

Grafton Group (UK) Limited

Directors' report and
financial statements

Year ended 31 December 1997

Registered number: 2886378



Grafton Group (UK) Limited

Directors' report and financial statements

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Grafton Group (UK) Limited

Directors and other information

Directors

M. Chadwick
C. O'Nuallain
R.J. Squire
C. Rinn

Secretary

Grafton Group Secretarial Services Limited

Registered office

Unit 2
Bush Industrial Estate
Hammersmith Road
St. George
Bristol B55 7BQ

Solicitors

Arthur Cox Solicitors
Arthur Cox Building
Earlsfort Terrace
Dublin 2.

Lyons Davidson
Bridge House
Bristol

Bankers

Lloyds Bank
94 Park Lane
Croyden
Surrey
London

Auditors

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

Registered number

2886378

Grafton Group (UK) Limited

Directors' report

The directors submit herewith their report and audited financial statements for the year ended 31 December 1997.

Review of the development of the business

The company operates as an investment holding company.

Results for the period and state of affairs at 31 December 1997

The profit and loss account for the year ended 31 December 1997 and the balance sheet at 31 December 1997 are set out on pages 7 and 8. The retained loss for the year amounted to Stg£17,751 (*1996 -profit Stg£138,271*).

Directors

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

Mr. C. O'Nuallain resigned as company secretary on 1 September 1997, with Grafton Group Secretarial Services Limited being appointed company secretary on the same date. On 17 September 1998, Mr. C. Rinn was appointed director of the company.

Directors' and secretary's interests

The directors and secretary did not hold any beneficial interest in the share capital of the company at the end of the year. The interests of the directors and secretary in the share capital of the ultimate holding company, Grafton Group plc, are as follows:-

	<i>Ordinary shares of 25p each</i>	
	31 December 1997	31 December 1996
M. Chadwick	1,777,599	1,777,599
C. O'Nuallain	11,245	20,239

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 no political or charitable contributions during the year.

Grafton Group (UK) Limited

Directors' report

Auditors

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

On behalf of the board



G. Rinn
Director

23 October 1998

Grafton Group (UK) Limited

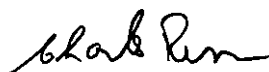
Statement of directors' responsibilities

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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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



C. Rinn
Director

Auditors' report to the members of Grafton Group (UK) Limited

We have audited the financial statements on pages 6 to 13.

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

As described on page 4, the directors of the company are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

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.

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 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Chartered Accountants
Registered Auditors

23 October 1998

Grafton Group (UK) Limited

Statement of accounting policies *for the year ended 31 December 1997*

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 of which this note is a part thereof presents information about Grafton Group (U.K.) Limited as an individual undertaking and not about its group.

Consolidated financial statements are not prepared as Grafton Group (UK) Limited is itself a subsidiary undertaking and satisfies the conditions set out under Section 228(2) of the Companies Act 1985.

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 Community 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.

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 11.

Taxation

Corporation tax is calculated on the results for the year.

Financial assets

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

Grafton Group (UK) Limited

Profit and loss account

for the year ended 31 December 1997

	<i>Note</i>	1997 STG£	1996 STG£
Dividend income - continuing		750,000	1,626,000
Operating income		93,735	21,274
		<hr/>	<hr/>
Operating profit- continuing		843,735	1,647,274
Net interest payable	<i>1</i>	(999,520)	(98,003)
		<hr/>	<hr/>
(Loss)/profit on ordinary activities before taxation		(155,785)	1,549,271
Tax on (loss)/profit on ordinary activities	<i>2</i>	888,034	215,000
		<hr/>	<hr/>
Profit on ordinary activities after tax		732,249	1,764,271
Dividends paid	<i>3</i>	(750,000)	(1,626,000)
		<hr/>	<hr/>
Retained (loss)/profit for the year		(17,751)	138,271
Profit/(loss) brought forward		5,826	(132,445)
		<hr/>	<hr/>
(Loss)/profit carried forward		(11,925)	5,826
		<hr/> <hr/>	<hr/> <hr/>

The company had no recognised gains or losses in the financial year or the preceding financial period other than those dealt with in the profit and loss account.

On behalf of the board



C. Rinn
Director

Grafton Group (UK) Limited

Balance sheet at 31 December 1997

	Note	1997 STG£	1996 STG£
Fixed assets			
Financial assets	4	39,140,413	10,812,349
Current assets			
Debtors	5	6,486,375	705,365
Cash at bank		400,341	-
		<u>6,886,716</u>	<u>705,365</u>
Creditors: Amounts falling due within one year	6	(2,038,100)	(2,215,085)
		<u>4,848,616</u>	<u>(1,509,720)</u>
Net current assets/(liabilities)			
		<u>43,989,029</u>	<u>9,302,629</u>
Total assets less current liabilities			
Creditors: Amounts falling due after more than one year	7	(42,300,954)	(7,596,803)
		<u>1,688,075</u>	<u>1,705,826</u>
Total assets			
		<u>1,700,000</u>	<u>1,700,000</u>
Capital and reserves			
Called up share capital	8	(11,925)	5,826
Profit and loss account			
		<u>1,688,075</u>	<u>1,705,826</u>
Shareholders' funds - equity			

On behalf of the board



C. Rinn
Director

Grafton Group (UK) Limited

Notes

forming part of the financial statements

1	Interest payable (net)	1997	1996
		STG£	STG£
	<i>Payable</i>		
	On loan notes	29,683	20,253
	On bank overdrafts	1,290,979	365,352
		<hr/>	<hr/>
		1,320,662	385,605
	<i>Receivable</i>		
	Received	(4,259)	-
	Recharged to group company	(316,883)	(287,602)
		<hr/>	<hr/>
		999,520	98,003
		<hr/> <hr/>	<hr/> <hr/>
2	Taxation	1997	1996
		STG£	STG£
	Receipt in respect of Group Relief	888,034	(215,000)
		<hr/>	<hr/>
3	Dividends - equity	1997	1996
		STG£	STG£
	Paid on 'B' ordinary shares at Stg£7.50 per share (1996: Stg£16.26)	750,000	1,626,000
		<hr/> <hr/>	<hr/> <hr/>

Grafton Group (UK) Limited

Notes (continued)

4 Financial fixed assets	1997 STG£	1996 STG£
Investment in subsidiary undertakings	39,140,413	10,812,349

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.

Details of principal subsidiary undertakings, all of which are wholly owned, are set out below:

<i>Name of company</i>	<i>Nature of business</i>
Thrower Brothers Group	UK holding company
Lumley and Hunt Ltd	Plumbers merchants
CPI Mortars Limited	Manufacturer of concrete products
Bradleys Limited	Plumbers merchants
Nalex Limited	Distributor of prepacked fasteners and fixing products
Williams South West Limited	Plumbers merchants
Bristol Tile Limited	Distributor of ceramic tiles and sanitary ware
MacNaughton Blair Limited	Builders merchants, architectural iron mongers and wholesalers
MRCB Limited	Distributors of parts and other decorative finishes
Johnsons Building Supplies Limited	General merchants
McCorriston and Rankin Limited	Builders merchants
Hendricks Lovell Limited	Builders merchants
FKS Limited	Builders merchants
Wessex Group	Builders and plumbers merchants

Grafton Group (UK) Limited

Notes (continued)

5 Debtors: Amounts falling due within one year:

	1997 STG£	1996 STG£
Amounts due from group companies	6,486,375	705,365

6 Creditors: Amounts falling due within one year:

	1997 STG£	1996 STG£
Bank overdraft	-	1,163,403
Accruals	530,239	85,073
Loan notes	619,700	298,500
Amounts due to holding company	888,161	668,109
	2,038,100	2,215,085

The loan notes are guaranteed by Lloyds Bank plc. These loan notes are redeemable in November 1998 and June 2005 or earlier specified dates from 1 May 1998 at the option of the note holders. The loan notes are counter indemnified by Grafton Group plc and a number of fellow subsidiaries.

7 Creditors: Amounts falling due after more than one year:

	1997 STG£	1996 STG£
Bank loan	24,738,492	4,400,000
Amounts due to holding company	2,650,117	2,650,117
Amounts due to subsidiary company	14,912,345	546,686
	42,300,954	7,596,803

The bank loan is secured by an omnibus guarantee between the company, Grafton Group plc and a number of its fellow subsidiaries.

Grafton Group (UK) Limited

Notes (continued)

8 Called up share capital

	1997 STG£	1996 STG£
<i>Equity shares</i>		
<i>Authorised</i>		
1,600,000 'A' ordinary shares of Stg£1 each	1,600,000	1,600,000
100,000 'B' ordinary shares of Stg£1 each	100,000	100,000
	<hr/>	<hr/>
	1,700,000	1,700,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
1,600,000 'A' ordinary shares of Stg£1 each	1,600,000	1,600,000
100,000 'B' ordinary shares of Stg£1 each	100,000	100,000
	<hr/>	<hr/>
	1,700,000	1,700,000
	<hr/>	<hr/>

9 Reconciliation of shareholders' funds

	1997 STG£	1996 STG£
Shareholders' funds at beginning of period	1,705,826	1,567,555
Shares issued	-	-
	<hr/>	<hr/>
	1,705,826	1,567,555
Total recognised gains and losses for the period	743,522	1,764,271
Dividends paid	(750,000)	(1,626,000)
	<hr/>	<hr/>
Shareholders' funds at end of period	1,699,348	1,705,826
	<hr/>	<hr/>

10 Contingent liabilities

The company has given guarantees in respect of the borrowings of the ultimate parent company and fellow subsidiaries which amounted to Stg£55,593,000 at the balance sheet date.

Grafton Group (UK) Limited

Notes (*continued*)

11 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, Dublin Castle, Dublin 2.

12 Approval of financial statements

These financial statements were approved by the directors on 23 October 1998.