% (2017: 4.3%). During the year we completed four acquisitions with total annualised revenue of $82 million. Since the year end we have completed one acquisition with annualised revenue of $11 million.

After the year end we initiated a process to dispose of Wasco, our remaining business in Central Europe. The business has a strong leadership team and dedicated workforce and has consistently delivered strong financial performance, but there are no significant synergies with the other businesses in the Group. Wasco contributed revenue of $322 million (2017: $269 million) and trading profit of $13 million (2017: $9 million) in the year.

Central costs

Central costs in the year were $55 million. Whilst underlying costs were slightly lower, last year's costs of $50 million included a one-off insurance credit.

Exceptional costs and impairment

Net exceptional charges amounted to $82 million (2017: $218 million profit) in the year, comprising $72 million restructuring charges and $10 million of other exceptional charges. The restructuring charges were primarily in relation to the restructuring programme in the UK and principally comprised redundancy costs, property closure costs, asset write offs and implementation costs.

We have assessed the carrying value of the investment in our Swiss associate and incurred an impairment charge of $122 million in the year.

Finance costs

Net finance costs before exceptional items were $53 million (2017: $54 million). This was due to a lower average net debt in the year from holding the Nordic disposal proceeds, partially offset by increases in underlying US interest

rates.

Tax

The Group incurred a tax charge of $346 million (2017: $370 million) on profit before tax of $1,187 million (2017: $1,423 million). This includes an ongoing tax charge of $364 million (2017: $351 million) which equates to an ongoing effective tax rate of 25.0% (2017: 28.0%) on the ongoing trading profit and share of results of associates less net finance costs of $1,456 million (2017: $1,253 million). The tax rate reduced during the year as a result of the reduction in the US federal corporate income tax rate on 1 January 2018.

Discontinued operations

Discontinued operations include the results of the Nordics business and the remaining properties in France. Profit from discontinued operations of $426 million (2017: $133 million loss) is primarily comprised of a $439 million gain on disposal of the Nordics business.

Earnings per share

Total basic earnings per share, which includes discontinued operations, were 515.7 cents (2017: 366.1 cents). Headline earnings per share increased by 21.4% to 444.4 cents (2017: 366.1 cents) predominantly due to the increase in trading profit during the year.

Cash flow

The Group continued to generate strong cash flows during the year with cash generated from operations of $1,323 million (2017: $1,410 million), after additional pension contributions of $99 million.

Net interest and tax amounted to $287 million (2017: $460 million) and acquisitions resulted in a cash outflow of $416 million (2017: $331 million). In line with our organic growth plans, capital investment increased to $299 million (2017: $224 million). Disposal proceeds were $1,440 million (2017: $346 million). Total returns to shareholders in the year included ordinary dividends paid of $390 million (2017: $328 million), the special dividend of $969m (2017: $nil) and the share buyback of $675 million (2017: $nil).

Net debt

Net debt increased during the year by $374 million to $1,080 million at 31 July 2018. The increase is principally due to the completion of the share buyback in the year with the majority of the proceeds from the disposal of the Nordics business returned to shareholders via the special dividend.

Pension obligations

At 31 July 2018 the Group's net pension position was an asset of $174 million (2017: net liability of $28 million). Following receipt of the proceeds from the disposal of the Nordics business, one-off additional contributions of $99 million were made to pension plans.

Board and management changes

John Daly stepped down as a Non Executive Director on 31 May 2018 following more than four years' service. John's resignation from the Board is a result of his increased business commitments elsewhere. Pilar López stepped down as a Non Executive Director following more than five years' service on 31 July 2018. Pilar's resignation from the Board was a result of her increasing business commitments, including her appointment as a Non Executive Director of Inditex SA.

Shareholder returns

The Group paid an interim dividend of 57.4 cents per share (2017: 36.67 pence per share) amounting to $142 million. If approved at the AGM, the proposed final dividend of 131.9 cents per share (2017: 73.33 pence per share), equivalent to $304 million, will be paid on 5 December 2018 to shareholders on the register at 26 October 2018. This brings the total dividend for 2018 to 189.3 cents per share, an increase of 21%. This includes an upward re-basing by 10% reflecting the Group's excellent track record of cash generation and the ongoing strength of the balance sheet. In future, we aim to grow ordinary dividends in line with the long-term underlying growth in earnings.

The Group paid a special dividend of $4 per share amounting to $974 million in June 2018 following the receipt of the proceeds from the disposal of the Nordics business. The Group completed the $675 million (£500 million) share buyback it announced last year at an average price £54.48 per share.

Outlook

In the first eight weeks of our new financial year organic revenue growth has been broadly in line with the overall growth rate last year, though growth in September was slightly lower than August. The growth in our order books suggests continued growth in the months ahead.

Notes to statement

About Ferguson plc

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. Revenue for the year ended 31 July 2018 was $20.8 billion and ongoing trading profit was $1.5 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** or follow us on Twitter **https://twitter.com/Ferguson_plc**.

Financial calendar

	2018
Annual General Meeting	29 November
Q1 results for the period ending 31 October 2018	4 December
	2019
H1 results for period ending 31 January 2019	26 March
Q3 results for the period ending 30 April 2019	18 June
Full Year Results for year ended 31 July 2019	1 October

Timetable for the final dividend

The timetable for payment of the final dividend of 131.9 cents per share is as follows:

Ex-dividend date:	25 October 2018
Record date:	26 October 2018

Payment date:	5 December 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 the 2018 final dividend, may do so by
contacting Equiniti on 0371 384 2934 (or if outside the UK +44 (0) 121 415 7011). The last day for election
for the proposed final dividend is 14 November 2018 and any requests should be made in good time ahead of that date.

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.

-ends-

Group income statement

Year ended 31 July 2018

		2018			Restated1 2017		
	Notes	Before exceptional items $m	Exceptional items (note 5) $m	Total $m	Before exceptional items $m	Exceptional items (note 5) $m	Total $m
Revenue	3	20,752	-	20,752	19,284	-	19,284
Cost of sales		(14,689)	(19)	(14,708)	(13,698)	(3)	(13,701)
Gross profit		6,063	(19)	6,044	5,586	(3)	5,583
Operating costs:							
amortisation of acquired intangible assets		(65)	-	(65)	(81)	-	(81)

other		(4,556)	(63)	(4,619)	(4,245)	221	(4,024)
Operating costs		(4,621)	(63)	(4,684)	(4,326)	221	(4,105)
Operating profit	3, 4	1,442	(82)	1,360	1,260	218	1,478
Net finance costs		(53)	-	(53)	(54)	-	(54)
Share of profit/(loss) after tax of associates		2	-	2	(1)	-	(1)
Impairment of interests in associates	6	(122)	-	(122)	-	-	-
Profit before tax		1,269	(82)	1,187	1,205	218	1,423
Tax	7	(361)	15	(346)	(342)	(28)	(370)
Profit from continuing operations		908	(67)	841	863	190	1,053
Profit/(loss) from discontinued operations	8	22	404	426	(60)	(73)	(133)
Profit for the year attributable to shareholders of the Company		930	337	1,267	803	117	920

Earnings per share	10						
Continuing operations and discontinued operations							
Basic earnings per share				515.7c			366.1c
Diluted earnings per share				511.9c			363.5c
Continuing operations only							
Basic earnings per share				342.3c			419.0c
Diluted earnings per share				339.8c			416.0c

Alternative performance measures							
Trading profit from ongoing operations	2	1,507			1,307		
Trading profit from non-ongoing operations	2	-			34		
Trading profit from continuing operations	2, 3	1,507			1,341		
Adjusted EBITDA	2	1,687			1,519		
Headline earnings per share	2, 10	444.4c			366.1c		

1. All comparative information has been restated to be presented in US dollars, see note 1.

Group statement of comprehensive income

Year ended 31 July 2018

	Notes	2018 $m	Restated 2017 $m
Profit for the year		1,267	920
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange gain on translation of overseas operations1		7	58
Exchange loss on translation of borrowings and derivatives designated as hedges of overseas operations1		(11)	(8)
Cumulative currency translation differences on disposals1		194	11
Tax credit on items that may be reclassified to profit or loss2	7	-	1
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gain/(loss) on retirement benefit plans2		104	(2)
Tax charge on items that will not be reclassified to profit or loss2	7	(17)	(1)
Other comprehensive income for the year		277	59
Total comprehensive income for the year		1,544	979
Total comprehensive income/(expense) attributable to:			
Continuing operations		926	1,106
Discontinued operations		618	(127)
Total comprehensive income for the year attributable to shareholders of the Company		1,544	979

1. Impacting the translation reserve.

2.Impacting retained earnings.

Group statement of changes in equity

	Notes	Share capital $m	Share premium $m	Translation reserve $m	Treasury shares $m	Own shares $m	Reserves Retained earnings $m	Non- controlling interest $m	Total equity $m
At 1 August 2016 restated		45	67	(807)	(792)	(92)	5,419	(3)	3,837
Profit for the year		-	-	-	-	-	920	-	920
Other comprehensive income/(expense)		-	-	61	-	-	(2)	-	59
Total comprehensive income		-	-	61	-	-	918	-	979
Purchase of own shares by Employee Benefit Trusts		-	-	-	-	(8)	-	-	(8)
Issue of own shares by Employee Benefit Trusts		-	-	-	-	24	(24)	-	-
Credit to equity for share-based payments		-	-	-	-	-	28	-	28
Tax relating to share-based payments	7	-	-	-	-	-	5	-	5
Disposal of Treasury shares		-	-	-	49	-	(22)	-	27
Dividends paid	9	-	-	-	-	-	(328)	-	(328)
At 31 July 2017 restated		45	67	(746)	(743)	(76)	5,996	(3)	4,540
Profit for the year		-	-	-	-	-	1,267	-	1,267
Other comprehensive income		-	-	190	-	-	87	-	277
Total comprehensive income		-	-	190	-	-	1,354	-	1,544

Purchase of own shares by Employee Benefit Trusts		-	-	-	-	(41)	-	-	(41)
Issue of own shares by Employee Benefit Trusts		-	-	-	-	27	(27)	-	-
Credit to equity for share-based payments		-	-	-	-	-	35	-	35
Tax relating to share-based payments	7	-	-	-	-	-	8	-	8
Adjustment arising from change in non-controlling interest		-	-	-	-	-	(16)	2	(14)
Purchase of Treasury shares		-	-	-	(675)	-	-	-	(675)
Disposal of Treasury shares		-	-	-	38	-	(14)	-	24
Dividends paid	9	-	-	-	-	-	(1,364)	-	(1,364)
At 31 July 2018		45	67	(556)	(1,380)	(90)	5,972	(1)	4,057

Group balance sheet

As at 31 July 2018

	Notes	2018 $m	Restated 2017 $m	Restated 2016 $m
Assets				
Non-current assets				
Intangible assets: goodwill	11	1,408	1,173	1,193
Intangible assets: other	11	308	240	267
Property, plant and equipment	11	1,086	1,068	1,897
Interests in associates		64	164	-
Financial assets		11	15	30

Retirement benefit assets		193	4	-
Deferred tax assets		130	160	168
Trade and other receivables		328	299	280
Derivative financial assets		17	19	26
		3,545	3,142	3,861
Current assets				
Inventories		2,516	2,399	2,668
Trade and other receivables		3,094	2,766	2,920
Current tax receivable		10	3	-
Derivative financial assets		-	7	15
Cash and cash equivalents		833	2,525	1,243
		6,453	7,700	6,846
Assets held for sale	12	151	1,715	74
Total assets		10,149	12,557	10,781
Liabilities				
Current liabilities				
Trade and other payables		3,341	3,011	3,483
Current tax payable		188	116	134
Derivative financial liabilities		2	-	-
Bank loans and overdrafts		383	2,150	927
Obligations under finance leases		3	4	5
Provisions	13	95	107	116
Retirement benefit obligations		4	11	12
		4,016	5,399	4,677
Non-current liabilities				
Trade and other payables		298	238	216
Derivative financial liabilities		17	-	-
Bank loans		1,522	1,098	1,554
Obligations under finance leases		3	5	36

Deferred tax liabilities		42	12	86
Provisions	13	179	159	176
Retirement benefit obligations		15	21	183
		2,076	1,533	2,251
Liabilities held for sale	12	-	1,085	16
Total liabilities		6,092	8,017	6,944
Net assets		4,057	4,540	3,837
Equity				
Share capital		45	45	45
Share premium		67	67	67
Reserves		3,946	4,431	3,728
Equity attributable to shareholders of the Company		4,058	4,543	3,840
Non-controlling interest		(1)	(3)	(3)
Total equity		4,057	4,540	3,837

Group cash flow statement

Year ended 31 July 2018

	Notes	2018 $m	Restated 2017 $m
Cash flows from operating activities			
Cash generated from operations	14	1,323	1,410
Interest received		9	4

Interest paid		(62)	(71)
Tax paid		(234)	(393)
Net cash generated from operating activities		1,036	950
Cash flows from investing activities			
Acquisition of businesses (net of cash acquired)	15	(416)	(331)
Disposals of businesses (net of cash disposed of)	16	1,320	300
Purchases of property, plant and equipment		(265)	(192)
Proceeds from sale of property, plant and equipment and assets held for sale		120	24
Purchases of intangible assets		(34)	(32)
Disposals of financial assets		-	22
Acquisition of associates		(35)	-
Dividends received from associates		10	-
Net cash generated from/(used in) investing activities		700	(209)
Cash flows from financing activities			
Purchase of own shares by Employee Benefit Trusts		(41)	(8)
Purchase of Treasury shares		(675)	-
Proceeds from the sale of Treasury shares		24	27
Proceeds from borrowings and derivatives		459	430
Repayments of borrowings		(261)	(587)
Finance lease capital payments		(4)	(6)
Dividends paid to shareholders		(1,359)	(328)
Net cash used by financing activities		(1,857)	(472)
Net cash (used)/generated		(121)	269
Effects of exchange rate changes		(7)	(13)
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		(128)	256
Cash, cash equivalents and bank overdrafts at the beginning of the year		586	330
Cash, cash equivalents and bank overdrafts at the end of the year		458	586

	Notes	2018 $m	Restated 2017 $m
Cash, cash equivalents and bank overdrafts at the end of the year in the Group balance sheet	17	458	543
Cash, cash equivalents and bank overdrafts at the end of the year in assets held for sale	12	-	43
Cash, cash equivalents and bank overdrafts at the end of the year		458	586

Notes to the full year results announcement

Year ended 31 July 2018

1 - Basis of preparation

The full year results announcement for the year ended 31 July 2018, which is an abridged statement of the full Annual Report and Accounts, has been prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The full year results announcement has been prepared on a going concern basis. The Directors are confident that on the basis of current financial projections and facilities available, and after considering sensitivities, the Group has sufficient resources for its operational needs and will remain in compliance with the financial covenants in its bank facilities for the foreseeable future.

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

The financial information for the year ended 31 July 2018 does not constitute the statutory financial statements of the Group. The statutory financial statements for the year ended 31 July 2017 have been filed with the Jersey Registrar of Companies. The auditors have reported on those accounts and on the statutory financial statements for the year ended 31 July 2018 which will be filed with the Jersey Registrar of Companies following the Annual General Meeting. Both the audit reports were unqualified and did not contain any statements under Article 111(2) or Article 111(5) of the Companies (Jersey) Law 1991 or under section 498 of the Companies Act 2006.

Functional and presentational currency

The functional currency of the Company changed from pounds sterling to US dollars, as this is now the primary currency in which the Company's financing activities and investment returns are denominated. The change was effective from 1 August 2017 and in line with IAS 21 "The Effects of Changes in Foreign Exchange Rates" has been accounted for prospectively from this date.

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 consolidated financial statements for the years ended 31 July 2017 and 31 July 2016 previously reported in pounds sterling have 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

− Share capital, share premium and the other reserves were translated at the historic rates of exchange prevailing on the date of each transaction. 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.

The exchange rates of US dollar to pounds sterling over the periods presented in this report are as follows:

	2018	2017	2016
US dollar/pounds sterling translation rate			
Income statement	0.74	0.79	0.68
Balance sheet	0.76	0.76	0.76

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" will be adopted by the Group on 1 August 2018. The standard makes changes to the classification and measurement of financial assets and liabilities, revises the requirements of hedge accounting and introduces a new impairment model for financial assets.

The Group has completed an assessment of the impact of IFRS 9 and has concluded there will be no material impact on the Group's consolidated financial statements.

IFRS 15 "Revenue from Contracts with Customers" will be adopted by the Group on 1 August 2018. The standard introduces revised principles for the recognition of revenue with a new five-step model that focuses on the transfer of control instead of a risks and rewards approach.

The Group has completed an assessment of the impact of IFRS 15 and as the Group's current revenue recognition is consistent with the passing of control under IFRS 15 it has been concluded that there will be no material impact on the Group's consolidated financial statements.

IFRS 16 "Leases" is effective for the Group for the year ending 31 July 2020. IFRS 16 represents a significant change to 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, unless the underlying asset has a low value or the lease term is 12 months or less. As at 31 July 2018, the Group had operating lease commitments of $1,081 million.

On adoption of IFRS 16 there will be a significant change to the consolidated 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 statements.

2 - Alternative performance measures

The Group uses alternative performance measures ("APMs"), which are not defined or specified under IFRS. 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.

Ongoing and non-ongoing

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

Non-ongoing operations are businesses 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 and subsequently sold during 2017. There are no businesses classified as non-ongoing in 2018.

Ongoing operations are continuing operations excluding non-ongoing operations

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 year at the current year exchange rates to eliminate the effect of exchange rate fluctuations when comparing information year-on-year.

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 rate fluctuations, trading days, acquisitions and disposals.

A reconciliation of revenue using the above APMs to statutory revenue is provided below:

		Ongoing	Non-ongoing	Continuing
Revenue	$m	% growth	$m	$m
Reported 2017 restated	18,845		439	19,284
Impact of exchange rate movements	229		-	229
Reported 2017 at 2018 exchange rates	19,074		439	19,513
Organic growth	1,439	7.5	-	1,439
Acquisitions	239	1.3	-	239
Disposals	-	-	(439)	(439)
Growth at constant exchange rates	1,678	8.8	(439)	1,239
Reported 2018	20,752		-	20,752

Like-for-like revenue growth

To aid understanding of the UK business management reports like-for-like revenue growth, which is organic revenue growth excluding the effect of branch openings and closures and the exit of low margin business.

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; and

− 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, any reversal of these provisions is treated as exceptional.

Exceptional items for the current and prior year are disclosed in note 5.

Ongoing gross margin

The ratio of ongoing gross profit, excluding exceptional items, to ongoing revenue. Ongoing gross margin is used by management for assessing business unit performance and it is a key performance indicator for the Group. A reconciliation of ongoing gross margin is provided below:

	2018			Restated 2017		
	Gross profit	Revenue	Ongoing gross margin	Gross profit	Revenue $m	Ongoing gross margin
	$m	$m	%	$m		%
Continuing	6,044	20,752		5,583	19,284	
Non-ongoing	-	-		(138)	(439)	
Exceptional items	19	-		3	-	
Ongoing	6,063	20,752	29.2	5,448	18,845	28.9

Trading profit and ongoing trading margin

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.

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

A reconciliation of trading profit to statutory operating profit and the calculation of ongoing trading margin are provided below:

	2018						Restated 2017
		Ongoing	Non-ongoing	Continuing	Ongoing	Non-ongoing	Continuing
	$m	growth %	$m	$m	$m	$m	$m
Trading profit 2017	1,307		34	1,341			
Impact of exchange rate movements	7		-	7			
Trading profit 2017 at 2018 exchange rates	1,314		34	1,348			

Growth at constant exchange rates	193	14.7	(34)	159			
Trading profit	1,507		-	1,507	1,307	34	1,341
Amortisation of acquired intangible assets	(65)		-	(65)	(81)	-	(81)
Exceptional items	(82)		-	(82)	(47)	265	218
Operating profit	1,360		-	1,360	1,179	299	1,478

Revenue, trading profit and trading margin by reportable segment are shown below. For information on our reportable segments see note 3.

	Revenue		Trading profit		Trading margin	
	2018 $m	Restated 2017 $m	2018 $m	Restated 2017 $m	2018 %	Restated 2017 %
USA	16,670	14,977	1,406	1,204	8.4	8.0
UK	2,568	2,548	73	96	2.8	3.8
Canada and Central Europe	1,514	1,320	83	57	5.5	4.3
Central and other costs	-	-	(55)	(50)	-	-
Total ongoing operations	20,752	18,845	1,507	1,307	7.3	6.9
USA	-	216	-	20		
Canada and Central Europe	-	223	-	14		
Total non-ongoing operations	-	439	-	34		
Continuing operations	20,752	19,284	1,507	1,341		

Adjusted EBITDA

Adjusted EBITDA is operating profit before charges/credits relating to depreciation, amortisation, impairment and exceptional items. Adjusted EBITDA is used in the net debt to adjusted EBITDA ratio to assess the appropriateness of the Group's financial gearing. A reconciliation of statutory operating profit to adjusted EBITDA is provided below:

	2018			Restated 2017		
	Continuing $m	Discontinued $m	Group $m	Continuing $m	Discontinued $m	Group $m
Operating profit	1,360	461	1,821	1,478	(141)	1,337
Exceptional items	82	(402)	(320)	(218)	86	(132)
Amortisation and impairment of goodwill and acquired intangible assets	65	-	65	81	135	216
Trading profit	1,507	59	1,566	1,341	80	1,421
Depreciation and impairment of property, plant and equipment	152	-	152	151	29	180
Amortisation and impairment of non-acquired intangible assets	28	-	28	27	4	31
Adjusted EBITDA	1,687	59	1,746	1,519	113	1,632

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. See reconciliation in note 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 and impairment of interests in associates net of tax,

exceptional items net of tax and non-recurring tax relating to changes in tax rates and other adjustments. The Group excludes amortisation and impairment of acquired intangible assests to improve the comparability between acquired and organically grown operations, as the latter cannot recognise internally generated intangible assets.

Headline earnings per share is the ratio of headline profit after tax to the weighted average number of ordinary shares in issue during the year, 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 10.

Net debt

Net debt comprises cash and cash equivalents and liabilities from financing activities, including 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 note 17 for a reconciliation.

3 - Segmental analysis

The Group's operating segments are established on the basis of the operating businesses overseen by distinct divisional management teams responsible for their performance. These operating businesses are managed on a geographical basis and are regularly reviewed by the chief operating decision maker in deciding how to allocate resources and assess the performance of the businesses. All operating segments derive their revenue from a single business activity, the distribution of plumbing and heating products. Revenue is attributed to a country based on the location of the Group company reporting the revenue.

The Group has combined the Canada and Central Europe operating segments into one reportable segment as individually they do not meet the quantitative thresholds set out in IFRS 8 "Operating Segments" to be separately disclosed.

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

The changes in revenue and trading profit for continuing operations between the years ended 31 July 2017 and 31 July 2018 include changes in exchange rates, disposals, acquisitions and organic change.

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

An analysis of the change in revenue by reportable segment for continuing operations is as follows:

	Restated 2017 $m	Exchange $m	Disposals $m	Acquisitions $m	Organic change $m	2018 $m
USA	15,193	-	(216)	205	1,488	16,670
UK	2,548	163	-	-	(143)	2,568
Canada and Central Europe	1,543	66	(223)	34	94	1,514
Continuing operations	19,284	229	(439)	239	1,439	20,752

An analysis of the change in trading profit/(loss) (note 2) by reportable segment for continuing operations is as follows:

	Restated 2017 $m	Exchange $m	Disposals $m	Acquisitions $m	Organic change $m	2018 $m
USA	1,224	-	(20)	4	198	1,406
UK	96	6	-	-	(29)	73
Canada and Central Europe	71	3	(14)	4	19	83
Central and other costs	(50)	(2)	-	-	(3)	(55)
Continuing operations	1,341	7	(34)	8	185	1,507

The reconciliation between trading profit/(loss) (note 2) and operating profit/(loss) by reportable segment for continuing operations is as follows:

	2018				Restated 2017			
	Trading profit/(loss)	Exceptional items	Amortisation of acquired intangible assets	Operating profit/(loss)	Trading profit/(loss)	Exceptional items	Amortisation of acquired intangible assets	Operating profit/(loss)
	$m	$m	$m	$m	$m	$m	$m	$m
USA	1,406	(5)	(58)	1,343	1,224	86	(79)	1,231
UK	73	(70)	-	3	96	(35)	-	61
Canada and Central Europe	83	-	(7)	76	71	176	(2)	245
Central and other costs	(55)	(7)	-	(62)	(50)	(9)	-	(59)
Group	1,507	(82)	(65)	1,360	1,341	218	(81)	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

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

	2018	Restated 2017

	Segment assets $m	Segment liabilities $m	Segment net assets/(liabilities) $m	Segment assets $m	Segment liabilities $m	Segment net assets/(liabilities) $m
USA	6,964	(2,772)	4,192	6,187	(2,475)	3,712
UK	1,301	(656)	645	1,122	(650)	472
Canada and Central Europe	690	(297)	393	626	(258)	368
Central and other costs1	88	(141)	(53)	185	(125)	60
Discontinued	116	(66)	50	1,723	(1,124)	599
Total	9,159	(3,932)	5,227	9,843	(4,632)	5,211
Tax assets/(liabilities)	140	(230)	(90)	163	(128)	35
Net cash/(debt)	850	(1,930)	(1,080)	2,551	(3,257)	(706)
Group assets/(liabilities)	10,149	(6,092)	4,057	12,557	(8,017)	4,540

1. Segmental assets include $64 million (2017: $164 million) relating to interests in associates.

Geographical information of non-current assets is set out in the table below. Non-current assets includes goodwill, other intangible assets, property, plant and equipment and interests in associates.

	2018 $m	Restated 2017 $m
USA	2,343	2,012
UK	258	272
Canada and Central Europe	265	361
Group	2,866	2,645

	2018				Restated 2017			
	Additions to goodwill $m	Additions to other acquired intangible assets and interests in associates $m	Additions to non-acquired intangible assets $m	Additions to property, plant and equipment $m	Additions to goodwill $m	Additions to other acquired intangible assets and interests in associates $m	Additions to non-acquired intangible assets $m	Additions to property, plant and equipment $m
USA	208	120	8	182	178	102	15	102
UK	-	-	16	32	-	-	10	27
Canada and Central Europe	33	10	5	13	-	-	4	11
Central and other costs	-	35	1	1	-	162	1	-
Discontinued	-	-	-	-	3	2	2	58
Group	241	165	30	228	181	266	32	198

	2018				Restated 2017			
	Impairment of goodwill, other acquired intangible assets and interests in associates $m	Amortisation of other acquired intangible assets $m	Amortisation and impairment of non-acquired intangible assets $m	Depreciation and impairment of property, plant and equipment $m	Impairment of goodwill, other acquired intangible assets and interests in associates $m	Amortisation of other acquired intangible assets $m	Amortisation and impairment of non-acquired intangible assets $m	Depreciation and impairment of property, plant and equipment $m
USA	-	58	15	113	-	79	15	117
UK	-	-	10	30	-	-	6	22
Canada and Central Europe	-	7	2	8	-	2	2	10

Central and other costs	122	-	1	1	-	-	4	2
Discontinued	-	-	-	-	129	6	4	29
Group	122	65	28	152	129	87	31	180

4 - Operating profit

Amounts charged/(credited) in arriving at operating profit from continuing operations include:

	Notes	2018 $m	Restated 2017 $m
Amortisation of acquired intangible assets	11	65	81
Amortisation of non-acquired intangible assets	11	26	24
Impairment of non-acquired intangible assets	11	2	3
Depreciation of property, plant and equipment	11	145	150
Impairment of property, plant and equipment	11	7	1
Gain on disposal of businesses		-	(265)
Amounts included in costs of sales with respect to inventory		14,618	13,627
Staff costs		2,913	2,710
Operating lease rentals: land and buildings		240	236
Operating lease rentals: plant and machinery		85	75
Trade receivables impairment		13	12

During the year, the Group obtained the following services from the Company's auditor and its associates:

	2018 $m	Restated 2017 $m
Fees for the audit of the Company and consolidated financial statements	1.4	1.2
Fees for the audit of the Company's subsidiaries pursuant to legislation	2.6	3.1
Total audit fees	4.0	4.3
Audit related assurance services	0.3	0.6
Other assurance services	-	0.1
Other services	0.2	0.3
Total non-audit fees	0.5	1.0
Total fees payable to the auditor	4.5	5.3

During the year fees of $1 million were paid to the auditor in relation to the purchase of Stark Group by Lone Star Funds. These fees were paid by the Group and recharged to Lone Star Funds so are not included in the above analysis.

5 - Exceptional items

Exceptional items (charged)/credited to operating profit from continuing operations are analysed by purpose as follows:

	2018 $m	Restated

		2017 $m
Gain on disposal of businesses	-	265
Business restructuring	(72)	(51)
Other exceptional items	(10)	4
Total included in operating profit	(82)	218

For the year ended 31 July 2018, business restructuring comprises costs incurred in the UK in respect of its business transformation strategy and includes $19 million (2017: $3 million) charged to cost of sales for inventory write downs.

Other exceptional items include a $5 million settlement cost on the closure of a defined benefit pension plan in the USA.

The net cash outflow from exceptional items, excluding the gain on disposal of businesses, was $59 million (2017: $25 million).

Exceptional items relating to discontinued operations are disclosed in note 8.

6 - Impairment of interests in associates

During the period there were a number of public announcements made by Meier Tobler Group AG regarding difficult trading conditions and the temporary suspension of dividends until 2020. This generated a trigger event for management to reassess the recoverability of the carrying value recognised in the Group's consolidated financial statements. Due to the size of the Group's shareholding and the illiquid nature of the shares, it was not appropriate to use the quoted share price for assessing the fair value. This assessment resulted in an impairment charge, as follows:

	Carrying value	Impairment	Remaining balance	Post-tax discount rate	Pre-tax

	$m	$m	$m	%	discount rate %
Meier Tobler Group AG	153	(122)	31	6.7	8.7

Any change in trading conditions or outlook could result in further impairment or a reversal of part of the recorded impairment. Management does not consider that there is a significant risk that this change could be material.

7 - Tax

The tax charge for the year comprises:

	2018 $m	Restated 2017 $m
Current year tax charge	297	373
Adjustments to tax charge in respect of prior years	7	1
Total current tax charge	304	374
Deferred tax charge/(credit): origination and reversal of temporary differences	42	(4)
Total tax charge	346	370

An exceptional tax credit of $15 million was recorded against exceptional items (2017: charge $28 million). The deferred tax charge of $42 million (2017: credit $4 million) includes a credit of $8 million (2017: charge $13 million) resulting from changes in tax rates.

Tax on items (charged)/credited to the Group statement of comprehensive income:

	2018 $m	Restated 2017 $m
Deferred tax charge on actuarial loss on retirement benefits	(17)	(4)
Current tax credit on actuarial loss on retirement benefits	-	3
Deferred tax credit on losses	-	1
Total tax on items charged to the Group statement of comprehensive income	(17)	-

Tax on items credited to equity:

	2018 $m	Restated 2017 $m
Current tax credit on share-based payments	7	4
Deferred tax credit on share-based payments	1	1
Total tax on items credited to equity	8	5

The tax charge in the statement of changes in equity relating to tax rate changes is $3 million (2017: $nil).

The Group has made provisions for the liabilities likely to arise from open audits and assessments. At 31 July 2018, the Group has recognised provisions of $237 million in respect of its uncertain tax positions (2017: $214 million). The total provision has increased by $23 million in the year due primarily to increases related to certain cross border transfer pricing risks, partly offset by the settlement of a transfer pricing enquiry through a Mutual Agreement Procedure between the US Internal Revenue Service and HM Revenue & Customs. The remaining open

significant tax issues relate predominantly to cross border transfer pricing risks. Although there is uncertainty regarding the timing of the resolution of these matters, management do not believe that the Group's uncertain tax provisions constitute a major source of estimation uncertainty as they consider that there is no significant risk of a material change to its estimate of these provisions within the next 12 months.

						2018
	Ongoing profit/tax7		Non-ongoing and other profit/tax8		Total profit/tax from continuing operations	
Tax reconciliation:	$m	%	$m	%	$m	%
Profit before tax	1,456		(269)		1,187	
Expected tax at weighted average tax rate1	(327)	22.5	59	(22.0)	(268)	22.6
Adjusted for the effects of:						
over/(under) provisions in respect of prior periods2	11	(0.7)	(14)	5.1	(3)	0.3
exceptional items which are (non-tax deductible)/non-taxable	-	-	(1)	0.5	(1)	0.1
current year charge in relation to uncertain tax provisions4	(43)	2.9	-	-	(43)	3.6
tax credits and incentives	5	(0.3)	-	-	5	(0.4)
non-tax deductible amortisation/impairment of acquired intangible assets	-	-	(24)	9.0	(24)	2.0
non-taxable income	7	(0.5)	-	-	7	(0.6)
other non-tax deductible expenditure5	(28)	1.9	-	-	(28)	2.3
other	1	(0.1)	-	-	1	(0.1)
effect of tax rate changes6	10	(0.7)	(2)	0.7	8	(0.7)
Tax (charge)/credit / effective tax rate	(364)	25.0	18	(6.7)	(346)	29.1

					Restated 2017	
	Ongoing profit/tax7		Non-ongoing and other profit/tax8		Total profit/tax from continuing operations	
Tax reconciliation:	$m	%	$m	%	$m	%
Profit before tax	1,253		170		1,423	
Expected tax at weighted average tax rate1	(306)	24.4	(52)	30.6	(358)	25.2
Adjusted for the effects of:						
(under)/over provisions in respect of prior periods2	(6)	0.5	14	(8.2)	8	(0.6)
exceptional items which are non-taxable/(non-tax deductible)3	-	-	19	(11.2)	19	(1.3)
current year charge in relation to uncertain tax provisions4	(32)	2.5	-	-	(32)	2.2
tax credits and incentives	4	(0.3)	-	-	4	(0.3)
non-taxable income	10	(0.8)	-	-	10	(0.7)
other non-tax deductible expenditure5	(11)	0.9	-	-	(11)	0.8
other	3	(0.2)	-	-	3	(0.2)
effect of tax rate changes	(13)	1.0	-	-	(13)	0.9
Tax charge/effective tax rate	(351)	28.0	(19)	11.2	(370)	26.0

1. This expected weighted average tax rate reflects the applicable statutory corporate tax rates on the accounting profits/losses in the countries in which the Group operates after intra-group financing. The intra-group financing reduces taxable profits in many of the countries and therefore reduces the tax rate. The pre intra-group financing ongoing expected weighted average tax rate is 31.6 per cent (2017: 37.2 per cent) and this is reduced to a post intra-group financing ongoing expected weighted average tax rate of 22.5 per cent (2017: 24.4 per cent). The decrease in the expected weighted average tax rates is primarily due to the reduction in US statutory rate and a change in profit mix.

2. This includes adjustments arising out of movements in uncertain tax provisions regarding prior periods and differences between the final tax liabilities in the tax computations and the tax liabilities provided in the

consolidated financial statements.

3. In 2017, this related primarily to non-taxable disposals of businesses.

4. This reflects management's assessment of the potential tax liability for the current year in relation to open tax issues and audits.

5. This relates to certain expenditure for which no tax relief is available such as disallowable business entertaining costs and restrictions on interest deductions.

6. In 2018, this relates to the reduction in the US federal rate of tax from 35 per cent to 21 per cent from 1 January 2018.

7. Ongoing profit means profit before tax, exceptional items, the amortisation and impairment of acquired intangible assets and impairment of interests in associates for ongoing operations as defined in note 2. Ongoing tax is the tax expense arising on ongoing profit.

8. Non-ongoing and other profit or loss is profit or loss from non-ongoing operations as defined in note 2 and from the amortisation and impairment of acquired intangible assets, impairment of interests in associates and exceptional items. Non-ongoing and other tax is the tax expense or credit arising on the non-ongoing and other profit or loss and includes other non-recurring tax items. In 2018, the non-ongoing and other credit of $18 million relates primarily to exceptional UK restructuring costs, an increase in uncertain tax provisions in respect of prior periods and the settlement of a transfer pricing enquiry.

8 - Discontinued operations

The Group disposed of Silvan on 31 August 2017, Stark Group on 29 March 2018 and is in the process of selling its remaining property assets in the Nordic region (together the "disposal group"). 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.

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

	2018			Restated 2017		
	Before exceptional items $m	Exceptional items $m	Total $m	Before exceptional items $m	Exceptional items $m	Total $m
Revenue	1,705	-	1,705	2,660	-	2,660
Cost of sales	(1,280)	(5)	(1,285)	(1,982)	(10)	(1,992)
Gross profit	425	(5)	420	678	(10)	668
Operating costs:						
gain on disposal of businesses	-	439	439	-	-	-
amortisation of acquired intangible assets	-	-	-	(6)	-	(6)
impairment of goodwill and acquired intangible assets	-	-	-	(129)	-	(129)
other	(366)	(32)	(398)	(598)	(76)	(674)
Operating income/(costs)	(366)	407	41	(733)	(76)	(809)
Operating profit/(loss)	59	402	461	(55)	(86)	(141)
Net finance (costs)/income	(6)	2	(4)	(5)	10	5
Profit/(loss) before tax	53	404	457	(60)	(76)	(136)
Tax	(31)	-	(31)	-	3	3
Profit/(loss) from discontinued operations	22	404	426	(60)	(73)	(133)
Basic earnings/(loss) per share			173.4c			(52.9)c
Diluted earnings/(loss) per share			172.1c			(52.5)c

The discontinued exceptional items in 2018 relate predominantly to the disposal of Stark Group (see note 16), gains from the sale of Nordic property assets and an impairment charge for the remaining Nordic properties.

The discontinued exceptional items in 2017 relate predominantly to restructuring activities in the Nordic region.

During the year, discontinued operations used cash of $120 million (2017: generated $66 million) in respect of operating activities, generated $1,368 million (2017: used $36 million) in respect of investing activities and used $99

million (2017: used $68 million) in respect of financing activities.

9 - Dividends

Amounts recognised as distributions to equity shareholders:

	2018 $m	Restated 2017 $m
Final dividend for the year ended 31 July 2016: 66.72 pence per share	-	209
Interim dividend for the year ended 31 July 2017: 36.67 pence per share	-	119
Final dividend for the year ended 31 July 2017: 73.33 pence per share	248	-
Interim dividend for the year ended 31 July 2018: 57.4 cents per share	142	-
Special dividend: $4 per share	974	-
Dividends paid	1,364	328

Since the end of the financial year, the Directors have proposed a final ordinary dividend of $304 million (131.9 cents per share). The dividend is subject to approval by shareholders at the Annual General Meeting and is therefore not included in the balance sheet as a liability at 31 July 2018.

The interim dividend for the year ended 31 July 2018 and the special dividend were declared in US dollars and paid in both pounds sterling and US dollars. For those shareholders paid in pounds sterling, the exchange rate used to translate the declared value was set in advance of the payment date. As a result of foreign exchange rate movements between these dates, the total amount paid (shown in the Group cash flow statement) will be different to that stated above.

10 - 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
Profit from continuing and discontinued operations attributable to shareholders of the Company	1,267	515.7	511.9	920	366.1	363.5
(Profit)/loss from discontinued operations	(426)	(173.4)	(172.1)	133	52.9	52.5
Profit from continuing operations	841	342.3	339.8	1,053	419.0	416.0
Non-recurring tax charge relating to changes in tax rates and other adjustments	16	6.4		-	-	
Amortisation and impairment of acquired intangible assets and impairment of interests in associates (net of tax)	168	68.4		57	22.7	
Exceptional items (net of tax)	67	27.3		(190)	(75.6)	
Headline profit after tax from continuing operations	1,092	444.4		920	366.1	

The weighted average number of ordinary shares in issue during the year, excluding those held by Employee Benefit Trusts and those held by the Company as Treasury shares, was 245.7 million (2017: 251.3 million). 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 247.5 million (2017: 253.1 million).

On 11 June 2018, the shares of Ferguson plc were consolidated on an 18 for 19 basis. The impact of the share consolidation on the weighted average number of shares used to calculate basic and diluted earnings per share is 1.9 million.

11 - Intangible and tangible assets

	Goodwill $m	Acquired intangible assets $m	Software $m	Property, plant and equipment $m	Total intangible and tangible assets $m
Net book value at 1 August 2017 restated	1,173	171	69	1,068	2,481
Additions	-	-	30	228	258
Acquisitions	241	130	-	12	383
Disposals	-	-	-	(19)	(19)
Reclassification as held for sale	-	-	-	(48)	(48)
Depreciation and amortisation	-	(65)	(26)	(145)	(236)
Impairment charge for the year	-	-	(2)	(7)	(9)
Exchange rate adjustment	(6)	1	-	(3)	(8)
Net book value at 31 July 2018	1,408	237	71	1,086	2,802

Goodwill and intangible assets acquired during the year have been allocated to the individual cash generating units or aggregated cash generating units (together "CGUs") which are deemed to be the smallest identifiable group of assets generating independent cash inflows. CGUs have been aggregated in the disclosure below at a segmental level except for certain CGUs in the USA which are considered to be significant (more than 10 per cent of the current year goodwill balance). Impairment reviews were performed for each individual CGU during the year ended 31 July 2018.

	2018				Restated 2017			
	Long-term growth rate %	Post-tax discount rate %	Pre-tax discount rate %	Goodwill $m	Long-term growth rate %	Post-tax discount rate %	Pre-tax discount rate %	Goodwill $m
Blended Branches				442				432

B2C				316				263
Waterworks				169				169
Rest of USA				290				145
USA	2.1	9.0	12.0	1,217	2.3	9.3	15.2	1,009
UK	2.0	7.6	9.3	43	2.0	8.1	10.0	43
Canada	2.0	8.4	11.5	148	2.0	8.7	11.9	121
Total				1,408				1,173

The relevant inputs, including key assumptions, to the value in use calculations of each CGU are set out below.

Cash flow forecasts for years one to three are derived from the most recent Board approved strategic plan. The forecast for year five represents an estimate of "mid-cycle" trading performance for the CGU based on historic analysis. Year four is calculated as the average of the final year of the strategic plan and year five's mid-cycle estimate. The other inputs include a risk-adjusted, pre-tax discount rate, calculated by reference to the weighted average cost of capital ("WACC") of each country and the 30-year long-term growth rate by country, as published by the IMF in April 2018.

The strategic plan is developed based on analyses of sales, markets and costs at a regional level. Consideration is given to past events, knowledge of future contracts and the wider economy. It takes into account both current business and future initiatives.

Management has performed a sensitivity analysis across all CGUs which have goodwill and acquired intangible assets using reasonably possible changes in the following key impairment review assumptions: compound average revenue growth rate, post-tax discount rate and long-term growth rate, keeping all other assumptions constant. The sensitivity testing identified no reasonably possible changes in key assumptions that would cause the carrying amount of any CGU to exceed its recoverable amount.

12 - Assets and liabilities held for sale

	2018 $m	Restated 2017 $m
Properties awaiting disposal	151	87
Assets of disposal groups held for sale	-	1,628
Assets held for sale	151	1,715
Liabilities of disposal groups held for sale	-	1,085

During the previous year, the Group announced its decision to sell its Nordic business and at 31 July 2017 the assets of the business were classified as a disposal group held for sale.

Properties awaiting disposal principally comprises the Nordic property assets, which were retained following the disposal of the Nordic business, and properties in the UK which are in the process of being exited as a result of the business restructuring.

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

	2018 $m	Restated 2017 $m
Intangible assets	-	33
Property, plant and equipment	-	812
Inventories	-	364
Trade and other receivables	-	337
Tax receivables	-	39
Cash and cash equivalents	-	43
Bank loans	-	(105)

Trade and other payables	-	(790)
Provisions and retirement benefit obligations	-	(96)
Tax payables	-	(94)
	-	543

13 - Provisions

	Environmental and legal $m	Wolseley Insurance $m	Restructuring $m	Other provisions $m	Total $m
At 31 July 2016 restated	101	70	36	85	292
Utilised in the year	(14)	(16)	(29)	(5)	(64)
Changes in discount rate	(13)	-	-	-	(13)
Charge for the year	9	18	63	6	96
Disposal of businesses and reclassified as held for sale	(5)	-	(12)	(30)	(47)
Exchange rate adjustment	-	-	1	1	2
At 31 July 2017 restated	78	72	59	57	266
Utilised in the year	(3)	(23)	(38)	(7)	(71)
Changes in discount rate	(4)	-	-	-	(4)
Charge for the year	12	24	31	12	79
Acquisition of businesses	-	-	-	4	4
Exchange rate adjustment	(1)	1	(1)	1	-
At 31 July 2018	82	74	51	67	274

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

At 31 July 2018	Environmental and legal $m	Wolseley Insurance $m	Restructuring $m	Other provisions $m	Total $m
Current	16	11	32	36	95
Non-current	66	63	19	31	179
Total provisions	82	74	51	67	274

The environmental and legal provision includes $69 million (2017: $69 million) for the estimated liability for asbestos litigation on a discounted basis using a long-term discount rate of 3.0 per cent (2017: 2.3 per cent). This amount has been actuarially determined as at 31 July 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 USA casualty and global property damage). Due to the nature of these provisions, the timing of any settlements is uncertain.

Restructuring provisions include provisions for staff redundancy costs and future lease rentals on closed branches. The weighted average maturity of these obligations is approximately three years.

Other provisions include warranty costs relating to businesses disposed of, rental commitments on vacant properties and dilapidations on leased properties. The weighted average maturity of these obligations is approximately three years.

14 - Reconciliation of profit to cash generated from operations

Profit for the year is reconciled to cash generated from continuing and discontinued operations as follows:	2018 $m	Restated 2017 $m
Profit for the year attributable to shareholders	1,267	920
Net finance costs	57	49
Share of (profit)/loss after tax of associates	(2)	1
Impairment of interests in associates	122	-
Tax charge	377	367
Profit on disposal and closure of businesses and revaluation of assets held for sale	(407)	(255)
Amortisation and impairment of goodwill and acquired intangible assets	65	216
Amortisation and impairment of non-acquired intangible assets	28	31
Depreciation and impairment of property, plant and equipment	152	180
(Profit)/loss on disposal of property, plant and equipment and assets held for sale	(6)	11
Increase in inventories	(102)	(121)
Increase in trade and other receivables	(351)	(267)
Increase in trade and other payables	208	293
Decrease in provisions and other liabilities	(120)	(43)
Share-based payments	35	28
Cash generated from operations	1,323	1,410

15 - Acquisitions

The Group acquired the following businesses in the year ended 31 July 2018. All these businesses are engaged in

the distribution of plumbing and heating products and were acquired to support growth principally in the USA and Canada. All transactions have been accounted for by the purchase method of accounting.

Name	Date of acquisition	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
National Fire Products, L.L.C.1	May 2018	USA	Asset	100
National Fire Protection of Albuquerque, LLC1	May 2018	USA	Asset	100
National Fire Protection Manufacturing & Supply, Inc.1	May 2018	USA	Asset	100
Cooper National Leasing, L.L.C.1	May 2018	USA	Asset	100
AMRE Supply Inc.2	July 2018	Canada	Shares	100
AMRE Supply Company Limited2	July 2018	Canada	Asset	100
Wright Plumbing Supply, Inc.	July 2018	USA	Asset	100
Lighting Design Enterprises, Inc.	July 2018	USA	Asset	100
Appliance Distributors of Louisiana - Baton Rouge, LLC.	July 2018	USA	Asset	100
Brock-McVey Company	July 2018	USA	Asset	100
Safe Step Walk In Tub, LLC	July 2018	USA	Shares	100

1. These businesses trade as National Fire and were acquired together.

2. These businesses trade as AMRE Supply and were acquired together.

15 - Acquisitions continued

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

	Provisional fair values acquired $m
Intangible assets	
- Customer relationships	21
- Trade names and brands	54
- Other	55
Property, plant and equipment	12
Inventories	34
Receivables	34
Cash, cash equivalents and bank overdrafts	7
Payables	(38)
Deferred tax	(1)
Provisions	(4)
Total	174
Goodwill arising	241
Consideration	415
Satisfied by:	
Cash	376
Deferred consideration	39
Total consideration	415

The fair values acquired are provisional figures, being the best estimates currently available. Further adjustments may be necessary 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 additional profitability and operating efficiencies available in respect of existing markets.

The acquisitions contributed $187 million to revenue, $6 million to trading profit and $3 million loss to the Group's operating profit for the period between the date of acquisition and the balance sheet date. It is not practicable to disclose profit before and after tax, as the Group manages its borrowings as a portfolio and cannot attribute an effective borrowing rate to an individual acquisition.

If each acquisition had been completed on the first day of the financial year, continuing revenue would have been $21,000 million and continuing trading profit would have been $1,532 million. It is not practicable to disclose profit before tax or profit attributable to shareholders of the Company, as stated above. It is also not practicable to disclose 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 respect of the purchase of businesses is as follows:

	2018 $m	Restated 2017 $m
Purchase consideration	376	326
Deferred and contingent consideration in respect of prior year acquisitions	47	15
Cash consideration	423	341
Cash, cash equivalents and bank overdrafts acquired	(7)	(10)
Net cash outflow in respect of the purchase of businesses	416	331

16 - Disposals

In the year ended 31 July 2018, the Group disposed of the following businesses:

Name	Country	Date of disposal	Shares/asset deal
Silvan A/S	Denmark	August 2017	Shares
Stark Group A/S	Denmark	March 2018	Shares
Ferguson Property (Norway) AS	Norway	June 2018	Shares
Arhus Property Denmark A/S	Denmark	June 2018	Shares

The Group recognised a total gain on current year disposals of $439 million, which is reported within discontinued operations.

	2018
	$m
Consideration received	1,411
Net assets disposed of	(697)
Disposal costs and provisions	(81)
Recycling of deferred foreign exchange losses1	(194)
Gain on disposal	439

1. Includes recycling of remaining foreign exchange relating to France and other European assets following the abandonment of operations.

Net assets disposed of were previously reported in assets and liabilities held for sale.

The net inflow of cash in respect of the disposal of businesses is as follows:

	2018
	$m
Cash consideration received for current year disposals (net of cash disposed of)	1,367
Cash paid in respect of prior year disposals	(2)
Disposal costs paid	(45)
Net cash inflow	1,320

17 - Reconciliation of opening to closing net debt

				Liabilities from financing activities			
	Cash and cash equivalents $m	Bank overdrafts $m	Total cash, cash equivalents and bank overdrafts $m	Derivative financial Instruments $m	Bank loans $m	Obligations under finance leases $m	Net debt $m
At 1 August 2017 restated	2,525	(1,982)	543	26	(1,266)	(9)	(706)
Cash movements							
Proceeds from borrowings and derivatives			-	(9)	(450)	-	(459)
Repayments of borrowings			-	-	261	-	261
Finance lease capital payments			-	-	-	4	4

Changes in net debt due to disposal of businesses			(42)	-	7	-	(35)
Changes in net debt due to acquisition of businesses			7	-	-	-	7
Held for sale movements			43	-	(105)	-	(62)
Other cash flows			(86)	-	-	-	(86)
Non-cash movements							
New finance leases			-	-	-	(1)	(1)
Fair value and other adjustments			-	(17)	16	-	(1)
Exchange movements			(7)	(2)	7	-	(2)
At 31 July 2018	833	(375)	458	(2)	(1,530)	(6)	(1,080)

18 - 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 this report, 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, 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.

19 - Exchange rates

The results of overseas subsidiaries have been translated into US dollars using average rates of exchange. The year end rates of exchange have been used to convert balance sheet amounts. The principal currencies impacting the full year results announcement are as follows:

	2018	2017
Pounds sterling translation rate		
Income statement/profit and loss	0.74	0.79
Balance sheet	0.76	0.76
Euro translation rate		
Income statement/profit and loss	0.84	0.91
Balance sheet	0.86	0.84
Canadian dollar translation rate		
Income statement/profit and loss	1.27	1.32
Balance sheet	1.30	1.25

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact **rns@lseg.com** or visit **www.rns.com**.

END

FR UAVRRWAARRUA