



## **Trián Investors 1 Limited**

**Annual Report and Audited Financial Statements**  
For the year ended 31 December 2019

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## Overview of the Company

Trian Investors 1 Limited (the “Company”) is a Guernsey-domiciled limited company incorporated on 24 August 2018. The Ordinary Shares of the Company were admitted to trading on the Specialist Fund Segment of the London Stock Exchange (“SFS”) on 27 September 2018 (“Admission”).

The investment objective of the Company, through its investment in Trian Investors 1, L.P. (Incorporated) (the “Investment Partnership”), is to generate significant capital appreciation through the investment activity of Trian Investors Management, LLC (the “Investment Manager”) and its parent, Trian Fund Management, L.P. (collectively, “Trian”). Trian’s investment strategy is to act as a highly engaged shareowner at the companies in which it invests, combining concentrated public equity ownership with operational expertise.

In accordance with its investment policy, the Company has made a substantial minority investment through the Investment Partnership, in the amount of approximately £250 million, in Ferguson Plc (“Ferguson”), where Trian believes it has developed a compelling set of operational and strategic initiatives that will help generate significant shareholder value.

## Chairman's Statement

For the year ended 31 December 2019

Dear Shareholder,

On behalf of the Board of Directors (the "Board"), I am pleased to present to you the Annual Report of the Company covering the period from 1 January 2019 to 31 December 2019.

On 12 June 2019, the Board announced that funds managed by Trian, including the Investment Partnership through which the Company invests, had acquired a 5.98% interest in shares of Ferguson, valued at approximately £736 million at that time. The Company, through the Investment Partnership, invested approximately £250 million in Ferguson at an average cost basis of £52.85 per share.

The initial results of the Company's investment were favourable. Ferguson's shares appreciated in value, and the Company's net asset value increased in turn. By year-end the Company's net asset value per Ordinary Share was 121.34 pence, approximately 23% higher than the 31 December 2018 figure of 98.35 pence per Ordinary Share.

Since the year-end, Ferguson's shares, as well as most global equities, have been significantly impacted by the economic consequences resulting from the coronavirus (COVID-19) outbreak, with Ferguson's share price falling by approximately 35% from its 31 December 2019 level as at 3 April 2020 (see note 18 to the financial statements). Trian has kept the Board informed about its engagement with Ferguson's management team and board of directors and, as described in the Investment Manager's Report on page 4, it continues to believe that Ferguson represents an attractive investment opportunity. Specifically, Trian believes that Ferguson has significant scale advantages over its competitors, and a balance sheet and cash flow profile which should allow it to withstand the current economic disruption and generate attractive returns over a long-term holding period. Trian also believes that the strategic initiatives being pursued by Ferguson can generate significant value when macroeconomic conditions stabilise in the future.

Subject to the Company receiving distributions from the Investment Partnership, the Board is committed to returning cash to shareholders over time through dividends and share repurchases, and on 12 February 2020 the Board announced a dividend of 0.52 pence per share. Subject to its continued investment in Ferguson and receipt via the Investment Partnership of sufficient dividend income, the Board intends to declare an additional dividend of not less than 0.52 pence per share in the third quarter of the calendar year 2020. The Board intends to review the Company's dividend policy for future years if Ferguson modifies its own dividend program. In respect of share repurchases, the Board announced on 12 February 2020 its intention to use approximately £3,000,000 to repurchase Ordinary Shares. The Company completed the share repurchases on 25 February, which resulted in the total number of Ordinary Shares in issue (excluding treasury shares) being reduced by 2,760,830.

The Board is grateful for your continued support and we will continue to keep you informed of developments at the Company as appropriate.

Yours sincerely,



**Chris Sherwell**  
Chairman

6 April 2020

## Investment Manager's Report

For the year ended 31 December 2019

Dear Shareholder,

In April 2019, we recommended that the Company invest in Ferguson, the largest U.S. distributor of plumbing supplies, pipes, valves and fittings and fire and fabrication products and one of the largest U.S. distributors of industrial and heating, ventilation and cooling (HVAC) products. We believe that Ferguson possesses an underappreciated and attractive U.S. business:<sup>1</sup>

- Ferguson's organic sales growth has averaged 7.5% over the last five years, which is 3%-4% better than the market, while the company has delivered improving operating margins and returns on capital.
- Ferguson's U.S. business primarily sells to commercial and residential trade customers, who we believe place significant value on the convenience and availability provided by Ferguson versus competitors.
- Most of Ferguson's US sales originate or are distributed from branches or showrooms (its "blended-branch" business), which in our view helps to insulate Ferguson from Amazon and other e-commerce competitors.
- Approximately 60% of Ferguson's sales are oriented towards repair, maintenance and improvement activity, which is less cyclical than new construction.
- As a leading player in a highly fragmented sector, we believe that Ferguson has the ability to be a prudent consolidator in the industry and significantly enhance its market share over time. The company completed 15 acquisitions last fiscal year alone.
- We believe that Ferguson will benefit from continued reinvestment in growth initiatives such as e-commerce (which currently constitutes approximately 25% of Ferguson's overall business based on revenues).

At the time we invested in Ferguson, we believed that the company was mispriced and misunderstood for a number of reasons. First, we believed that Ferguson's North American business (which constituted 95% of 2019 fiscal year earnings before interest, taxes, depreciation and amortization (EBITDA) at the time we invested) was structurally more attractive than its much smaller United Kingdom business (constituting 5% of 2019 fiscal year EBITDA), but the company was not valued accordingly. We also felt that Ferguson was under-owned by U.S. institutions, who we believed should be the natural owners of the company, and that it received minimal U.S. research coverage. Furthermore, despite having a market structure and growth profile similar to U.S. specialty distributors, such as Pool Corp., Watsco, SiteOne Landscape Supply, and Beacon Roofing Supply, investors and analysts rarely compared Ferguson to this peer group, and instead typically compared Ferguson to building materials and U.S. broadline distributors with lower valuations.

One of our Partners, Brian Baldwin, shared our views on why Ferguson possesses an attractive but underappreciated underlying U.S. business at the Sohn Conference in London held on 14 November 2019, and we encourage you to review our presentation from that conference, which is available at [www.trianinvestors1.com](http://www.trianinvestors1.com).

### Value Creation at Ferguson

Since announcing our investment in Ferguson in June 2019, Trian has constructively engaged with Ferguson's management team and board of directors. We've developed productive relationships with both John Martin, Ferguson's former Group CEO, and Kevin Murphy, who succeeded Mr. Martin as Group CEO in November 2019, and have met with them and other members of Ferguson's senior management team on several occasions. We have also had constructive meetings with both Gareth Davis, Ferguson's former Chairman, and Geoff Drabble, who succeeded Mr. Davis as Chairman at Ferguson's 2019 Annual General Meeting.

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<sup>1</sup> All data contained in this Investment Manager's Report is based on FactSet and publicly available information from Ferguson's periodic reports, investor presentations and regulatory filings. **Please see "Investment Manager's Report Disclosure Statements and Disclaimers" on page 48 for important information regarding this Investment Manager's Report.**

## Investment Manager's Report

(continued)

Since our investment was announced, we believe that Ferguson has undertaken a number of actions that should help to create long-term value. On 3 September 2019, Ferguson announced its intention to demerge its UK operations subject to shareholder approval, creating a company wholly focused on its attractive North American markets. Ferguson expects the UK demerger to be completed in 2020, at which time Ferguson's Group CEO and operational management team will be based in North America and the entirety of its revenues and profits will be generated there. In addition, on 4 February 2020, Ferguson released a statement acknowledging that "the U.S. is the natural long-term listing location for Ferguson" and that the "Board believes that it would now be beneficial to have direct access to the substantial incremental pool of capital in the U.S." As such, Ferguson announced that it was proposing to seek shareholder approval for either an additional or primary listing of Ferguson's shares on a major United States stock exchange. Ferguson noted that it would undertake a period of consultation with its institutional shareholders on these two listing structure options, and that the Ferguson board of directors expects to make a further announcement, likely in the spring of 2020, following the conclusion of the consultation.

Ferguson has also continued to complete bolt-on acquisitions to expand its market share. For example, in December 2018, Ferguson announced the acquisitions of Blackman Plumbing Supply, one of the U.S. Northeast's largest distributors of plumbing supplies, and Wallwork Bros, Inc., a leading supplier of HVAC and Waterworks products and solutions in the Northeast, in order to expand its presence in the New York metropolitan area.

Finally, on 4 February 2020, Ferguson announced its intention to buy back up to \$500 million of its shares over the next twelve months (after recently completing another \$500 million buy back in December 2019). Ferguson noted that its capital allocation priorities remain unchanged: It will continue to remain focused on achieving organic growth that exceeds underlying market growth, funding ordinary dividends through the cycle (with the aim of increasing dividends in line with long-term underlying earnings growth) and investing in bolt-on acquisitions. Ferguson also stated that its balance sheet remains strong and that it will continue to target net debt in the range of 1x to 2x EBITDA.

### **Triam's Perspective on Ferguson's Investment Prospects**

On 17 March 2020, Ferguson reported its financial performance for the first half of its 2020 fiscal year (the six months ending 31 January 2020). The results at its U.S. business were strong, highlighted by 5% sales growth on a year-over-year basis (3% on an organic basis, 13% on a 2-year organic basis) and 6% underlying trading profit growth (excluding the accounting impact resulting from the implementation of International Financial Reporting Standard (IFRS) 16). These results were encouraging given U.S. category growth was flat, which suggests Ferguson continues to take market share and is demonstrating strong cost discipline. On a consolidated basis, Ferguson grew sales organically 1% (2% excluding the UK), underlying trading profit 3%, and headline earnings per share 2%. (Earnings per share growth was negatively impacted by an increase in Ferguson's tax rate resulting from Swiss tax reform.) Ferguson continues to deploy capital in a shareholder friendly manner: it announced that it is raising its interim dividend per share by 7% and that it had invested \$141 million in acquisitions in the first half of fiscal year 2020 and completed nearly \$100 million of its recently announced \$500 million share repurchase program. Ferguson also noted that the demerger process for its UK business remains on track to be completed in calendar year 2020 and that it will update shareholders on its listing structure later in the spring.

Like most businesses, Ferguson's near-term performance will be significantly impacted by COVID-19 and the economic disruption resulting from the spread of the virus. The majority of Ferguson's sales are driven by residential and commercial remodelling spend, which is sensitive to the underlying economic environment in the U.S. Furthermore, we expect Ferguson's operations to be affected by ongoing disruptions relating to social distancing and other virus-spreading prevention strategies. In particular, Ferguson's showroom network and branches are currently closed to walk-in trade (although most branches remain operational for curbside pick-up or delivery). In the announcement made on 17 March 2020, Ferguson noted that due to the dynamic situation unfolding around COVID-19, it is too early to understand the virus's impact on current trading. With that said, Triam believes that its long-term investment thesis regarding Ferguson remains intact. Ferguson still possesses an attractive underlying business, and it operates as the largest player in a fragmented, growing industry, which we believe should allow it to sustain long-term market share gains. The company's balance

## Investment Manager's Report

(continued)

sheet remains strong at 1.6x lease-adjusted leverage, which we believe should help Ferguson maintain liquidity in a downturn and enable it to continue to invest to strengthen its business for the future. Moreover, we believe that Ferguson's cash flow profile is resilient, with a large variable cost base and counter-cyclical net working capital requirements that should free up cash in a recessionary scenario.

We also believe that there are opportunities for continued value creation at Ferguson. We are pleased with Ferguson's decision to demerge its UK operations and its announcement that the company will consult with shareholders regarding U.S. listing options. We believe that the demerger should allow management to better focus on Ferguson's stronger North American business and help the company earn higher returns on capital, and that a transfer of its listing to the United States, if completed, could result in numerous benefits to Ferguson, including higher ownership among U.S. institutions, increased U.S. research coverage, comparison to a more appropriate set of peers, and increased employee engagement (as most of Ferguson's employees are based in the U.S.).

As always, there are risks to our investment outlook, including management's ability to execute on its operational plans and Ferguson's significant exposure to residential repair and remodelling activity in North America, as well as the duration and severity of the COVID-19 outbreak and its impact on the global economy and Ferguson's operations. Please also refer to the Company's Prospectus dated 21 September 2018 (the "Prospectus") and the section titled "Principal risks and uncertainties" in the "Report of the Directors" on page 8 for further information on the risks associated with an investment in the Company.

### Ferguson's Foreign Currency Exposure

Although Ferguson shares are currently traded in Pounds Sterling, Ferguson receives the vast majority of its revenues and profits in U.S. Dollars and therefore, from the perspective of a Pound Sterling investor, the Company's Ferguson investment may be adversely affected by the appreciation of Pounds Sterling against the U.S. Dollar. In order to mitigate this risk, the Company through the Investment Partnership entered into a currency hedge in June 2019, in the form of an option to purchase £125,000,000 Pounds Sterling for US\$165,875,000, to offset a portion of the Company's U.S. Dollar exposure resulting from its investment in Ferguson. This option expires in June 2020. In addition, the Company through the Investment Partnership recently took advantage of attractive pricing of option premiums following a sharp decline of Pounds Sterling in March 2020, and entered into a second option to purchase £125,000,000 Pounds Sterling for US\$165,875,000, expiring in March 2021. Trian believes that Ferguson will continue to have significant U.S. Dollar exposure for the foreseeable future, and the second option is designed to hedge a portion of Ferguson's U.S. Dollar exposure for an additional nine months. However, there is no assurance that either option will be effective at managing the Company's currency exposure.

### Concluding Thoughts

Despite the current economic disruption caused by COVID-19, we believe that Ferguson is positioned to withstand a market downturn and continue to believe it will generate attractive returns over a long-term holding period. We look forward to further constructive engagement with Ferguson and working with its management team and board of directors to help create additional long-term value. We appreciate your ongoing support and will continue to work diligently towards fulfilling the investment objective of the Company.

Yours sincerely,

**Trian Investors Management, LLC**

## Report of the Directors

The Directors present their annual report on the affairs of the Company, together with the audited Financial Statements, covering the year ended 31 December 2019 (the “Year”). The comparative period was from 24 August 2018 to 31 December 2018.

### Incorporation

The Company was incorporated in Guernsey under the Companies (Guernsey) Law, 2008 as amended (the “Companies Law”) on 24 August 2018.

### Principal activities and investment policy

The Company is a Guernsey domiciled limited company. The ordinary shares of the Company were admitted to trading on the SFS on 27 September 2018.

The Company, via its wholly-owned subsidiary Trian Investors 1 Midco Limited (“Midco”), holds an approximate 99.8 per cent interest in the Investment Partnership.

As described in the Chairman’s Statement contained on page 3, the Company has made a substantial minority investment through the Investment Partnership, in the amount of approximately £250 million, in Ferguson, where Trian believes it has developed a compelling set of operational and strategic initiatives that will help generate significant shareholder value. The Company’s investment, through the Investment Partnership, has been made alongside other investment funds and vehicles managed by Trian (the “Trian Funds”), and collectively the Investment Partnership and the Trian Funds held a 6.12 per cent aggregate interest in the shares of Ferguson as at 31 December 2019.

The Company’s intention since inception has been to invest in only one company at a time (the “Target Company”) through the Investment Partnership, subject to certain exceptions described in the Prospectus. Thus, the Company will not seek to reduce risk through diversification.

The Investment Partnership may engage in hedging transactions, both for investment purposes and for risk management purposes. Similarly, the Company and the Investment Partnership are permitted to undertake borrowings, subject to certain limitations described in the Prospectus. As further described in the Investment Manager’s Report contained on pages 4 through 6, the Investment Partnership has entered into a currency hedge to offset a portion of the U.S. Dollar exposure resulting from its investment in Ferguson.

### Business review

A review of the Company’s business and an indication of its likely future development is provided in the Chairman’s Statement on page 3 and the Investment Manager’s Report on pages 4 through 6.

### Dividend policy

As noted in the Prospectus, the Company’s original dividend policy was to pay dividends to shareholders following receipt of any distributions from the Investment Partnership, subject always to compliance with the statutory solvency test prescribed by the Companies Law and the right of Directors to retain amounts at the Company for working capital purposes (the “Minimum Capital Requirements”). However, on 12 February 2020, the Company announced an update to its dividend policy to allow the Company and the Investment Partnership to retain a portion of dividends from the Target Company and use those dividends for other purposes, such as repurchases of Company ordinary shares or hedging activities designed to mitigate foreign currency risk. The Board instructed Numis Securities Limited and Jefferies International Limited (collectively, the “Corporate Brokers”) to consult with shareholders of the Company on this update to the dividend policy, and the shareholders with whom the Corporate Brokers have spoken have been supportive of the update.

In the event that the Company receives an *in specie* distribution of shares in Ferguson from the Investment Partnership, the Company may, but is not obligated to, distribute those shares *in specie* to shareholders, subject to compliance with the statutory solvency test prescribed by the Companies Law.

No distributions or dividends were declared or paid during the Year or during the period ended 31 December 2018. Subsequent to the Year end a dividend of 0.52 pence per share was declared on 12 February 2020 to be paid to the Company’s Shareholders of record at 21 February 2020, amounting to a total payment of £1,407,000.



## Report of the Directors

(continued)

### Share capital

As at 31 December 2019 and 31 December 2018, the Company had issued 270,585,977 ordinary shares of no par value (the “Shares”), all of which carry equal voting rights. Details of the Company’s share capital are provided in note 8 to the Financial Statements.

### Shareholdings of Directors and key persons

Directors who held office during the Year and held interests in the Company as at 31 December 2019 and 31 December 2018 were:

	31 December 2019		31 December 2018	
	Ordinary Shares	Percentage holding	Ordinary Shares	Percentage holding
<b>Directors</b>				
Chris Sherwell	50,000	0.02%	50,000	0.02%
Mark Thompson	20,000	0.01%	20,000	0.01%
Simon Holden	35,000	0.01%	15,000	0.01%
	105,000	0.04%	85,000	0.04%

All Directors were appointed on 24 August 2018. All shares held by Chris Sherwell and Mark Thompson were acquired so on 27 September 2018. Simon Holden acquired 15,000 shares on 27 September 2018 and a further 20,000 shares on 25 November 2019.

### Significant shareholdings

As at 31 December 2019, the Company has received notification of the following material shareholdings greater than 5 per cent of the Shares in issue:

	31 December 2019	
	Ordinary Shares	Percentage holding
Invesco Ltd.	50,000,000	18.48
Triam Investors 1 Subscriber, LLC	38,211,600	14.12
Jefferies Financial Group Inc.	34,176,145	12.63
Janus Henderson Group Plc	25,939,495	9.59
Kames Capital	21,220,567	7.84
Reuben Brothers	19,000,000	7.02
FIL Limited	18,400,723	6.80
Pelham Capital Ltd	15,209,125	5.62
Legal & General Investment Management	15,202,672	5.62

All of the above information is based on notifications received by the Company made by shareholders pursuant to the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority (“DTRs”). Since the time each notification was received by the Company, the number of Shares held by the relevant shareholder may have increased or decreased without triggering any obligation to provide further notification to the Company.

### Principal risks and uncertainties

The Directors are responsible for ultimate oversight and exercising supervisory control over the Company, with day to day functions, including company secretarial and administration services, being carried out by Ocorian Administration (Guernsey) Limited (referred to herein as the “Company Secretary” or “Administrator”).

Each Director is aware of the risks inherent in the Company’s business and understands the importance of identifying, evaluating and monitoring these risks. The Board considers the process for identifying, evaluating and managing any significant risks faced by the Company on an on-going basis and arranges for these risks to be reported and discussed at Board meetings. It ensures that effective controls are in place to mitigate these risks and that a satisfactory compliance regime exists to ensure all applicable local and international laws and regulations are upheld.

## Report of the Directors

(continued)

The principal risks facing the Company include those risks relating to the Company's dependence on the Investment Manager, risks connected to the Company's operations and risks relating to the valuation of the Company's Shares.

An explanation of each of these principal risks and how they are managed is set out below.

- **Dependence on Investment Manager.** Neither the Company nor the Investment Partnership has any employees or owns any facilities. As a result, the ability of the Company to achieve its investment objective depends heavily on the expertise and experience of Trian and its ability to pursue its investment strategies. Trian also manages funds and investment vehicles in addition to the Investment Partnership, which could give rise to certain conflicts of interest. The Board actively monitors the performance of the Investment Manager, with assistance from the Company's other service providers, and retains the ability to appoint a replacement in certain limited circumstances. The Board regularly engages with the Investment Manager during and between Board meetings, and when appropriate, seeks further clarification of matters from the Investment Manager in order to make informed decisions. The Board and Trian also each monitor conflicts of interest, and Trian maintains trade allocation procedures that are designed to allocate investment opportunities on a fair and equitable basis, as disclosed in the Prospectus.
- **Operations of the Company.** The Company is subject to various forms of operational risk, including the risk of fraud, valuation errors, accounting discrepancies, inadequate cash management and regulatory issues. These issues are actively reviewed by the Board at quarterly Board meetings and between meetings, including by monitoring the Company's recent investment performance and operational activities to ensure that the Investment Manager and the Company's other service providers are adhering to established practices and procedures. In addition, the Board receives reports from the Company Secretary and Administrator at meetings of the Board in respect of compliance matters and the duties performed by them on behalf of the Company, as well as reports on market activity from the Company's Corporate Brokers. The Company is also subject to operational risk resulting from exogenous events such as the coronavirus (COVID-19) outbreak; however, both the Investment Manager and the Company Secretary and Administrator have established business continuity plans and other policies and procedures that are designed to allow each party to continue to provide services to the Company while taking appropriate safety precautions.
- **Valuation of the Shares.** In some circumstances, the Company's Share price may trade at a discount (or premium) to the underlying market value of the Company's investments. This discount level (or premium) is expected to fluctuate from time to time. The Board intends to regularly review Net Asset Value and Share price performance in the context of market conditions. Any discount (or premium) will also be monitored by the Investment Manager and the Corporate Brokers, who intend to maintain an ongoing dialogue with the Board about potential strategies to address any significant discount that may emerge, including share repurchases and role of any foreign exchange hedging. Please see the Chairman's Statement on page 3 for a discussion of recent share repurchases that have been undertaken by the Company.

The principal risks of the Company are mitigated and managed by the Board through continual review, policy setting and quarterly review of the Company's risk matrix to ensure that procedures are in place with the intention of minimising the impact of the foregoing risks. In addition, the Board believes that the Investment Manager, along with the Company's other service providers, have the right skills and experience to help the Company manage these risks. The Board can confirm that the principal risks of the Company, including those which could threaten its business model, future performance, solvency or liquidity, have been robustly assessed through the Year.

The Company's principal risk factors are more fully discussed in the Prospectus, available on the Company's website ([www.trianinvestors1.com](http://www.trianinvestors1.com)) and should be reviewed by shareholders. In addition, the Company's financial risks and management of those risks are discussed in note 12 to the Financial Statements.

## Report of the Directors

(continued)

Furthermore, as at the date of this report, the COVID-19 pandemic is causing significant economic disruption in most of the world's leading economies. Looking beyond short-term disruption, it is extremely difficult to predict the medium and long-term consequences resulting from COVID-19 on the global economy and Ferguson's operations, as the extent and duration of any disruption is currently very unclear. Even if the immediate disruption subsides it is unclear whether the impact of the disruption could precipitate a lengthy economic slowdown or recession, or whether COVID-19 may remain active in the population as a seasonal illness occurring annually and whether any vaccines may eventually be developed and approved for widespread public use. The potential for this disruption may have a material adverse effect on Ferguson's financial condition, business, prospects and results of operations and consequently on its share price which in turn may have a material adverse effect on the Company's net asset value and/or the Company's own share price.

### Viability statement

In accordance with provisions 30 and 31 of the UK Corporate Governance Code issued in July 2018 (the "Code"), the Directors have assessed the going concern status and viability of the Company over the three-year period ending 31 December 2022.

The holding period for Company and Investment Partnership investments is not fixed, but the Company and the Investment Partnership expect that a typical holding period would be greater than one year. As of the date of the Prospectus, the average holding period of the ten portfolio company investments previously realised by Triam Management, where it beneficially owned greater than 5 per cent of all outstanding company shares, was 3.9 years (although this figure should not be taken as being indicative of the holding period for any investment by the Company or the Investment Partnership). As such, the Directors have determined that the three-year period to 31 December 2022 is the appropriate period over which to provide its viability statement.

In considering the viability of the Company over the three-year period, the Directors have assessed the principal risks and the procedures adopted to mitigate those risks documented in the Report of the Directors as set out above. The strategy of the Company is to maintain sufficient cash at both Company and Limited Partnership level to meet foreseeable expenses over the next three years. Before making distributions to shareholders the Directors take account of anticipated cash requirements of the Company. Should additional liquidity needs arise through reduced dividend income from Ferguson, additional expenses or otherwise the Directors believe that the investment in Ferguson is sufficiently liquid to generate cash at short notice.

Based on the foregoing, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its obligations as and when they fall due over the three-year period to 31 December 2022.

### AIFM directive

The Directors have considered the impact of the EU Alternative Investment Fund Managers Directive (2011/61/EU) ("AIFMD") on the Company and its operations. The Company is a non-EU domiciled Alternative Investment Fund and the Investment Manager has been appointed as the Company's non-EU Alternative Investment Fund Manager ("non-EU AIFM"). As the Company is managed by a non-EU AIFM, only a limited number of provisions of AIFMD apply. The Investment Manager has notified the UK Financial Conduct Authority in accordance with regulation 59 of the UK Alternative Investment Fund Managers Regulations 2013 in order to permit the marketing of the Company and the Shares in the UK, but the Company does not currently intend to market the Shares in any other European Economic Area ("EEA") member state.

### Subsequent events

See note 18 to the Financial Statements for details of subsequent events.

## Report of the Directors

(continued)

### Annual General Meeting

The Annual General Meeting (“AGM”) of the Company will be held later in the year but no later than 27 September 2020, being 15 months from the date of the Company’s last AGM. Details of the resolutions to be proposed, together with explanations, as well as the actual date, time and location of the meeting, will be sent to shareholders in due course.

By order of the Board



**Chris Sherwell**

*Chairman*

6 April 2020

## Corporate Governance Statement

As an unregulated Guernsey incorporated company quoted on the SFS, the Company is not required to comply with the Code or the GFSC Finance Sector Code of Corporate Governance (the “GFSC Code”). Nevertheless, the Directors place great importance on ensuring that high standards of corporate governance are maintained. Accordingly, the Directors have taken appropriate measures to ensure that the Company operates with due consideration to any codes of corporate governance that the Board deems appropriate. The Board perceives that good corporate governance practice is necessary for delivering sustainable value, enhancing business integrity and maintaining shareholder confidence in the Company. To further these aims, the Board has decided to voluntarily comply with the Code, which sets out guidance in the form of principles and provisions for companies to follow to ensure good corporate governance practice. Further information on the Code can be obtained from [www.frc.org.uk](http://www.frc.org.uk).

Certain provisions of the Code, including provisions relating to the responsibilities of the chief executive, executive directors’ remuneration and the responsibilities of the Board to employees and its workforce, are not relevant to the Company as it has no executive directors or employees. The Company’s day-to-day management and administrative functions are outsourced to the Investment Manager and other third parties. The Company does not report further in respect of these provisions.

Except as disclosed within these Financial Statements, the Board is of the view that the Company complies with the principles and provisions of the Code. Key issues affecting the Company’s corporate governance responsibilities, how they are addressed by the Board and the application of the Code are presented below.

### **SECTION 1: BOARD LEADERSHIP AND COMPANY PURPOSE**

#### **Board responsibilities**

The Directors are responsible for ensuring compliance with the Company’s investment objective and investment policy and have overall responsibility for the Company’s activities, including review of overall investment performance. The Board has approved a formal schedule of Matters Reserved for the Board which includes, amongst others: review of the Company’s overall strategy and business plans; approval of any proposed amendments to the Company’s investment objective or policies; approval of the Company’s half-yearly and annual financial statements; review and approval of any alteration to the Company’s accounting policies or practices or any proposal to change the Company’s accounting reference date; declaration of any dividends or other distributions by the Company; approval of any material announcements or communications; approval of changes in Board composition; appointment or termination of any of the Company’s service providers; the issue of any share capital of the Company and the exercise by the Company of its borrowing powers; and any proposed repurchase or redemption of the Company’s shares by the Company. In addition, the Board will undertake annual reviews (and performed such a review in 2019) of the Company’s service providers to ensure that the Company’s contracts of engagement with the Investment Manager, Administrator and Company Secretary, Corporate Brokers and other service providers are operating satisfactorily and that they are competitive and reasonable for the Company’s shareholders, as well as to ensure the accurate management and administration of the Company’s affairs and businesses. In particular, the Board is responsible for reviewing and overseeing the performance of the Investment Manager and to monitor any conflicts of interests that may arise. In addition, and if applicable, a non-executive Director may provide a written statement outlining any concerns regarding the operation of the Board or the management of the Company to the Chairman upon resignation. Furthermore, any concerns of such a nature that cannot be resolved would be recorded in the relevant Board meeting minutes.

Management of the Investment Partnership is the responsibility of Triam Investors 1 General Partner, LLC, the general partner of the Investment Partnership (the “Managing General Partner”), which has delegated investment decisions and day-to-day management of the Investment Partnership to the Investment Manager under the terms of an investment management agreement. Given that the Company currently has the majority interest in the Investment Partnership, the Company and therefore the Board have the ability to approve any proposed Target Company and to remove the Managing General Partner and Investment Manager in certain limited circumstances.

## Corporate Governance Statement

(continued)

With regard to the Directors' duty to promote the success of the Company, the Board's key focus is overseeing the Investment Manager's selection and holding of a suitable Target Company that the Investment Manager anticipates will deliver the Company's investment objective for its shareholders and wider stakeholders. The performance of the Investment Manager is subject to regular review by the Board. Due to the nature of the Company and its activities, the Board does not consider its operations to negatively impact either the community or the environment. As previously noted, the Company has no employees.

### Relations with shareholders

The Directors place a great deal of importance on communication with the Company's shareholders. Representatives of the Investment Manager met with many of the Company's shareholders in 2019 to discuss Company activities, and the Company expects that the Investment Manager and/or the Corporate Brokers will continue to meet with shareholders on a periodic basis at appropriate times to discuss Company activities. The Board also receives regular updates from the Corporate Brokers at each meeting, as well as periodic updates between meetings, relating to shareholder feedback and activity and other matters. The Company's financial statements will be widely distributed to other parties who have an interest in the Company's performance and will be available on the Company's website ([www.trianinvestors1.com](http://www.trianinvestors1.com)).

All Directors, and in particular, the Chairman and the Audit Committee Chairman, are available for discussions with shareholders as and when required.

## SECTION 2: DIVISION OF RESPONSIBILITIES

### Board composition

The Board consists of three non-executive members, each of whom has served as a Director since the incorporation of the Company on 24 August 2018.

*Chris Sherwell (Chairman), aged 72 years.*

Mr Sherwell has worked in the offshore finance industry based in Guernsey for 25 years. Since 2004 he has acted as a Non-Executive Director of a variety of listed investment funds and companies. Prior to January 2004, Mr Sherwell was Managing Director of Schroders' offshore investment and private banking operations in the Channel Islands. He was previously Investment Director from 1993-2000 and also served on the boards of various Schroder group companies and funds during his period there. Prior to Schroders he worked at Smith New Court as a research analyst specialising in asset allocation for Asian markets. Mr Sherwell is a Rhodes Scholar with degrees in science (B.Sc.(General) (London), Chemistry and Physics through the University College of Rhodesia) and in economics and politics (MA (Oxon) and M Phil (Oxon) from the University of Oxford). He has worked as a university lecturer and was for fifteen years a journalist, 13 of them for the Financial Times. He holds the Institute of Directors Diploma in Company Direction and is a member of the Guernsey fund services interest group GIFA and of the NED Forum.

*Mark Thompson, aged 57 years.*

Mr Thompson is a Guernsey resident with over 25 years of experience in the offshore finance industry. He worked for KPMG for 31 years in London, Hong Kong and Guernsey where his roles included Audit Partner, Head of Audit and Senior Partner of KPMG in the Channel Islands and he has audited and advised the boards of a variety of listed investment companies. Mr Thompson is a non-executive director of Rocq Capital Holdings Limited, Queen Street Mutual Company PCC Limited and Utmost Worldwide Limited, a Chartered Accountant (ICAEW), Chartered Director (IoD) and a former chairman of the Guernsey Branch of the Institute of Directors. He holds an MA in mathematics from the University of Oxford.

## Corporate Governance Statement

(continued)

*Simon Holden, aged 44 years.*

Mr Holden is a resident of Guernsey with extensive private equity investment and portfolio company operation experience, having worked with Candover Investments and Terra Firma Capital Partners. Mr Holden left Terra Firma in late 2015 and currently serves as a FTSE 250 non-executive director to the Boards of HICL Infrastructure Plc. (Chair of the Risk Committee), Hipgnosis Songs Fund Limited (Chair of Nomination & Remuneration Committees), Merian Chrysalis Investment Company Limited (Chair of Management Engagement Committee) and JPMorgan Global Core Real Assets Limited (Senior Independent Director). Mr Holden is also a director of unlisted private equity funds with Permira, Blue Water Energy and LCatterton and holds a number of trading company board roles in both the private sector and public sectors. Mr Holden graduated from the University of Cambridge with an MEng and MA (Cantab) in Manufacturing Engineering, holds both the Dip IoD (Institute of Directors Diploma in Company Direction) and IMC (CFA) and is an active member of various financial services interest groups.

### Independence

For the purposes of assessing compliance with the Code, the Board considers all of the Directors to be independent of the Investment Manager and free from any business or other relationship that could materially interfere with the exercise of their independent judgment. In particular, none of the Directors has any current or historical employment with the Investment Manager, nor do they have any current directorships in any other entities for which the Investment Manager or its key personnel provide services.

### Commitment of each Director

Prior to the appointment of each of the non-executive Directors, discussions were undertaken with each individual to ensure that each was sufficiently aware of the time needed for his role. Each Director has confirmed in his appointment letter that he is able to devote sufficient time to his duties. Upon appointment, each Director notified the Board of significant outside commitments and interests, including those which may create a conflict situation, and agreed to notify the Board of any subsequent acceptance of, or entry into, a significant commitment or interest which amounts to a conflict situation.

### Division of responsibilities

The Board is comprised wholly of non-executive Directors. The non-executive Directors' responsibilities are described above in Section 1 of this Corporate Governance Statement and are set out in greater detail within the Schedule of Matters reserved for the Board. All day-to-day functions are outsourced to external service providers.

### The Chairman

Chris Sherwell was appointed as Chairman of the Board on 24 August 2018. As Chairman, Mr. Sherwell leads the Board and is responsible for its overall performance in directing the Company, including by organising the Board's business and ensuring the effectiveness of the Board and individual Directors. He endeavours to produce an open culture of debate within the Board.

### Role of non-executive Directors

The Board is composed entirely of non-executive Directors, who meet as required without the presence of the Investment Manager and service providers to scrutinise the achievement of agreed goals and objectives, and monitor performance. Through the Audit Committee, and the leadership of Mark Thompson, the Directors ensure the integrity of financial information and confirm that all financial controls and risk management systems are robust.

Due to the size and structure of the Board, the appointment of a senior independent director is not deemed necessary.

## Corporate Governance Statement

(continued)

### Company Secretary

In conjunction with the Chairman, the Company Secretary facilitates the flow of information between the Board, the Committees, the Investment Manager and other service providers through the development of comprehensive meeting packs, agendas and other reports. Prior to each Board meeting, the Company Secretary distributes a Board and Committee meeting pack, which contains relevant, concise and clear information. When required, the Board has sought further clarification of matters directly with the Investment Manager and other service providers, both in terms of further reports and via in-depth discussions.

Full access to the advice and services of the Company Secretary is available to the Board; in turn, the Company Secretary is responsible for advising the Board on governance matters. The appointment and resignation of the Company Secretary is a matter for the whole Board pursuant to the Schedule of Matters reserved for the Board. A review of the performance of the Company Secretary is undertaken by the Board on a regular basis and forms a part of the annual service provider review process.

### Board meetings

The Board meets on at least a quarterly basis. The dates for each scheduled meeting are planned and agreed up to a year in advance. Meetings will be convened as and when required to consider any urgent matters arising. In addition to formal Board and/or committee meetings and, to the extent practicable and appropriate, the Directors maintain close contact with each other, the Administrator and the Investment Manager, by email and conference calls, for the purpose of keeping themselves informed about the Company's activities.

The Board met seven times during the Year and the Audit Committee met three times during the Year. Subsequent to the Year-end and prior to the date of this Annual Report, the Board met a further three times.

Name	Scheduled board meeting (max 4)	Committee of the board meeting (max 1)	Other board meeting (max 3)	Audit Committee meeting (max 3)
Chris Sherwell	4	1	3	3
Mark Thompson	4	1	3	3
Simon Holden	4	1	3	3

## SECTION 3: COMPOSITION, SUCCESSION AND EVALUATION

### Board composition

The Board is responsible for reviewing its structure, size and composition, for considering succession planning and for identifying and approving candidates to fill Board vacancies. The Board believes that, as a whole, its current members represent an appropriate balance of skills, experience and knowledge.

The Board remains open to the appointment of additional directors with relevant expertise that may enhance the Company's fulfilment of its investment objective. The Board also believes that diversity of background, experience and approach amongst Board members is of great importance and it is the Company's policy to give careful consideration to issues of Board balance and diversity when making any new appointments.

Due to the size of the Board, and the fact that it is comprised wholly of non-executive Directors, the Board does not believe it necessary to establish a separate nomination committee and this function will be fulfilled by the Board as a whole.

### Director re-election

Each Director shall stand for re-election by the Company's shareholders at the upcoming annual general meeting. The Board intends to set out in the papers accompanying the resolution to elect each director why their contribution is, and continues to be, important to the Company's long-term sustainable success.



## Corporate Governance Statement

(continued)

### Board succession

The Board intends to arrange for appropriate succession arrangements in due course that will comply with the principles and the provisions of the Code.

### Director and Board evaluation

Using a pre-determined template based on the Code's provisions as a basis for review, the Board undertakes an annual evaluation of its performance and that of the Audit Committee. The first evaluation was completed in 2019. Additionally, an evaluation focusing on the individual commitment, performance and contribution of each Director was conducted in 2019 and the Board expects it will be conducted on an annual basis going forward. The Chairman met with each Director to fully understand their views of the Company's strengths and to identify potential weaknesses. Due to the size and structure of the Board the evaluation of the Chairman of the Board and Audit Committee is dealt with as part of the annual Board evaluations.

Given the Company's size and the structure of the Board, no external facilitator or independent third party is expected to be used in the performance evaluation.

## SECTION 4: AUDIT, RISK AND INTERNAL CONTROL

### Internal control and financing reporting

The Board acknowledges that it is responsible for establishing and maintaining the Company's systems of internal control and for maintaining their effectiveness. Internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and only provide reasonable rather than absolute assurance against material misstatements or losses.

The Board has delegated the day-to-day operations of the Company to the Administrator and Investment Manager; however the Board retains accountability for all delegated functions. The Board clearly defines the duties and responsibilities of all service providers and advisers, and appointments are only made after due and careful consideration.

The Administrator maintains a system of internal control over its activities. The Board receives reports from the Company Secretary and Administrator in respect of compliance matters and other duties performed on behalf of the Company.

The Board considers that the Company's existing internal controls, coupled with the analysis of risks inherent in the business models of the Company and its subsidiaries, continue to provide appropriate tools for the Company to monitor, evaluate and mitigate its risks.

### Going concern status and continued viability

The Financial Statements have been prepared on the going concern basis. The net current asset position as at 31 December, 2019 was £328.3 million. After making suitable enquiries, and given the nature of the Company, its liquid investments and its sufficient cash reserves, the Directors are satisfied that the Company is able to continue for the foreseeable future, and at least twelve months from the date of approval of the Financial Statements, and it is appropriate to continue to adopt the going concern basis in preparing the Company's financial statements. This conclusion also takes into account the Board's assessment of the risks arising from COVID-19 as set out in the Investment Manager's Report and the Report of the Directors.

Furthermore, as set forth on pages 7 to 11 of the Report of the Directors, the Board has conducted a robust assessment of the principal risks facing the Company and the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its obligations as and when they fall due over the three year period to 31 December 2022.

## Corporate Governance Statement

(continued)

### Preparation of Annual Report

An explanation of the Directors' roles and responsibilities in preparing the Annual Report and Financial Statements for the Year is provided in the Directors' Responsibility Statement on pages 19 to 20. Further information enabling shareholders to assess the Company's performance, business model and strategy can be located in the Chairman's Statement on page 3, the Investment Manager's Report on pages 4 to 6, and the Report of Directors on pages 7 to 11.

### Audit Committee

The Board has established an Audit Committee with formally delegated duties and responsibilities documented within its terms of reference. The Audit Committee is responsible for assisting the Board in discharging its responsibilities for the integrity of the Company's financial statements, as well as aiding the assessment of the Company's internal control effectiveness and the objectivity of the Company's external auditors. The Audit Committee is composed of all of the members of the Board, all of whom are independent non-executive Directors. Due to the size and structure of the Board and the Company, the Chairman of the Board has been included as a member of the Audit Committee to give him a fuller understanding of the issues facing the Company and to maximise the effectiveness of the Committee. However, Mr. Sherwell is not appointed as the Committee's Chair, and the Committee is instead chaired by Mark Thompson, who has extensive expertise in accounting and audit processes. Further information on the Audit Committee is provided in the Report of the Audit Committee on pages 21 to 23.

The Board has reviewed the need for an internal audit function and has decided that the systems and procedures employed by the Administrator and Investment Manager, including their own internal controls and procedures, provide a sound system of risk management and internal control which safeguards shareholders' investment and the Company's assets, and as such no internal audit function is deemed necessary.

### SECTION 5: REMUNERATION OF DIRECTORS

The Board endeavours to ensure the Company's Remuneration Policy reflects and supports the Company's strategic aims and objectives. It has been agreed that, due to the size of the Board and the fact that it is comprised wholly of non-executive Directors, a separate Remuneration Committee would be inefficient. Therefore the Board as a whole is responsible for discussions regarding remuneration. No external remuneration consultants were appointed during the Year.

In accordance with the Company's Articles of Incorporation (the "Articles"), the aggregate amount of fees paid to Directors may not exceed the annual equivalent of £400,000 per annum. Subject to this limit, it is the Company's policy to determine the level of Directors' fees, having regard for the level of fees payable to non-executive Directors in the industry generally, the role that individual Directors fulfil in respect of responsibilities related to the Board and Audit Committee and the time dedicated by each Director to the Company's affairs.

Each of the Directors is currently entitled to a fee payable by the Company at the rate of £40,000 per annum. The Chairman currently receives an additional fee of £15,000 per annum and the Chairman of the Audit Committee currently receives an additional fee of £5,000 per annum.

As outlined in the Prospectus, all of the Directors are also entitled to be reimbursed for all reasonable expenses properly incurred by them in attending general meetings, Board or committee meetings or otherwise in connection with the performance of their duties.

None of the Directors has a service contract with the Company. Each of the Directors has entered into a letter of appointment with the Company that states that his appointment and any subsequent termination or retirement shall be subject to the Articles. Each Director's appointment letter provides that upon the termination of a Director's appointment, that Director must resign in writing and all records remain the property of the Company. Each Director's appointment can be terminated in accordance with the Articles and without compensation. There is no notice period specified in the Articles for the removal of Directors.

## Corporate Governance Statement

(continued)

Directors' and officers' liability insurance cover is maintained by the Company but it is not considered a benefit in kind nor does it constitute part of the Directors' remuneration. In addition, the Company's Articles indemnify each Director, former or present, out of assets and profits of the Company in relation to actions, expenses and liabilities incurred during the course of their duties, in so far as the law allows and provided that such indemnity is not available in circumstances of negligence, default, breach of duty or breach of trust in relation to the Company.

By order of the Board

A handwritten signature in black ink, appearing to read 'Chris Sherwell', is written over a horizontal line.

**Chris Sherwell**

*Chairman*

6 April 2020

## Directors' Responsibility Statement

Each of the Directors, whose names are set out on pages 13 to 14 in the Corporate Governance Statement of the Annual Report, confirms that, to the best of his knowledge and belief:

- the Financial Statements, prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company;
- the Annual Report, including the Chairman's Statement, Investment Manager's Report, Report of the Directors, Corporate Governance Statement and Report of the Audit Committee, includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report, taken as a whole, is fair, balanced and understandable and provides information necessary for shareholders to assess the Company's performance, business model and strategy.

The Directors are responsible for preparing the Annual Report in accordance with applicable laws and regulations. The Companies (Guernsey) Law, 2008 requires the Directors to prepare financial statements for each financial year in accordance with IFRS. 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 financial performance and cash flows of the Company for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and performance;
- state that the Company has complied with IFRS, subject to any material departures disclosed and explained in the Company's financial statements;
- make an assessment of the Company's ability to continue as a going concern; and
- prepare the Company's financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm they have complied with the above requirements in preparing the Company's Financial Statements.

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 which enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. 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.

The Directors confirm that, so far as they are aware, there is no material information relevant to the audit of which the Company's auditor is unaware. The Directors also confirm that they have taken all steps they ought to have taken as Directors to make themselves aware of any material information relevant to the audit and to establish that the Company's auditors are aware of that information.

## Directors' Responsibility Statement

(continued)

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website ([www.trianinvestors1.com](http://www.trianinvestors1.com)). The work carried out by the external auditor does not involve considerations of these matters and, accordingly, the external auditor accepts no responsibility for any changes that may have occurred to the financial statements after they were initially presented on the website. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

For Trian Investors 1 Limited

A handwritten signature in black ink, appearing to read 'Chris Sherwell', written over a horizontal line.

**Chris Sherwell**

*Chairman*

6 April 2020

## Report of the Audit Committee

### Composition

The Audit Committee (the “Committee”) comprises the three members of the board with Mr Thompson as the Chairman. The Board is satisfied that the Committee has recent and relevant skills and financial experience to fulfil its responsibilities and that its members have significant business experience relevant to the asset management industry. Further details on the experience and qualifications of members of the Committee can be found on pages 13 and 14.

### Meetings

The Committee meets no less than twice a year. It met three times in the year ended 31 December 2019 and twice since the year end through to the date of this report and all Directors were in attendance. The external auditor has attended all three meetings to discuss the audit and interim review approach and audit and interim review findings. In addition the Directors met with the external auditor outside of an Audit Committee meeting to discuss any issues arising from the audit and the application of accounting policies.

### Principal duties

The principal duties of the Committee as set out in its terms of reference are:

- to monitor the integrity of the financial reporting of the Company including its annual and half yearly reports and any other information relating to its financial performance;
- to monitor and review the adequacy and effectiveness of Company’s internal controls and risk management systems;
- to keep under review the scope, results, quality and effectiveness of the audit and the independence and objectivity of the auditor;
- to make recommendations to the Board regarding the appointment, reappointment, replacement, remuneration and terms of reference of the external auditor; and
- to review the whistleblowing arrangements in place to enable directors and staff of service providers to, in confidence, raise concerns about possible wrongdoing in financial reporting or other matters insofar as they may affect the Company.

The Committee shall meet the external auditor at least once a year, without the Investment Manager or Administrator being present, to discuss their remit and any issues arising from the audit.

The Committee’s terms of reference include all matters indicated by DTR 7.1 and the Code and are available on the Company’s website.

### Financial reporting

The primary role of the Committee in relation to financial reporting is to review with the Administrator and the Investment Manager the appropriateness of annual reports and interim reports, concentrating on, amongst other matters:

- the appropriateness of accounting policies and practices;
- the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;
- material areas in which significant judgements and estimates have been applied or there has been discussion with any external consultant or the external auditor;
- whether the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company’s performance, business model and strategy; and
- any correspondence from regulators in relation to the Company’s financial reporting.

## Report of the Audit Committee

(continued)

To aid its review, the Committee considers reports from the Investment Manager and also reports from the external auditor on the outcomes of their audit. The Committee supports Deloitte LLP in displaying the necessary professional scepticism their role requires.

### Significant matters in relation to the financial statements

The Committee determined that the key risk of misstatement in connection with the financial statements was the fair value of the underlying investment in the Investment Partnership held through the Company's subsidiary Midco. The basis for this judgement is explained in note 3.

The Committee believes a significant financial reporting risk could arise from the valuation of the investment in Ferguson. The Committee receives valuations from the Investment Manager on a regular basis which are reviewed to ensure they are in line with reporting standards. The shares of Ferguson are listed on the main market of the London Stock Exchange and there is a liquid market in the shares. Accordingly, the Committee considers the quoted share price is the appropriate basis for valuation of this investment.

The Committee believes a further financial reporting risk could arise from the disclosures relating to the use of currency options to hedge a portion of the U.S. Dollar exposure arising from the investment in Ferguson and its underlying operations which are now principally U.S.-centric. The Committee has reviewed the disclosures in note 12 on page 44 and has concluded that these disclosures properly reflect the use of the currency option.

During the period when the financial statements were being finalised it became apparent that the financial performance of the Company could be significantly impacted by the coronavirus (COVID-19) outbreak. The Committee has reviewed the disclosures throughout the Annual Report and in note 18 in particular and has concluded that these give proper disclosure to the risks arising from the outbreak.

### Risk management

The Company's risk assessment process and the way in which significant business risks are identified and managed is a key area of focus for the Committee. The work of the Committee was driven primarily by the Company's assessment of its principal risks and uncertainties as set out on pages 8 to 10 of the Report of the Directors. The Committee receives reports from the Investment Manager and Administrator on the Company's risk evaluation process and reviews changes to significant risks identified.

### Internal audit

The Committee does not consider there to be a need for an internal audit function, given that there are no employees in the Company and all outsourced functions are with parties who have their own internal controls and procedures. The Committee will reconsider the need for an internal audit function at least once a year.

### External auditor

Deloitte LLP has been appointed as the Company's external auditor. The lead audit partner is David Becker and under normal audit partner rotation arrangements he will be replaced after no more than five years following the year end to 31 December 2022. The Companies Law requires the reappointment of the external auditor to be subject to shareholders' approval at the Annual General Meeting. There are no contractual obligations restricting the choice of external auditor and the Company will consider putting the audit services contract out to tender at least every ten years.

The objectivity of the external auditor is reviewed by the Committee which also reviews the terms under which the external auditor may be appointed to perform non-audit services. In order to safeguard external auditor independence and objectivity, the Committee ensures that any non-audit services provided by the external auditor do not conflict with its statutory audit responsibilities. Non-audit services provided by the auditor will generally only cover reviews of interim financial statements and/or capital raising work. Any non-audit services conducted by the auditor outside of these areas will require the consent of the Committee before being initiated.

The only non-audit service undertaken by Deloitte during the year was the independent review of the interim financial statements. A summary of the external auditor's remuneration for audit and non-audit services is shown in note 10 on page 42. The audit fee for the year ending 31 December 2019 is estimated at £24,000 and the final fee for the review of the interim financial statements for the six month period to 30 June 2019 was £16,000.

## Report of the Audit Committee

(continued)

To fulfil its responsibility regarding the independence of the external auditor, the Committee considered:

- the audit personnel in the audit plan for the year ending 31 December 2019;
- a report from the external auditor describing its arrangements to identify, report and manage any conflicts of interest; and
- the extent of non-audit services provided by the external auditor.

To assess the effectiveness of the external auditor, the Committee reviewed:

- the external auditor's fulfilment of the agreed audit plan and variations from it;
- reports highlighting the major issues that arose during the course of the audit; and
- feedback from the Investment Manager and Administrator evaluating the performance of the audit team.

### Conclusions and recommendation

The Committee is satisfied with Deloitte LLP's effectiveness and independence as external auditor having considered the degree of diligence and professional scepticism demonstrated by them. As such, the Committee has not considered it necessary this year to conduct a tender process for the appointment of its external auditor. Having carried out the review described above, and having satisfied itself that the external auditor remains independent and effective, the Committee has recommended to the Board that Deloitte LLP be reappointed as external auditor for the year ending 31 December 2020.

The Committee has advised the Board that it considers that the Annual Report and Financial Statements to be fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. In reaching this conclusion the Committee has considered the following:

- its own assessment of the significant risks, judgements and estimates pertaining to the financial statements;
- the controls of the Investment Manager and the Administrator to ensure complete and accurate financial records and security of the Company's assets; and
- a confirmation from the external auditor that they identified no material misstatements in the course of their work.

A member of the Committee will attend each Annual General Meeting to respond to any questions in respect of the Audit Committee.

On behalf of the Audit Committee,



**Mark Thompson**  
*Audit Committee Chairman*

6 April 2020



# Independent Auditor’s Report

## TO THE MEMBERS OF TRIAM INVESTORS 1 LIMITED

### Report on the audit of the financial statements

#### 1. Opinion

In our opinion the financial statements of Triam Investors 1 Limited (the ‘Company’):

- give a true and fair view of the state of the Company’s affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

We have audited the financial statements which comprise:

- the statement of financial position;
- the statement of comprehensive income;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 18.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as issued by the IASB.

#### 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 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

<b>Key audit matters</b>	<p>The key audit matter that we identified in the current year was:</p> <ul style="list-style-type: none"> <li>● Valuation of Investment.</li> </ul> <p>Within this report, key audit matters are identified as follows:</p> <p> Newly identified</p>
<b>Materiality</b>	<p>The materiality that we used in the current year was £3,280,000 which was determined on the basis of 1% of Net Asset Value (“NAV”).</p>
<b>Scoping</b>	<p>Audit work was performed in response to risk of material misstatement identified by the audit team.</p>
<b>Significant changes in our approach</b>	<p>Valuation of investment is a new key audit matter identified during the current year following substantial minority investment through Triam Investors 1, L.P (Incorporated) (the “Investment Partnership”), in Ferguson PLC. We did not consider management override of controls as a key audit matter in the current year as last year was the first year the entity was incorporated.</p> <p>There are no other significant changes in our approach.</p>

## Independent Auditor's Report

(continued)

### 4. Conclusions relating to going concern, principal risks and viability statement

#### 4.1. Going concern

We have reviewed the directors' statement in note 2 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and their identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements. We state whether we have anything material to add or draw attention to in relation to that statement that would be required by Listing Rule 9.8.6R(3) if the company had a premium listing and report if the statement is materially inconsistent with our knowledge obtained in the audit.

**Going concern is the basis of preparation of the financial statements that assumes an entity will remain in operation for a period of at least 12 months from the date of approval of the financial statements.**

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

#### 4.2. Principal risks and viability statement

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 34-47 that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated;
- the directors' confirmation on page 9 that they have carried out a robust assessment of the principal and emerging risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation page 10 as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We also report whether the directors' statement relating to the prospects of the group that would be required by Listing Rule 9.8.6R (3) if the group had a premium listing is materially inconsistent with our knowledge obtained in the audit.

**Viability means the ability of the Company to continue over the time horizon considered appropriate by the directors.**

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

## Independent Auditor's Report

(continued)

### 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. Valuation of Investments

##### Key audit matter description

The Company's investment as at 31 December 2019 valued at £326,228k (2018: NIL) comprised an unlisted investment in Triam Investors 1 L.P Incorporated ("Investment Partnership") held through its wholly owned subsidiary, Triam Investors 1 Midco Limited ("Midco"). Midco holds 99.83% of the Investment Partnership. The Investment Partnership has an investment in Ferguson Plc ("Ferguson"), a publicly listed Company. Details of the investment are disclosed in the Chairman's statement and in note 5 to the financial statements, and the accounting policies relating to the investment are disclosed in note 1 to the financial statements.

The key audit matter is associated with the valuation of the Investment in Ferguson. As the Company has a large holding in Ferguson this means that a small adjustment in the share price may have a significant impact on the valuation of this investment. We also deem the fair value of the Investment in Ferguson to be a Key Performance Indicator and as such management may be incentivised to adjust the share price to achieve a desired outcome.

The risk of material misstatement exists that the Company's investment is not accurately valued based on relevant information that is representative of its value and that it may not be representative of its value in accordance with IFRS 13 – Fair Value Measurement ('IFRS 13').

##### How the scope of our audit responded to the key audit matter

We have performed the following procedures to test the valuation of investments; We have obtained an understanding of controls around the reconciliation of investments held and the year end valuation of investments. This included obtaining an understanding of relevant controls of the administrator, Ocorian (Guernsey) Limited (formerly Estera Administration (Guernsey) Limited);

We have assessed the valuation policy and methodology adopted by management in order to assess compliance to IFRS 13;

We considered the liquidity of the investment in Ferguson in order to assess whether there is a sufficiently active market to allow for use of an unadjusted level 1 price;

We have obtained the independent confirmation of the investment holdings 31 December 2019 and transactions during the year from the Company's custodian, and reconciled to the number of equity shares held at year-end; and

We obtained independent pricing information from reliable external sources and recalculated the fair value of investments at year-end.

We have assessed the subsequent impact of the coronavirus (COVID-19) outbreak on the financial performance of the investment in Ferguson and have reviewed the financial statements to assess whether the post year end disclosures are in accordance with IFRS.

##### Key observations

Based on the work performed, we concluded that the valuation of investments is appropriate.

# Independent Auditor's Report

(continued)

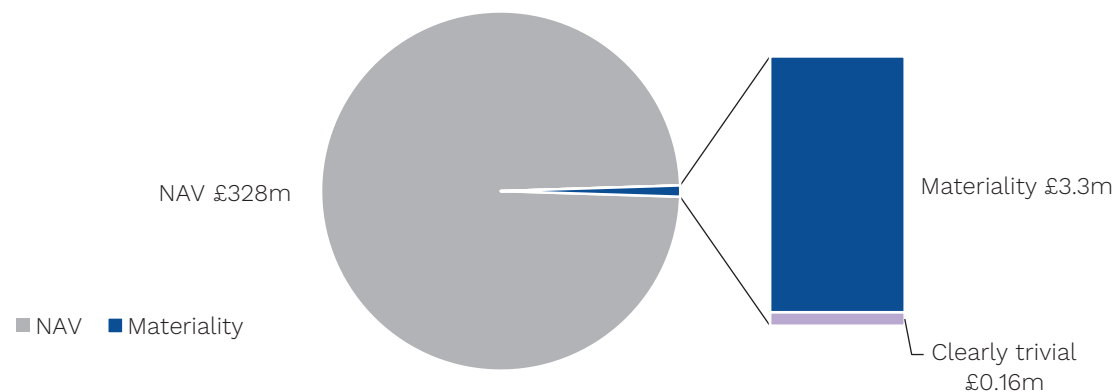
## 6. Our application of materiality

### 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:

<b>Materiality</b>	£3,280,000 (2018: £2,600,000)
<b>Basis for determining materiality</b>	1% of NAV (2018: 1% of NAV)
<b>Rationale for the benchmark applied</b>	The Company is an investment entity and as such the holders of equity will use NAV as the Key Performance Indicator ("KPI"). As such we have used NAV as the benchmark.



### 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 2019 audit (2018: 70%). In determining performance materiality, we considered factors including: -our risk assessment, including our assessment of the Company's overall control environment and that we did not consider it appropriate to rely on controls; 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 Audit Committee that we would report to the Committee all audit differences in excess of £164,000 (2018: £130,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

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

Our audit was scoped by obtaining an understanding of the Company and its environment, including internal control and assessing the risks of material misstatement. Our audit scope included obtaining an understanding of the relevant controls in the business processes at the administrator as they maintain the books and records of the entity.

Audit work to respond to the risks of material misstatement was performed directly by the engagement team.

## Independent Auditor's Report

(continued)

### 8. Other information

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- **Fair, balanced and understandable** – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code** – the parts of the directors' statement that would be required if the company had a premium listing relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R (2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

### 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

# Independent Auditor's Report

(continued)

## Report on other legal and regulatory requirements

### 11. Matters on which we are required to report by exception

#### 11.1. Adequacy of explanations received and accounting records

Under the Companies (Guernsey) Law, 2008 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
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

We have nothing to report in respect of these matters.

### 12. Use of our report

This report is made solely to the Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. 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.



**David Becker**

For and on behalf of Deloitte LLP  
Recognised Auditor  
St Peter Port, Guernsey

6 April 2020

## Statement of Financial Position

As at 31 December 2019

	Notes	31 December 2019 £'000	31 December 2018 £'000
<b>Non-current assets</b>			
Investment in Midco	5	326,228	—
<b>Total non-current assets</b>		326,228	—
<b>Current assets</b>			
Cash and cash equivalents	2	2,057	266,167
Receivables and prepayments	7	96	165
<b>Total current assets</b>		2,153	266,332
<b>Current liabilities</b>			
Trade and other payables		60	210
<b>Total liabilities</b>		60	210
<b>Net assets</b>		328,321	266,122
<b>Equity</b>			
Share capital	8	265,876	265,876
Retained earnings		62,445	246
<b>Total equity</b>		328,321	266,122
Number of Ordinary shares in issue		270,585,977	270,585,977
<b>NAV per share (pence)</b>	9	121.34	98.35

The financial statements on pages 30 to 47 were approved by the Board and authorised for issue on 6 April 2020.



**Chris Sherwell**  
Director



**Mark Thompson**  
Director

The notes on pages 34 to 47 form an integral part of the financial statements.

## Statement of Comprehensive Income

For the year ended 31 December 2019

	Notes	31 December 2019 £'000	24 August 2018 to 31 December 2018 £'000
<b>Income</b>			
Unrealised gain on investment in Midco	5	62,228	—
		62,228	—
<b>Expenses</b>			
Administration fees	15	128	27
Directors' fees	14	140	50
Audit and non-audit fees	10	39	25
Trademark licence fees	15	40	19
Other operating expenses		232	68
<b>Total Expenses</b>		579	189
<b>Operating profit/(loss)</b>		61,649	(189)
<b>Finance income and expense</b>			
Interest income	2	550	435
<b>Net profit</b>		62,199	246
<b>Total comprehensive income</b>		62,199	246
<b>Basic earnings per share (pence)</b>	11	22.99	0.09

All activities derive from continuing operations.

The notes on pages 34 to 47 form an integral part of the financial statements.



## Statement of Changes in Equity

For the year ended 31 December 2019

	Notes	Share capital £'000	Retained earnings £'000	Total £'000
As at 1 January 2019		265,876	246	266,122
Profit for the year		—	62,199	62,199
Total comprehensive income		—	62,199	62,199
<b>As at 31 December 2019</b>		<b>265,876</b>	<b>62,445</b>	<b>328,321</b>

	Notes	Share capital £'000	Retained earnings £'000	Total £'000
As at 24 August 2018		—	—	—
Profit for the period		—	246	246
Total comprehensive income		—	246	246
Issue of share capital	8	270,586	—	270,586
Transaction costs on issue of Ordinary shares	8	(4,710)	—	(4,710)
<b>As at 31 December 2018</b>		<b>265,876</b>	<b>246</b>	<b>266,122</b>

The notes on pages 34 to 47 form an integral part of the financial statements.

## Statement of Cash Flows

For the year ended 31 December 2019

	31 December 2019 £'000	24 August 2018 to 31 December 2018 £'000
<b>Operating activities</b>		
Profit before tax	62,199	246
Adjustments to reconcile profit before tax to net cash flows:		
Unrealised gain on investment	(62,228)	—
Interest income	(550)	(435)
Movement in receivables and prepayments	69	(165)
Movement in trade and other payables	(150)	210
Net cash flows from operating activities	(660)	(144)
<b>Investing activities</b>		
Investment into Midco	(264,000)	—
Finance income	550	435
Net cash flows from investing activities	(263,450)	435
<b>Financing activities</b>		
Proceeds from issue of Ordinary shares	—	270,586
Transaction costs on issue of Ordinary shares	—	(4,710)
Net cash flows from financing activities	—	265,876
Net movement in cash and cash equivalents	(264,110)	266,167
Opening cash and cash equivalents	266,167	—
<b>Closing cash and cash equivalents</b>	<b>2,057</b>	<b>266,167</b>

The notes on pages 34 to 47 form an integral part of the financial statements.

## Notes to the Financial Statements

For the year ended 31 December 2019

### 1. Corporate information

Triam Investors 1 Limited (the “Company”) is incorporated in and controlled from Guernsey as a company limited by shares with registered number 65419. The Ordinary Shares of the Company (the “Shares”) are admitted to the Specialist Fund Segment of the London Stock Exchange (the “SFS”).

### 2. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

#### Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union, which comprise standards and interpretations approved by the International Accounting Standards Board and International Financial Reporting Interpretations Committee and the Companies (Guernsey) Law, 2008. The financial statements have been prepared on a historical cost basis as amended from time to time by the fair valuing of certain financial assets and liabilities. The financial statements cover the year ended 31 December 2019.

The preparation of financial statements in accordance with IFRS requires the Directors to make critical accounting estimates and judgements. The areas involving a higher degree of judgement or complexity are disclosed in note 3.

#### Going concern

The Directors monitor the capital and liquidity requirements of the Company on a regular basis. They have undertaken a rigorous review of the Company’s ability to continue as a going concern including reviewing the ongoing cash flows and the level of liquid investments and cash balances as at the reporting date, as well as taking forecasts of future cash flows into consideration and are of the opinion that the Company has adequate resources to continue its operational activities for the foreseeable future. The Directors are of the opinion that the impact of the coronavirus (COVID-19) outbreak does not impact the Company’s ability to continue as a going concern despite the resulting uncertainty.

Based on these sources of information and their own judgement, the Directors believe it is appropriate to prepare the financial statements of the Company on a going concern basis.

#### New and amended standards and interpretations applied

IFRS 16: Leases was applied in the current period but did not have a material impact as the Company does not have any lease contracts. The Company applied the following standards and updates in the current period:

- IFRIC 23: Uncertainty over Income Tax Treatment
- Annual improvements to IFRS Standards 2015-2017 Cycle
- Amendments to IAS 19: Employee Benefits
- Amendments to IAS 28: Investments in Associates
- Amendments to IFRS 9: Financial Instruments

#### New and amended standards and interpretations not applied

The following new and amended standards and interpretations in issue are applicable to the Company but are not yet effective or have not been adopted by the European Union and therefore, have not been adopted by the Company:

- IFRS 17: Insurance Contracts (effective 1 January 2021)

The Company has considered the IFRS standard that has been issued, but is not yet effective. This standard will not have a material effect on the Company as the Company does not have any material insurance contracts or write any insurance contracts.

## Notes to the Financial Statements

For the year ended 31 December 2019 (continued)

### 2. Accounting policies (continued)

#### Accounting for subsidiaries

As explained in note 3, the Company is an investment entity and accordingly accounts for its investments in subsidiaries as investments at fair value through profit and loss.

#### Segment reporting

The Directors are of the opinion that the Company is currently engaged in a single segment of business, being the investment in a single target company ("Target Company"), Ferguson plc ("Ferguson").

#### Revenue recognition

All income is accounted for on an accruals basis and recognised in the Statement of Comprehensive Income.

#### Expenses

Expenses are accounted for on an accruals basis. Expenses borne by subsidiaries are reflected in the Statement of Comprehensive Income through the revaluation of the investments.

All costs associated with the issue of Shares are netted off against share capital in the Statement of Changes in Equity.

#### Dividends to shareholders

Dividends are accounted for in the period in which they are declared and approved by the Board.

#### Financial instruments

The classification of financial assets at initial recognition depends on the purpose for which each financial asset was acquired and its characteristics.

The Company's only significant financial assets comprise cash and cash equivalents and investments in subsidiaries held at fair value through profit and loss. The investments in subsidiaries are initially recognised at cost.

#### Cash and cash equivalents

Cash at bank and short-term deposits which are held to maturity are carried at cost. Cash and cash equivalents consist of cash in hand, short-term deposits in banks and investments in money market funds with an original maturity of three months or less.

#### Receivables and prepayments

Receivables are initially recognised at fair value. An allowance for impairment is measured under the general approach under IFRS 9. At initial recognition, an impairment allowance is required for expected credit losses resulting from default events that are possible within the next 12 months. In the event of a significant increase in credit risk, an allowance is required for expected credit losses resulting from all possible default events over the expected life of the financial instrument.

#### Payables and accruals

Payables and accruals are recognised initially at fair value plus transaction costs and are subsequently measured at amortised cost using the effective interest rate method.

#### Investments at fair value through profit and loss

##### *i. Classification*

As explained in more detail in note 3 the Company is an investment entity and accordingly accounts for its investment in subsidiaries as investments at fair value through profit and loss.

## Notes to the Financial Statements

For the year ended 31 December 2019 (continued)

### 2. Accounting policies (continued)

#### ii. Recognition

Purchases and sales of investments are recognised on the trade date – the date on which the Company commits to purchase or sell the investment.

#### iii. Measurement

Investments treated as “investments at fair value through profit or loss” will initially be recognised at the fair value of consideration given. They will subsequently be measured at fair value, being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm’s length transaction. All transaction costs are expensed in the Statement of Comprehensive Income.

Realised and unrealised gains or losses will be recognised in the Statement of Comprehensive Income.

#### iv. Fair value estimation

The level in the fair value hierarchy within which the financial assets or financial liabilities are categorised is determined on the basis of the lowest level input that is significant to the fair value measurement.

Financial assets and financial liabilities are classified in their entirety into only one of three levels.

The fair value hierarchy has the following levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

### Functional currency

Items included in the financial statements are measured using Pounds Sterling which is the currency of the primary economic environment in which the Company operates.

At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Transactions denominated in foreign currencies are translated into Pounds Sterling at the rate of exchange prevailing at the date of the transaction. Exchange differences are recognised in the Statement of Comprehensive Income in the period in which they arise.

### 3. Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires the Directors to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenue and expenses during the year. The nature of the estimation means that actual outcomes could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The Directors also need to make judgements (other than those involving estimates) that have a significant impact on the application of accounting standards. The following critical judgements apply to the Company’s investment.

#### i) Investment entity exemption

The Directors have considered whether the Company meets the definition of an investment entity as stipulated in the provisions of IFRS 10. Entities that meet the definition of an investment entity within IFRS 10 are required to measure their subsidiaries, other than those that provide investment services to the Company and do not themselves meet the definition of an investment entity, at fair value through profit or loss rather than consolidate them.

## Notes to the Financial Statements

For the year ended 31 December 2019 (continued)

### 3. Significant accounting judgements, estimates and assumptions (continued)

When entities are formed in connection with each other, the criteria for qualification as an investment entity is applied to the structure as a whole rather than for the entity in isolation.

#### *ii) Use of last sales price published by the exchange*

The Directors believe a further key judgement arises in the valuation of the investment in Ferguson held through the Investment Partnership. The shares of Ferguson are listed on the main market of the London Stock Exchange and the judgement relates to whether the market is sufficiently liquid for the last sales price published by the exchange to be a fair value in accordance with IFRS principles. The Directors have assessed that there is a sufficiently active market in the shares and accordingly they consider the quoted share price is the appropriate basis for the valuation of this investment.

The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Company's purpose is to invest through Triam Investors 1, L.P. (Incorporated) (the "Investment Partnership") in a Target Company for capital appreciation and it will measure performance (of the Target Company) on a fair value basis. The Company has made an investment in a Single Target Company, Ferguson, through its wholly owned subsidiary, Triam Investors 1 Midco Limited ("Midco"), which in turn holds 99.83 per cent of the commitment in the Investment Partnership. The Board has assessed whether the Company has all the elements of control as prescribed by IFRS 10 in relation to the Company's investment in the Investment Partnership and has concluded that the Company does have control of the Investment Partnership. Midco and the Investment Partnership are therefore both classified as subsidiaries of the Company. The Board has also assessed that the Company meets the criteria of an investment entity and therefore the subsidiaries are recorded at fair value through profit and loss rather than consolidated. The Board's determination that the Company is classified as an investment entity involves a degree of judgement due to the complexity within the wider structure of the Company, Midco and the Investment Partnership.

### 4. Income tax

The Company is exempt from taxation in Guernsey under the provisions of the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 2008 and is charged an annual exemption fee of £1,200.

## Notes to the Financial Statements

For the year ended 31 December 2019 (continued)

### 5. Investment at fair value through profit or loss

	31 December 2019 £'000
<b>Cost</b>	
Brought forward	—
Investment on 24 April 2019	264,000
Carried forward	264,000
<b>Fair value adjustment through profit or loss</b>	
Brought forward	—
Fair value movement during year	62,228
Carried forward	62,228
<b>Fair value as at 31 December 2019</b>	<b>326,228</b>

As at 31 December 2019, the Company held 264,000,000 ordinary shares in Midco, representing 100 per cent of the share capital (31 December 2018: 1 Ordinary Share), which were subscribed for at 100 pence per share, and Midco has contributed £264,000,000 to the Investment Partnership. As at 31 December 2019, Midco holds 99.83 per cent of the commitment in the Investment Partnership.

Investments at fair value through profit or loss comprise Midco's pro rata portion of the fair value of the Investment Partnership's investment in Ferguson, currency option, cash and working capital balance, including the incentive allocation ("Incentive Allocation") allocable from the Investment Partnership to Trian Investors 1 SLP, L.P. The Investment Partnership's investment in Ferguson is currently treated as a "Stake Building Investment". If the investment continues to be a "Stake Building Investment" until realisation, the Incentive Allocation will be equal to 20 per cent of net returns on the investment, payable after the Investment Partnership has distributed to its partners an amount equal to the aggregate capital contributions made in respect of the investment (excluding any capital contributions attributable to management fees). The Investment Partnership's investment in Ferguson, unless otherwise agreed with the Company, will cease to be considered a "Stake Building Investment", and will instead be considered an "Engaged Investment", if and when Trian Investors Management, LLC (the "Investment Manager") obtains representation on Ferguson's board of directors, through one or more partners of Trian Fund Management, L.P. ("Trian Management"). If the investment becomes an "Engaged Investment", the Incentive Allocation will be equal to 10 per cent to 25 per cent of the Investment Partnership's net returns on the investment (excluding any capital contributions attributable to management fees), as set forth in greater detail in the Company's Prospectus dated 21 September 2018 (the "Prospectus"). In addition, the Investment Partnership has invested in a £125,000,000 currency call option to offset a portion of the Investment Partnership's U.S. Dollar exposure arising from its investment in Ferguson, which receives the vast majority of its revenues in U.S. Dollars. The option offers protection against a weakening in the U.S. Dollar against Pounds Sterling and matures in June 2020. The Investment Partnership invested in an additional option in March 2020, which is described further in note 12 below.

The accounting for the Investment Partnership is prepared under IFRS.

## Notes to the Financial Statements

For the year ended 31 December 2019 (continued)

### 5. Investment at fair value through profit or loss (continued)

#### Summary financial information for Midco's pro rata share of the Investment Partnership

	31 December 2019 £'000
<b>Net asset value</b>	
Investment in Ferguson at cost	249,566
Unrealised gain on investment in Ferguson	73,924
Total value of investment in Ferguson	323,490
Foreign exchange option	2,984
Cash and cash equivalents	15,324
Other net liabilities	(13)
Incentive Allocation payable	(15,557)
Total net asset value	<b>326,228</b>

#### Summary income statement

	Year to 31 December 2019 £'000
Unrealised gain on investment in Ferguson	73,924
Unrealised gain on foreign exchange option	124
Ferguson dividend income	5,311
Interest income	182
Management fee expense	(1,590)
Other operating expense	(166)
Incentive Allocation payable	(15,557)
Profit for the year	<b>62,228</b>

### 6. Fair value

IFRS 13 'Fair Value Measurement' requires disclosure of fair value measurement by level.

The level in the fair value hierarchy within which the financial assets or financial liabilities are categorised is determined on the basis of the lowest level input that is significant to the fair value measurement.

Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

The only financial instruments carried at fair value are the investments which are fair valued at each reporting date.

The Company holds 99.83 per cent of the commitment in the Investment Partnership through Midco, a wholly owned subsidiary. Midco's investment in the Investment Partnership has been classified within Level 2 as the Investment Partnership primarily invests in quoted securities which are classified within Level 1. The amount of Midco's investment in the Investment Partnership classified under Level 2 as at 31 December 2019 is £326,228,000 (31 December 2018: £nil). The amount of Midco's pro rata portion of the Investment Partnership's investments that is classified within Level 1, consisting of the Investment Partnership's investment in Ferguson ordinary shares, is £323,490,000, and the amount that is classified within Level 2, consisting of the Investment Partnership's investment in a currency option, is £2,984,000, in each case as at 31 December 2019.



## Notes to the Financial Statements

For the year ended 31 December 2019 (continued)

### 6. Fair value (continued)

#### Transfers during the year

A reconciliation of fair value measurements in Level 2 is set out in the following table. Due to the nature of the investments, they are always expected to be classified under Level 2.

	31 December 2019 £'000	31 December 2018 £'000
Opening fair value at beginning of the year/period	—	—
Purchases at cost	264,000	—
Movement in fair value	62,228	—
Closing fair value at the end of the year/period	326,228	—

#### Valuation techniques

The value of Midco's investment in the Investment Partnership is based on the value of Midco's limited partner capital account within the Investment Partnership. This is based on the components within the Investment Partnership, principally the value of the underlying investee company, the currency option, cash and the Incentive Allocation. Any fluctuation in the value of the underlying investee company will directly impact on the value of Midco's investment in the Investment Partnership while taking into account the impact of the Incentive Allocation.

Valuations are determined in accordance with a pricing policy agreed between the Directors and the Investment Manager from time to time. Calculations will be made in accordance with IFRS principles or as otherwise determined by the Board.

In accordance with the Investment Partnership Agreement dated 21 September 2018 (the "Investment Partnership Agreement"), for the purposes of calculating the net asset value of the Investment Partnership, its assets will be valued on the following basis:

The shares in Ferguson are listed on the main market of the London Stock Exchange and are valued at the last sales price published by the principal securities exchange on which they are traded on the date of determination.

The valuation of the currency option is performed by utilising an external data source which uses proprietary software and valuation models to perform the fair value calculation. The valuation model used to value the foreign exchange option is the Black-Scholes model.

The Company approves the valuations performed by the Investment Manager and monitors the range of reasonably possible changes in significant observable inputs at each reporting date.

### 7. Receivables and prepayments

	31 December 2019 £'000	31 December 2018 £'000
Accrued interest receivable	—	91
Other prepaid expenses	89	74
Receivable from Investment Partnership	7	—
	96	165

The carrying value of receivables and prepayments approximates their fair value.

## Notes to the Financial Statements

For the year ended 31 December 2019 (continued)

### 8. Share capital and capital management

#### Capital risk management

The Company's objective for capital risk management is to safeguard the Company's ability to continue as a going concern and to provide returns for shareholders. The Company considers its capital to consist of the shares issued and retained earnings.

The Board regularly reviews the Company's net asset value ("NAV"), as calculated in accordance with IFRS, and the Company's Share price (as well as its discount or premium to NAV per Share) in the context of market conditions, with input from the Investment Manager and its Corporate Brokers. As described in the Chairman's Statement on page 3, the Company used approximately £3,000,000 to repurchase Shares in February 2020, and on 12 February 2020 the Company announced an update to its dividend policy that will allow it more flexibility to use Target Company dividends for Share repurchases, among other uses.

The Company has the ability to hold its own Shares in treasury. The Shares repurchased by the Company in February 2020 are currently being held in treasury, and the Company may use this ability again from time to time in the future. The Company's Articles of Incorporation and the Companies Law do not limit the number of Shares held in treasury provided that at least one share of any class is held by a person other than the Company.

#### Ordinary shares of no par value

	No.
<b>Issued and fully paid:</b>	
Founder member share on 24 August 2018	1
Founder member share redeemed on 27 September 2018	(1)
Shares issued on 27 September 2018	270,585,977
Shares as at 31 December 2018	270,585,977
As at 1 January 2019	270,585,977
As at 31 December 2019	270,585,977

The Company's authorised share capital is unlimited as at 31 December 2019 and 31 December 2018.

	£'000
<b>Issued and fully paid:</b>	
Founder member share on 24 August 2018	—
Founder member share redeemed on 27 September 2018	—
Shares issued on 27 September 2018	270,586
Share issue costs	(4,710)
As at 31 December 2018	265,876
As at 1 January 2019	265,876
As at 31 December 2019	265,876

## Notes to the Financial Statements

For the year ended 31 December 2019 (continued)

### 9. Net Asset Value per Share

	31 December 2019	31 December 2018
IFRS Net Assets (£'000)	328,321	266,122
Number of Shares in issue	270,585,977	270,585,977
IFRS NAV per Share (pence)	121.34	98.35

The IFRS NAV per Share is arrived at by dividing the IFRS Net Assets by the number of Shares in issue.

### 10. Auditors' remuneration

The auditors' remuneration relating to services to the Company for the year was:

	Year to 31 December 2019 £'000	Period from 24 August 2018 to 31 December 2018 £'000
Audit fees	24	25
Non-audit fees	16	124
	40	149

Differences between the figures in the above table and the Statement of Comprehensive Income are due to accruals. All prior period non-audit fees paid to Deloitte LLP related to costs associated with the issue of Shares and were netted off against share capital in the Statement of Changes in Equity.

In addition the fee for the audit of the Investment Partnership of £12,000 (2018: £nil) is payable by the Investment Partnership.

### 11. Earnings per share

	Year to 31 December 2019	Period from 24 August 2018 to 31 December 2018
Profit for the year/period (£'000)	62,199	246
Weighted average number of Shares in issue	270,585,977	270,585,977
Earnings per Share (pence)	22.99	0.09

The comparative earnings per Share is based on the profit of the Company for the period and on the weighted average number of Shares for that period. The earnings per Share disclosed are not annualised.

There were no dilutive potential Shares in issue as at 31 December 2019 or 31 December 2018.

### 12. Financial risk management

#### Financial risk management objectives

The Company's activities expose it to various types of financial risk, principally market risk, liquidity risk and credit risk. The Board has overall responsibility for the Company's risk management and sets policies to manage those risks at an acceptable level.

#### Financial risk factors

The Company's investment objective is to realise capital growth from its investment in the Target Company with the aim of generating significant capital return for shareholders. At present the Company's only significant financial assets are those held through the Investment Partnership, via Midco, in Ferguson, currency options and cash and cash equivalents held at both levels.

## Notes to the Financial Statements

For the year ended 31 December 2019 (continued)

### 12. Financial risk management (continued)

#### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company manages its credit risk by scrutinising the financial standing of counterparties with which it enters into transactions, using external credit ratings where available. Credit risk is reviewed periodically to identify balances that may have become impaired or uncollectable.

The Company is exposed to credit risk through its balances with banks and its holdings of money market funds which are classified as cash equivalents for the purposes of these financial statements. The table below shows the Company's material cash balances and the short-term issuer credit rating or money-market fund credit rating as at the period end date:

	Location	Rating	Company		Investment Partnership	
			31 December 2019 £'000	31 December 2018 £'000	31 December 2019 £'000	31 December 2018 £'000
Bank of New York Mellon	UK	AA-	2,057	100,051	15,351	—
JP Morgan	UK	AAA	—	54,818	—	—
Goldman Sachs	UK	AAA	—	54,818	—	—
BlackRock	UK	AAA	—	56,480	—	—
			2,057	266,167	15,351	—

#### Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company maintains a prudent approach to liquidity management by maintaining sufficient cash reserves to meet foreseeable working capital requirements.

As at 31 December 2019 and 31 December 2018, the Company had no financial liabilities other than trade and other payables. The Company had sufficient cash reserves to meet these obligations. The following table details these obligations:

#### 31 December 2019

	On demand £'000	0-4 months £'000	Total £'000
Trade and other payables	—	60	60
	—	60	60

#### 31 December 2018

	On demand £'000	0-4 months £'000	Total £'000
Trade and other payables	—	210	210
	—	210	210

#### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market price changes. The Company is exposed to market price risk, currency risk and interest rate risk.

## Notes to the Financial Statements

For the year ended 31 December 2019 (continued)

### 12. Financial risk management (continued)

#### Market price risk

Market price risk arises as a result of the Company's exposure to the future values of the share price of Ferguson. It represents the potential loss the Company may suffer through investing in Ferguson. If the Share price of Ferguson moved by 10 per cent the effect on the net asset value of the Company would be an increase or decrease of £25,879,000 (31 December 2018: £ nil). A change of 10 per cent reflected a reasonable change in the share price of Ferguson based upon the three months prior to year-end. Please see note 18 for post year end information.

#### Currency Risk

As at 31 December 2019, the Company had exposure to currency risk through its investment through the Investment Partnership in Ferguson, which receives the vast majority of its revenue in U.S. Dollars. In June 2019, the Company through the Investment Partnership entered into a currency hedge, in the form of an option to purchase £125,000,000 for US\$165,875,000, to offset a portion of the U.S. Dollar exposure resulting from the Company's investment in Ferguson. The option expires in June 2020. In March 2020, the Company through the Investment Partnership entered into an additional option, expiring in March 2021, to purchase £125,000,000 for US\$165,875,000, in order to hedge the Company's currency exposure for a further nine months. There is no assurance that either hedging transaction will be effective at managing currency exposure.

#### Interest rate risk

The Company is subject to risks associated with changes in interest earned on its cash and cash equivalents which it seeks to mitigate by monitoring the placement of cash balances on an on-going basis in order to maximise the interest rates obtained.

As at 31 December 2019, the total interest sensitivity gap for interest bearing items at Company level was a surplus of £2,057,000 (31 December 2018: £266,167,000). The following table summarises the Company's interest-bearing assets:

#### 31 December 2019

	Interest bearing		Non-interest bearing £'000	Total £'000
	On demand £'000	0-4 months £'000		
<b>Financial Assets</b>				
Investment at fair value through profit or loss	—	—	326,228	326,228
Cash and cash equivalents	2,057	—	—	2,057
Receivables	—	—	7	7
<b>Total Financial Assets</b>	<b>2,057</b>	<b>—</b>	<b>326,235</b>	<b>328,292</b>
<b>Liabilities</b>				
Trade and other payables	—	—	(60)	(60)
<b>Total Liabilities</b>	<b>—</b>	<b>—</b>	<b>(60)</b>	<b>(60)</b>

## Notes to the Financial Statements

For the year ended 31 December 2019 (continued)

### 12. Financial risk management (continued)

31 December 2018

	Interest bearing		Non-interest bearing £'000	Total £'000
	On demand £'000	0-4 months £'000		
<b>Financial Assets</b>				
Cash and cash equivalents	266,167	—	—	266,167
Receivables	—	—	91	91
<b>Total Financial Assets</b>	<b>266,167</b>	<b>—</b>	<b>91</b>	<b>266,258</b>
<b>Liabilities</b>				
Trade and other payables	—	—	(210)	(210)
<b>Total Liabilities</b>	<b>—</b>	<b>—</b>	<b>(210)</b>	<b>(210)</b>

As at 31 December 2019, interest rates reported by the Bank of England of 0.75 per cent would equate to net income of £15,000 (31 December 2018: £1,996,000) per annum if interest bearing assets and liabilities remained constant. If interest rates were to fluctuate by 0.25 per cent, this would have a positive or negative effect of £5,000 (31 December 2018: £665,000) on the Company's annual income. On 19 March 2020, the Bank of England reduced interest rates to 0.1%. If this interest rate remains in place for an extended period of time it would have a negative effect of £13,000 on the Company's annual net income.

As at 31 December 2019, the total interest sensitivity gap for interest bearing items at the Investment Partnership level was a surplus of £15,324,000 (31 December 2018: £nil). The following table summarises the Investment Partnership's interest bearing assets:

31 December 2019

	Interest bearing		Non-interest bearing £'000	Total £'000
	On demand £'000	0-4 months £'000		
<b>Financial Assets</b>				
Investment in Ferguson	—	—	323,490	323,490
Foreign exchange option	—	—	2,984	2,984
Cash and cash equivalents	15,324	—	—	15,324
<b>Total Financial Assets</b>	<b>15,324</b>	<b>—</b>	<b>326,474</b>	<b>341,798</b>
<b>Liabilities</b>				
Trade and other payables	—	—	(13)	(13)
Incentive Allocation payable	—	—	(15,557)	(15,557)
<b>Total Liabilities</b>	<b>—</b>	<b>—</b>	<b>(15,570)</b>	<b>(15,570)</b>

As at 31 December 2019, interest rates reported by the Bank of England of 0.75 per cent would equate to net income of £115,000 (31 December 2018: £nil) per annum if interest bearing assets and liabilities remained constant. If interest rates were to fluctuate by 0.25 per cent, this would have a positive or negative effect of £38,000 (31 December 2018: £nil) on the Company's annual income.

### 13. Commitments and contingencies

The Directors are not aware of any contingent liabilities as at 31 December 2019 or 31 December 2018.

## Notes to the Financial Statements

For the year ended 31 December 2019 (continued)

### 14. Related parties

#### Key management personnel

The Directors are considered to be the Key Management Personnel of the Company. They are all non-executive and receive only an annual fee denominated in Pounds Sterling.

The Chairman receives an annual fee of £55,000, the Chairman of the Audit Committee receives £45,000, and the other non-executive Director receives £40,000.

Directors' fees and expenses for the year ended 31 December 2019 amounted to £140,000 (period to 31 December 2018: £50,000), of which £nil (31 December 2018: £nil) was outstanding at the year end.

Directors' shareholdings are disclosed in the Report of the Directors. The Directors received no dividends on their shares during the year ended 31 December 2019 (period to 31 December 2018: nil).

#### Intergroup balances

As at 31 December 2019 the Investment Partnership owed £7,000 to the Company (31 December 2018: nil) in relation to custodian fee expenses paid on its behalf.

### 15. Significant agreements

#### Trademark fees

Triam Management has granted to the Company, Midco and the Investment Partnership a non-exclusive licence to use the name, logo and graphic identity "Triam" in the UK and the Channel Islands in the corporate name of these entities and in connection with the conduct of their business affairs, and the Company is using the name, logo and graphic identity "Triam" within the Annual Report and these Financial Statements pursuant to such licence. Triam Management receives a fee of £70,000 per annum split between the Company, Midco and the Investment Partnership for the use of the licensed name, logo and graphic identity. For the year ended 31 December 2019 fees of £40,000 (period ended 31 December 2018: £19,000) were paid by the Company in relation to the licence.

#### Administration Agreement

On 19 September 2018, the Company and Ocorian Administration (Guernsey) Limited (formerly Estera International Fund Managers (Guernsey) Limited) entered into an administration agreement. Under the terms of the agreement the Company (alongside the Investment Partnership) is charged a fixed administration fee of £95,000 per annum from 27 September 2018 payable quarterly in arrears, compliance officer services of £6,000 per annum, MLRO services of £3,000 per annum and data protection officer services of £2,000 per annum. For the year ended 31 December 2019 aggregate fees of £128,000 were paid to Ocorian (period ended 31 December 2018: £27,000).

#### Management Agreement

On 19 September 2018, the Investment Partnership and the Investment Manager entered into a management agreement. The Investment Manager is entitled to management fees in consideration of its work equal to one twelfth of 1 per cent of the adjusted net asset value of the Investment Partnership, calculated as of the last business day of the preceding month. The management fee is payable in advance to the Investment Manager on the first business day of each calendar month. For the year ended 31 December 2019 management fees of £1,590,000 were paid to the Investment Manager by the Investment Partnership (period ended 31 December 2018: £nil).

#### Investment Partnership Agreement

Under the terms of the Investment Partnership Agreement, Triam Investors 1 SLP, L.P., the special limited partner of the Investment Partnership, is entitled to receive an incentive allocation based on the investment performance of the Investment Partnership. The incentive allocation may be between 0 to 25 per cent of the net returns of the Investment Partnership. The calculation of the incentive allocation is described in more detail in note 5 above and the Prospectus. As at 31 December 2019, there was an incentive allocation accrual of £15,557,000 in the Investment Partnership (period ended 31 December 2018: £nil).

## Notes to the Financial Statements

For the year ended 31 December 2019 (continued)

### 16. Subsidiaries

Midco was incorporated on 10 September 2018 and the Investment Partnership was registered on 13 September 2018. The Company holds 264,000,000 ordinary shares in Midco, representing 100 per cent of the share capital, which in turn holds 99.83 per cent of the commitment in the Investment Partnership.

### 17. Ultimate beneficial owner

There was no ultimate beneficial owner of the Company as at the date of signing.

### 18. Subsequent events

On 25 February 2020 the Company paid a dividend of 0.52 pence per share, amounting to a total payment of £1,407,000.

On 26 February 2020 the Company repurchased 2,760,830 Shares for a total consideration of £3,000,000.

As of 29 February 2020 the net asset value of the Company was £317,358,000 or 118.49 pence per share.

The impact of the coronavirus (COVID-19) outbreak on the financial performance of the Company's investment in Ferguson will depend on future developments, including the duration and spread of the outbreak and related measures and restrictions. These developments and the impact of COVID-19 on the financial markets and the overall economy are highly uncertain and cannot be predicted. If the financial markets and/or the overall economy are impacted for an extended period, the Company's investment results may be materially adversely affected.

As at 3 April 2020 the share price of Ferguson had fallen by approximately 35% from its 31 December 2019 level. Had this fall occurred at 31 December 2019 the effect on the net asset value of the Company as at that date would have been a decrease of £97,783,000 (30%).

On 6 April 2020 the administrator and company secretary changed its name to Ocorian Administration (Guernsey) Limited.



## Investment Manager's Report Disclosure Statements and Disclaimers

### General Considerations

Please note that the Investment Manager's Report contained on pages 4 to 6 is for general informational purposes only, is not complete, and does not constitute any advice or recommendation to invest in Trian Investors 1 Limited (the "Company") or Ferguson plc ("Ferguson") or enter into or conclude any other transaction. The Investment Manager's Report should not be construed as legal, tax, investment, financial or other advice. It does not have regard to the specific investment objective, financial situation, suitability, or the particular need of any specific person who may receive the Investment Manager's Report and should not be taken as advice on the merits of any investment decision. The views expressed in the Investment Manager's Report represent the opinions of Trian Investors Management, LLC (the "Investment Manager") and its parent, Trian Fund Management, L.P. (collectively, "Trian") and are based on publicly available information with respect to Ferguson and the other companies referred to therein. Trian recognizes that there may be confidential information in the possession of Ferguson and the other companies discussed in the Investment Manager's Report that could lead such companies to disagree with Trian's conclusions. Trian does not endorse third-party estimates or research which are used in the Investment Manager's Report solely for illustrative purposes.

Select figures presented in the Investment Manager's Report, including investment values, have not been calculated using generally accepted accounting principles ("GAAP") or International Financing Reporting Standards ("IFRS") and have not been audited by independent accountants. Such figures may vary from GAAP or IFRS accounting in material respects and there can be no assurance that the unrealized values reflected in the Investment Manager's Report will be realized. Nothing in the Investment Manager's Report is intended to be a prediction of the future trading price or market value of securities of Ferguson or the Company. There is no assurance or guarantee with respect to the prices at which any securities of Ferguson or the Company will trade, and such securities may not trade at prices that may be implied in the Investment Manager's Report. The estimates, projections, pro forma information and potential impact of Trian's analyses set forth in the Investment Manager's Report are based on assumptions that Trian believes to be reasonable as of the date of the Investment Manager's Report, but there can be no assurance or guarantee that actual results or performance of Ferguson or the Company will not differ, and such differences may be material. The Investment Manager's Report does not recommend the purchase or sale of any security.

The Investment Manager's Report is based upon information reasonably available to Trian as of the date of the Report. Furthermore, the information, which includes information and data used and derived or obtained from filings made with regulatory authorities and from other public filings and third party reports, has been obtained from sources that Trian believes to be reliable; however, these sources cannot be guaranteed as to their accuracy or completeness. No representation, warranty or undertaking, express or implied, is given as to the accuracy or completeness of the information contained in the Investment Manager's Report, by Trian or any of its affiliates or its or their respective partners, members, or employees, and no liability is accepted by such persons for the accuracy or completeness of any such information. Trian reserves the right to change any of its opinions expressed in the Investment Manager's Report at any time as it deems appropriate. Trian disclaims any obligation to update the data, information or opinions contained in the Investment Manager's Report.

## Investment Manager's Report Disclosure Statements and Disclaimers

(continued)

### Forward Looking Statements

The Investment Manager's Report contains forward-looking statements. All statements contained in the Investment Manager's Report that are not clearly historical in nature or that necessarily depend on future events are forward-looking, and the words "anticipate," "believe," "expect," "estimate," "plan" and similar expressions are generally intended to identify forward-looking statements. The statements contained in the Investment Manager's Report that are not historical facts are based on current expectations, speak only as of the date of this meeting or Investment Manager's Report and involve risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such statements. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of Trian. Although Trian believes that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in the Investment Manager's Report will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included in the Investment Manager's Report, the inclusion of such information should not be regarded as a representation as to future results or that the objectives and plans expressed or implied by such forward-looking statements will be achieved. Trian will not undertake and specifically declines any obligation to disclose the results of any revisions that may be made to any forward-looking statements in the Investment Manager's Report to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

### Not an Offer to Sell or a Solicitation of an Offer to Buy

Under no circumstances is the Investment Manager's Report intended to be, nor should it be construed as, an offer to sell or a solicitation of an offer to buy any security. The funds managed by Trian are in the business of trading -- buying and selling -- securities. It is possible that there will be developments in the future that cause one or more of such funds from time to time to either purchase or sell shares of Ferguson in open market transactions or otherwise or trade in options, puts, calls, contracts for difference or other derivative instruments relating to such shares. Consequently, Trian's beneficial ownership of Ferguson's shares may vary over time depending on various factors, with or without regard to Trian's views of Ferguson's business, prospects or valuation (including the market price of Ferguson's ordinary shares), including without limitation, other investment opportunities available to Trian, concentration of positions in the portfolios managed by Trian, conditions in the securities markets and general economic and industry conditions. Trian also reserves the right to take any actions with respect to any investments in Ferguson as it may deem appropriate, including, but not limited to, communicating with the management of Ferguson, the board of directors of Ferguson, other investors and shareholders, members, stakeholders, industry participants, and/or interested or relevant parties about Ferguson or seeking representation on the board of directors of Ferguson, and to change its intentions with respect to any investments made in Ferguson at any time.

## General Information

### Directors

Chris Sherwell (*Chairman*)  
Mark Thompson  
Simon Holden

**Website:** [www.trianinvestors1.com](http://www.trianinvestors1.com)

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### Administrator and Company Secretary

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### Registered Office

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### Investment Partnership

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### Solicitors to the Company

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### Independent auditor

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### Custodian to the Investment Partnership

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### Identifiers

ISIN: GG00BF52MW15  
SEDOL: BF52MW1  
Ticker: TI1  
LEI: 213800UQPFIQI5SPNG39



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