

Grafton Group (UK) Plc

Directors' report and
financial statements

Year ended 31 December 2004

Registered number: 2886378



Grafton Group (UK) Plc

Directors' report and financial statements

<i>Contents</i>	<i>Page</i>
Directors and other information	1
Directors' report	2
Statement of directors' responsibilities	4
Independent auditors' report	5
Statement of accounting policies	7
Profit and loss account	9
Statement of total recognised gains and losses	10
Balance sheet	11
Notes forming part of the financial statements	12

Grafton Group (UK) Plc

Directors and other information

Directors

M. Chadwick
C. O Nualláin
M. Pares
K. Middleton
J. O'C Bailey
J. Sowton
B. Jackson
G. Thrower

Secretary

Grafton Group Secretarial Services Limited

Registered office

Aquis Court
31 Fishpool Street
St. Albans
AL3 4RF

Solicitors

Arthur Cox Solicitors
Arthur Cox Building
Earlsfort Terrace
Dublin 2

Lyons Davidson
Bridge House
48-52 Baldwin Street
Bristol
BS1 1QD

Bankers

Lloyds TSB Bank Plc

Auditors

KPMG
1 Stokes Place
St. Stephen's Green
Dublin 2

Registered number

2886378

Grafton Group (UK) Plc

Directors' report

The directors submit herewith their report and audited financial statements for the year ended 31 December 2004.

Review of the development of the business

The company operates as an investment holding and finance company. Details of acquisitions made during the year are set out in note 4.

Results for the year and state of affairs at 31 December 2004

The profit and loss account for the year ended 31 December 2004 and the balance sheet at 31 December 2004 are set out on pages 9 and 11 respectively. The retained profit for the year amounted to Stg£10,575,301 (2003: Stg£274,969 - profit).

Directors

The directors at the date of this report are listed on page 1.

Directors' and secretary's interests

The interests of the directors and secretary in the share capital of the company and in the ultimate holding company, Grafton Group plc, are as follows:

Grafton Group (UK) Plc	'C' ordinary shares of STG0.0001p each 31 December 2004	'C' ordinary shares of STG0.0001p each 31 December 2003
M. Chadwick	19,098,900	19,097,022
C. O'Nuallain	658,176	656,298
M. Pares	17,200	12,084
J. Sowton	2,708	2,708
J. O'C Bailey	93,482	8,580
K. Middleton	3,000	3,000
B. Jackson	2,400	2,400
G. Thrower	166,059	160,080

Grafton Group Plc	Grafton Units 31 December 2004	Grafton Units 31 December 2003
<i>Director</i>		
M. Chadwick	19,098,900	19,097,022
C. O'Nuallain	658,176	656,298
M. Pares *	17,200	12,084
J. Sowton **	2,708	2,708
J. O'C Bailey	93,482	8,580
K. Middleton	3,000	3,000
B. Jackson	2,400	2,400
G. Thrower	166,059	160,080

Grafton Group (UK) Plc

Directors' report

Directors' and secretary's interests *(continued)*

At 31 December 2004 a Grafton Unit comprised of one ordinary share of 5 cent each, nine 'A' ordinary shares of 0.01 cent each in Grafton Group plc and one C ordinary share of Stg0.0001p in Grafton Group (UK) plc.

Mr. M. Chadwick also holds a non-beneficial interest in 2,986,560 (2003: 2,986,560) Grafton Units in his capacity as a trustee of a family trust. Mr. M. Chadwick and Mr. C. O'Nuallain have a non-beneficial interest in 985,032 (2003: 1,323,521) Grafton Units in their capacities as Trustees of the Grafton Group plc Share Participation Scheme.

* Mr. M. Pares also holds a non-beneficial interest in ordinary shares of 5c each in his capacity as a trustee.

** Mr. J. Sowton also holds a non-beneficial interest in ordinary shares in his capacity as a trustee.

The directors remain in office in accordance with the Articles of Association.

Post balance sheet events

There have been no significant events since the balance sheet date.

Political and charitable contributions

The company made a charitable contribution of Stg£Nil (2003: Stg£Nil) during the year.

Auditors

In accordance with Section 385 of the Companies Act, 1985 a resolution for the re-appointment of KPMG as auditors is to be proposed at the forthcoming Annual General Meeting.

On behalf of the board



Director

29 July

2005

Grafton Group (UK) Plc

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 of the company 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;
- 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 books of account 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.

On behalf of the board



Director

Independent auditors' report to the members of Grafton Group (UK) Plc

We have audited the financial statements on pages 7 to 19.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act, 1985. 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 auditors' 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.

Respective responsibilities of directors and auditors in relation to the financial statements

The directors are responsible for preparing the directors' report and, as described on page 4, 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. 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 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.

Independent auditors' report to the members of Grafton Group (UK) Plc *(continued)*

Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants
Registered Auditors

29 July 2005

Grafton Group (UK) Plc

Statement of accounting policies

The following accounting policies have been applied consistently throughout the year.

Basis of preparation

The financial statements are prepared in accordance with generally accepted accounting principles under the historical cost convention, and comply with financial reporting standards of the Accounting Standards Board, as promulgated by the Institute of Chartered Accountants in England and Wales.

Consolidated financial statements

The financial statements present information about Grafton Group (UK) Plc as an individual undertaking and not about its group. Consolidated financial statements are not prepared as Grafton Group (UK) Plc is itself a subsidiary undertaking and satisfies the conditions set out under Section 228(2) of the Companies Act 1985. Details of the parent company are given in note 12.

Cash flow statement

As the company is a wholly owned subsidiary of Grafton Group plc, a company established under the law of a member state of the European Union which has prepared a consolidated cashflow statement including the cash flows of this company, the company is availing of the exemption under FRS 1 not to prepare a cash flow statement.

Taxation

Corporation tax is calculated based on the taxable profits for the year. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less tax in the future have occurred at the balance sheet date, with the following exceptions :

- provision is made for gains on disposal of fixed assets that have been rolled over into replacement assets only where, at the balance sheet date, there is a commitment to dispose of the replacement assets.
- provision is made for the tax that would arise on remittance of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends from the overseas subsidiaries have been accrued as receivable.
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Grafton Group (UK) Plc

Statement of accounting policies *(continued)*

Related party transactions

The company has availed of the exemption available in FRS8 - *Related Party Disclosures* from disclosing transactions with group undertakings. Details on the availability of the group consolidated financial statements are given in note 12.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. No depreciation is provided on freehold land. The charge for depreciation is calculated to write down the cost of tangible fixed assets to their estimated residual values by equal annual instalments over their estimated expected useful lives which are as follows:

Freehold buildings	40 years
Fixtures and fittings	5 years

Financial assets

Financial assets are stated at cost less provisions for any permanent diminution in value.

Grafton Group (UK) Plc

Profit and loss account
for the year ended 31 December 2004

	Note	2004 STG£	2003 STG£
Dividend income – continuing operations		19,100,000	7,750,041
Operating income/(expenses)		36,856	(1,153,708)
Loan written off		-	(1,710,000)
		<hr/>	<hr/>
Operating profit - continuing operations		19,136,856	4,886,333
Profit on disposal of property		-	2,203,047
Provision for impairment of financial fixed asset	4	(1,274,779)	(1,040,230)
		<hr/>	<hr/>
Trading profit		17,862,077	6,049,150
Net interest payable	1	(9,794,877)	(6,829,068)
		<hr/>	<hr/>
Profit/(loss) on ordinary activities before taxation		8,067,200	(779,918)
Taxation on profit/(loss) on ordinary activities	2	2,508,101	1,054,887
		<hr/>	<hr/>
Retained profit for the year		10,575,301	274,969
Profit brought forward		2,868,473	2,593,540
Capitalisation of reserves		-	(36)
		<hr/>	<hr/>
Retained profit carried forward		13,443,774	2,868,473
		<hr/>	<hr/>

On behalf of the board


Director

Grafton Group (UK) Plc

Statement of total recognised gains and losses *for the year ended 31 December 2004*

	2004 STG£	2003 STG£
Profit retained for the year	10,575,301	274,969
Capitalisation of reserves	-	(36)
Recognition of capital reserve	9,022,917	-
	<hr/>	<hr/>
Total recognised gains and losses for the year	19,598,218	274,933
	<hr/>	<hr/>

Grafton Group (UK) Plc

Balance sheet at 31 December 2004

	<i>Note</i>	2004 STG£	2003 STG£
Fixed assets			
Tangible fixed assets	3	1,402,671	1,404,048
Financial fixed assets	4	351,961,898	291,734,773
		<hr/>	<hr/>
		353,364,569	293,138,821
		<hr/>	<hr/>
Current assets			
Debtors	5	54,473,673	44,992,736
Cash at bank		626,538	7,784,399
		<hr/>	<hr/>
		55,100,211	52,777,135
Creditors: amounts falling due within one year	6	(39,576,450)	(37,228,167)
		<hr/>	<hr/>
Net current assets		15,523,761	15,548,968
		<hr/>	<hr/>
Total assets less current liabilities		368,888,330	308,687,789
		<hr/>	<hr/>
Creditors: amounts falling due after more than one year	7	(303,771,426)	(263,169,103)
		<hr/>	<hr/>
Net assets		65,116,904	45,518,686
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	8	42,650,213	42,650,213
Profit and loss account		13,443,774	2,868,473
Capital reserve	9	9,022,917	-
		<hr/>	<hr/>
Shareholders' funds - equity	10	65,116,904	45,518,686
		<hr/>	<hr/>

On behalf of the board


Director

Grafton Group (UK) Plc

Notes

forming part of the financial statements

1 Net interest payable

	2004 STG£	2003 STG£
<i>Payable</i>		
On loan notes	(765,381)	(732,116)
On bank overdrafts	(172,460)	(105,727)
Group interest	(9,766,325)	(6,728,632)
	<hr/>	<hr/>
	(10,704,166)	(7,566,475)
<i>Receivable</i>		
Bank interest	61,844	50,030
Group interest	847,445	687,377
	<hr/>	<hr/>
	(9,794,877)	(6,829,068)
	<hr/>	<hr/>

2 Taxation

(a) Analysis of (credit)/charge in year

	2004 STG£	2003 STG£
<i>Current tax:</i>		
Payment received for losses surrendered	(1,274,779)	(1,054,887)
	<hr/>	<hr/>
Total current tax (note 2 (b))	(1,274,779)	(1,054,887)
Deferred tax	(1,233,322)	-
	<hr/>	<hr/>
	(2,508,101)	(1,054,887)
	<hr/>	<hr/>

Grafton Group (UK) Plc

Notes (continued)

2 Taxation (continued)

(b) Factors affecting tax charge in year

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom. The differences are explained below :

	2004 STG£	2003 STG£
Profit/(loss) on ordinary activities before tax	8,067,200	(779,918)
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2003: 30%)	2,420,160	(233,975)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	-	11,995
Non taxable group income	(5,730,000)	(2,325,012)
Group relief	(5,974,467)	376,765
Unprovided deferred tax	6,805,668	7,924
Capital gain	-	426,813
Other adjustments	382,434	680,603
Other short term timing differences	821,426	-
Current tax (credit)/charge for year (note 2 (a))	(1,274,779)	(1,054,887)

Grafton Group (UK) Plc

Notes (continued)

3 Tangible fixed assets	Freehold land and buildings STG£	Fixtures & fittings STG£	Total STG£
Cost			
At beginning of year	1,400,273	20,058	1,420,331
Additions	-	-	-
Disposals	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 December 2004	1,400,273	20,058	1,420,331
	<hr/>	<hr/>	<hr/>
Depreciation			
At beginning of year	-	16,283	16,283
Charge for year	-	1,377	1,377
	<hr/>	<hr/>	<hr/>
At 31 December 2004	-	17,660	17,660
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2004	1,400,273	2,398	1,402,671
	<hr/>	<hr/>	<hr/>
At 31 December 2003	1,400,273	3,775	1,404,048
	<hr/>	<hr/>	<hr/>
4 Financial fixed assets		2004 STG£	2003 STG£
Investment in subsidiary undertakings		351,961,898	291,734,773
		<hr/>	<hr/>

In the opinion of the directors the investment in and amounts due from the company's subsidiary undertakings are worth at least the amount at which they are stated in the balance sheet.

During the year the company made 13 further acquisitions at a total cost of £60,227,125.

A provision for impairment in value of €1,274,779 (2003: €1,040,230) was made against one of the company's investments.

Grafton Group (UK) Plc

Notes *(continued)*

4 Financial fixed assets *(continued)*

Details of principal subsidiary undertakings, all of which are wholly owned and incorporated in the United Kingdom, are set out below:

<i>Name of company</i>	<i>Nature of business</i>
Plumbase Limited	Plumbers merchants
Buildbase Limited	Builders merchants
Niall Bailey (Building Supplies) Limited	Dormant company
Hendricks Lovell Limited	Builders merchants
A.R. Hendricks Limited	Distributor of lintels
Harvey Steel Lintels Limited	Manufacturer of lintels
Timberbase Limited	Timber centre
London Building Supplies Limited	Builders merchants
Essex Heating Supplies Limited	Plumbers merchants
Selco Trade Centres Limited	General merchant
MacNaughton Blair & Co. Limited	Builders merchants, architectural iron mongers and wholesalers
Smiths Bathroom and Plumbing Supplies Limited	Bathroom and plumbers merchant
CPI Mortars Limited	Manufacturer of concrete products
CPI Mortars (North) Limited	Manufacturer of concrete products
Bristol Tile Limited	Distributor of ceramic tiles and sanitary ware
Nalex Limited	Distributor of prepacked fasteners and fixing products
Avonmouth Ship Repairers Limited	Ship repairers
JT Edwards & Sons plc	Dormant company

Grafton Group (UK) Plc

Notes *(continued)*

4 Financial fixed assets *(continued)*

<i>Name of company</i>	<i>Nature of business</i>
Lumley and Hunt Limited	Dormant company
MRCB Paints Limited	Dormant company
McCorriston and Rankin Limited	Dormant company
FKS Builders Merchants Limited	Dormant company
B.D. Estates (1999) plc	Investment holding company
G.A. Day Limited	Builders merchants
J. Robinson (Burton-on-Trent) Limited	Builders merchants
B M B Builders Merchants Limited	Builders merchants
E&J W Lake Limited	Builders merchants
Plumbing & Drainage Merchants Limited	Plumbers merchants
Henry Aizlewood & Sons Limited	Builders merchants
JKS Heating and Plumbing Supplies Limited	Plumbers merchants
M&K Builders Merchants Limited	Builders merchants
Noel Clay Limited	Builders merchants
Bristow and Shortt Limited	Builders merchants
J & I Lee Construction Limited	Builders merchants
Zene Finance Limited	Finance company
Jacksons Building Centres Limited	Builders merchants
Carron Building Supplies Limited	Builders merchants
Wantage Building Supplies Limited	Builders merchants
Dunpark Building Supplies Limited	Builders merchants
PBM Limited	Builders merchants

Grafton Group (UK) Plc

Notes (continued)

4 Financial fixed assets (continued)

<i>Name of company</i>	<i>Nature of business</i>
Gloster Building Supplies Limited	Builders merchants
Plumbline Supplies Limited	Plumbers merchants
Boole's Tools & Pipe Fittings Limited	Specialist steel merchants
Rowlinson Builders Merchants Limited	Builders merchants
Hall & Rogers Limited	Builders merchants
Thompsons Builders Merchants Limited	Builders merchants
Keel Supply Limited	Builders merchants
Slocombe & Butcher Limited	Builders merchants
Pictons (Home & Garden) Limited	Builders merchants
Bidbrook Limited	Builders merchants
Castle Builders Merchants (Bolton) Limited	Builders merchants
R.G. Hinds Building & Roofing Merchants Limited	Builders merchants
Fensure Plumbing Merchants Limited	Plumbers Merchants
Apex Plumbing Supplies Limited	Plumbers Merchants
Ernest Axon Limited	Builders merchants
Prospect Builders Supplies Limited	Builders merchants
Grafton UK Leasing Company	Leasing company

5 Debtors: amounts falling due within one year

	2004 STG£	2003 STG£
Amounts due from group undertakings	47,104,288	39,354,164
Prepayments	1,106,639	609,148
Taxation	6,262,746	5,029,424
	<u>54,473,673</u>	<u>44,992,736</u>

Grafton Group (UK) Plc

Notes (continued)

6 Creditors: amounts falling due within one year	2004 STG£	2003 STG£
Bank overdrafts	405,758	5,362
Accruals	6,642,189	4,609,485
Loan notes	13,957,418	18,734,582
Amounts due to group undertakings	18,571,085	13,878,738
	<hr/>	<hr/>
	39,576,450	37,228,167
	<hr/>	<hr/>

Loan notes included in creditors falling due within one year are redeemable between February 2004 and May 2008. The interest rates payable on the loan notes are set at fixed rates or on terms which relate directly to London Inter-Bank Offer Rate (LIBOR).

7 Creditors: amounts falling due after more than one year:	2004 STG£	2003 STG£
Amounts due to group undertakings	303,221,426	262,501,103
Deferred consideration	550,000	668,000
	<hr/>	<hr/>
	303,771,426	263,169,103
	<hr/>	<hr/>

8 Called up share capital	2004 STG£	2003 STG£
<i>Equity shares</i>		
<i>Authorised</i>		
50,000,000 'A' ordinary shares of Stg£1 each	50,000,000	50,000,000
100,000 'B' ordinary shares of Stg£1 each	100,000	100,000
500,000,000 'C' ordinary shares of Stg0.0001p each	500	500
	<hr/>	<hr/>
	50,100,500	50,100,500
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
'A' ordinary shares of Stg£1 each	42,550,000	42,550,000
'B' ordinary shares of Stg£1 each	100,000	100,000
'C' ordinary shares of Stg0.0001p each	213	213
	<hr/>	<hr/>
	42,650,213	42,650,213
	<hr/>	<hr/>

Grafton Group (UK) Plc

Notes (continued)

9 Capital reserve

The capital reserve arose from a group refinancing which took place during the year.

10 Reconciliation of shareholders' funds - equity

	2004 STG£	2003 STG£
Shareholders' funds at beginning of year	45,518,686	45,243,717
Profit retained for year	10,575,301	274,969
Capital reserve on group refinancing	9,022,917	-
	<hr/>	<hr/>
Shareholders' funds at end of year	65,116,904	45,518,686
	<hr/>	<hr/>

11 Contingent liabilities

The company has given guarantees in respect of the borrowings of the ultimate parent company and fellow subsidiaries which amounted to Stg£318,119,000 (2003: Stg£279,000,000) at the balance sheet date.

12 Holding company

The company's holding company is Grafton Group plc, a company incorporated and operating in the Republic of Ireland. Consolidated financial statements are only prepared by Grafton Group plc. These statements are filed at the Companies Office, Parnell Square, Dublin 1.

13 Approval of financial statements

These financial statements were approved by the directors on 29 July 2005.