

# Grafton Group (UK) Plc

Directors' report and  
financial statements

**Year ended 31 December 2003**

*Registered number: 2886378*



# Grafton Group (UK) Plc

## Directors' report and financial statements

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# Grafton Group (UK) Plc

## Directors and other information

### Directors

M. Chadwick  
C. O'Nuallain  
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 2003.

### 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 5.

### Results for the year and state of affairs at 31 December 2003

The profit and loss account for the year ended 31 December 2003 and the balance sheet at 31 December 2003 are set out on pages 9 and 10 respectively. The retained profit for the year amounted to Stg£274,969 (2002: Stg£37,968 - loss).

### 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:

<b>Grafton Group (UK) Plc</b>	<b>'C' Ordinary shares of Stg0.0001p each 31 December 2003</b>	<b>'C' Ordinary shares* of Stg0.0001p each 31 December 2002</b>
M. Chadwick	19,097,022	17,902,010
C. O'Nuallain	656,298	640,000
M. Pares	12,084	10,000
J. Sowton	2,708	12,708
J. O'C Bailey	8,580	7,150
K. Middleton	3,000	3,000
B. Jackson	2,400	-
G. Thrower	160,080	160,080

<b>Grafton Group Plc</b>	<b>Grafton Units 31 December 2003</b>	<b>Grafton Units* 31 December 2002</b>
<i>Director</i>		
M. Chadwick	19,097,022	17,902,010
C. O'Nuallain	656,298	640,000
M. Pares **	12,084	10,000
J. Sowton ***	2,708	12,708
J. O'C Bailey	8,580	7,150
K. Middleton	3,000	3,000
B. Jackson	2,400	-
G. Thrower	160,080	160,080

\* Or at date of appointment if later

# Grafton Group (UK) Plc

## Directors' report

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

At 31 December 2003 a Grafton Unit comprised of one ordinary share of 5 cent each, seven redeemable 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 (2002: 2,806,560) 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 1,323,521 (2002: 1,489,050) 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 (2002: 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 2004

# 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 18.

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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

*Chartered Accountants  
Registered Auditors*

29 July 2004



# 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 13.

### **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 13.

### **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

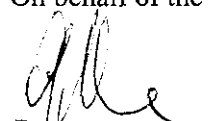
## Profit and loss account

for the year ended 31 December 2003

	Note	2003 STG£	2002 STG£
<b>Dividend income – continuing operations</b>		7,750,041	6,600,100
Operating expenses		(1,153,708)	(361,941)
Loan written off		(1,710,000)	-
		<hr/>	<hr/>
<b>Operating profit - continuing operations</b>		4,886,333	6,238,159
Profit on disposal of property		2,203,047	-
Provision for impairment of financial fixed asset	5	(1,040,230)	-
		<hr/>	<hr/>
<b>Trading profit</b>		6,049,150	6,238,159
Net interest payable	1	(6,829,068)	(5,493,269)
		<hr/>	<hr/>
<b>(Loss)/Profit on ordinary activities before taxation</b>		(779,918)	744,890
Taxation on (loss) /profit on ordinary activities	2	1,054,887	(7,910)
		<hr/>	<hr/>
<b>Profit on ordinary activities after tax</b>		274,969	736,980
Dividends paid	3	-	(774,948)
		<hr/>	<hr/>
<b>Retained profit/(loss) for the year</b>		274,969	(37,968)
Profit brought forward		2,593,540	2,631,509
Capitalisation of reserves		(36)	(1)
		<hr/>	<hr/>
<b>Retained profit carried forward</b>		2,868,473	2,593,540
		<hr/>	<hr/>

The company had no recognised gains or losses in the financial year or the preceding financial year other than those dealt with in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been presented.

On behalf of the board

  
Director

# Grafton Group (UK) Plc

## Balance sheet at 31 December 2003

	Note	2003 STG£	2002 STG£
<b>Fixed assets</b>			
Tangible fixed assets	4	1,404,048	3,302,897
Financial fixed assets	5	291,734,773	165,994,497
		<hr/>	<hr/>
		293,138,821	169,297,394
		<hr/>	<hr/>
<b>Current assets</b>			
Debtors	6	44,992,736	34,003,993
Cash at bank		7,784,399	265,027
		<hr/>	<hr/>
		52,777,135	34,269,020
<b>Creditors: amounts falling due within one year</b>	7	(37,228,167)	(20,578,487)
		<hr/>	<hr/>
<b>Net current assets</b>		15,548,968	13,690,533
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		308,687,789	182,987,927
		<hr/>	<hr/>
<b>Creditors: Amounts falling due after more than one year</b>	8	(263,169,103)	(137,744,210)
		<hr/>	<hr/>
<b>Net assets</b>		45,518,686	45,243,717
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	9	42,650,213	42,650,177
Profit and loss account		2,868,473	2,593,540
		<hr/>	<hr/>
<b>Shareholders' funds - equity</b>	10	45,518,686	45,243,717
		<hr/>	<hr/>

On behalf of the board

  
Director

# Grafton Group (UK) Plc

## Notes

*forming part of the financial statements*

<b>1 Net interest payable</b>	<b>2003</b>	<b>2002</b>
	<b>STG£</b>	<b>STG£</b>
<i>Payable</i>		
On loan notes	(732,116)	(261,399)
On bank overdrafts	(105,727)	(46,830)
Group interest	(6,728,632)	(6,061,623)
	<hr/>	<hr/>
	(7,566,475)	(6,369,852)
<i>Receivable</i>		
Bank interest	50,030	6,156
Group interest	687,377	870,427
	<hr/>	<hr/>
	(6,829,068)	(5,493,269)
	<hr/>	<hr/>
 <b>2 Taxation</b>		
<b>(a) Analysis of charge in year</b>	<b>2003</b>	<b>2002</b>
	<b>STG£</b>	<b>STG£</b>
<i>Current tax :</i>		
Payment received for losses surrendered	(1,054,887)	-
Adjustment in respect of prior years	-	7,910
	<hr/>	<hr/>
Total current tax (note 2 (b))	(1,054,887)	7,910
	<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 :

	2003 STG£	2002 STG£
(Loss)/profit on ordinary activities before tax	(779,918)	744,890
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002: 30%)	(233,975)	223,467
<i>Effects of:</i>		
Expenses not deductible for tax purposes	11,995	9,643
Non taxable group income	(2,325,012)	(1,980,279)
Group relief	376,765	1,747,169
Unprovided deferred tax	7,924	-
Capital gain	426,813	-
Other adjustments	680,603	-
Adjustments in respect of prior years	-	7,910
Current tax (credit)/charge for year (note 2 (a))	(1,054,887)	7,910

### 3 Dividends - equity

	2003 STG£	2002 STG£
Paid on 'C' ordinary shares	-	774,948

# Grafton Group (UK) Plc

## Notes (continued)

<b>4 Tangible fixed assets</b>	<b>Freehold land and buildings STG£</b>	<b>Fixtures &amp; fittings STG£</b>	<b>Total STG£</b>
<b>Cost</b>			
At beginning of year	3,300,273	16,667	3,316,940
Additions	-	3,391	3,391
Disposals	(1,900,000)	-	(1,900,000)
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2003</b>	<b>1,400,273</b>	<b>20,058</b>	<b>1,420,331</b>
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At beginning of year	-	14,043	14,043
Charge for year	-	2,240	2,240
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2003</b>	<b>-</b>	<b>16,283</b>	<b>16,283</b>
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
<b>At 31 December 2003</b>	<b>1,400,273</b>	<b>3,775</b>	<b>1,404,048</b>
	<hr/>	<hr/>	<hr/>
At 31 December 2002	3,300,273	2,624	3,302,897
	<hr/>	<hr/>	<hr/>
<b>5 Financial fixed assets</b>		<b>2003 STG£</b>	<b>2002 STG£</b>
Investment in subsidiary undertakings		<b>291,734,773</b>	165,994,497
		<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 9 further acquisitions at a total cost of £123,740,276.

A provision for impairment in value of £1,040,230 was made against one of the company's investments at year end.

# Grafton Group (UK) Plc

## Notes *(continued)*

### 5 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)*

### 5 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)

### 5 Financial fixed assets (continued)

<i>Name of company</i>	<i>Nature of business</i>
Gloster Building Supplies Limited	Builders merchants
Plumblin Supplies Limited	Plumbers merchants
Boole's Tools & Pipe Fittings Limited	Specialist steel merchants
Rowlinson Builders Merchants Limited	Builders merchants

### 6 Debtors: Amounts falling due within one year

	2003 STG£	2002 STG£
Trade debtors	-	25,728
Amounts due from group undertakings	39,354,164	31,726,071
Prepayments	609,148	268,758
Taxation	5,029,424	1,983,436
	<hr/>	<hr/>
	44,992,736	34,003,993
	<hr/>	<hr/>

### 7 Creditors: Amounts falling due within one year

	2003 STG£	2002 STG£
Bank overdrafts	5,362	4,994
Accruals	4,609,485	3,603,836
Loan notes	18,734,582	9,817,210
Amounts due to group undertakings	13,878,738	7,152,447
	<hr/>	<hr/>
	37,228,167	20,578,487
	<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).

# Grafton Group (UK) Plc

## Notes (continued)

### 8 Creditors: amounts falling due after more than one year:

	2003 STG£	2002 STG£
Amounts due to group undertakings	262,501,103	136,388,086
Deferred consideration	668,000	1,334,000
Accruals	-	22,124
	<hr/>	<hr/>
	263,169,103	137,744,210
	<hr/>	<hr/>

### 9 Called up share capital

	2003 STG£	2002 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	177
	<hr/>	<hr/>
	42,650,213	42,650,177
	<hr/>	<hr/>

# Grafton Group (UK) Plc

Notes *(continued)*

## 10 Reconciliation of shareholders' funds - equity

	2003 STG£	2002 STG£
Shareholders' funds at beginning of year	45,243,717	45,281,685
Total recognised gains and losses for the year	274,969	736,980
Dividends paid	-	(774,948)
	<hr/>	<hr/>
Shareholders' funds at end of year	45,518,686	45,243,717
	<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£279,000,000 (2002: Stg£219,000,000) at the balance sheet date.

## 12 Other information

Subsequent to the year end, preference shares in group undertakings were issued to Grafton Group (UK) Plc as part of a refinancing transaction.

## 13 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.

## 14 Approval of financial statements

These financial statements were approved by the directors on 29 July 2004.