



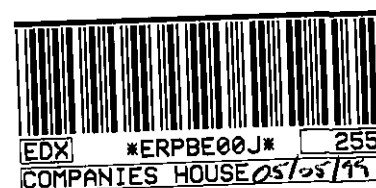
## Grafton Group (UK) Limited

Directors' report and  
financial statements

**Year ended 31 December 1998**

*Registered number: 2886378*

6-5-99  
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# Grafton Group (UK) Limited

## Directors' report and financial statements

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# Grafton Group (UK) Limited

## Directors and other information

<b>Directors</b>	M. Chadwick C. O'Nuallain C. Rinn M. Pares R.J. Squire
<b>Secretary</b>	Grafton Group Secretarial Services Limited
<b>Registered office</b>	Aquis Court 31 Fishpool Street St. Albans AL3 4RF
<b>Solicitors</b>	Arthur Cox Solicitors Arthur Cox Building Earlsfort Terrace Dublin 2.  Lyons Davidson Bridge House Bristol
<b>Bankers</b>	Lloyds Bank 94 Park Lane Croyden Surrey London
<b>Auditors</b>	KPMG 1 Stokes Place St. Stephen's Green Dublin 2.
<b>Registered number</b>	2886378

# Grafton Group (UK) Limited

## Directors' report

The directors submit herewith their report and audited financial statements for the year ended 31 December 1998.

### 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 1998

The profit and loss account for the year ended 31 December 1998 and the balance sheet at 31 December 1998 are set out on pages 7 and 8. The retained profit for the year amounted to Stg£14,983 (1997 - loss Stg£17,751).

### Directors

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

### 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 and share options of the ultimate holding company, Grafton Group plc, are as follows:-

<i>Director</i>	<b>Ordinary shares of 25p each</b>	
	<b>31 December 1998</b>	<b>31 December 1997</b>
M. Chadwick *	<b>1,777,599</b>	1,777,599
C. O'Nuallain	<b>11,245</b>	11,245
M. Pares **	<b>1,007</b>	1,007
C. Rinn	-	-

\* Mr. M. Chadwick also holds a non-beneficial interest in 285,011 ordinary shares of 25p each in his capacity as a trustee.

\*\* Mr. M. Pares also holds a non-beneficial interest in 9,158 ordinary shares of 25p each 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.

# Grafton Group (UK) Limited

## Directors' report *(continued)*

### **Year 2000 and the Introduction of the Euro**

The Group has given consideration to the likely impact of the Year 2000 and introduction of the Euro for its business and operations. A project was initiated by the Board last year to ensure that any necessary systems modifications are planned and completed to achieve Year 2000 and Euro compliance. This project is at an advanced stage and it is not now anticipated that the cost of any identified changes will be material to the Group.

### **Political and charitable contributions**

The company made no political or charitable contributions during the year.

### **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



On behalf of Grafton Group Secretarial Services Limited  
*Secretary*

26 February 1999

# Grafton Group (UK) Limited

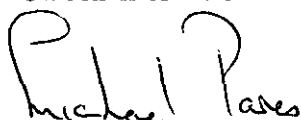
## Statement of directors' responsibilities

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

A handwritten signature in dark ink, appearing to read "Michael Pares". The signature is written in a cursive, flowing style.

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 1998 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*

26 February 1999

# Grafton Group (UK) Limited

## Statement of accounting policies *for the year ended 31 December 1998*

### **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 1998

	<i>Note</i>	1998 STG£	1997 STG£
<b>Dividend income - continuing</b>		<b>1,100,000</b>	750,000
Operating (expenses)/income		(60,720)	93,735
		<hr/>	<hr/>
<b>Operating profit- continuing</b>		<b>1,039,280</b>	843,735
Net interest payable	1	(4,256,937)	(999,520)
		<hr/>	<hr/>
<b>(Loss) on ordinary activities before taxation</b>		<b>(3,217,657)</b>	(155,785)
Tax on (loss) on ordinary activities	2	4,232,640	888,034
		<hr/>	<hr/>
<b>Profit on ordinary activities after tax</b>		<b>1,014,983</b>	732,249
Dividends paid	3	(1,000,000)	(750,000)
		<hr/>	<hr/>
<b>Retained profit/(loss) for the year</b>		<b>14,983</b>	(17,751)
(Loss)/profit brought forward		(11,925)	5,826
		<hr/>	<hr/>
<b>Profit/(loss) carried forward</b>		<b>3,058</b>	(11,925)
		<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.

# Grafton Group (UK) Limited

## Balance sheet

at 31 December 1998

	<i>Note</i>	1998 STG£	1997 STG£
<b>Fixed assets</b>			
Financial assets	4	80,720,753	39,140,413
<b>Current assets</b>			
Debtors	5	21,328,701	6,486,375
Cash at bank		2,618,368	400,341
		<hr/>	<hr/>
		23,947,069	6,886,716
<b>Creditors: Amounts falling due within one year</b>	6	(49,663,810)	(2,038,100)
		<hr/>	<hr/>
<b>Net current (liabilities)/assets</b>		(25,716,741)	4,848,616
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		55,004,012	43,989,029
<b>Creditors: Amounts falling due after more than one year</b>	7	(53,300,954)	(42,300,954)
		<hr/>	<hr/>
<b>Total assets</b>		1,703,058	1,688,075
		<hr/> <hr/>	<hr/> <hr/>
<b>Capital and reserves</b>			
Called up share capital	8	1,700,000	1,700,000
Profit and loss account		3,058	(11,925)
		<hr/>	<hr/>
<b>Shareholders' funds - equity</b>	9	1,703,058	1,688,075
		<hr/> <hr/>	<hr/> <hr/>

On behalf of the board

Director 

# Grafton Group (UK) Limited

## Notes

*forming part of the financial statements*

<b>1</b>	<b>Net interest payable</b>	<b>1998</b>	<b>1997</b>
		<b>STG£</b>	<b>STG£</b>
	<i>Payable</i>		
	On loan notes	(32,091)	(29,683)
	On bank overdrafts	(2,154,488)	(1,290,979)
	Recharged from group companies	(470,241)	-
	Amortisation of discount on bond	(1,992,700)	-
		<hr/>	<hr/>
		(4,649,520)	(1,320,662)
	<i>Receivable</i>		
	Received	42,206	4,259
	Recharged to group company	350,377	316,883
		<hr/>	<hr/>
		(4,256,937)	(999,520)
		<hr/>	<hr/>
<b>2</b>	<b>Taxation</b>	<b>1998</b>	<b>1997</b>
		<b>STG£</b>	<b>STG£</b>
	Receivable in respect of Group Relief	4,232,640	888,034
		<hr/>	<hr/>
<b>3</b>	<b>Dividends - equity</b>	<b>1998</b>	<b>1997</b>
		<b>STG£</b>	<b>STG£</b>
	Paid on 'B' ordinary shares at Stg£10 per share (1997: Stg£7.50)	1,000,000	750,000
		<hr/>	<hr/>

# Grafton Group (UK) Limited

## Notes (*continued*)

4 Financial fixed assets	1998 STG£	1997 STG£
Investment in subsidiary undertakings	80,720,753	39,140,413

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 and incorporated in the United Kingdom, 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
Deben Limited	Builders merchants
AR Hendricks Limited	Distributors of lintels
British Dredging plc	Builders merchants

# Grafton Group (UK) Limited

## Notes (continued)

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

	1998 STG£	1997 STG£
Amounts due from group companies	21,318,435	6,486,375
Prepayments	10,266	-
	<hr/>	<hr/>
	21,328,701	6,486,375
	<hr/>	<hr/>

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

	1998 STG£	1997 STG£
Discounted bond (maturing on 20 May 1999)	33,100,000	-
Discounted bond (maturing on 29 November 1999)	10,000,000	-
Accruals	1,408,813	530,239
Loan notes	1,234,081	619,700
Amounts due to group company	3,920,916	888,161
	<hr/>	<hr/>
	49,663,810	2,038,100
	<hr/>	<hr/>

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.

The discounted bonds were issued by a related company and mature on the dates specified above.

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

	1998 STG£	1997 STG£
Bank loan	25,338,492	24,738,492
Amounts due to holding company	2,650,117	2,650,117
Amounts due to subsidiary company	25,312,345	14,912,345
	<hr/>	<hr/>
	53,300,954	42,300,954
	<hr/>	<hr/>

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

	1998 STG£	1997 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 - equity

	1998 STG£	1997 STG£
Shareholders' funds at beginning of period	1,688,075	1,705,826
Total recognised gains and losses for the period	1,014,983	732,249
Dividends paid	(1,000,000)	(750,000)
	<hr/>	<hr/>
Shareholders' funds at end of period	1,703,058	1,688,075
	<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£88,034,000 at the balance sheet date.

### 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.

# Grafton Group (UK) Limited

## Notes (*continued*)

### **12 Comparative amounts**

Comparative amounts have been restated, where necessary, on the same basis as those for the current year.

### **13 Approval of financial statements**

These financial statements were approved by the directors on 26 February 1999.