

Smiths Bathroom & Plumbing Supplies Limited

**Directors' report and financial
statements**

Registered number 01367550

31 December 2001



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2001.

Principal activities

The principal activity of the company during the year has been that of a builders merchant.

Business review

The results for the year are set out on page 5.

Proposed dividend

The directors recommend that a final ordinary dividend of £nil (2000:£nil) be paid making, with the interim of £nil (2000:£145) per share, a total of £nil (2000:£145) per share for the year.

Directors and directors' interests

The directors who held office during the year were as follows:

MR Aldridge
C O'Nuallain
M Chadwick
JL Parker

The directors who held office at the end of the financial year had the following disclosable interests in the ordinary shares of the company and other group companies, according to the register of directors' interests:

	Company	Class of share	Interest at end of year	Interest at start of year
M Chadwick	Grafton Group plc	Ord Shares of €0.05 each	17,899,090	17,895,050
C O' Nuallain	Grafton Group plc	Ord Shares of €0.05 each	428,350	324,310
M R Aldridge	Grafton Group plc	Ord Shares of €0.05 each	170	170
M Chadwick	Grafton Group (UK) plc	'C'Ord Shares of 0.0001p each	17,899,090	17,895,050
C O' Nuallain	Grafton Group (UK) plc	'C'Ord Shares of 0.0001p each	428,350	324,310
M R Aldridge	Grafton Group (UK) plc	'C'Ord Shares of 0.0001p each	170	170

According to the register of directors' interests, no rights to subscribe for shares in the company or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the financial year except options in Grafton Group plc as indicated below. Further details of the share schemes are provided in the accounts of Grafton Group plc.

	Number of options during the year			
	At start of year	Granted	Exercised	At end of year
M R Aldridge	70,000	25,000	-	95,000
C O'Nuallain	900,000	150,000	(300,000)	750,000
JL Parker	35,000	10,000	-	45,000

Directors' report *(continued)*

Political and charitable contributions

The company made no political or charitable contributions during the year (2000: *£nil*).

Auditors

KPMG were re-appointed auditors during the year. However, since then their business has transferred to a limited liability partnership, KPMG LLP. Accordingly KPMG resigned as auditors on 21 May 2002 and the directors thereupon appointed KPMG LLP to fill the vacancy arising. A resolution for the reappointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board


C O Nuallain
Director

Aquis Court
31 Fishpool Street
St Albans
AL3 4RF

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



Arlington Business Park
Theale
Reading RG7 4SD
United Kingdom

Independent auditor's report to the members of Smiths Bathroom & Plumbing Supplies Limited

We have audited the financial statements on pages 5 to 15.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP 30/10/02

KPMG LLP
Chartered Accountants
Registered Auditor

Profit and loss account

for the year ended 31 December 2001

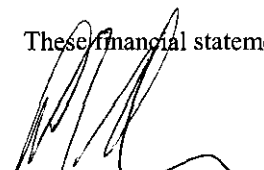
	<i>Note</i>	2001 £	2000 £
Turnover	<i>1</i>	8,187,669	7,205,114
Cost of sales		(6,150,775)	(5,506,713)
Gross profit		2,036,894	1,698,401
Administrative expenses		(1,886,448)	(1,493,570)
Other operating income		93,878	83,339
Operating profit	<i>2-4</i>	244,324	288,170
Other interest receivable and similar income	<i>5</i>	7,434	12,725
Interest payable and similar charges	<i>6</i>	(540)	(33)
Profit on ordinary activities before taxation		251,218	300,862
Tax on profit on ordinary activities	<i>7</i>	-	66,358
Profit on ordinary activities after taxation		251,218	367,220
Dividend paid	<i>8</i>	-	(1,450,000)
Retained profit/(loss) for the financial year		251,218	(1,082,780)

There were no recognised gains or losses for the current or prior year other than the profits for that year shown above. The results relate wholly to continuing activities.

Balance sheet
at 31 December 2001

	Note	2001	2000
		£	£
Fixed assets			
Tangible assets	9	813,657	668,330
Current assets			
Stocks	10	1,359,000	1,101,145
Debtors	11	1,784,567	2,597,279
Cash at bank and in hand		1,000	747
		<u>3,144,567</u>	<u>3,699,171</u>
Creditors: amounts falling due within one year	12	<u>(3,409,530)</u>	<u>(4,081,063)</u>
Net current (liabilities)		<u>(264,963)</u>	<u>(381,892)</u>
Total assets less current liabilities		<u>548,694</u>	<u>286,438</u>
Creditors: amounts falling due after more than one year	13	<u>(11,038)</u>	<u>-</u>
Net assets		<u>537,656</u>	<u>286,438</u>
Capital and reserves			
Called up share capital	15	10,000	10,000
Profit and loss account		527,656	276,438
Equity shareholders' funds		<u>537,656</u>	<u>286,438</u>

These financial statements were approved by the board of directors on 25 October 2002 and were signed on its behalf by:


C O'Nuallain
Director

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2001

	2001 £	2000 £
Profit for the financial year	251,218	367,220
Dividends	-	(1,450,000)
Opening shareholders' funds	286,438	1,369,218
	<hr/>	<hr/>
Closing shareholders' funds	537,656	286,438
	<hr/>	<hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is consolidated within Grafton Group plc, the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Grafton Group plc, within which this company is included, can be obtained from Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold land and buildings	-	2-5% per annum
Plant and machinery	-	25% per annum
Fixtures and fittings	-	15% per annum
Motor vehicles	-	20% per annum
Computer equipment	-	15-20% per annum

No depreciation is charged on freehold land

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post-retirement benefits

The company is a member of a group defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Notes (continued)

1 Accounting policies (continued)

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

Employee share schemes

The cost of awards to employees that take the form of shares or rights to shares are recognised over the period of the employee's related performance. Where there are no performance criteria, the cost is recognised when the employee becomes unconditionally entitled to the shares.

2 Profit on ordinary activities before taxation

	2001 £	2000 £
<i>Profit on ordinary activities before taxation is stated after charging/(crediting)</i>		
Auditors' remuneration:		
Audit	9,600	8,000
Other services	-	1,500
Depreciation and other amounts written off tangible fixed assets:		
Owned	123,311	103,760
Hire of other assets - operating leases	6,300	4,874
(Gain) on disposal of fixed assets	(3,419)	(426)
	<u> </u>	<u> </u>

3 Remuneration of directors

	2001 £	2000 £
Directors' emoluments	61,677	52,228
Company contributions to money purchase pension schemes	4,125	3,995
	<u> </u>	<u> </u>
	<u>65,802</u>	<u>56,223</u>

Number of directors 2001 2000

Retirement benefits are accruing to the following number of directors under:

Money purchase schemes	<u>1</u>	<u>1</u>
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Notes (continued)

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2001	2000
Distribution of building materials	68	54

The aggregate payroll costs of these persons were as follows:

	2001 £	2000 £
Wages and salaries	985,324	867,977
Social security costs	83,613	72,294
Other pension costs	16,838	14,672
	<u>1,085,775</u>	<u>954,943</u>

5 Other interest receivable and similar income

	2001 £	2000 £
On bank deposits	7,434	12,456
Other	-	269
	<u>7,434</u>	<u>12,725</u>

6 Interest payable and similar charges

	2001 £	2000 £
Other	540	33

Notes (continued)

7 Taxation

	2001 £	2000 £
Group relief (receivable)	-	(66,358)

8 Dividends

	2001 £	2000 £
Equity dividend paid	-	1,450,000

9 Tangible fixed assets

	Land and buildings £	Fixtures and fittings £	Motor vehicles £	Plant and machinery £	Computer equipment £	Total £
Cost						
At beginning of year	400,000	66,164	280,907	25,411	56,288	828,770
Additions	-	45,660	216,823	25,074	10,775	298,332
Disposals	-	(230)	(147,087)	-	(400)	(147,717)
At end of year	400,000	111,594	350,643	50,485	66,663	979,385
Depreciation						
At beginning of year	2,604	25,852	105,127	3,920	22,937	160,440
Charge for year	6,250	15,374	79,567	10,320	11,800	123,311
Relating to disposals	-	-	(118,023)	-	-	(118,023)
At end of year	8,854	41,226	66,671	14,240	34,737	165,728
Net book value						
At 31 December 2001	391,146	70,368	283,972	36,245	31,926	813,657
At 31 December 2000	397,396	40,312	175,780	21,491	33,351	668,330

Included within land and buildings is £150,000 (2000: £150,000) in respect of land which is not depreciated.

Notes (continued)

10 Stocks

	2001 £	2000 £
Finished goods and goods for resale	1,359,000	1,101,145

11 Debtors

	2001 £	2000 £
Trade debtors	1,064,687	1,272,136
Amounts owed by group undertakings	698,308	1,300,378
Other debtors	-	2,754
Prepayments and accrued income	21,572	22,011
	<u>1,784,567</u>	<u>2,597,279</u>

12 Creditors: amounts falling due within one year

	2001 £	2000 £
Bank loans and overdrafts	329,765	492,698
Trade creditors	424,862	459,877
Amounts owed to group undertakings	2,531,101	3,012,982
Corporation tax	1,765	1,765
Other creditors	9,874	12,702
Accruals and deferred income	112,163	101,039
	<u>3,409,530</u>	<u>4,081,063</u>

Notes (continued)

13 Creditors: amounts falling due after more than one year

	2001 £	2000 £
SAYE accrual	11,038	-
	<u>11,038</u>	<u>-</u>

14 Provisions for liabilities and charges

The amounts provided for deferred taxation and the amounts not provided are set out below:

	2001 Provided £	Unprovided £	2000 Provided £	Unprovided £
Difference between accumulated depreciation and amortisation and capital allowances	-	(6,122)	-	(13,818)
Other timing differences	-	(33,399)	-	(34,032)
	<u>-</u>	<u>(39,521)</u>	<u>-</u>	<u>(47,850)</u>
Unprovided deferred tax asset	-	(39,521)	-	(47,850)
	<u>-</u>	<u>(39,521)</u>	<u>-</u>	<u>(47,850)</u>

15 Called up share capital

	2001 £	2000 £
<i>Authorised</i>		
Equity: Ordinary shares of £1 each	10,000	10,000
	<u>10,000</u>	<u>10,000</u>
<i>Allotted, called up and fully paid</i>		
Equity: Ordinary shares of £1 each	10,000	10,000
	<u>10,000</u>	<u>10,000</u>

Notes (continued)

16 Contingent liabilities

Smiths Bathroom and Plumbing Supplies Limited act as a guarantor to Lloyds TSB Bank plc in respect of facilities made available to other group companies which at the balance sheet date amount to £12,000,000 (2000: £12,000,000). Smiths Bathroom and Plumbing Supplies Limited, along with other UK subsidiaries of Grafton Group plc, act as guarantor for the group sterling bank borrowings which at the balance sheet date amounted to £141,862,000 (2000: £125,546,000).

17 Commitments

- (a) There were no capital commitments at 31 December 2001 (2000: £15,762).
- (b) Annual commitments under non-cancellable operating leases are as follows:

	2001		2000	
	Land and buildings	Other	Land and Buildings	Other
	£	£	£	£
Operating leases which expire:				
Within one year	-	3,189	-	4,874
In the second to fifth years inclusive	-	3,760	-	6,949
	<hr/>	<hr/>	<hr/>	<hr/>
	-	6,949	-	11,823
	<hr/>	<hr/>	<hr/>	<hr/>

18 Pension scheme

The company is a member of a group defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the fund and amounted to £16,838 (2000: £14,672). There were no outstanding or prepaid contributions at the end of the year (2000: £nil).

Notes *(continued)*

19 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of Grafton Group (UK) plc incorporated in Great Britain.

The largest group in which the results of the company are consolidated is that headed by Grafton Group plc incorporated in the Republic of Ireland. The consolidated accounts of this company are available to the public and may be obtained from Grafton Group plc, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland.