Registered number: 11581816

FERGUSON FINANCE PLC

Annual report and financial statements

For the year ended 31 July 2023

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Strategic report

Business review and future developments

Ferguson Finance plc (the "Company") is a wholly owned subsidiary of Ferguson plc.

The principal activity of the Company is that of a financing company for the Ferguson plc Group (the "Group"). There have been no significant changes in the Company's principal activity in the year under review. At the date of this report the directors do not foresee there will be any major changes in the Company's activities in the next year, although the Company may continue to be utilised to raise further external finance for the Group in the future.

The balance sheet on page 13 of the financial statements shows the Company's financial position at 31 July 2023.

The profit for the financial year amounted to $3 million (2022 - $2 million).

Principal risks and uncertainties

The Company does not have any operations that are external to the Group and therefore its financial risks are governed by the Group policies and procedures. The Group is exposed to market risks arising from its international operations. The Group has well defined and consistently applied policies for the management of foreign exchange and interest rate exposures. There has been no change since the year end in the major financial risks faced by the Group. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. Ferguson plc has agreed policies for managing each of these risks for the Group and these policies are regularly reviewed and updated.

Group risk factors are discussed in the Group's Annual Report for the year ended 31 July 2023 which does not form part of this report and can be found on the Ferguson plc website. These risk factors are all relevant to the Company due to the Company's position in the Group, however, the following risk factors are considered to be the principal risks of the Company:

- Changes in our credit ratings and outlook may reduce access to capital and increase borrowing costs.
- We may not be able to access the capital and credit markets on terms that are favourable to us.

The Company is, by virtue of the loan debtors it has with other Group companies, exposed to the impact of market conditions. In the event of a downturn, the risk is that the ability of intercompany counterparties to repay the loans extended to them may be impacted. The Group's resilient performance in challenging markets has provided comfort for the recoverability of loan debtors.

The Group is committed to maintaining an Enterprise Risk Management (ERM) program that considers and manages opportunities, risks and uncertainties that may impact achievement of its strategic objectives. The ERM program focuses on identifying and mitigating risks that pose the most significant existing or emerging threat (enterprise risks) to the Group's achievement of its strategic objectives. The Chief Legal Officer (or designee) provides centralised oversight of the ERM program and works with key risk owners across the Group.

Financial key performance indicators

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

Strategic report (continued)

Section 172(1) statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing so, section 172 requires directors to have regard to, amongst other matters, the:

- Likely consequences of any decisions in the long-term;
- Interests of the company's employees;
- Need to foster the company's business relationships with customers, suppliers and others;
- Impact on the company's operation on the community and environment;
- Desirability of the company maintaining a reputation for high standards of business conduct; and
- Need to act fairly as between members of the company.

In discharging our section 172 duties we have had regard to the factors set out above. In addition, we also have regard to other factors which we consider relevant to the decision being made. Those factors for example include the interest and views of members of the Group and our relationship with lenders. The Group aims to act as a trusted supplier and partner to its customers, providing innovative solutions to make their projects better. By considering the Group's purpose, vision, values and policies, we aim to ensure that our decisions are consistent and appropriate in all circumstances.

We delegate authority for day-to-day management of the Company to senior management. Board meetings are held periodically where the directors consider the Company's activities and make decisions. As part of those meetings the directors receive information in a range of different formats which includes information relevant to section 172 matters when making relevant decisions, for example, when making decisions about the payment of dividends.

As the principal activity of the Company is to act as a financing company for other entities in the Group, the Company has no commercial business, no employees and no customers other than Group companies during the period and as such the breadth of stakeholder considerations that would often apply in operating or commercial trading companies have generally not applied to the decisions made by the directors. The Company's key stakeholders are its shareholder, creditors and other Group companies.

The Company is a wholly owned subsidiary of Ferguson plc (the "Parent") and whilst the Company is required to set out how its Board discharges its duties under s172 of the Companies Act 2006, this statement should be viewed in the context of the Company's position as a subsidiary of a listed parent and part of a wider Group. Further details of how Ferguson plc undertook its responsibilities during the financial year and details of Group wide considerations, for example, in relation to the impact of the Group's operations on the community and environment and the desirability of maintaining a reputation for high standards of business conduct, can be found in the Group's ESG report which is on the Ferguson plc website at fergusonplc.com.

This report was approved by the Board and signed on its behalf.

Paul Brooks

Director

Date: 16 January 2024

1020 Eskdale Road
Winnersh Triangle
Wokingham
Berkshire
RG41 5TS

Directors' report

The directors present their annual report on the affairs of the Company, together with the financial statements and auditor's report for the year ended 31 July 2023.

Directors

The directors who served during the year and up to the date of signing the financial statements were:

P Brooks
A J F Burton (appointed 1 November 2022)
I T Graham
J A Mattison
N M O McCawley (resigned 31 October 2022)
K M McCormick
G Middlemiss (resigned 31 October 2022)

Dividends

No dividends were paid during the year (2022 - $nil) and no dividends have been proposed since the year end.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Directors' report (continued)

Post balance sheet events

There are no post balance sheet events requiring disclosure.

Matters covered in the strategic report

Information relating to future developments and financial risk management are provided in the Strategic report on page 2.

Going concern

The Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future, thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements (note 1.2).

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor

Deloitte LLP have been deemed re-appointed under section 487 of the Companies Act 2006.

This report was approved by the Board and signed on its behalf.

Paul Brooks
Director
Date: 16 January 2024

1020 Eskdale Road
Winnersh Triangle
Wokingham
Berkshire
RG41 5TS

Independent auditor's report to the members of Ferguson Finance plc

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Ferguson Finance plc (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31st July 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 14.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: • Recoverability of debtors from group undertakings Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used in the current year was $4,927,000 which was determined on the basis of 5% of total expenses.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	There have been no significant changes in approach compared to the prior year.

Independent auditor's report to the members of Ferguson Finance plc (continued)

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating the company's existing access to sources of financing, including undrawn committed bank facilities that it shares with its parent and fellow subsidiaries;
- Assessing the reasonableness and likelihood of future interest receivable from group undertakings by considering the historical performance of the Group undertakings, including the impact of wider macro-economic factors on operations during the year as well as post balance sheet performance of the Group undertakings.
- Evaluating the recoverability of debtors from group undertakings as discussed in section 5.1; and
- Assessing the appropriateness of the going concern disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Recoverability of debtors from group undertakings

Key audit matter description	Debtors from group undertakings are stated in the balance sheet at $2,376m (2022: $2,375m). Judgement is required by the directors in determining the recoverability of these debtors from group undertakings based on the financial position and future prospects of the group undertakings. This takes into consideration a range of factors such as the underlying trading performance of the group undertakings and expected dividend growth. Further details are included within the strategic report on page 2 and notes 8 and 9 to the financial statements.
How the scope of our audit responded to the key audit matter	We challenged the directors' judgements regarding the appropriateness of the carrying value through obtaining a copy of the latest audited financial information of the debtor from group undertakings. We assessed the ability of the group undertakings to repay these amounts through obtaining an understanding of the future trading performance of the group undertakings by benchmarking against industry peers, considering post balance sheet performance of the group undertakings and obtaining analysts' reports of expected future performance of the group undertakings.
Key observations	Based on the work performed we concluded that debtors from group undertakings were appropriately stated.

Independent auditor's report to the members of Ferguson Finance plc (continued)

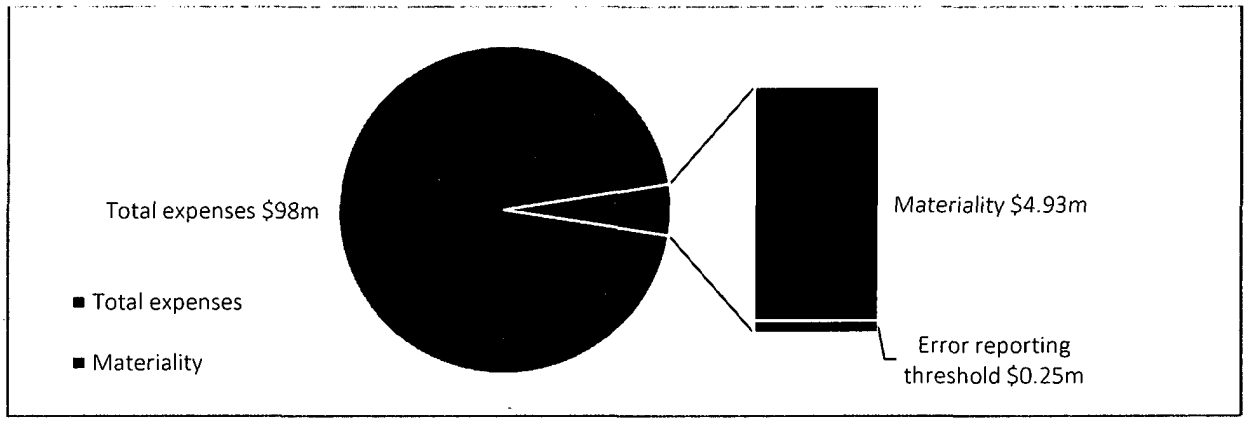
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	$4,927,000 (2022: $3,310,000)
Basis for determining materiality	5% (2022: 5%) of total expenses
Rationale for the benchmark applied	We determined materiality based on total expenses, being the interest payable to external bond holders. This is a key metric for lenders and the shareholder, as other group companies are recharged this cost and it represents a significant portion of total interest payable by the wider Group.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2023 audit (2022: 70%). In determining performance materiality, we considered factors such as our risk assessment, including our assessment of the company's overall control environment and our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.

6.3. Error reporting threshold

We agreed with the directors that we would report to the directors all audit differences in excess of $246,350 (2022: $165,500), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the directors on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. *An overview of the scope of our audit*

7.1. Scoping

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Independent auditor's report to the members of Ferguson Finance plc (continued)

7.2. Our consideration of the control environment

With the involvement of our IT specialists, we obtained an understanding of the relevant general IT controls for the accounting system which underpins the company's financial reporting process to inform our risk assessment process. We did not place reliance on the general IT controls that we tested for the purposes of our substantive audit procedures due to a number of deficiencies identified in the year.

We obtained an understanding of relevant manual business process controls, but did not plan to place reliance on them, mainly due to the findings noted above. Management have implemented a new control to assess the recoverability of intercompany receivables. We have tested the design and implementation of this control and are satisfied that this addresses the finding in relation to the control gap we identified in the prior year. We continue to identify a control gap relating to the precision of review of interest expenses and concluded that this finding constitutes a significant deficiency.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below

Independent auditor's report to the members of Ferguson Finance plc (continued)

11.1.Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following, noting that these are generally applied at the Group level but also apply to this company:

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, Internal Audit and the directors about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including IT specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

11.2.Audit response to risks identified

As a result of performing the above, we did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and the directors concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

Independent auditor's report to the members of Ferguson Finance plc (continued)

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Matters on which we are required to report by exception

13.1.Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2.Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. Other matters which we are required to address

14.1.Auditor tenure

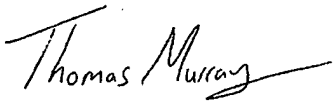
Following the recommendation of the audit committee, we were appointed by the directors on 17 June 2019 to audit the financial statements for the year ending 31 July 2021 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 5 years, covering the years ending 31 July 2019 to 31 July 2023.

14.2.Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

15. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Thomas Murray ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Reading, United Kingdom
Date: 16 January 2024

Profit and loss account
for the year ended 31 July 2023

	Note	**2023 $m**	2022 $m
Interest receivable and similar income	5	**102**	68
Interest payable and similar expenses	6	**(98)**	(66)
Profit before tax		**4**	2
Tax on profit	7	**(1)**	-
Profit for the financial year attributable to the equity shareholders of the Company		**3**	2

All amounts relate to continuing activities.

There were no recognised gains and losses for 2023 or 2022 other than those included in the profit and loss account, therefore no statement of comprehensive income is presented.

Registered number: 11581816

Balance sheet
at 31 July 2023

	Note		2023		2022
		$m	**$m**	$m	$m
Current assets					
Debtors: amounts falling due after more than one year	8	**2,350**		2,350	
Debtors: amounts falling due within one year	8	**26**		25	
Cash at bank and in hand		**9**		6	
		2,385		2,381	
Creditors: amounts falling due within one year	9	**(26)**		(25)	
Net current assets			**2,359**		2,356
Creditors: amounts falling due after more than one year	9		**(2,350)**		(2,350)
Net assets			**9**		6
Capital and reserves					
Called up share capital	10		**-**		-
Profit and loss account	11		**9**		6
			9		6

The financial statements were approved and authorised for issue by the Board and were signed on its behalf.

J A Mattison
Director
Date: 16 January 2024

The notes on pages 15 to 20 form part of these financial statements.

Statement of changes in equity
at 31 July 2023

	Share capital $m	Profit and loss account $m	Total equity $m
At 31 July 2021	-	4	4
Profit for the financial year	-	2	2
At 31 July 2022	-	6	6
Profit for the financial year	-	3	3
At 31 July 2023	-	9	9

Notes to the financial statements
for the year ended 31 July 2023

1. Accounting policies

1.1 General information and basis of accounting

Ferguson Finance plc (the "Company") is a public Company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The principal activity of the Company is shown on page 2 and the address of the Company's registered office is shown on page 5.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value and in accordance with Financial Reporting Standard 102 ("FRS 102") issued by the Financial Reporting Council.

The functional currency of the Company is considered to be US dollars because that is the currency of the primary economic environment in which the Company operates.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. The Company is consolidated in the financial statements of its ultimate parent, Ferguson plc, which may be obtained from the Company's registered office, 1020 Eskdale Road, Winnersh Triangle, Wokingham, Berkshire, RG41 5TS, United Kingdom. Exemptions have been taken in these separate Company financial statements in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

1.2 Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic report on page 2.

The Company has net assets with which it can fund its operations. It holds significant loan debtors on which it generates interest income. In addition, it participates in the Group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries.

The directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Group to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of their assessment, which has included making enquiries of the directors of Ferguson plc about the going concern position of the Group, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for at least 12 months from the date of signing these accounts. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.3 Interest income

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

1.4 Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument and are measured at amortised cost.

Notes to the financial statements
for the year ended 31 July 2023

1. Accounting policies (continued)

1.5 Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets
An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets
For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

1.6 *Foreign currency*

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Other exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on transactions entered into to hedge certain foreign currency risks.

Notes to the financial statements
for the year ended 31 July 2023

1. Accounting policies (continued)

1.7 Tax

Tax for the year comprises current and deferred tax. Tax is presented in profit or loss, other comprehensive income or equity depending on where the transaction that resulted in the tax is presented.

Current tax is tax payable (refundable) in respect of the taxable profit (tax loss) for the current period or past reporting periods. Current tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax represents the future tax consequences of transactions and events recognised in the financial statements of the current and previous periods.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- deferred tax assets shall be recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- deferred tax shall be reversed if and when all conditions for retaining associated tax allowances for the cost of a fixed asset have been met.

Deferred tax is not recognised on permanent differences.

Deferred tax is determined using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The directors have not identified any critical accounting judgements or key sources of estimation uncertainty made in the process of applying the Company's accounting policies that have a significant effect on the amounts recognised in the financial statements.

Notes to the financial statements
for the year ended 31 July 2023

3. Auditor's remuneration

The remuneration for the audit of the financial statements for the year of $42,300 (2022 – $38,500) was borne by Ferguson Group Services Limited and was not recharged to the Company. In the prior financial year, non-audit fees of $314,000 were paid to Deloitte LLP in relation to the issuance of the bond. These were borne by Ferguson UK Holdings Limited and not recharged to the Company. The Company has taken advantage of the exemption available under sections 6(2) and 6(3) from part 2 of The Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008 to dispense with the requirement to disclose non-audit fees as the disclosure is included within the Group financial statements of Ferguson plc.

4. Staff numbers and costs

The Company has no employees (2022 – none) other than the directors, who did not receive any remuneration in respect of their services to the Company (2022 - $nil).

5. Interest receivable and similar income

	2023 $m	2022 $m
Interest receivable from Group companies	**102**	68

6. Interest payable and similar expenses

	2023 $m	2022 $m
Bank and other loan interest payable	**98**	66

7. Tax on profit

	2023 $m	2022 $m
Total tax on profit	**1**	-

The tax assessed for the year is equal to (2022 – equal to) the standard rate of corporation tax in the UK of 21% (2022 – 19%).

	2023 $m	2022 $m
Profit before tax	**4**	2
Profit multiplied by standard rate of corporation tax in the UK at 21% (2022 - 19%)	**1**	-

Tax rate changes

The standard rate of UK corporation tax increased from 19% to 25% with effect from 1 April 2023. Accordingly, the rate of corporation tax applied for the year was a blended rate equal to 21%.

Notes to the financial statements
for the year ended 31 July 2023

8. Debtors

	2023 $m	2022 $m
Due after more than one year		
Amounts owed by Group companies	**2,350**	2,350

Amounts owed by Group companies were unsecured. $750 million (2022 - $750 million) was interest bearing at 4.65%, maturing in October 2028. $600 million (2022 - $600 million) was interest bearing at 3.40%, maturing in June 2030. $300 million (2022 - $300 million) was interest bearing at 4.36%, maturing in April 2027. $700 million (2022 - $700 million) was interest bearing at 4.76%, maturing in April 2032.

	2023 $m	2022 $m
Due within one year		
Amounts owed by Group companies	**26**	25

Amounts owed by Group companies were unsecured and were non-interest bearing and relate to accrued interest on amounts owed by Group companies.

9. Creditors

Creditors: amounts falling due within one year	2023 $m	2022 $m
Bank loan interest accrued	**25**	25
Corporation tax	**1**	-
	26	25

Creditors: amounts falling due after more than one year

	2023 $m	2022 $m
Bank loans - senior unsecured loan notes	**2,350**	2,350

In October 2018, the Company issued $750 million of 10 year 4.5% notes in the USA bond market, maturing in October 2028. Costs of $9 million were incurred in respect of the bond, including issuance costs and the discount to par at which the bond was issued. These were borne by Ferguson UK Holdings Limited and capitalised on its balance sheet to be amortised over the life of the bond. These were not recharged to the Company.

In June 2020, the Company issued $600 million of 10 year 3.25% notes in the USA bond market, maturing in June 2030. Costs of $8 million were incurred in respect of the bond, including issuance costs and the discount to par at which the bond was issued. These were borne by Ferguson UK Holdings Limited and capitalised on its balance sheet to be amortised over the life of the bond. These were not recharged to the Company.

In April 2022, the Company issued notes in the USA bond market of $300 million 5 year 4.25% notes, maturing in April 2027 and $700 million 10 year 4.65% notes, maturing in April 2032. Costs of $3 million and $8 million respectively were incurred in the respect of the bonds, including issuance costs and the discount to par at which the bond was issued. These were borne by Ferguson UK Holdings Limited and capitalised on its balance sheet to be amortised over the life of the bonds. These were not recharged to the Company.

Notes to the financial statements
for the year ended 31 July 2023

10. Called up share capital

	2023 $m	2022 $m
Shares classified as equity: allotted, called up and fully paid		
50,000 ordinary shares of £1 each	-	-

The shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

11. Reserves

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

12. Post balance sheet events

There are no post balance sheet events that require disclosure.

13. Related party transactions

The Company has taken advantage of the exemption available under FRS 102 Section 33.1A to dispense with the requirement to disclose transactions with wholly owned subsidiaries of the Group.

14. Ultimate parent undertaking and controlling party

The Company's ultimate parent company and ultimate controlling party is Ferguson plc, a company incorporated in Jersey whose registered office is 13 Castle Street, St Helier, Jersey JE1 1ES. It is the smallest and largest parent undertaking to consolidate this Company's financial statements. Copies of the Group financial statements of Ferguson plc may be obtained from the Group Company Secretary, Ferguson plc, 1020 Eskdale Road, Winnersh Triangle, Wokingham, RG21 5TS, United Kingdom. The Company's immediate controlling party is Ferguson UK Holdings Limited.