100153/20

In accordance with Regulation 32 of the Overseas Companies Regulations 2009.

OS AA01

Statement of details of parent law and other information for an overseas company

Companies House

R8XUEI01
RC2 31/01/2020 #65
COMPANIES HOUSE

A8I8MM77
A23 14/11/2019 #117
COMPANIES HOUSE

FRIDAY

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✓ **What this form is for**
You may use this form to accompany your accounts disclosed under parent law.

✗ **What this form is NOT for**
You cannot use this form to an alteration of manner of co with accounting requirement

Part 1 Corporate company name

→ **Filling in this form**
Please complete in typescript or in bold black capitals.

All fields are mandatory unless specified or indicated by *

Corporate name of overseas company ❶	Panelling Centre Limited
UK establishment number	B R 0 1 6 3 7 4

❶ This is the name of the company in its home state.

Part 2 Statement of details of parent law and other information for an overseas company

A1 Legislation

Please give the legislation under which the accounts have been prepared and, if applicable, the legislation under which the accounts have been audited.

Legislation ❷ Companies Act 2014

❷ This means the relevant rules or legislation which regulates the preparation and, if applicable, the audit of accounts.

A2 Accounting principles

Accounts

Have the accounts been prepared in accordance with a set of generally accepted accounting principles?

Please tick the appropriate box.

☐ **No.** Go to **Section A3**.

☑ **Yes.** Please enter the name of the organisation or other body which issued those principles below, and then go to **Section A3**.

Name of organisation or body ❸ International Financial Reporting Standards (IFRS)

❸ Please insert the name of the appropriate accounting organisation or body.

A3 Accounts

Accounts

Have the accounts been audited? Please tick the appropriate box.

☐ **No.** Go to **Section A5**.

☑ **Yes.** Go to **Section A4**.

A4 Audited accounts

Audited accounts	Have the accounts been audited in accordance with a set of generally accepted auditing standards? Please tick the appropriate box. ☐ **No.** Go to **Part 3 'Signature'**. ☑ **Yes.** Please enter the name of the organisation or other body which issued those standards below, and then go to **Part 3 'Signature'**.	❶ Please insert the name of the appropriate accounting organisation or body.
Name of organisation or body ❶	International Financial Reporting Standards (IFRS)	

A5 Unaudited accounts

Unaudited accounts	Is the company required to have its accounts audited? Please tick the appropriate box. ☐ **No.** ☐ **Yes.**

Part 3 Signature

I am signing this form on behalf of the overseas company.

Signature	Signature X [signature] X

This form may be signed by:
Director, Secretary, Permanent representative.

OS AA01
Statement of details of parent law and other information for an overseas company

Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name	Niall Quinn
Company name	Grafton Group plc
Address	Heron House, Corrig Road
Post town	Sandyford Industrial Estate
County/Region	Dublin 18
Postcode	
Country	Ireland
DX	
Telephone	0035312160600

Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register.
- ☐ You have completed all sections of the form, if appropriate.
- ☐ You have signed the form.

Important information

Please note that all this information will appear on the public record.

Where to send

You may return this form to any Companies House address:

England and Wales:
The Registrar of Companies, Companies House, Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.

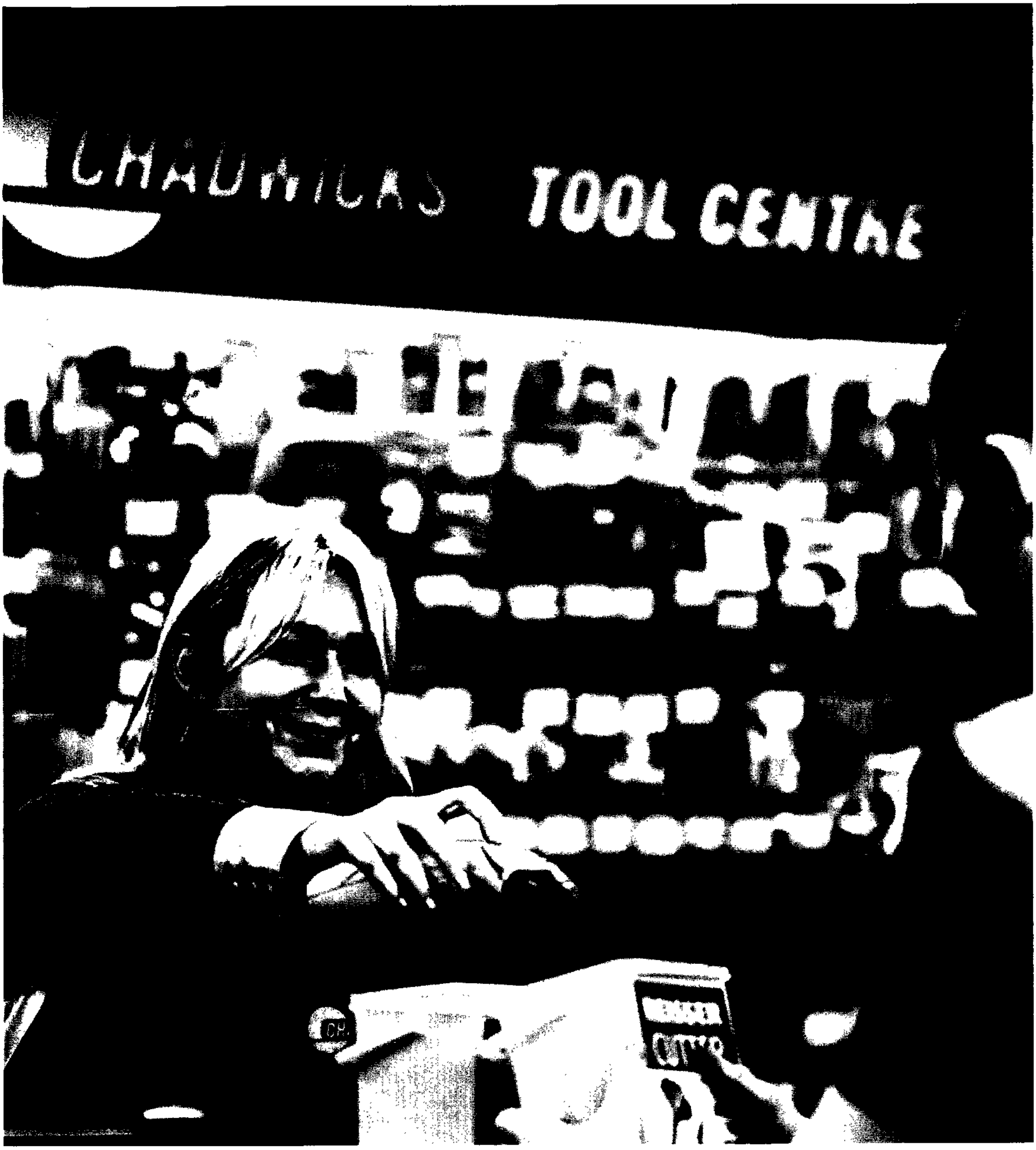
Scotland:
The Registrar of Companies, Companies House, Fourth floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, Scotland, EH3 9FF.
DX ED235 Edinburgh 1
or LP - 4 Edinburgh 2 (Legal Post).

Northern Ireland:
The Registrar of Companies, Companies House, Second Floor, The Linenhall, 32-38 Linenhall Street, Belfast, Northern Ireland, BT2 8BG.
DX 481 N.R. Belfast 1.

Further information

For further information, please see the guidance notes on the website at www.companieshouse.gov.uk or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.companieshouse.gov.uk



Grafton Group plc

Annual Report 2018

Grafton Group plc ("Grafton" or "the Group") is an international distributor of building materials to trade customers who are primarily engaged in residential repair, maintenance and improvement ("RMI") projects and house building.

The Group has leading regional or national market positions in the merchanting markets in the UK, Ireland, the Netherlands and Belgium. Grafton is also the market leader in the DIY retailing market in Ireland and is the largest manufacturer of dry mortar in Great Britain.

Grafton trades from 675 branches and has almost 13,000 colleagues.

The Group's origins are in Ireland where it is headquartered, managed and controlled. It has been a publicly quoted company since 1965 and its Units (shares) are quoted on the London Stock Exchange where it is a constituent of the FTSE 250 Index and the FTSE All-Share Index.

In 2018, the Group reported revenue of £2.95 billion (2017: £2.72 billion), adjusted profit before tax of £188.4 million (2017: £157.2 million) and adjusted Earnings Per Share ("EPS") of 66.0p (2017: 54.9p). The Group statutory profit before tax was £181.3 million (2017: £154.5 million) and the statutory EPS was 63.3p (2017: 54.0p).

UK

selco BUILDERS WAREHOUSE

BUILDBASE

PLUMBASE

MacBlair

Leyland SDM

EuroMix

Ireland

CHADWICKS

Heiton Buckley BUILDERS MERCHANTS

Woodie's

MFP

Netherlands

ISERO IJZERWARENGROEP

GUNTERS en MEUSER IJZERWAREN · GEREEDSCHAPPEN

Belgium

YouBuild We Supply

PRO

Our Core Values

Trustworthy

Value our People

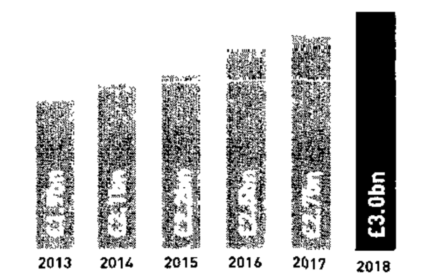
Be Brilliant for our Customers

Entrepreneurial and Empowering

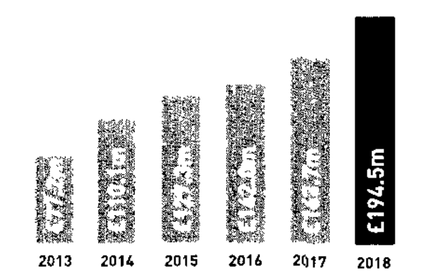
Ambitious

Historic Performance

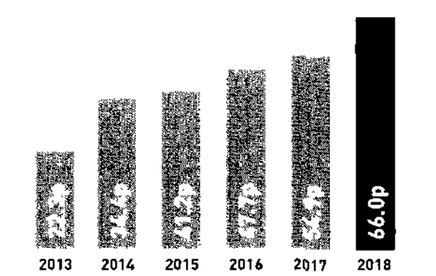
Group Revenue



Group Adjusted Operating Profit



Group Adjusted EPS



Contents

Further investor and shareholder information is available at www.graftonplc.com

Grafton at a Glance

Where We Operate

	Revenue	Adjusted Operating Profit	Adjusted Operating Profit Margin
Group	**£2,952.7m** 2017: £2,715.8m	**£194.5m*** 2017: £163.7m	**6.6%** 2017: 6.0%
UK	£2,062.0m 69.8% 2017: £1,907.2m (70.2%)	£133.1m 68.4% 2017: £ 117.2m (71.6%)	6.5% 2017: 6.1%
Ireland	£643.6m 21.8% 2017: £588.0m (21.7%)	£59.2m 30.4% 2017: £47.2m (28.8%)	9.2% 2017: 8.0%
Netherlands	£155.5m 5.3% 2017: £131.0m (4.8%)	£16.0m 8.2% 2017: £12.6m (7.7%)	10.3% 2017: 9.6%
Belgium	£91.6m 3.1% 2017: £89.6m (3.3%)	£0.8m 0.4% 2017: £ 0.9m (0.5%)	0.9% 2017: 1.0%

* after central activities of £14.6 million in 2018 (2017: £14.2 million)

Our Market Positions

UK		Ireland		Netherlands		Belgium	
3rd	Builders merchanting	**1st**	Builders and plumbers merchanting	**1st**	Ironmongery, tools and fixings segment of Merchanting market	**3rd (joint)**	Builders merchanting
4th	Plumbers merchanting	**1st**	DIY Retailing				
1st	Mortar *manufacturing*						

Grafton trades from 675 branches and has almost 13,000 colleagues.

2018 Highlights

Revenue

£2.95bn

(2017: £2.72bn)

2018

+9% ↑

Adjusted Operating Profit

£194.5m

(2017: £163.7m)

2018

+19% ↑

Adjusted Operating Profit Margin before Property Profit

6.4%

(2017: 5.9%)

2018

+50bps ↑

Cash Generation from Operations

£209.2m

(2017: £210.7m)

2018

(£1.5m) ↓

Dividend

18.00p

(2017: 15.50p)

2018

+16% ↑

Net Debt

£53.1m

(2017: £62.9m)

2018

(£9.8m) ↓

Return on Capital Employed

15.0%

(2017: 13.6%)

2018

+140bps ↑

Adjusted Earnings Per Share - Basic

66.0p

(2017: 54.9p)

2018

+20% ↑

Free Cash Conversion

81%

(2017: 100%)

2018

(19%) ↓

Statutory

Statutory Operating Profit

£187.5m

(2017: £160.9m)

2018

+17% ↑

Statutory Operating Profit Margin

6.4%

(2017: 5.9%)

2018

+50bps ↑

Statutory Earnings Per Share - Basic

63.3p

(2017: 54.0p)

2018

+17% ↑

Our Top Brands

Merchanting

The Merchanting segment distributes building materials from 629 branches in the UK, Ireland, the Netherlands and Belgium.

Merchanting revenue up 8.4% to £2.7bn (2017: £2.5bn)
(up 8.1 % in constant currency)

Selco Builders Warehouse

Selco is a trade and business only builders' merchants that operates a retail style self-select format. Its unique products and service model is primarily focused on customers engaged in small residential RMI projects.

Selco, the UK's fourth largest merchanting brand, trades from 66 branches including 38 that are located within the Greater London Area.

selcobw.com

Buildbase

Buildbase is the UK's third largest builders' merchants trading from more than 180 branches with a strong presence in the South East, Midlands and North of England.

Buildbase operates a network of long established branches that have strong positions in local markets for the supply of a broad range of building materials.

buildbase.co.uk

Plumbase

Plumbase is the fourth largest plumbing and heating merchant in the UK with a network of over 160 branches. It has a strong presence in the South East, Midlands, East Anglia, West Country and Scotland.

As one of the country's leading suppliers of plumbing and heating products, it focuses on a customer base of domestic and commercial gas engineers, plumbers and maintenance contractors.

plumbase.co.uk

MacBlair

Your LOCAL Builders' Merchant

MacBlair is the leading builders' merchant in Northern Ireland where it trades from 17 branches.

The business supplies the trade, DIY and self-build markets providing "a one stop shop" for building materials, timber, doors and floors, plumbing and heating, bathrooms and landscaping products.

macblair.com

Leyland SDM

Specialist Decorators Merchants

Leyland SDM is one of the most recognisable and trusted decorating and DIY brands in Central London selling paint, tools, ironmongery and accessories from 21 branches.

leylandsdm.co.uk

Our Top Brands (continued)

Chadwicks is a leading builders' and plumbers' merchants in the Republic of Ireland where it has a strong market position in the Greater Dublin Area and provincial locations.

The business distributes a full range of building materials principally to the residential RMI and new build markets.

chadwicks.ie

Heiton Buckley is a leading builders' and plumbers' merchanting business trading from branches in Dublin, provincial cities and towns where the Chadwicks brand is not represented. It also incorporates Ireland's largest steel stockholding business.

heitonbuckley.ie & heitonsteel.ie

Isero is the leading specialist distributor of tools, ironmongery and fixings in the Netherlands.

Isero trades under the Gerritse, Breur Ceintuurbaan, Van der Winkel and Scholte de Vries-Estoppey brands. The business offers a comprehensive range of quality products to trade professionals supported by an exceptional level of customer service.

isero.nl

Gunters en Meuser is the market leader in the distribution of tools, ironmongery and fixings in the Greater Amsterdam Area. It is a high quality business and brand that is synonymous with the ironmongery market in Amsterdam where it has traded for over 190 years.

guntersenmeuser.nl

YouBuild is a builders' merchants trading from 11 branches located mainly in the Flanders Region of Belgium where it has a strong market position.

youbuild.be

MPro is a five branch builders' merchants with a strong market position in Brussels and the Wallonia Region.

mpro.be

Retailing

The Group is the largest DIY retailer in Ireland trading from 35 branches

Woodie's is Ireland's market leading DIY, Home and Garden retailer with 35 stores nationwide offering an extensive range of DIY products, paints, lighting, homestyle, housewares, bathroom products and fitted kitchens. Woodie's is also a leading retailer of seasonal categories including gardening and Christmas ranges.

Retailing
revenue up 9.9%
to £198.2m (2017: £180.4m)
(up 8.8% in constant currency)

woodies.ie

Manufacturing

The Manufacturing segment operates the market leading dry mortar business in Great Britain from 10 plants and a plastics manufacturing facility in Dublin.

CPI Mortars is the market leader in dry mortar manufacturing in the UK, operating from 10 strategically located plants that provide almost national coverage. The portable silo system, which contains aggregates, sand and cement, provides customers with a constant supply of high quality mortar and creates other benefits for customers through improved site management, savings on labour costs and reduced waste.

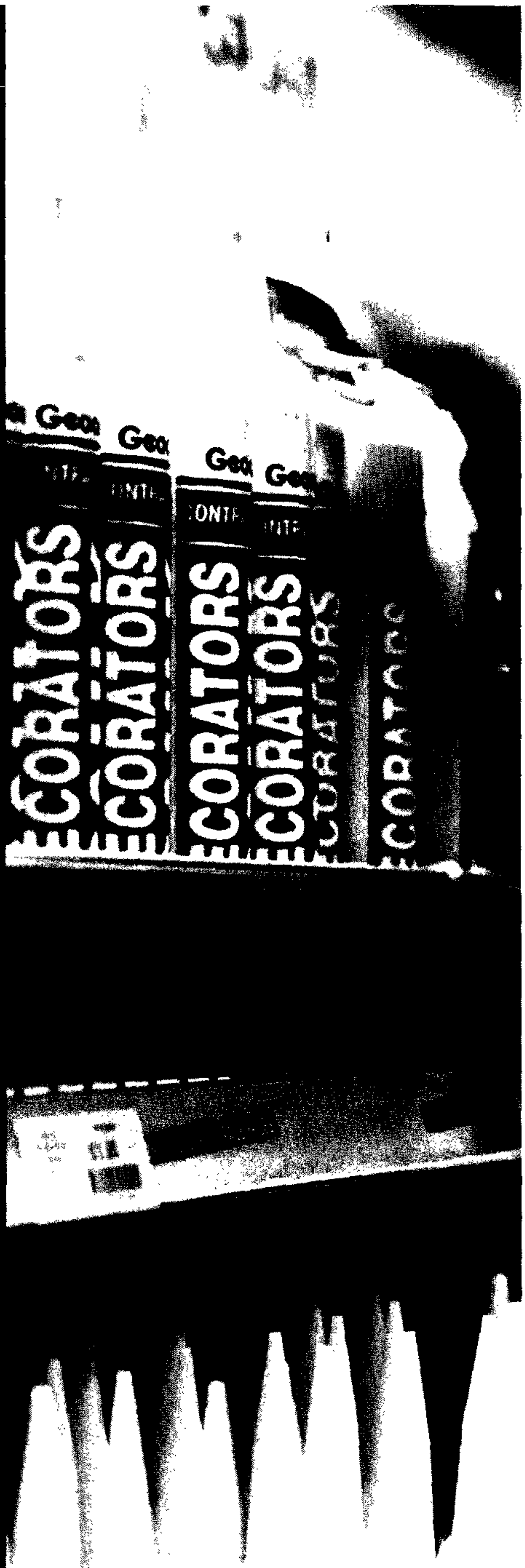
MFP is a manufacturer of a comprehensive range of drainage and roofline products and is also a distributor of selected ranges from other manufacturers.

Manufacturing
revenue up 19.3%
to £78.8m (2017: £66.1m)
(up 19.2% in constant currency)

cpieuromix.com

mfp.ie

Strategic Report




selco
BUILDERS

Chairman's Statement

Dear Shareholder,

I am pleased to report that 2018 was another very good year for Grafton as the Group continued to pursue a consistent growth strategy that delivered excellent results. The strong results for the year were driven by solid organic growth in all key markets and a contribution from acquisitions.

The traditional merchanting business in the UK performed well despite broadly unchanged like-for-like volumes and competitive pressure on gross margins. Selco delivered a very good level of profitability in a weak residential RMI market. Our market leading Merchanting and DIY businesses in Ireland continued to enjoy a strong recovery and delivered high levels of growth. The UK Mortar business outperformed growth in the new housing market and reported an exceptional result for the year. We were rewarded for our investment in the Netherlands where our specialist merchanting business experienced strong organic growth and also realised synergy benefits from acquisitions. The performance of the Belgian merchanting business was marginally behind the prior year.

Results

The Group reported good progress against the key metrics that we use to measure performance including an increase in return on capital employed ("ROCE") by 140 basis points to 15.0 per cent from 13.6 per cent. Revenue grew by 9 per cent to £3.0 billion (2017: £2.7 billion). Adjusted operating profit increased by 19 per cent to £194.5 million (2017: £163.7 million) and adjusted profit before tax increased by 20 per cent to £188.4 million (2017: £157.2 million). Adjusted earnings per share was also up by 20 per cent to 66.0p (2017: 54.9p).

Dividend

A second interim dividend of 12.00p (2017: 10.25p) was approved to give total dividends for the year of 18.00p. This is an increase of 16.1 per cent on dividends of 15.5p paid for 2017 and represents the sixth consecutive year of double-digit growth in dividend per share. The increase is based on the Board's policy of increasing dividends as earnings increase and reflects both the strong cashflow from operations and low level of net debt. Dividend cover was 3.7 times (2017: 3.5 times).

Cash Flow and Balance Sheet

Generating strong cash flow from operations and maintaining a strong balance sheet continue to be an intrinsic part of our business model. Cash flow from operations was £209.2 million (2017: £210.7 million) and shareholders' equity increased to £1.3 billion at the year-end (31 December 2017: £1.2 billion). Our priorities for the use of free cash flow are to invest organically in businesses that have been designated for development, growing by acquisition in existing and new geographic markets in line with our development strategy and maintaining a progressive dividend policy.

Strategy

The Group's executive management team continued to make progress developing, refining and implementing the Group's medium term strategy.

The fundamentals of the Selco business are good and the business continued to be the focus of organic development activity in the UK merchanting market with the opening of seven new branches during the year that increased the estate to 66. The acquisition of Leyland SDM provided access to a new and resilient specialist segment of the RMI market from a network of branches in Central London that is complementary to the Selco Branch network in the Greater London Area.

The focus in the Netherlands business, which now has a strong presence in each of the country's five largest cities, was on the integration of the Gunters en Meuser and Scholte & de Vries - Estoppey businesses acquired in 2017 and on completing a number of infill acquisitions.

In Ireland, strong growth in profitability in the merchanting and DIY markets was generated organically from branch networks that provide almost national coverage.

The Board's strategy for the future growth and development of Grafton in the UK is based on strengthening existing market positions primarily through organic growth. We see further opportunities to build on our scale in Ireland and to grow revenue organically and increase the operating profit margin. The focus in the Netherlands merchanting market will be on growing organically and through acquisitions.

The creation of a more balanced portfolio of businesses internationally by establishing a presence in new geographic markets continues to be a high strategic priority for the Board. The Group's excellent cash generation from operations, good liquidity and strong balance sheet should provide the resources required to fund our strategic growth plans.

Board Composition and Renewal

Grafton has a strong Board of Directors that drives performance and growth of the business. The membership of the Board, which was refreshed in recent years, is broadly based and reflects a diverse range of backgrounds, education, cultures, experience, expertise and perspectives. Prior to making appointments to the Board, the Nomination Committee evaluates the balance of skills, knowledge, experience and diversity on the Board and that required for any future appointment. The Board has agreed that gender and diversity will be given careful consideration in shortlisting candidates for future vacancies while recognising that the best placed individuals are recommended for appointment.

Board Evaluation

An evaluation of the Board, its Committees and individual Directors was conducted during the year by an external evaluator and I am pleased to report that the results demonstrate that the Board and its Committees continue to operate very effectively and to a high standard of governance. As a Board, we have considered the findings and recommendations made by the external evaluator and identified a number of areas of improvement which will be implemented during 2019.

Annual General Meeting

In line with the policy adopted in recent years, all Directors will retire and seek re-election at the 2019 AGM. Each Director performs effectively and has demonstrated a strong commitment to the role and I strongly recommend that it is in the interests of shareholders and the Board that each of the Directors going forward be re-elected at the Annual General Meeting.

Colleagues

The results for the year are a tribute to the management teams in our market leading businesses under the excellent leadership of Gavin Slark, Group CEO. On behalf of the Board, I would like to take this opportunity to thank all of our colleagues for contributing to these strong results.

Outlook

The Board is positive about the overall growth prospects for 2019 and about potential opportunities to continue creating shareholder value over the medium term.

Michael Roney
Chairman

Chief Executive Officer's Review

2018 was another year of strong delivery against our medium-term targets achieved through a combination of organic and acquisition led initiatives.

Gavin Slark
Chief Executive Officer

Grafton continues to benefit from exposure to the fast growing Irish and Dutch markets and from strong underlying demand fundamentals in the UK market. The Group's excellent cash generation from operations, good liquidity and strong balance sheet should continue to support the development of the business.

Group Results

Grafton is pleased to report another set of good results and the delivery of strong growth in revenue, profitability and earnings per share. Broadly based organic growth in the merchanting, retailing and manufacturing businesses and the Leyland SDM acquisition contributed to the improved outcome. These record results demonstrate the benefit of the Group's market positions and exposure to multiple geographies with operating profit growth of 14 per cent in the UK, 25 per cent in Ireland and 27 per cent in the Netherlands.

We were very pleased to achieve a return on capital employed (ROCE) of 15 per cent in 2018, consistent with the medium term target we set ourselves in 2015. The Group's operating margin advanced towards our 7.0 per cent target, increasing by 60bps in the year to 6.6 per cent.

Merchanting

The UK merchanting business increased its market share through growing revenue organically in new Selco branches and through the Leyland SDM acquisition that completed in February 2018. The overall business responded well to generally subdued trading conditions in the residential RMI market and delivered a solid increase in profitability that included a good contribution from Leyland SDM.

The market leading merchanting business in Ireland delivered strong organic growth for the fifth consecutive year in a favourable market as house building increased and commercial construction activity strengthened. The operating profit margin before property profit advanced by 90bps to 9.4 per cent.

The Netherlands business, which has a leadership position in the ironmongery, tools and fixings segment of the merchanting market, performed strongly growing revenue organically and realising integration benefits from acquisitions made in 2017. The operating profit margin increased by 70bps to 10.3 per cent.

The results of the Belgian merchanting business were marginally lower in a stable market having absorbed non-recurring costs that should support the future profitable growth of the business.

Retailing

Woodie's, the clear market leader in the DIY, Home and Garden market in Ireland, celebrated the 30th anniversary of the opening of its first store with an exceptional level of organic growth in revenue and profitability, including a strong performance from seasonal ranges in the summer months. The operating profit margin increased by 230bps to 8.5 per cent.

Progress in the Group's merchanting business will again be focused on outperforming the market by identifying growth opportunities and increasing revenue and profitability in the 24 Selco stores that were opened over the past three years.

Manufacturing

CPI EuroMix, the market leading mortar manufacturing business that operates nationally from ten plants in the UK, reported excellent growth in revenue and profitability and was a significant contributor to Group profitability. Segment operating profit margin increased by 150 basis points to 24.4 per cent.

Property Profit

The Group realised a profit of £4.9 million (2017: £2.7 million) and proceeds of £9.1 million on the disposal of properties that were no longer in use in the merchanting businesses in the UK and Ireland.

Cash Flow

The Group continued to be very cash generative with cashflow from operations of £209.2 million (2017: £210.7 million) and £23.8 million was realised from the disposal of property, one branch in Belgium and two small non-core businesses in the UK. A cash outflow of £147.4 million was committed to acquisitions and capital projects and the Group ended the year with net debt of £53.1 million (31 December 2017: £62.9 million).

Outlook

Progress in the Group's merchanting business will again be focused on outperforming the market by identifying growth opportunities and increasing revenue and profitability in the 24 Selco stores that were opened over the past three years. Activity in the UK merchanting market is expected to be slightly weaker in the current year with housing RMI activity overall likely to be modestly lower on the basis of recent trends in the economy generally and housing transactions and mortgage approvals. A small increase in the supply of new homes is anticipated supported by underlying demand and the availability of mortgage finance.

The merchanting and DIY markets in Ireland should continue to benefit from the positive outlook for the economy although some moderation in the pace of growth in consumer spending is anticipated. Forward looking indicators point to sustained growth in house building and growth in overall building and construction.

The outlook for the Netherlands economy remains favourable with growth set to continue though easing slightly. Increased disposable income in a tight labour market should be supportive of growth in the new housing market and broadly based investment in property renovation.

The Belgian merchanting business should benefit from the initiatives and developments implemented in 2018.

Average daily like-for-like revenue growth in the period from 1 January 2019 to 17 February 2019 was 3.7 per cent in the overall Group, 1.9 per cent in the UK merchanting business, 10.5 per cent in the Irish merchanting business, 4.6 per cent in the Dutch merchanting business and 5.5 per cent in the Belgian merchanting business. Like-for-like revenue was ahead by 5.6 per cent in the retailing business in Ireland and by 1.3 per cent in the manufacturing business.

Our strategy remains to invest in organic growth opportunities and acquisitions that will create value for shareholders by delivering sustainable growth in attractive segments of the merchanting market, while maintaining a disciplined approach to the allocation of capital.

Gavin Slark
Chief Executive Officer

Strategy

Our overall objective is to be a leading international distributor of building materials and related activities. This objective is supported by our five strategic priorities.

Excellence in Service

Being the first choice supplier to our customers.

Refining and developing the range of products and services offered.

Developing an innovative and efficient multi-specialist and multi-channel business.

Increasing our e-commerce capabilities.

A Supportive Organisational Structure *and Management*

Group Management and the Board developing and implementing the overall strategy of the Group.

Utilising the Group Corporate Office in Dublin to support the Group's international operations.

Operating a decentralised organisational structure that confers significant autonomy on local management teams within a tight Group accounting, risk management and control environment.

Employing high calibre management teams with an appropriate mix of operational and management experience and expertise in a range of specialist disciplines.

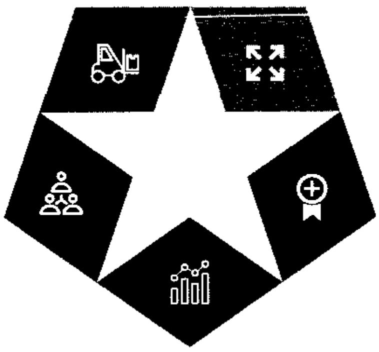
[illegible]

Deploying mature acquisition and integration skills to complete transactions and realise synergies.

Increasing market coverage where the Group is currently under-represented.

Moving into new territories where opportunities exist to:

- achieve good returns on capital invested;
- achieve leading market positions in national and regional markets; and
- add value to familiar business models operating in unconsolidated markets.



A Strong Financial Base

Maximising long term returns for shareholders supported by three financial pillars:

- Revenue growth in new and existing markets;
- Operating profit margin growth; and
- Optimising capital turn and return on capital employed.

Generating strong cash flow from operations and maintaining a strong balance sheet are key financial metrics.

Ethics and Integrity

Conducting business to a high standard of integrity for the benefit of all stakeholders and in a responsible way.

This includes a commitment to achieving the highest practical standards of health and safety for colleagues, customers and visitors to Group locations.

Progress in 2018

Excellence in Service

A number of new trading initiatives were introduced in the Group's businesses in 2018 aimed at improving our customers' experience.

The Irish merchanting business commenced a branch rebranding programme with five branches completed in 2018. A number of showroom upgrades were also completed.

The Woodie's store upgrade programme has helped to provide an improved customer experience and ensure that it retains its strong market leadership position.

Customer satisfaction surveys have been introduced in a number of businesses to provide insight into customer experiences and identify areas for improvement.

Leyland SDM introduced longer opening hours in its branch network and now open seven days a week in a number of branches.

A Strong Financial Base

The Group's businesses continued to focus on operational and commercial performance leading to revenue growth of 9 per cent.

The adjusted operating profit margin increased by 60bps to 6.6 per cent.

Capital turn was maintained at 2.3 times and Return on Capital Employed increased by 140 basis points to 15 per cent.

In September 2018, the Group raised €160 million (£143.1 million) through an issue of unsecured senior notes in the US Private Placement market and used the proceeds to refinance existing debt.

[illegible]

The Group completed the acquisition of Leyland SDM, a 21-branch decorating and DIY business in Central London that complements the Group's larger Selco merchanting branches in the Greater London Area.

The Selco branch network continued to grow, with seven new branches opened in 2018.

The Group continued its expansion in the Netherlands with the acquisition of two branches and the opening of a further two, increasing the number of branches in the Netherlands to 62.

A Supportive Organisational Structure and Management

The Group maintained its focus on colleague training and leadership development and ran training programmes across its businesses.

A number of business units updated their recruitment, learning and development programmes.

The Group-wide online ethics and regulatory training modules were updated during the year and re-launched on a new e-learning management system.

Ethics and Integrity

A new online information security training course incorporating GDPR was developed and rolled out to all Group businesses in 2018. 99 per cent of colleagues had completed the course by year end.

The Group Equality, Diversity and Inclusion Policy and the Anti-Bribery and Corruption Policy were reviewed and updated, and a new Timber Sourcing Policy was implemented.

The recommendations arising from reviews of the Group's Internal Audit Procedures and Risk Management Procedures carried out by KPMG in 2017 were fully implemented during the year.

Further progress was made to ensure supplier compliance with the Group's ethical standards.

Group CO2e emissions per £'m of revenue fell by 1.8% in 2018.

The Group's Lost Time Injury Frequency Rate (LTIFR), a measure of the number of lost time injuries per 100,000 hours worked, reduced by 4.6% to 1.04.

Key Performance Indicators
pages 20 - 21

Risk Management
pages 46 - 51

Priorities for 2019	KPIs	Link to Risk
Group businesses will continue to pursue opportunities to improve customer service. The maintenance of a customer service-focused approach to branch operations remains a key priority for 2019.	• Revenue • Adjusted Operating Profit Margin before Property Profit • Adjusted Operating Profit Margin • Adjusted Operating Profit • Adjusted Earnings Per Share • Return On Capital Employed	• Competition • Colleagues • IT Systems and Infrastructure • Cyber Security & Data Protection • Supplier Rebates • Internal Controls & Fraud
The Group will continue to prioritise like-for-like revenue growth in its markets and tight control over costs. The Group will invest in areas of its business that provide good long term growth prospects and the opportunity to improve the operating profit margin and return on capital employed.	• Revenue • Adjusted Operating Profit Margin before Property Profit • Adjusted Operating Profit Margin • Capital Turn • Adjusted Operating Profit • Free Cash Flow • Adjusted Earnings Per Share • Return On Capital Employed	• Macro-Economic Conditions • Competition • Acquisition and Integration of New Businesses • Supplier Rebates • Internal Controls & Fraud
Growth by acquisition in new and existing geographic markets continues to be a high strategic priority. Grafton will continue to pursue its organic growth strategy in its established businesses.	• Revenue • Adjusted Operating Profit Margin before Property Profit • Adjusted Operating Profit Margin • Adjusted Operating Profit • Free Cash Flow • Adjusted Earnings Per Share • Return On Capital Employed	• Macro-Economic Conditions • Competition • Acquisition and Integration of New Businesses
The Group will continue to focus on the development of colleagues and management teams and to equip colleagues with key leadership skills.	• Revenue • Adjusted Operating Profit Margin before Property Profit • Adjusted Operating Profit Margin • Capital Turn • Adjusted Operating Profit • Free Cash Flow • Adjusted Earnings Per Share • Return On Capital Employed • Lost Time Injury Frequency Rate	• Colleagues • IT Systems and Infrastructure • Cyber Security & Data Protection • Health & Safety • Acquisition and Integration of New Businesses • Internal Controls & Fraud
The maintenance of high ethical standards for the benefit of all stakeholders remains an integral part of the Group's strategy. The Group will continue to roll out its on-line ethics training programme to all colleagues. The roll out of Business Continuity Planning will be completed in 2019. Reducing the frequency and severity of accidents remains a key priority.	• Lost Time Injury Frequency Rate • Group CO_2e Emissions per £m of revenue	• Colleagues • Health & Safety • Internal Controls and Fraud

Creating value for our stakeholders

Inputs
The continued success of the Group is based on

Strong relationships with our customers.

The contribution and commitment of our colleagues.

An efficient network of trusted suppliers.

A strong financial base to fund ongoing development and acquisition activity.

Recognising our responsibility as a member of the communities where our branches are located.

Business Activities
We add value by building on our strengths and leading market positions

Key Strengths

Leading market positions and brands in each of the countries in which the Group operates.

Sound financial metrics based on excellent cash generation, a strong balance sheet and the financial resources to fund ongoing development activity.

A geographically diversified network of 675 branches with opportunities for further growth through acquisition and organic development.

A portfolio of highly cash generative and profitable businesses.

A customer service orientated culture and the scale and breadth of operations to create a competitive advantage in local markets.

Strong, capable, highly motivated and experienced management teams.

Skills and experience in acquiring and integrating businesses.

"Grafton is an international trade focused, multi-channel distributor of construction products. The success of the business is based on the quality of the products it distributes and the quality of the service it provides to its customers. The Group aims to build on its leading market positions in the UK, Ireland, the Netherlands and Belgium and to grow internationally in merchanting and related markets."

Gavin Slark, Group CEO.

Outputs
Growing our business internationally

Outcomes
Creating value for our stakeholders

Operating Segments

Merchanting

Retailing

7%
of Group Revenue
(2017: 7%)

Manufacturing

2%
of Group Revenue
(2017: 2%)

Revenue
£2.95bn

Adjusted Group Operating Profit
£194.5m

Almost 13,000
colleagues in 675 branches and support offices

1.8% reduction
in CO2e Emissions per £m of revenue

Over £550,000
raised for charities

Shareholders
Increasing profitability and earnings.

Customers
Being brilliant for our customers.

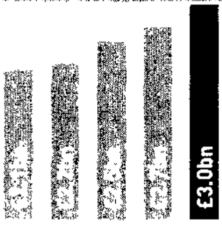
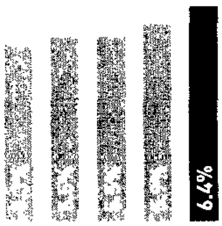
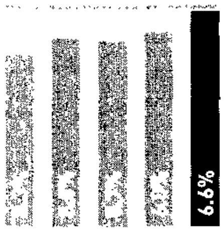
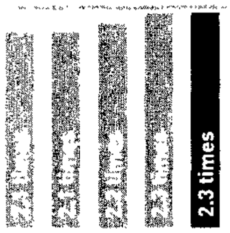
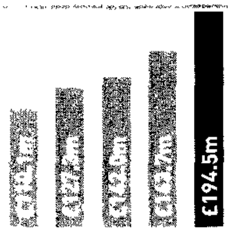
Colleagues
Retaining a loyal, engaged and well trained workforce.

Suppliers
Building relationships to grow our businesses.

Communities
Engaging with local communities.

Key Performance Indicators

The Key Performance Indicators ("KPIs") below are used to track performance and increase value for shareholders.

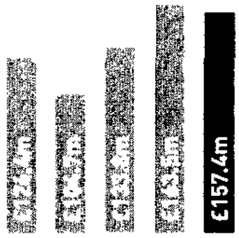
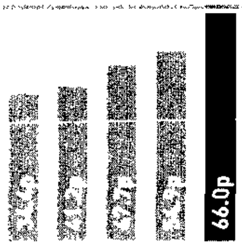
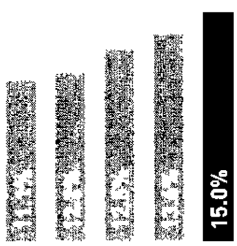
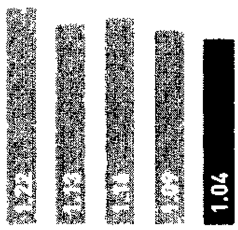
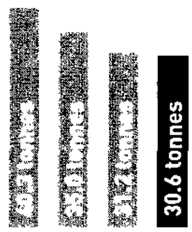
KPI	Definition and Relevance	Performance Trend 2014 2015 2016 2017 2018	2018 Performance	Link to Risk	Link to Strategy
Revenue	Group revenue for the year is a measure of overall growth.		Group Revenue for 2018 was a record £3.0 billion, an increase of 9 per cent on 2018 and the sixth successive year of growth.	• Macro-Economic Conditions • Competition	● Strong Financial Base ● Excellence in Service ● Organic Growth and Acquisitions ● Organisational Structure & Management
Adjusted Operating Profit Margin before Property Profit	Adjusted Operating Profit before profit on disposal of Group properties as a percentage of revenue provides a good measure of performance. The term "adjusted" means before amortisation of intangible assets arising on acquisitions, goodwill written off in the period and profit on disposal of Group businesses.		Adjusted Operating Profit Margin before Property Profit increased by 50bps to 6.4 per cent.	• Macro-Economic Conditions • Competition	● Strong Financial Base ● Excellence in Service ● Organic Growth and Acquisitions ● Organisational Structure & Management
Adjusted Operating Profit Margin	Adjusted Operating Profit as a percentage of revenue.		Increased by 60bps to 6.6%.	• Macro-Economic Conditions • Competition	● Strong Financial Base ● Excellence in Service ● Organic Growth and Acquisitions ● Organisational Structure & Management
Capital Turn	Revenue divided by average capital employed where capital employed is the sum of total equity and net debt at each period end.		Capital turn was maintained at 2.3 times.	• Macro-Economic Conditions • Competition	● Strong Financial Base ● Organisational Structure & Management
Adjusted Operating Profit	Profit before intangible asset amortisation on acquisitions, exceptional items, net finance expense and income tax expense.		The Group delivered growth in adjusted operating profit for the ninth successive year.	• Macro-Economic Conditions • Competition	● Strong Financial Base ● Excellence in Service ● Organic Growth and Acquisitions ● Organisational Structure & Management

Certain KPIs are used as financial measures to incentivise executives. For 2018 these were Adjusted Operating Profit and Return on Capital Employed which are identified below with the symbol

Supplementary Financial Information pages 192 - 195

Risk Management pages 46 - 51

Strategy pages 15 - 17

KPI	Definition and Relevance	Performance Trend 2014 2015 2016 2017 2018	2018 Performance	Link to Risk	Link to Strategy
Free Cash Flow	Cash generated from operations less interest, tax and replacement capital expenditure net of disposal proceeds. Free cash flow provides a good measure of the cash generating capacity of the Group's businesses.		Free Cash Flow was slightly lower at £157.4m (2017: £163.5m), compared to an exceptional prior year performance.	• Macro-Economic Conditions • Competition	● Strong Financial Base ● Organic Growth and Acquisitions ● Organisational Structure & Management
Adjusted Earnings Per Share	A measure of underlying profitability of the Group. Adjusted profit after tax is divided by the weighted average number of Grafton Units in issue, excluding treasury shares.		Adjusted EPS increased by 20 per cent from 54.9 pence in 2017 to 66.0 pence in 2018.	• Macro-Economic Conditions • Competition	● Strong Financial Base ● Excellence in Service ● Organic Growth and Acquisitions ● Organisational Structure & Management
ROCE	A measure of the Group's profitability and the efficiency of its capital employed. Adjusted operating profit is divided by average capital employed (where capital employed is the sum of total equity and net debt at each period end) times 100.		Return on Capital Employed (ROCE) increased by 140 basis points to 15.0 per cent.	• Macro-Economic Conditions • Competition	● Strong Financial Base ● Excellence in Service ● Organic Growth and Acquisitions ● Organisational Structure & Management
Lost Time Injury Frequency Rate (LTIFR)	A measure of the number of lost time injuries per 100,000 hours worked.		The Group's LTIFR decreased by a further 4.6% since 2017.	• Health & Safety	● Organisational Structure & Management ● Ethics & Integrity
Group CO2e Emissions	The total tonnes of CO2e emitted by Group activities per £'m of revenue.		Group CO2e per £'m of revenue reduced by 1.8%, from 31.2 to 30.6 tonnes.	• Health & Safety	● Ethics & Integrity


MacBlair

Sectoral & Strategic Review

Merchanting Segment

	2018 £'m	2017 £'m	Actual Change
Revenue	**2,675.8**	2,469.4	+8.4%
Adjusted operating profit before property profit	**168.2**	148.9	+13.0%
Adjusted operating profit margin before property profit	**6.3%**	6.0%	+30bps
Adjusted operating profit	**173.0**	151.6	+14.1%
Adjusted operating profit margin	**6.5%**	6.1%	+40bps

The merchanting businesses in the UK, Ireland, the Netherlands and Belgium accounted for 91 per cent of Group revenue (2017: 91 per cent). Revenue grew by 4.0 per cent in the like-for-like business. Trading conditions were favourable in the merchanting markets in Ireland and Netherlands and relatively flat in the UK and Belgium merchanting markets.

UK Merchanting

The UK Merchanting segment trades from 502 branches, principally under the Selco, Buildbase and Plumbase brands in the South East, Midlands and North of England, and under the MacBlair brand in Northern Ireland.

	2018 £'m	2017 £'m	Actual Change
Revenue	**1,987.6**	1,845.1	+7.7%
Adjusted operating profit before property profit	**110.1**	100.9	+9.1%
Adjusted operating profit margin before property profit	**5.5%**	5.5%	-
Adjusted operating profit	**114.7**	102.6	+11.9%
Adjusted operating profit margin	**5.8%**	5.6%	+20bps

Market Positions

Builders Merchanting	No. 3
Plumbers Merchanting	No. 4

Proportion of Group Revenue

Proportion of Group Adjusted Operating Profit

Key Brands

The UK merchanting business delivered a good overall result increasing operating profit by 11.9 per cent, including a good contribution from Leyland SDM.

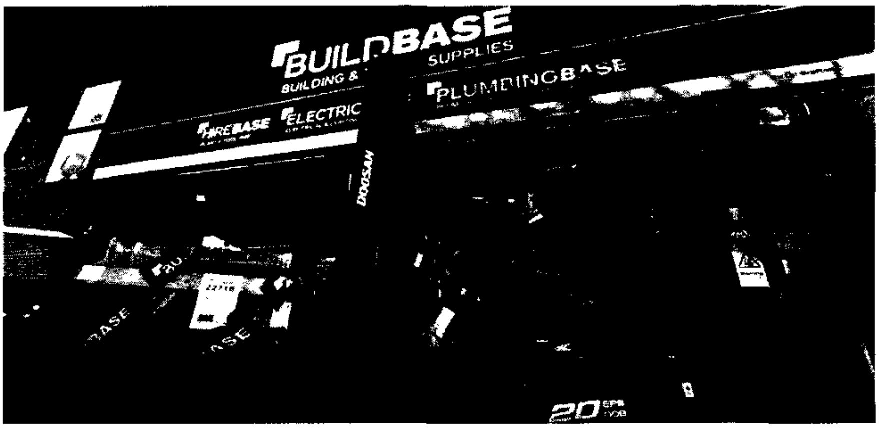
The UK economy grew by an estimated 1.4 per cent in 2018 and there was a modest reduction in housing transactions. House prices registered marginal growth for the year while mortgage approvals were slightly down on the prior year. Housing starts and completions grew by an estimated one to two per cent.

Average daily like-for-like revenue increased by 2.7 per cent as customer activity gained some momentum in the second half of the year following a decline in volumes in the first half. Building materials price inflation for the year was estimated at approximately 3.5 per cent. New branches generated revenue growth of 2.9 per cent (£53.1 million) and Leyland SDM contributed revenue growth of 2.4 per cent (£43.9 million). The disposal of two small non-core businesses and branch consolidations reduced revenue by 0.6 per cent (£11.3 million) which combined with an extra trading day led to overall revenue growth of 7.7 per cent.

The positive mix effect of market share gains by the higher gross margin Selco business and the Leyland SDM acquisition increased the gross margin of the UK merchanting business by 30bps. Intense price competition and pressure on gross margins continued to be a feature of trading in the traditional UK merchanting market.

The adjusted operating profit margin before property profit was maintained at 5.5 per cent.

Selco Builders Warehouse, the retail style merchanting model for trade and business customers, reported double digit revenue growth and increased operating profit with the benefit of lower branch opening costs.



Revenue growth was primarily driven by the opening of new branches. Comparatively, low revenue growth in the like-for-like business reflected general weakness in the UK economy, relatively flat trading conditions in the RMI market, house price declines in London and the transfer of revenue from a number of established branches in London and other cities, that were operating close to capacity, to new branches that were opened within the catchment area of these branches.

Expansion of the Selco branch footprint continued with the opening of seven new branches taking the estate to 66 including 38 in the Greater London Area, which accounted for 72 per cent of revenue in 2018. The opening of 24 branches over the past three years has created a business of scale and one of the UK's largest and most successful merchanting brands with revenue exceeding £0.5 billion in 2018. There remains a significant opportunity to realise economies of scale over the coming years from growing revenue in branches that are currently in the early stages of development and from continued expansion of the network.

Prior to the year end, Selco successfully relocated its Cricklewood branch to a larger nearby facility when the current lease came to an end.

Leyland SDM, London's largest independent specialist decorators merchant, trading from a network of 21 high street branches in Central London, was acquired in February 2018. The acquisition reflects our focus on a resilient segment of the RMI market and an emphasis on developing a new channel from exceptional locations that complements the strong presence of Selco in the Greater London Area.

The performance of the business has met our expectations, delivering revenue in the year of £43.9 million and generating an operating profit of £6.5 million. We have secured the expected purchasing benefits between Leyland SDM and other Grafton businesses.

Buildbase experienced mixed trading conditions in the first half of the year reporting modest like-for-like revenue growth. Activity recovered somewhat in the second half and overall revenue growth for the year was driven by materials price inflation with volumes remaining broadly flat. The subdued trading conditions contributed to gross margin pressure in a highly competitive market and operating profit was down on the previous year's level due to the planned increase in costs associated with implementing the new trading and back office ERP system. Against a difficult market backdrop, there was a strong focus on cost control and cash flow

The positive mix effect of market share gains by the higher gross margin Selco business and the Leyland SDM acquisition increased the gross margin of the UK merchanting business by 30bps.

Plumbase made excellent progress for the second successive year with a doubling of operating profit.

generation. A number of back-office modules of the new ERP system have been successfully implemented and branch testing is currently ongoing with rollout expected to commence in the second quarter. The incremental costs of implementation and user training is circa £3.0 million in the current year.

Plumbase made excellent progress for the second successive year with a doubling of operating profit. The business made gains from streamlining its operating model and new marketing initiatives. The bathroom products distribution business experienced improved demand in the second half and delivered a good performance. The distribution centre in Bolton was relocated to a new facility with increased warehouse capacity.

Civils & Lintels, a distributor of heavyside building materials, grew revenue and profitability strongly from increasing its exposure to the house building market. It entered into a number of new annual and multi-year supply arrangements for groundworks and civil engineering products with national housebuilders and sub-contractors. The business also made gains in the steel and concrete lintels market where it is the UKs largest distributor and in the market for underground plastic drainage products. Market coverage was extended into the North of England with the opening of a new branch in Leeds which traded ahead of expectations. In Scotland, where the branches trade under the PDM brand, growth in the new housing market more than offset a slowdown in the hydroelectric and civils markets.

MacBlair, the Northern Ireland merchanting business, had a very good year increasing revenue and operating profit with the benefit of its strong exposure to the residential new build and RMI markets. The business also made procurement and category management gains and leveraged its brand to improve its market position in the region.

TG Lynes, a leading distributor of commercial pipes and fittings in London, reported a good performance in a strong market and established new records for revenue and operating profit. Its core customer base of commercial heating, plumbing and mechanical services contractors continued to develop and support a wide range of residential, commercial and public sector new build and refurbishment projects.

UK Merchanting Strategy in Action

The key elements of the Group's UK merchanting strategy are:

- **Focusing on the RMI segment which has attractive market dynamics including greater through-the-cycle resilience;**
- **Focusing on three financial pillars of revenue growth, improving the operating profit margin and increasing capital turn by utilising spare capacity and creating greater efficiency in the existing branch network;**
- **Continuing to extract efficiencies and synergies from current market leading positions;**
- **Developing Buildbase and Selco brands in areas of the market where they currently do not have a presence or are under-represented;**
- **Selectively participating in consolidation of attractive segments of merchanting market as a preferred buyer;**
- **Developing sustainable position in the electrical distribution market; and**
- **Expanding selectively in complementary product markets.**

Organic development of the Selco branch network continued in 2018 with seven new branches opened and the successful relocation of the Cricklewood branch to a larger nearby facility.

Selco is now one of the UK's largest and most successful merchanting brands with significant opportunities to realise economies of scale over the coming years from growing revenue in branches that are currently in the early stages of development and from continued expansion of the network.

The acquisition of Leyland SDM, London's largest independent specialist decorators merchant in February 2018 which trades from a network of 21 high street branches in Central London further complements the strong presence of Selco in the Greater London Area.

Irish Merchanting

The Irish Merchanting segment trades mainly under the Chadwicks and Heiton Buckley brands in the Republic of Ireland.

	2018 £'m	2017 £'m	Actual Change	Constant Currency Change
Revenue	**441.1**	403.6	+9.3%	+8.4%
Operating profit before property profit	**41.3**	34.5	+19.8%	+18.9%
Operating profit margin before property profit	**9.4%**	8.5%	+90bps	
Operating profit	**41.5**	35.5	+16.9%	+16.0%
Operating profit margin	**9.4%**	8.8%	+60bps	

Market Positions

Builders Merchanting	No. 1
Plumbers Merchanting	No. 1
Steel Stock Holding	No. 1

Proportion of Group Revenue

14.9%

Proportion of Group Adjusted Operating Profit

21.4%

Key Brands

CHADWICKS

Heiton Buckley BUILDERS MERCHANTS

The Irish Merchanting business performed strongly delivering like-for-like revenue growth of 7.7 per cent. Constant currency operating profit before property profit increased by 18.9 per cent and operating efficiency of the overall business improved with a 90bps increase in the operating profit margin before property profit to 9.4 per cent.

Underlying market conditions were positive in the residential RMI and new build markets and in sectors of the non-residential construction market. An increase in the supply of building materials to all phases of house building was a key contributor to revenue growth. The number of housing units completed in 2018 increased to 18,000 from 14,436 units in 2017. Housing supply in Ireland is gradually picking up although it remains well short of medium term demand which is estimated at 40,000 units on the basis of demographic factors that included inbound migration and pent-up demand from a decade of under-supply. The level of house building is expected to increase over the coming years with planning consent received for almost 30,000 units over the past year which is two thirds higher than the current level of house building.

The business continued to strengthen its position in the housing RMI market as households responded to the increase in the equity in their homes and growth in employment and disposable incomes by upgrading their existing homes. There was also an increase in the number of transactions in the secondary housing market that created a further stream of RMI activity.

New build and refurbishment activity also increased in the retail, office and hotel sectors. The most active segments of the civil engineering market related to the provision of water services and transport infrastructure.

The three new branches that were opened in Dublin in 2017 established strong trading positions in their local markets in their first full year of trading, grew revenue ahead of expectation and produced a good return on investment. A new Trade Centre and Self Select Showroom trading format was successfully trialled and rolled out in five branches by the year-end and will be extended on a phased basis to the entire estate with a view to protecting and enhancing the businesses strong leadership position in the Irish merchanting market.

The business continued to consolidate its branch network onto a single trading system. The migration, when completed in April 2019, will provide greater insights from a single source of data, streamline processes, deliver strategic and financial benefits and enhance the user experience of employees and customers.

The contribution from an increase in like-for-like revenue by 7.7 per cent was partially offset by a small mix related dilution in the gross margin due to an increase in the proportion of delivered revenue to the new build sector and the creation of 50 new positions to support future growth in revenue. The operating profit margin in the second half of the year increased by 160bps to 10.6 per cent.

Irish Merchanting Strategy in Action

The Group's Irish Merchanting strategy is focused on:

- **Strengthening its market leadership position;**
- **Utilising spare capacity in the branch network to increase revenue, the operating margin and return on capital employed;**
- **Developing a complementary presence in adjacent product categories; and**
- **In-filling geographic coverage through greenfield development and acquisitions.**

The three new branches that were opened in Dublin in 2017 established strong trading positions in their local markets in their first full year of trading and grew revenue ahead of expectation.

A new Trade Centre and Self Select Showroom trading format was successfully trialled and rolled out in five branches by the year-end and will be extended on a phased basis to the entire estate.

Consolidation of the branch network onto a single trading system continued and will provide greater insights to the business when completed in April 2019.

Netherlands Merchanting

Grafton trades under the Isero and Gunters en Meuser brands in the Netherlands.

	2018 £'m	2017 £'m	Actual Change	Constant Currency Change
Revenue	**155.5**	131.0	+18.7%	+17.6%
Adjusted operating profit	**16.0**	12.6	+26.9%	+25.9%
Adjusted operating profit margin	**10.3%**	9.6%	+70bps	

Market Positions

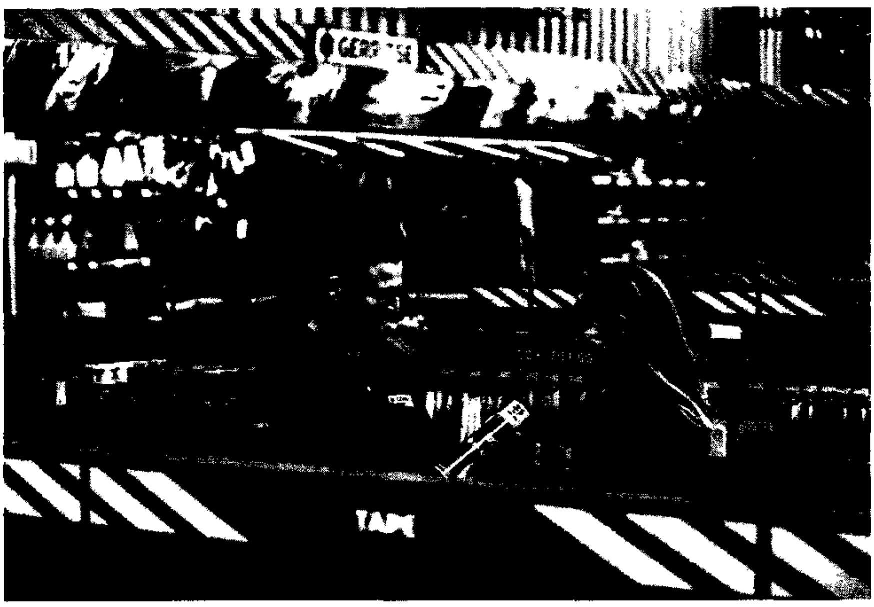
Builders Merchanting (ironmongery, tools and fixings)	No. 1

Proportion of Group Revenue	**Proportion of Group Adjusted Operating Profit**
5.3%	8.2%

Key Brands

The continued expansion of the Dutch economy, driven by growth in employment and incomes, and sound demand fundamentals in the residential and non-residential construction markets provided a generally positive backdrop. **Isero** continued to strengthen its market leadership position through organic growth and acquisitions increasing revenue by 17.6 per cent in constant currency including growth of 6.6 per cent in the like-for-like business.

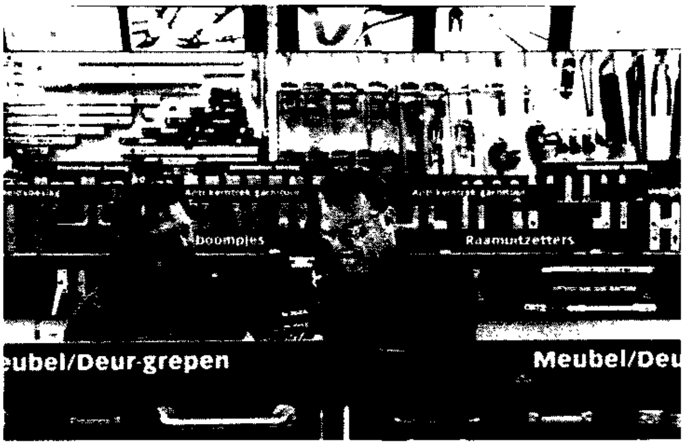
The four branch Amsterdam based **Scholte & de Vries - Estoppey** business acquired in November 2017 was successfully integrated into Isero and traded in line with expectations. The acquisition of two single branch businesses increased market coverage.



Organic growth included the openings of branches in Dordrecht and in Almere taking the total number of branches at the year end to 62. The upgrading of a number of showrooms was well received by customers leading to encouraging growth in revenue.

Procurement gains and efficiency improvements contributed to a significant increase in operating profit in the 14 branch **Gunters en Meuser** business that was acquired in January 2017. Very good progress was also made growing revenue and profitability in the Isero business despite incurring significant costs on a new Distribution Centre in Waddinxveen currently under construction that will double the size of the current facility and consolidate all central support functions onto a single site. A new business-to-business e-Commerce platform with improved functionality, product data and search engine optimisation features was successfully deployed prior to the year-end and provides an opportunity to increase revenue over the coming year from a strong digital platform.

The four branch Amsterdam based Scholte & de Vries - Estoppey business acquired in November 2017 was successfully integrated into Isero and traded in line with expectations.



Netherlands Merchanting Strategy in Action

The Group's strategy in the Netherlands Merchanting market is focused on:

- **Utilising the acquisition of Isero to provide a development platform in a recovering economy and market;**
- **Improved geographic coverage of the ironmongery, tools and fixings market through organic development and acquisitions;**
- **Identifying opportunities to invest in other attractive segments of the merchanting market; and**
- **Using Group scale and expertise to enhance product ranges in existing branch network.**

Organic growth in 2018 included the openings of branches in Dordrecht and in Almere whilst two single branch businesses were acquired taking the total number of branches at the year end to 62.

The four branch Amsterdam based Scholte & de Vries - Estoppey business acquired in November 2017 was successfully integrated into Isero and traded in line with expectations.

The upgrading of a number of showrooms was well received by customers leading to growth in revenue.

A new Distribution Centre in Waddinxveen currently under construction will double the size of the current facility and consolidate all central support functions onto a single site.

A new business-to-business e-Commerce platform with improved functionality, product data and search engine optimisation features was successfully deployed prior to the year-end and provides an opportunity to increase revenue over the coming year from a strong digital platform.

Belgium Merchanting

Grafton trades under the YouBuild and MPRO brands in Belgium.

	2018 £'m	2017 £'m	Actual Change	Constant Currency Change
Revenue	**91.6**	89.6	+2.2%	+1.3%
Operating profit	**0.8**	0.9	(12.2%)	(11.9%)
Operating profit margin	**0.9%**	1.0%	(10bps)	

Market Positions

Builders merchanting	No. 3 (joint)

Proportion of Group Revenue	**Proportion of Group Adjusted Operating Profit**
3.1%	0.4%

Key Brands

YouBuild

MPRO

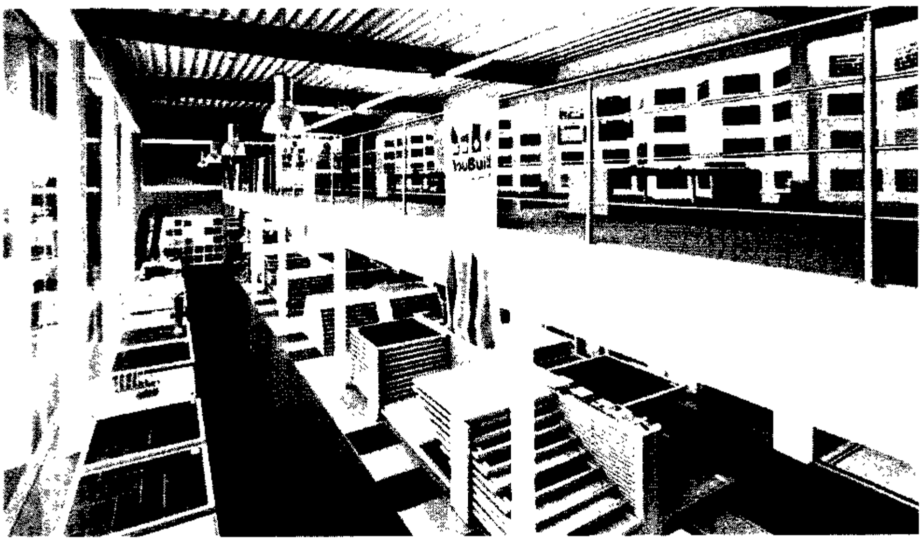
After a slow start to the year the Belgian merchanting business saw better trading conditions in the second half leaving operating profit marginally behind the prior year.

Encouraging progress was made in improving the underlying performance of a number of branches. The branch in Central Brussels was relocated and a new satellite branch was opened. The result for the year was impacted by branch opening and relocation costs and a number of reorganisation initiatives that led to a reduction in the cost base of the business. The disposal of the non-core and geographically peripheral heavyside branch in St. Vith was completed in October 2018.

Belgium Merchanting Strategy in Action

The Group's Belgium Merchanting strategy focuses on:

- **Increasing profitability in existing estate;**
- **Extracting scale related synergies as market position develops;**
- **Leveraging best practice and know-how in merchanting businesses in the UK and Ireland; and**
- **Expanding branch network.**



Sectoral and Strategic Review

Retailing

	2018 £'m	2017 £'m	Actual Change	Constant Currency Change
Revenue	**198.2**	180.4	+9.9%	+8.8%
Operating profit	**16.8**	11.2	+50.1%	+48.7%
Operating profit margin	**8.5%**	6.2%	+230bps	

The Group is the largest DIY, Home & Garden retailer in Ireland trading from 35 stores nationally under the Woodie's brand.

Retailing

2018 was the third consecutive year of strong growth in revenue and profitability as Woodie's continued to build a sustainable business for the long term while also laying the foundations for further growth.

Market Positions

DIY Retailing Ireland No. 1

Proportion of Group Revenue	Proportion of Group Adjusted Operating Profit
6.7%	8.6%

Key Brand

Woodie's

The positive outcome for the year was driven by good market fundamentals and the benefit of the business transformation programme and investment in branches undertaken in recent years.

The pace of growth in retail spending was strong supported by broadly based growth in employment, income and consumer spending.

Woodie's improved its leadership position in the Irish DIY, Home and Garden market growing like-for-like revenue by 8.8 per cent with the number of transactions up by 4.1 per cent to 8.3 million and average transaction values 4.7 per cent higher in response to new and extended product ranges.

After a first half that was influenced by extremes of weather, trading patterns were more even in the second half and the business finished the year on a strong note with very good growth in the Christmas category driven by range innovation, availability, great value and service.

Improvements to Woodie's website and order fulfilment delivered sustainable online revenue growth of 70 per cent from a low base with significant potential for future growth.

The branch modernisation programme is now at an advanced stage. Seven stores were upgraded during the year and 85 per cent of retail space is now in the new trading format. This has provided a modern and more exciting shopping experience by changing the layout of how products are categorised and merchandised.

Woodie's continued to invest in colleagues to ensure that the business meets customers' expectations for great service with 170 colleagues graduating under the "Our Seeds for Success" programme and the business improving its Great Place to Work ranking for the third successive year.

Operating profit grew by 50.1 per cent and the operating profit margin increased by 230bps to 8.5 per cent. This follows growth of 150bps in the prior year and was driven by revenue growth, an increase in the gross margin, from an improved product mix, lower promotional activity and tight control of overheads.

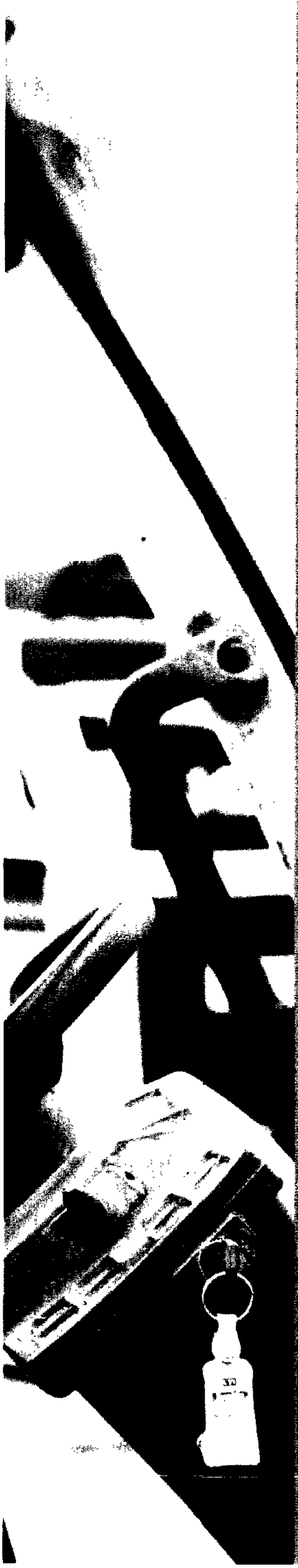
Retailing Strategy in Action

The Group's Retailing Strategy is based on:

- **Maintaining Woodie's clear market leadership position and strong brand recognition;**
- **Focusing on core strengths in the DIY, Home and Garden categories; and**
- **Utilising spare capacity in the branch network to increase revenue, operating margin and return on capital employed.**

The store upgrade programme was rolled out to a further seven branches, bringing the total complete to 27, which accounts for 85% of revenue and retail space.

Revenue growth was supported by the company's 30th Anniversary marketing campaign and a new marketing campaign focused on a "We're all Homemakers" theme that reflects the unique appeal that differentiates Woodie's in the Irish retail market.



Sectoral and Strategic Review

Manufacturing

	2018 £'m	2017 £'m	Actual Change	Constant Currency Change
Revenue	78.8	66.1	+19.3%	+19.2%
Operating profit	[illegible]	15.1	+27.3%	+27.2%
Operating profit margin	24.4%	22.9%	+150bps	

CPI EuroMix is the market leader in the dry mortar market in Great Britain where it operates from nine plants in England and one in Scotland. MFP is a manufacturer of drainage and roofline products operating from a facility based in Dublin.

Manufacturing

Market Positions

Mortar Manufacturing UK	No. 1

Proportion of Group Revenue	Proportion of Group Adjusted Operating Profit
2.7%	9.9%

Key Brands

EuroMix

MFP

Volume growth significantly outperformed the increase in housebuilding, the principal end-use market of the businesses that accounts for three quarters of total output. Positive conditions in the new housing market were supported by good underlying demand, the availability of attractive mortgage finance and the Government Help-to-Buy scheme.

Improved penetration of the market for packaged mortar and concrete products was achieved from extending the customer base and product supplied to a number of phases of the Thames Tideway project.

Competitive pricing, changes in product mix and increased fuel and energy costs saw the underlying gross margin unchanged for the year. Volume growth together with a flexible operating model and increased efficiency from leveraging spare capacity in the ten plants had a very positive impact on the operating profit margin which increased 150bps to 24.4 per cent. The operating profit margin has increased by 370bps over the past two years.

Manufacturing Strategy in Action

The Manufacturing segment strategy is based on

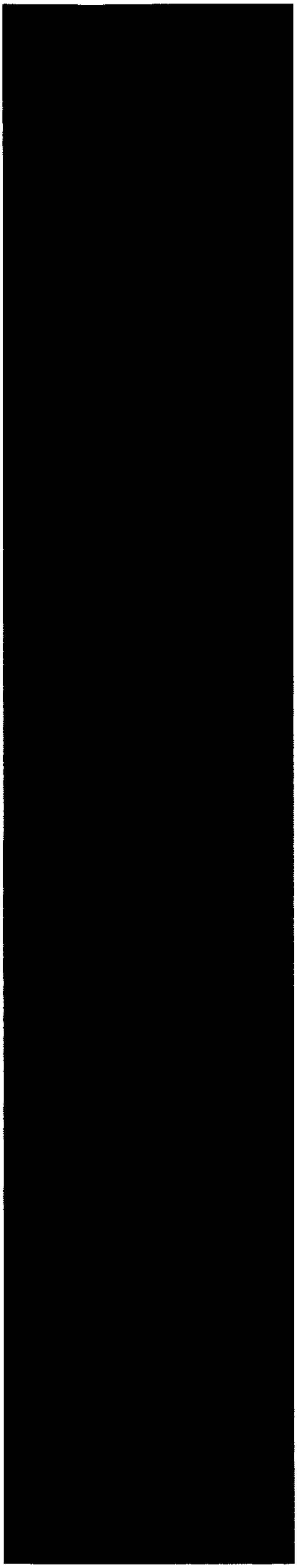
- **Maintaining our clear market leadership position in the UK mortar market; and**
- **Leveraging scale and expertise in the UK mortar market to expand into related products and markets.**

Increased investment in silos placed on customer's sites and on the distribution fleet contributed to record output.

Further penetration of the market for packaged mortar and concrete products was achieved from extending the customer base and product was supplied to a number of phases of the Thames Tideway project.

The Group produced a strong set of results and made good progress against all of the key metrics that we use to measure performance.

David Arnold
Chief Financial Officer



Adjusted operating profit increased by 18.8 per cent, adjusted profit before taxation by 19.8 per cent and adjusted earnings per share by 20.3 per cent. Return on capital employed increased by 140bps to 15.0 per cent. Cash generation was strong with cash flow from operations of £209.2 million and the Group ended the year in a position of financial strength with low net debt to EBITDA, high EBITDA interest cover and shareholders' equity of £1.3 billion.

Revenue

Group revenue increased by 8.7 per cent to £3.0 billion (2017: £2.7 billion) and by 8.4 per cent in constant currency. Organic growth of £184.3 million included volume and price growth of £126.4 million (4.7 per cent) in the like-for-like business and £57.8 million from new branches. Acquisitions contributed revenue of £58.2 million. Branch consolidations and the disposal of two small businesses and a branch in Belgium reduced revenue by £12.7 million and a favourable currency translation gain, due to the strengthening of the euro, increased sterling revenue by £7.2 million.

Adjusted Operating Profit

Adjusted operating profit of £194.5 million (2017: £163.7 million) increased by 18.8 per cent due to strong organic growth and a contribution from the Leyland SDM acquisition. Operating profit before property profit increased by 17.8 per cent to £189.6 million (2017: £160.9 million).

The adjusted operating profit margin increased by 60bps to 6.6 per cent and by 50bps to 6.4 per cent before property profit. The improvement was due to a stable operating margin in the UK merchanting business and strong margin progression in the Irish and Netherlands merchanting businesses and in the retailing and manufacturing segments.

Property

A profit of £4.9 million (2017: £2.7 million) was realised on the disposal of surplus properties in the UK and Ireland that had ceased to be used for trading purposes and the proceeds of £9.1 million were redeployed to generate higher returns elsewhere in the business.

Net Finance Income and Expense

The net finance expense declined by £0.3 million to £6.1 million (2017: £6.4 million). Interest payable on gross debt of £5.9 million (2017: £4.9 million) comprised bank and loan note interest payable on borrowings that were drawn, undrawn facility commitment fees and facility arrangement fees. The gross interest charge increased due to the issue of unsecured senior notes in the US Private Placement market at an average coupon of 2.5 per cent that replaced euro denominated bank borrowings with an interest charge that was based on negative short term money market rates. Interest income on cash deposits and cash balances increased by £0.3 million to £0.9 million due to increases in the sterling benchmark interest rate by the Bank of England.

There was a foreign exchange translation loss of £0.2 million on Euro and US dollar denominated cash and overdrafts, down from a loss of £1.0 million in 2017 and the net finance cost of pension scheme obligations declined by £0.2 million to £0.5 million.

Taxation

The income tax expense of £30.9 million (2017: £26.6 million) is equivalent to an effective tax rate of 17.1 per cent (2017: 17.2 per cent) and compares to the underlying tax rate for the year of 18.5 per cent. The effective tax rate benefitted from the utilisation of previously unrecognised losses brought forward to offset gains on the disposal of properties and a credit for prior year adjustments. The tax rate for the Group is most sensitive to changes in the UK rate of corporation tax where the highest proportion of Group profits are earned. The UK rate is currently 19 per cent and a two percentage point reduction to 17 per cent will take effect on 1 April 2020. It is expected that the underlying tax rate for the year ended 31 December 2019 will be 18.5 per cent.

Capital Expenditure, Investment in Intangible Assets and Acquisitions

Gross capital expenditure was £66.7 million (2017: £73.7 million) and there was expenditure of £6.9 million (2017: £7.7 million) on computer software which is classified as intangible assets, a total investment of £73.6 million (2017: £81.4 million). Proceeds of £10.9 million (2017: £8.8 million) were received on the disposal of property, plant and equipment. The investment in capital expenditure and computer software net of the proceeds on disposal of fixed assets was £62.7 million (2017: £72.6 million).

Development capital expenditure of £34.1 million (2017: £41.6 million) was incurred on seven new Selco branches, relocation of the large Selco Cricklewood and Central Brussels branches, the opening of new merchanting branches in the Netherlands, the UK and Belgium, upgrading Woodie's and Chadwick's branches in Ireland, Isero branches in the Netherlands and Buildbase branches in the UK and other development projects that should provide a sound platform for the future profitable growth of the Group.

Asset replacement capital expenditure of £32.7 million (2017: £32.1 million) compares to the depreciation charge for the year of £41.9 million (2017: £39.5 million) and related principally to replacement of the distribution fleet that supports delivered revenue, replacement of equipment, plant and tools that are hired to customers and other assets required to operate the Group's branch network.

The investment of £6.9 million (2017: £7.7 million) on computer software related to the new IT platform in Buildbase and other software development projects across the Group.

The cash outlay on acquisitions was £73.8 million (2017: £37.7 million) taking the total spend on acquisitions, capital expenditure and investment in intangible assets for the year to £147.4 million (2017: £119.1 million).

Pensions

The IAS 19 deficit on defined benefit pension schemes was £20.2 million at 31 December 2018, a reduction of £3.3 million from £23.5 million at 31 December 2017. The positive movement was due to a reduction in liabilities by £13.9 million which mainly arose in the UK schemes and related to changes in financial assumptions, principally an increase in the rate used to discount UK liabilities by 30 basis points to 2.9 per cent and experience gains related to the actual experience of the UK schemes being more favourable than originally estimated. The early payment of £1.2 million of contributions to the Irish schemes also contributed to the deficit reduction. These gains were partially offset by a negative return of £7.3 million on plan assets which compared to a projected return of £5.3 million.

In October 2018, the High Court of Justice of England and Wales issued a judgement that UK pension schemes should equalise benefits for men and women for the calculation of their guaranteed minimum pension liability. This ruling impacts the majority of companies with a UK defined benefit pension plan that was in existence before 1997. The impact of the equalisation, which is retrospective, on the Group's UK schemes is an increase in scheme liabilities by an estimated £1.0 million with a corresponding loss taken through Other Comprehensive Income.

Net Debt

Year-end net debt declined by £9.8 million to £53.1 million (2017: £62.9 million).

The Group remains in a very strong financial position with EBITDA interest cover of 48.0 times (2017: 48.4 times) and net debt was equivalent to 0.22 times EBITDA (2017: 0.31 times). The gearing ratio declined to four per cent at 31 December 2018 from five per cent at 31 December 2017.

The Group's policy is to maintain its current investment grade credit rating while maintaining a progressive dividend policy and investing in organic developments and acquisition opportunities that are expected to generate attractive returns on investment.

Financing

The Group had bilateral loan facilities of £489.4 million with six relationship banks at the year-end. An option was exercised in February 2018 to extend facilities of £422.3 million for a further year to March 2023. The maturity of the remaining facility of £67.1 million was extended by two years to March 2023.

In September 2018 the Group raised €160 million (£143.1 million) through an issue of unsecured senior notes in the US Private Placement market with ten and twelve year maturities at an average annual coupon of 2.5 per cent and used the proceeds received to refinance existing debt. The issue of these notes diversified the Group's sources of funding by re-entering the US Private Placement market, extended the maturity profile of debt and provided greater certainty over the cost of debt for an extended period at attractive rates.

The average maturity of committed bank facilities and unsecured senior notes at 31 December 2018 was 5.7 years.

The Group's key financing objective is to ensure that it has the necessary liquidity and resources to support the short, medium and long term funding requirements of the business. At 31 December 2018 the Group had undrawn bank facilities of £356.8 million (2017: £213.1 million) and cash balances and deposits of £223.0 million (2017: £253.7 million) which together with strong cash flow from operations provides good liquidity and the capacity to fund investment in working capital, replacement assets and development activity including acquisitions.

The Group's gross debt is drawn in euros and provides a hedge against exchange rate risk on euro assets invested in the Group's businesses in Ireland, the Netherlands and Belgium.

IFRS 16 Leases

IFRS 16 Leases, which replaces IAS 17 Leases, brings most leases onto the balance sheet and eliminates the distinction between operating and finance leases. This change will affect the presentation of many aspects of the Group's accounts including operating profit, earnings per share, net debt and return on capital employed.

All leases except for leases with a duration of less than one year will be recognised on the balance sheet as lease liabilities, calculated as the present value of future lease payments, and will be included as part of net debt. The corresponding right of use asset will be an amount equal to the lease liability, adjusted for any prepaid or accrued lease payments and the onerous lease provision.

The Group will implement IFRS 16 from 1 January 2019 by applying the modified retrospective approach meaning that the comparative figures in the financial statements for the year ended 31 December 2019 will not be restated to show the impact of IFRS 16.

The operating leases that will be recorded on the balance sheet for the first time, following implementation of IFRS 16, principally relate to merchanting and DIY branch properties, office buildings, cars and distribution vehicles.

The Group has decided to reduce the complexity of implementation by availing of a number of practical expedients on transition on 1 January 2019.

The Group is currently assessing the impact of IFRS 16 and estimates that the value of right-of-use assets and the corresponding lease liability that will be brought onto the balance sheet at the transition date of 1 January 2019 will be in the region of £565 million to £585 million and comprises 2,400 individual lease agreements. This is estimated to be equivalent to circa 7.5 times the Group's 2018 operating lease charge of £77.0m.

The overall impact on the Income Statement of adopting IFRS 16 will be neutral over the life of a lease but will result in a higher charge in the earlier years following implementation and a lower charge in the later years. As an indication of the effect of the new leasing standard, based on the Group's leases as at 1 January 2019, the Group estimates that under IFRS 16 there will be a depreciation charge of c.£70 million and finance costs of c.£20 million in 2019. This compares to the expected 2019 operating lease charge of c.£80 million under IAS 17. Assuming no change in these leases, this finance cost will gradually decrease over the remaining lives. The overall effect on profit before tax is expected to be neutral after approximately four to five years, then becoming positive moving towards the end of the leases. It will not change overall cashflows or the economic effect of the leases to which the Group is a party. There is no effect on Grafton's existing banking covenants as a result of the implementation of IFRS 16.

Shareholders' Equity

The Group's balance sheet strengthened further with shareholders' equity increasing by £122.0 million (10.4%) in the year to £1.3 billion driven by profit after tax of £150.4 million and other positive movements of £10.2 million. The payment of dividends has reduced shareholders equity by £38.6 million.

Return on Capital Employed and Asset Turn

Return on Capital Employed increased by 140bps to 15.0 per cent (2017: 13.6 per cent) which was in line with the Group's medium term target. The increased returns were achieved through driving profitable growth in existing businesses and allocating development capital to projects that are expected to meet demanding hurdle rates of return on capital employed.

Principal Risks and Uncertainties

The primary risks and uncertainties affecting the Group are set out on pages 48 to 51 of this Annual Report.

The Group acknowledges the potential short-term disruption which could result from a "no-deal" Brexit at the end of March 2019 and which could impact consumer confidence and sentiment. We have taken steps to identify and mitigate against specific short term risk areas including the supply of certain products.

David Arnold
Chief Financial Officer

Risk Management

The Directors acknowledge that they have overall responsibility for the Group's system of internal control and for reviewing its effectiveness. They recognise that such a system is designed to manage rather than eliminate risk and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Group has established a risk management process to ensure effective and timely identification, reporting and management of risk events that could materially impact upon the achievement of Grafton's strategic objectives and financial targets. The risk management process is closely aligned with the overall strategic development of the Group which is influenced by economic growth, organic growth through implants, new formats and greenfield expansion and acquisition related growth. Strategic projects are risk-assessed in conjunction with extensive commercial, financial and legal due diligence.

The Group's Risk Management Framework, as described in further detail on page 47, is designed to facilitate the development, maintenance, operation and review of risk management processes that fulfil the Board's corporate governance obligations and support the Group's strategic objectives. The Board is responsible for establishing and maintaining risk management processes and for evaluating their effectiveness. The Audit and Risk Committee oversees the effectiveness of the risk management procedures in place and the steps being taken to mitigate the Group's risks.

A process for identifying, evaluating and managing significant risks faced by the Group, in accordance with the UK Corporate Governance Code and the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting, has been in place throughout the accounting period and up to the date the financial statements were approved. These risks are reviewed by the Audit and Risk Committee and by the Board, who will also consider any emerging risks for inclusion on the Corporate Risk Register. Executive management is responsible for implementing strategy and for the continued development of the Group's businesses within the parameters set down by the Board. Similarly, day to day management of the Group's businesses is devolved to operational management within clearly defined authority limits and subject to closely controlled reporting of financial performance. Group and local business management are responsible for the identification and evaluation of significant risks and for implementation of appropriate internal controls to manage such risks. Group management reports to the Audit and Risk Committee and the Board on key risks and internal control issues including how these risks are managed.

During the year, the Board reviewed the revised risk management requirements set out in the 2018 UK Corporate Governance Code and has approved a programme of work to ensure compliance in 2019.

Internal Control System

The key features of the Group's system of internal control and risk management include:

- Review, discussion and approval of the Group's strategy by the Board;
- Defined structures and authority limits for the operational and financial management of the Group and its businesses;
- A comprehensive system of reporting on trading, operational issues and financial performance incorporating monthly results, cash flows, working capital management, return on capital employed and other relevant measures of performance;
- Written reports from the CEO and the CFO that form part of the papers considered by the Board at every board meeting;
- Review and approval by the Board of annual budgets incorporating operating performance and cash flows;
- Board approval of major capital expenditure proposals and also significant acquisition proposals. Capital expenditure proposals below Board level are delegated to a Management Committee comprising the CEO, CFO and Group Financial Controller/ Company Secretary; and
- Review by senior management and the Audit and Risk Committee of Internal Audit Report findings, recommendations and follow up actions.

The preparation and issue of financial reports, including the Group's annual and interim results, is managed by the Group Finance team based in the Group Corporate Office in Dublin. The Group's financial reporting process is controlled by reference to the Group Financial Accounting Policies and Procedures Manual, which sets out the general accounting principles, requirements and internal controls applicable to all Group businesses.

Group Risk Committee

The Group has established a Group Risk Committee ("GRC") which is responsible for the oversight of risk management in the Group. The membership of the GRC reflects a range the Group's executive functions, skills, expertise, experience and business activities.

The GRC is chaired by the Group CFO and reports to the Audit and Risk Committee. The Committee meets four times per year and is responsible for maintaining and monitoring the Corporate Risk Register, which records the Group's material risks and the actions and controls in place and required to manage each to an acceptable level of risk consistent with the Group's risk appetite. As part of its remit the GRC performs "deep dive" reviews of specific risk areas and scans for emerging risks which may impact the Group. The results of these reviews are shared with Business Units. The GRC prepares an annual report describing its activities, identifying areas for improvement and changes to the risk profile of the Group, which is presented to the Audit and Risk Committee. Business Unit management is responsible for identification and day to day management of key business risks and is required to maintain a business risk register which is reported on a quarterly basis to the GRC.

The GRC initiates Group-wide actions to manage risks. GRC initiatives and actions during 2018 have included:

- Initiating a Brexit workshop, facilitated by external experts, to identify and evaluate the key risks that may impact the Group as a result of Brexit. Actions to mitigate these risks, principally around securing supply of key products and addressing recruitment and workforce issues, have continued to be monitored by the GRC.
- Overseeing updates to Group Policies including the Equality, Diversity and Inclusion Policy and the Anti Bribery and Corruption Policy.
- Updating on-line training courses covering Business Conduct, Ethics and Regulatory Compliance for roll-out with the Group's new learning management system.
- Monitoring actions taken across the Group relating to supplier compliance including environmental and ethics issues.
- Providing direction and assistance with the Group's approach to environmental risks and opportunities.
- Establishing a working party to recommend appropriate objectives and targets for the Group's Corporate Social Responsibility activities.

Internal Audit

The Group Internal Audit function focuses on areas of greatest risk to the Group, by developing and executing an annual programme of audit work which is based on covering the key risks to the Group and Business Units as set out in their risk registers. It monitors compliance and considers the effectiveness of internal controls throughout the Group. Where appropriate this involves co-ordinating work with audit teams based in the businesses who perform compliance reviews of branch level procedures, health and safety and transport.

Risk Management Framework

The Board of Directors

- Maintaining risk management and internal control systems
- Determining and reviewing risk appetite, and establishing risk management strategies
- Monitoring principal risks

Audit and Risk Committee

- Monitoring and reviewing the effectiveness of the Group's risk management and internal control systems
- Receiving reports from management on its review of risk management and internal controls
- Reviewing principal risks as documented on the Corporate Risk Register and monitoring emerging risks
- Approving the internal audit plan and reviewing reports from Group Internal Audit
- Receiving reports on internal control from the External Auditors

Group Risk Committee	Internal Audit
• Maintaining the Corporate Risk Register and reviewing emerging risks • Determining and maintaining risk management policies and procedures • Reviewing business unit risk registers and sharing risk management practices between businesses • Initiating Group-wide risk management actions	• Establishing and delivering a risk based annual Internal Audit plan • Reviewing internal controls as part of the Internal Audit plan and reporting the results to Management and the Board • Reporting to the Audit and Risk Committee, including on the completion of internal control actions

Business Units, Functions and Colleagues

- Sharing responsibility for effective management of risk
- Maintaining risk registers and monitoring the management of risk at business unit and functional levels
- Identifying and reporting emerging risks
- Implementing actions to address Internal Audit control findings

The Audit and Risk Committee approves the annual Internal Audit Plan, reviews Internal Audit Reports and meets with the Group Internal Audit and Business Risk Director in order to satisfy itself on the adequacy of the Group's risk management and internal control systems. In addition, the Audit and Risk Committee reviews Management Letter points raised by the External Auditor and meets with the External Auditor to discuss the nature of the points raised. The Chairman of the Audit and Risk Committee reports to the Board on all significant matters considered by the Committee.

In line with best practice, the Group's Risk Management and Internal Audit procedures are subject to a review of their effectiveness by an independent third party on a periodic basis. An effectiveness review was carried out in 2017 by KPMG, which found that both Internal Audit and Risk Management procedures in the Group were fit for purpose, whilst setting out a number of recommendations for further development of each function. Actions to address these recommendations were completed in 2018.

The Risk Management Framework diagram above illustrates the key responsibilities within the Group's Risk Management structure.

In the Board's view, the ongoing information it receives is sufficient to enable it to review the effectiveness of the Group's system of internal control. The Directors confirm that they have reviewed the effectiveness of internal controls. In particular, during the year the Board has considered the significant risks affecting the business and the way in which these risks are managed, controlled and monitored.

Key Risks

Risk Movement
■ Unchanged
▲ Increased
▼ Decreased

Link to Strategy
● Strong Financial Base
● Excellence in Service
● Organic Growth and Acquisitions
● Organisational Structure & Management
● Ethics and Integrity

The Audit and Risk Committee and the Board have carried out a robust assessment of the principal risks facing the Group. It is not practical to document every risk that could affect the Group in this report. The risks identified below are those that could have a material adverse effect on the Group's business model, future performance, solvency or liquidity. The actions taken to mitigate the risks cannot provide assurance that other risks will not materialise and adversely affect the operating results and financial position of the Group.

Macro-Economic Conditions in the UK, Ireland, the Netherlands and Belgium including the impact of Brexit

Risk Movement
▲

Link to Strategy
● ●

Risk Description

Trading in the Group's businesses is influenced by macro-economic conditions in the UK, Ireland, the Netherlands and Belgium. The Group's markets are cyclical in nature and a proportion of revenue is dependent on the willingness of households to incur discretionary expenditure on home improvement projects. Investments of this nature closely correlate with general economic conditions. A deterioration in economic conditions in the UK, Ireland, the Netherlands or Belgium could result in lower demand in the Group's businesses.

The Group's customers are mainly professional tradespeople engaged in residential, commercial and industrial maintenance and new-build projects. These markets are affected by trends in improvements, remodelling and maintenance and construction. Demand in these markets is also influenced by economic factors including interest rates, the availability of credit, inflation, changes in property values, demographic trends, tax policy, employment levels and gross domestic product. Any negative movement in one or more of these factors could adversely affect demand in the Group's business.

The result of the UK referendum to leave the European Union ("EU") has created significant uncertainty about the near term outlook and prospects for the UK economy. Due to this uncertainty it is not possible to assess with confidence the likely impact on the UK economy of the UK leaving the EU or the extent to which any possible fall in investment and a potentially softer housing market could impact employment and household spending. This uncertainty could negatively impact the UK economy, reduce demand in the Group's markets, impact the Group's workforce and adversely affect the financial performance of the Group.

In addition, the potential disruption to the Group's supply chain which could result from a "no-deal" Brexit could have a short-term impact on the ability of businesses in both the UK and Ireland to meet their customers' product requirements and could consequently lead to a reduction in revenue and profit.

Mitigation

The Group has taken significant action in previous years in response to the downturn in its markets to increase the operating efficiency of its business which leaves it well positioned to benefit from the continuing recovery. Exposure to the more resilient and less cyclical Repair, Maintenance and Improvement ("RMI") market has increased through ongoing expansion of the network of Selco stores.

The merchanting branches in Ireland were refocused on the residential RMI market during the downturn but are equally well positioned to respond to an increase in demand in the new housing and commercial markets. Branch showrooms have been upgraded and the product portfolio expanded to meet the needs of customers engaged in residential RMI projects which currently account for a higher proportion of revenue.

The mitigation strategy also incorporates proactive cost control in response to changes in market conditions. An assessment of macro-economic, construction and residential market conditions informs the allocation of capital resources to new projects.

With regard to the risks relating to a "no-deal" Brexit, the Group has performed a robust risk assessment and established a set of actions to address the key risks identified. These include working with certain suppliers to provide for continuity of supply of key products and where practical building up stock level of certain lines; evaluating the impact of changes to tariffs and customs arrangements to the Group and actions to assist EU nationals working in the UK businesses in obtaining settled status.

Competition in Merchanting, DIY and Mortar Markets

Risk Movement

■

Link to Strategy

●●●

Risk Description

Grafton faces volume and price competition in its markets. The Group competes with builders' merchants and retailers of varying sizes, and faces competition from existing general and specialist merchants including the national builders' merchanting chains in the UK together with retailers, regional merchants and independents. The Group also faces the risk of new entrants to its markets, for example, by way of competition from on-line operators.

Actions taken by the Group's competitors, as well as actions taken by the Group to maintain its own competitiveness and reputation for value for money, may exert pressure on product pricing, margins and profitability. Some of the Group's competitors may have access to greater financial resources, greater purchasing economies and a lower cost base, any of which may confer a competitive advantage that could adversely impact the Group's revenues, profits and margins.

Mitigation

The Group's businesses monitor gross margins and, where possible, develop appropriate tactical and trading responses to changes in the competitive and pricing environment. Mitigation of this risk is achieved through ensuring a value proposition for customers through the review of customer pricing metrics, monitoring pricing developments in the market place and the active management of pricing.

The Group continues to develop its online presence in response to changing customer requirements in its individual businesses. Promotional and marketing activity is also a feature of revenue and margin management. Procurement strategies are focused on reducing costs through supplier consolidation and sourcing, when appropriate, through overseas markets. The Group maintains an open dialogue with suppliers in order to mitigate the impact on customers and Group profitability from commodity related cost pressures. The Group's businesses conduct surveys and review feedback from customers in order to improve the quality of the overall product and service proposition and to ensure that customer expectations are met.

Colleague Recruitment, Engagement, Retention, Skills and Diversity

Risk Movement

■

Link to Strategy

●●●

Risk Description

The Group has almost 13,000 colleagues engaged in the operations and management of its portfolio of businesses. Our colleagues are fundamental to the long term success and development of our business. Attracting and retaining colleagues with the relevant skills and experience and investing in training and development is essential to sustaining the existing operations and providing a platform for the longer term development of the Group.

The Group is dependent on the successful recruitment, development and retention of talented executives to run the overall Group and its businesses.

In addition, the Group's ability to continue to identify and develop opportunities is influenced by management's knowledge of and expertise in its markets. The Group is also committed to being an inclusive employer and to promoting diversity in its workforce.

Mitigation

The Group and its individual businesses are committed to high standards of employment practice and are recognised as good employers in the UK, Ireland, the Netherlands and Belgium. Remuneration and benefits are regularly reviewed and are designed to be competitive with other companies in the sectors that the Group operates in and with market practice generally for particular roles.

Significant resources and time are devoted to training and development. This includes programmes that are organised internally by Group businesses and also in conjunction with external bodies. Employee turnover is closely monitored and processes are in place to provide career development opportunities and actively manage succession planning. The Group made a number of appointments in recent years in planning for the succession of key executives and to support its longer term development.

During the year, Business Units within the Group completed numerous inclusion and wellbeing initiatives.

The Group is also taking action to assist EU nationals working in the UK businesses to obtain settled status in the event of a "no-deal" Brexit.

Risk Movement

- ■ Unchanged
- ▲ Increased
- ▼ Decreased

Link to Strategy

- ● Strong Financial Base
- ● Excellence in Service
- ● Organic Growth and Acquisitions
- ● Organisational Structure & Management
- ● Ethics and Integrity

Key Risks (continued)

IT Systems and Infrastructure

Risk Movement

■

Link to Strategy

●●

Risk Description

The Group's businesses are dependent on IT systems and supporting infrastructure to trade. Either the failure of key systems or the inability to compete through not having up to date trading platforms could have a serious impact on the business and could potentially result in the loss of revenue and reduced profitability.

The rate and scale of IT change is increasing as the Group undertakes a programme to replace a number of legacy systems. These changes have the potential to disrupt operations.

Mitigation

Back-up facilities and Business Continuity Plans are in place and tested regularly to ensure that interruptions to the business are prevented or minimised and that data is protected from unauthorised access.

The replacement and updating of systems and technologies is supported by a full strategy and business case analysis and planning and risk analysis for each project. Implementation is supported by subject matter experts and colleagues from a cross section of functions to ensure that projects are managed to deliver technical, functional and business solutions within an appropriate cost and timeframe. System changes are subject to rigorous testing and confirmation that they meet defined business acceptance criteria prior to full implementation. Regular progress reports are made to the Board and planning and implementation is subject to review by Group Internal Audit.

Cyber Security and Data Protection

Risk Movement

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Link to Strategy

●●

Risk Description

Increased levels of cybercrime represent a threat to the Group's businesses and may lead to business disruption or loss of data. The Group is exposed to the risk of external parties gaining access to Group systems to deliberately disrupt business, including the risk of a material loss of revenue, the theft of information and fraud that could result in immediate financial loss.

Theft of data relating to employees, business partners or customers may result in a regulatory breach and could impact the reputation of the Group.

Mitigation

The Group has a number of IT security controls in place including gateway firewalls, intrusion prevention systems and virus scanning. The Group has also introduced a suite of information security policies. Regular IT audits are carried out in the Group's businesses. The Group has put in place a Cyber Insurance Policy to provide cover against cyber risk.

A Group-wide programme to oversee the implementation of GDPR was completed in 2018 and compliance activity has now been embedded into business processes, with leads established in each business unit to co-ordinate ongoing activities. The Group has also established an Information Security and GDPR Steering Committee to monitor and oversee the delivery of the Information Security and Data Protection Programmes.

Health and Safety

Risk Movement

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Link to Strategy

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Risk Description

The prevention of injury or loss of life to colleagues, customers and third parties is an absolute priority for the Board and executive management. Health and safety risks in branch locations concern the manual handling of products, slips, trips and falls and incidents involving fork lift trucks and delivery vehicles. Outside of the branch locations the main health and safety risks relate to vehicles engaged in transferring building materials from branch locations to customers' sites.

Mitigation

Health and safety forms part of the agenda at all Board meetings and statistics covering accident frequency rates, lost time, management of risks and the cost of accidents and incidents are reviewed by the Board on a regular basis. The Group's individual businesses invest significant resources in health and safety management and actively work to minimise health and safety risks. Accidents are monitored and corrective action taken as appropriate to reduce or eliminate the risk of recurrence. The Group's Director of Health, Safety, Environment and Quality sets standards for the businesses and co-ordinates actions and initiatives to continuously improve the management of health and safety risks across the Group.

Acquisition and Integration of New Businesses

Risk Movement

▲

Link to Strategy

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Risk Description

Growth through acquisition has historically been a key element in the Group's development strategy. The Group may not be able to continue to grow if it is unable to identify attractive targets, execute full and proper due diligence, raise funds on acceptable terms, complete acquisition transactions, integrate the operations of the acquired businesses and realise the anticipated levels of profitability, cash flows and return on invested capital.

Mitigation

Acquisitions are made in the context of the Group's overall strategy. The Group has a long established, experienced and skilled acquisition capability that has significant relevant experience in all aspects of acquisition transactions and in managing post acquisition integration. This process is underpinned by strategic and financial acquisition criteria and the close monitoring of performance post acquisition including one and three year post acquisition reviews by Group Internal Audit, and the sharing of any lessons learnt identified by those reviews.

Supplier Rebates

Risk Movement

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Link to Strategy

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Risk Description

The total value of income the Group receives from its suppliers in the form of volume rebates and other amounts, including product and marketing support, is very material to Group profitability. There is a risk that the Group does not collect all supplier rebates receivable or that rebates are accounted for incorrectly.

Mitigation

The Group seeks to put in place written agreements with all key suppliers detailing the terms and conditions of rebate arrangements. Finance and procurement teams work closely to validate amounts due from suppliers based on these agreements and quantities purchased. Rebates receivable are regularly reviewed and Business Units engage in dialogue with suppliers regarding collection. A proportion of rebate agreements provide for repayment of rebates at regular intervals throughout the year thereby reducing the amount receivable by the Group at the year end. In view of its materiality, rebates receivable are reviewed annually by Group Internal Audit.

Internal Controls and Fraud

Risk Movement

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Link to Strategy

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Risk Description

The Group is exposed to the risk of failure in financial or operational controls in individual Business Units, including the failure to prevent or detect fraud. A breakdown in controls of this nature could lead to a financial loss for the Group.

Mitigation

The Group has established a framework of controls incorporating a "three lines of defence" model to protect against significant control deficiencies and the risk of fraud. This includes documented policies and procedures for key financial and operational processes, ongoing monitoring of management accounts both at Group and Business Unit level, monthly sign-off of Business Unit accounts by local finance directors and an annual compliance statement. Business Units also complete a six monthly self-assessment of key financial controls which is subject to validation by Group Internal Audit. Branch procedures are subject to regular review and audit by Business Unit internal audit and loss prevention teams.

Corporate Social Responsibility

Grafton is committed to conducting its business in a socially responsible manner. This is demonstrated in the way we engage with our colleagues, customers, shareholders, suppliers and with the communities in which we operate. We believe that taking a responsible approach to how we conduct our business is critical to achieving our strategic priorities including ethics and integrity and maximising long-term value to our shareholders. We are also committed to taking a balanced view on economic, social and environmental issues when making business decisions.

The EU Non-Financial Reporting Directive (2014/95) requires that we identify and report on those non-financial areas that are material to our business performance, including environmental matters, social and employee matters, diversity, respect for human rights and bribery and corruption. This Corporate Social Responsibility ("CSR") Report, and other sections of the Annual Report, addresses the requirements of that legislation.

We continue to recognise the importance of a strategic and coordinated approach to the many aspects of our corporate social responsibility.

Our CSR strategy is based around our five core values, which help to ensure that our activity remains focused and relevant:

Trustworthy
Doing business in a responsible and ethical way
pages 53 - 55

Value our People
Keeping our people safe and making Grafton a great place to work
pages 56 - 59

Be Brilliant for our Customers
Always striving to improve our customers' experience
page 60

Entrepreneurial and Empowering
Engaging with our local communities
pages 60 - 61

Ambitious
Recognising how we can do more
page 61

TRUSTWORTHY

Ethical Business

The Group's Code of Business Conduct and Ethics and associated policies and training modules establish the standard of behaviour which all our colleagues, contractors, agents and business are expected to follow to ensure that the Group's principles of ethical behaviour are embedded across all Business Units. Our commitment to ethical business and good corporate governance was further strengthened during 2018 through a number of initiatives, including:

- Completion of the Group GDPR implementation project, with compliance now embedded in local business unit processes;
- Further progress on procedures to confirm supplier compliance with regulatory requirements including the UK Modern Slavery Act 2015; and
- Implementation of all actions arising from the external effectiveness review of the Group's risk management processes.

The Group-wide online ethics and regulatory training modules were updated during the year and re-launched with a new learning management system. All colleagues are required to complete a Business Conduct and Ethics course, whilst a Regulatory Compliance course is mandatory for all head office and management level colleagues, with a requirement to repeat this course every two years.

The Group's Whistleblowing and Response policy sets out the duty of colleagues to report any concern they may have about suspected wrongdoing. All reports are logged by a third party and passed to Group Internal Audit for investigation, with the outcome of investigations reported to the Audit and Risk Committee. While Group policy encourages colleagues to raise any concerns with their manager in the first instance, this service provides an alternative reporting route if required.

Human Rights and Modern Slavery

We are committed to conducting all our activities in a way that values and respects human rights. Our businesses operate in countries where breaches of human rights do not present a material risk. Grafton has stringent HR policies and controls in place which apply to every business in the Group and ensure that the rights of all colleagues are fully respected. The Group adheres to the ETI Base Code, the internationally recognised code of labour practice.

The Group has published a Modern Slavery Policy Statement under section 54 of the Modern Slavery Act 2015 in respect of the year ended 31 December 2018, which is available on the Group website www.graftonplc.com. This describes the Group's policy on forced or involuntary labour and describes the safeguards that the Group has in place to mitigate against the risk of modern slavery in its businesses or supply chains.

Anti-Bribery and Corruption

The Group Anti-Bribery and Corruption Policy was reviewed and updated during 2018. This policy sets out the Group's zero tolerance approach to all forms of bribery and corruption and the standards expected of all colleagues. It requires that a declaration of independence be signed annually by senior management and other individuals who are considered to be exposed to higher risk of conflicts of interest, including employees who have responsibility for contract negotiations with customers and suppliers.

TRUSTWORTHY (continued)

Environment & Sustainability

Grafton recognises the increasingly significant role that effective management of the environment has to play in its business and acknowledges its responsibilities in this field. 58 per cent of the Group's branches are accredited to the ISO 14001 environmental management standard. This accreditation is seen as vital in helping to focus on environmental risk management initiatives.

Carbon Footprint and Energy Reduction

Group CO2e Emissions (Tonnes of CO2e)

	2018	2017	2016	Comment
Scope 1	**69,733**	61,028	61,205	Refers to direct emissions from assets we control, such as vehicles.
Scope 2	**20,696**	23,627	26,143	Refers to indirect emissions associated with the production of electricity.
Total	**90,429**	84,655	87,348	

Although total Group emissions increased during the year, resulting primarily from increased mortar production by CPI Mortars and the inclusion of additional branches in Selco, Leyland SDM and the Netherlands, CO2e emissions per £'m of revenue reduced from 31.17 tonnes in 2017 to 30.62 in 2018, while use of diesel per £'m of revenue was flat at 5,352 litres.

During 2018 we continued to roll out energy efficient LED lighting across branch networks. The UK merchanting business carried out an energy awareness campaign during 2018 by circulating fortnightly energy reports that encouraged reduced electricity consumption leading to significant reductions in energy consumption at a local level.

Ongoing renewal of the Group's fleet has also contributed to reducing the Group's carbon footprint. In 2018, the Group invested in 243 (2017:177) commercial vehicles that comply with the latest and most stringent Euro 6 low emission standard.

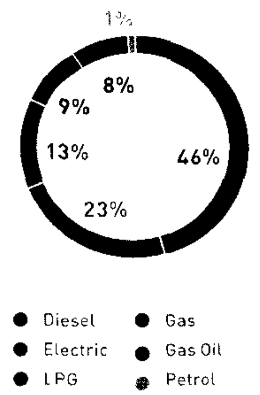
During the year MacBlair achieved a Silver Certificate for reduced vehicle emissions in a scheme verified by the Energy Savings Trust. The certificate recognises fleet operators who have achieved improvement on a range of metrics including driver behaviour and reduced idling that contribute to reduced emissions. This achievement reflects the time and effort invested by the business in driver training.

The Irish Merchanting business joined the Irish Green Building Council (IGBC), a non-profit organisation that aims to promote sustainability in the built environment. In addition to working with the IGBC, the business has introduced a number of initiatives to help reduce waste, use more sustainable materials and reduce energy use.

Tonnes of CO2e per £m of revenue

Diesel consumption per £m of revenue

Emissions by fuel 2018



Pollution and Waste

Grafton strives to reduce the quantity of waste sent to landfill by implementing recycling measures across its businesses. Group businesses continued to implement initiatives to reduce the amount of general waste skips ordered, replacing these with recycling bins where possible.

The Group landfill diversion rate (a measure of the amount of waste that is diverted away from landfills) increased in 2018 across a number of businesses, in particular in Woodie's where the landfill diversion rate is approximately 95%. UK recycling rates decreased but there was an increase in recovery rates from the conversion of non-recyclable waste to energy. During 2018 Selco reduced the amount of waste sent to skips by baling cardboard and plastic. In the UK, the Group has re-negotiated its contract with Biffa and will be seeking to increase its landfill diversion rate in 2019.

The recycling initiative introduced by MacBlair in 2017 for cardboard, plastic and timber was rolled out to all branches in Northern Ireland during 2018, resulting in a considerable reduction in waste going to landfill. The Belgium and Netherlands businesses participate in collections systems for recycling of waste.

Total Group Waste Data	2018	2017	2016
Total landfill diversion rate	**81.0%**	79.9%	76.5%
Total recycling rate	**40.4%**	49.6%	39.8%
Total recovery rate	**40.6%**	30.3%	36.7%

Landfill diversion rates by year

Sustainable Products

The Group recognises the increasing importance of supplying renewable and sustainable products. Product ranges designed to provide sustainable building solutions have been introduced in a number of businesses including solar thermal and solar PV, air source heat pumps, ground source heat pumps, biomass heating, rainwater harvesting and heat recovery ventilation systems. The Woodie's DIY business offers a range of environmentally friendly products including energy-saving lamps, solar garden lights and composters for recycling garden and household waste. The merchanting branches sell condensing boilers which reduce demand for fossil fuels, energy-saving insulation materials and controlled ventilation systems.

Supply Chain Integrity

The Group's Code of Business Conduct and Ethics provides that we will not purchase from suppliers that procure products for us from countries that are subject to trade sanctions, or if the supplier or its sources are listed in connection with a trade sanctions programme or other lists of proscribed individuals or entities relevant to the countries in which the Group operates. Under its terms of trade, Grafton requires all its suppliers to comply with its anti-slavery policy as published on the Group website www.graftonplc.com.

We continue to work to embed our responsible business objectives into our sourcing and supplier activities. During the year we took further steps to enhance the due diligence process for prospective and existing suppliers in relation to issues such as human trafficking and slavery and implemented new contractual requirements. The Group has also engaged an external due diligence screening solution to assist with prioritising, monitoring and mitigating the risks associated with supplier relationships. Non-EU suppliers are screened annually against relevant sanctions lists, watch lists, lists of Politically Exposed Persons or adverse media reports.

CPI Mortars has maintained its Construction Products Certification (CPC) BES 6001 accreditation for product and supply chain sustainability and ethics.

Transparent Timber Sourcing

A number of Grafton Group businesses have FSC and/or PEFC certification in place which is specific to individual timber categories or timber types.

During the year, the Group implemented a Timber Sourcing Policy which sets out the Group's commitment to the sourcing of sustainable timber products and to meeting international certification standards. Under this Policy, Grafton businesses that source timber products must produce an annual summary specifying either the certification (FSC and/or PEFC) or the chain of custody of the timber products sourced.

PLAN IT GREEN Woodie's

FSC www.fsc.org FSC® C014770 The mark of responsible forestry

PEFC

Corporate Social Responsibility (continued)

VALUE OUR PEOPLE

Colleagues

Our success is dependent on the contribution and commitment of each of our colleagues. The Group's decentralised structure, which is appropriately supported at Group level, gives colleagues the autonomy to maximise their experience, expertise and skills both for their own career development and for the success of the Group. We recognise that talent management and succession planning are critical for future growth and as a result an annual talent review is conducted and people risks are strategically managed.

Equality, Diversity and Inclusion

During 2018 the Group reviewed and updated its policy on Equality, Diversity and Inclusion, which sets out Grafton's aim of promoting equality and being a welcoming, inclusive, diverse and safe place to work for everyone. During the year the Group also launched its diversity strategy, with specific age and gender diversity targets set for each business. Our businesses are positively working to create a culture of understanding and respect, and an environment where everyone feels included, welcome and able to achieve their full potential.

- The Irish merchanting business continued to partner with Hand on Heart's 'Enterprise Initiative' which provides employment opportunities for people with disabilities, and it also partnered with EmployAbility Ireland, resulting in hiring a number of colleagues with disabilities at its head office in Ashfield.
- The Netherlands business continued its in-house apprentice programme with a new training class that included students and colleagues with disabilities.
- Buildbase held its first 'Women in Buildbase' conference, bringing together senior female colleagues from across all departments to discuss how best to attract and retain more female colleagues.
- Woodie's introduced its "Women of Woodie's" training event on International Women's Day 2018, inviting colleagues from every store to participate in training on areas of the business traditionally viewed as male-oriented. Attendees also heard from a number of prominent female guest speakers.

We believe that monitoring the pay between men and women is an important step to ensuring that all colleagues are fairly rewarded for their work and their contribution to the business. Gender Pay information has been published on the websites of UK businesses that are within the scope of the UK Gender Pay Gap reporting regulations.

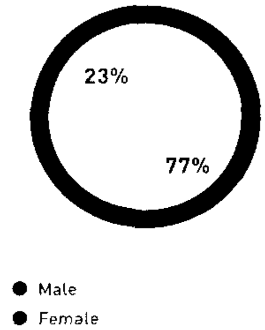
Training and Development

Grafton is committed to offering equal opportunities to all individuals in their recruitment, training and career development having regard to their particular aptitudes and abilities. Significant attention and resources are devoted to training programmes which are organised internally by Group businesses and in conjunction with external bodies. These programmes, covering sales development, customer service, product training, health and safety and leadership skills, help to ensure that the Group can develop, retain and attract the best talent at all levels in its businesses.

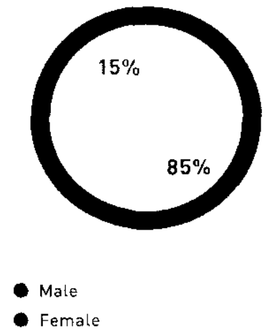
The Group's commitment to career development has been reinforced by the introduction of the Apprenticeship Levy in the UK where a proportion of payroll costs of UK employer companies are used to recruit entry-level apprentices and fund the development of future talent. Existing employees can also benefit from apprenticeship training programmes that lead to qualifications from the Institute of Leadership and Management.

Buildbase and Selco were the first builders merchants to register apprenticeship candidates on the Trade Supplier Apprenticeship and currently have 23 apprentices on the scheme.

Gender Breakdown Group

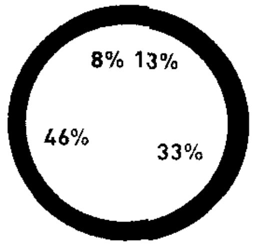


Gender Breakdown Senior Management



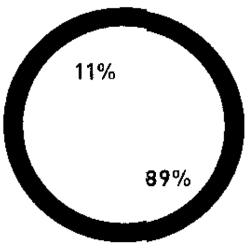
Women in BUILDBASE

Age Breakdown

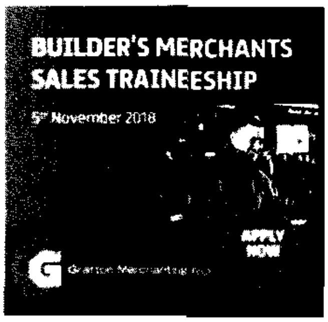


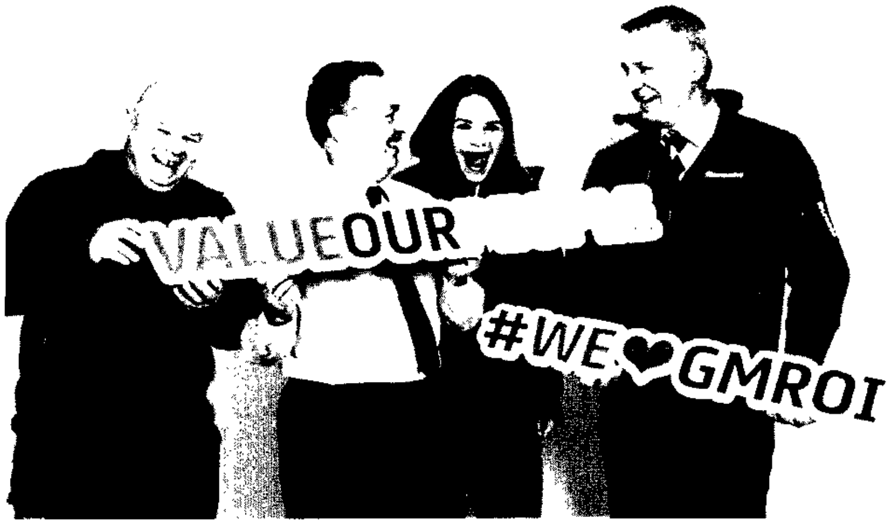
- Under 25
- 26-39
- 40-59
- Over 60

Work Patterns



- Full time
- Part time





Examples of training and development initiatives undertaken by Group businesses during 2018 are:

- The Group launched its 'Next Generation Leadership' programme in conjunction with Coventry University. This programme was developed specifically for Grafton with the aim of identifying and developing a diverse group of high-potential colleagues and equipping them with the skills and knowledge necessary to develop as possible future leaders.
- The Irish merchanting business continued to run its Management Development Programme and Sales Academy. In November 2018, it launched a Builders' Merchants Sales Traineeship scheme, a programme accredited by Quality and Qualifications Ireland (QQI) and run in conjunction with Dublin and Dun Laoghaire Education and Training Board.
- Selco provides access to nationally recognised management training courses. Colleagues also participate in a range of apprenticeships including HGV drivers, Trade Supplier, Customer Service, HR and Business Administration.
- 170 colleagues graduated during the year from the first module of Woodie's Seeds for Success programme in partnership with Retail Skillnet Ireland. Completion of all modules of the course leads to the award of a Level 5 National Certificate from QQI.
- Woodie's also continued its Experts Programme, which focuses on building knowledge in specific product areas, and on its Leadership Development Programmes.
- The Isero business in the Netherlands continued its in-house business academy with a new class that started in September 2018 to train as apprentice customer service representatives.
- Buildbase and Plumbase offer a wide range of training courses through the 'My Learning' e-learning platform.

VALUE OUR PEOPLE (continued)

Benefits and Reward

Grafton is committed to high standards of employment practice across its businesses and aims to reward colleagues fairly by reference to skills, performance, peers and market conditions. We provide incentives to employees through remuneration policies that promote commitment and reward achievement.

The Group continued to roll out its cloud based HR solution which allows colleagues to access and update their employee records from a range of devices. Colleagues in the UK have access to "Reward Gateway", an online benefits and communications web platform which provides access to company communications and information on discounts available from a range of high street retailers.

The Group operates a Revenue-approved Save as You Earn (SAYE) Scheme that enables eligible UK colleagues to share in the success of the overall Group. Eligible colleagues were invited to join a new launch of the scheme during 2018 which will mature in 2021 giving colleagues the opportunity to benefit from any increase in the share price over the three year savings period. The Irish merchanting business also operates a Revenue-approved profit sharing scheme.

Employee Engagement

The majority of Group businesses took part in employee engagement surveys during the year. The results of all surveys across the Group demonstrated ongoing improvements in both participation rates and employee engagement scores.

Both Buildbase and Selco participated in the UK Best Companies Survey resulting in 'One to Watch' accreditation.

Woodie's was ranked number 20 in the 'Great Places to Work' for 2019 for Ireland's Best Large Workplaces and was also among the 'Best Workplaces for Women'. In addition, Woodie's received a Special Award that recognised the fund raising in July 2018 by 1,400 colleagues for four major children's charities.

Colleagues have access to "Speak-Up", the Group-wide confidential reporting service which provides an effective channel for employees to raise concerns to an independent third party regarding practices or conduct in their businesses including possible instances of fraud, theft, serious health and safety issues and other risks including GDPR.

Colleague Wellness

Group businesses ran a range of initiatives during the year aimed at improving colleague wellness. Woodie's and MacBlair implemented programmes based around the four M's: Mind, Move, Money and Meals, while management in a number of businesses undertook additional training to support wellbeing.

CPI Mortars focused on mental wellbeing, and worked with the Mates in Mind charity to support Mental Health Awareness Week.

Colleagues in the UK have access to an Employee Helpline, a confidential helpline service available online or by telephone which provides instant and unlimited 24/7 access to them and their immediate family, to help and support on a wide range of everyday issues covering work, relationships, family matters, financial, legal and health.

To respond to the changing business environment and in recognition of the changing ways colleagues live and work, we encourage our colleagues to embrace "flexible working" where appropriate.

Health and Safety

The Group's vision for health and safety is to send our colleagues, customers and everyone we work with home safe and well at the end of each day.

We are committed to maintaining high standards of health and safety for our colleagues, customers and visitors and to demonstrating leadership of our health and safety agenda across all Group businesses. We believe that safety leadership is most effective when it is integrated into routine business leadership behaviours, and we continue to develop this approach across all Group businesses.

Our Group Health and Safety Policy sets out the key responsibilities for health and safety management and establishes the framework for each business to develop its own effective systems, policies and procedures. Local business management is responsible for driving the safety, health and environment agenda alongside other business priorities. All colleagues are encouraged to raise any concerns about safety and to make suggestions to improve our safety performance.

Our safety priorities remain focused on traffic management, product storage and product handling in branch locations along with the safe, efficient delivery of products to customers sites. Each business is committed to engaging its team in these priority areas and to demonstrate their determination to reduce injuries to our colleagues, customers and third parties. During 2018, each business developed its own safety development programme around these key priorities, while also developing their own initiatives.

The Group's Lost Time Injury Frequency Rate (LTIFR) reduced by 4.6 per cent to 1.04 lost time injuries per 100,000 hours worked (2017: 1.09).

Improving safety and health performance is a challenging journey for any business. We remain committed to our strategy, to our key safety priorities, to the simplification of systems and procedures, to our focus on visible leadership and to our individual business teams driving the safety, health and environment agenda alongside other business priorities.

Examples of health and safety initiatives during the year included:

- The Irish merchanting business dedicated additional time to forklift training and management as part of their yard safety campaign. The recruitment of an in-house specialist trainer supported this initiative and has raised knowledge and awareness amongst supervisors and managers as well as reducing the number of incidents involving forklift trucks.
- Buildbase continued to focus on safe deliveries and completed over 400 'driver days' where a local or senior manager spends time out in the cab with one of our delivery drivers. These have proved very useful in demonstrating our safety commitment by giving the drivers an opportunity to raise any concerns or suggestions directly with a member of management.
- Almost 100 yard supervisors attended a dedicated training day with the safety team and their business Director to give them the opportunity to suggest improvements, to ensure consistent safety messages were delivered and to encourage close collaboration on safety matters.
- MacBlair joined the other UK businesses on the incident reporting system, Safety Cloud, to facilitate more effective communication of incidents and subsequent investigations. It also invested in training for branch management teams, by completing IOSH Managing Safely - a four day programme designed for managers to understand their safety and health responsibilities.
- Woodie's increased their focus on forklift safety in the warehouse and while unloading products to reduce the risk of injury during these busy operations. It also implemented increased colleague training on manual handling best practice.
- Plumbase focused on safe unloading and forklift activity and developed an internal safety leadership programme for directors and senior managers.
- Selco introduced 'Safety in Action' days for senior management to walk the stores, talking to colleagues, customers and suppliers, focusing on priority areas. This was especially effective in demonstrating how safety leadership can be integrated into day to day management of the business. A 'Get out and Look' transport campaign was introduced, aimed at coaching drivers in best practice when manoeuvring vehicles. Powered pickers were introduced into every Selco store during 2018 to eliminate the need for colleagues to carry large or heavy items up or down steps.
- CPI Mortars invested in the IOSH approved Behavioural Safety Leadership programme for senior management which is instrumental in helping to embed safety and health in its business culture.
- The Belgium merchanting business increased its focus on training for forklift and lorry mounted crane operators and also invested in a trial to remove the need for delivery drivers to work at height on the vehicle.
- The Netherlands business made significant progress integrating recent acquisitions into its established safety system and invested significant time in demonstrating its safety commitment to drivers and customers and to improve engagement levels with drivers.
- The Civils and Lintels merchanting business in the UK invested in the IOSH approved Behavioural Safety Leadership programme for the Board of Directors, senior managers and branch management teams. This training will form the foundation for numerous initiatives in 2019 to further engage all colleagues in safety and health training to eliminate or reduce the potential for injuries at work.

BE BRILLIANT FOR OUR CUSTOMERS

ENTREPRENEURIAL AND EMPOWERING

Customer service is a key priority for the Group and we prioritise our customers' needs when formulating strategy and making business decisions. During 2018, Group businesses implemented a number of initiatives aimed at improving our customers' experience and furthering our value of Being Brilliant for our Customers.

Customer Service and Feedback
Post-purchase customer satisfaction surveys in place in a number of businesses are designed to provide insight into customer experiences, identify areas for improvement and channel feedback to branch colleagues. 'Mystery shopper' initiatives have also proved valuable as a snapshot of service provided in branches.

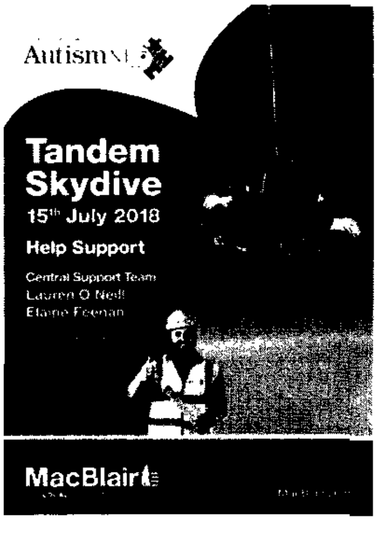
Meeting Changing Customer Needs
As a result of customer demand for more convenient opening hours, Leyland SDM launched new longer opening hours across its branch network and now open 7 days a week in a number of branches. Group businesses provide on-line trading options to facilitate changing customer needs, including delivery, click and collect and e-invoicing.

New stores, Branch Upgrades and Refurbishment
Woodie's made further progress on its store refurbishment project with seven stores completed in 2018, creating a safer and more pleasant shopping environment for our customers and colleagues. Selco increased its coverage throughout the UK, opening seven new branches in 2018. The Netherlands merchanting business opened two new branches in 2018. The Irish merchanting business commenced a branch rebranding programme with five branches completed by the year end.

To our customers for these wonderful 30 years!

Community and Charity Support
Grafton is very proud to support a range of community and charitable initiatives, mainly through its branch network at local level. In 2018, colleagues provided time and expertise to a range of local community initiatives and over £550,000 was raised by Grafton businesses in support of various local and national charities.

- In June 2018, Grafton Group plc participated in its seventh consecutive cycle challenge. The four day challenge covered over 250 miles from Dubrovnik to Split in Croatia. A team of senior executives completed the challenge and raised over £10,000 for the Foundation of Light, the registered charity of Sunderland AFC. The Foundation uses the power of football to inspire, involve and educate children, families and adults across the North East of England and engages with more than 40,000 people every year.
- The Group partnered with Action Medical Research, a British charity that funds research to prevent and treat disease and disability in babies and children. A group of colleagues cycled from London to Brussels in September 2018, covering over 320 miles during the four-day challenge and raising over £20,000 for this charity.
- 2018 marked the fourth year of Woodie's Heroes fundraising, raising €343,000 during the year and over €1.1m to date for Irish children's charities. The charities nominated by colleagues for support in 2018 were Jack and Jill, Temple Street Foundation, Down Syndrome Ireland and Make-A-Wish Ireland.



- Selco Builders Warehouse continued its successful partnership with Macmillan Cancer Support, raising over £120,000 during 2018 through a range of fundraising activities and bringing the total amount donated over the six years of partnership to date to over £600,000. Branches also supported a range of local charities including schools, hospices, local sports groups and animal welfare organisations.
- MacBlair raised over £16,000 for local charity *Autism NI through a range of events* including abseiling, skydiving and climbing Ben Nevis.
- The Irish merchanting business celebrated a 14 year partnership with Moyle Park College, Clondalkin, facilitating various skills workshops as part of a "Business in the Community" initiative, which aims to increase school completion rates and enhance the educational experience for students in disadvantaged areas.
- The traditional UK merchanting business continued its support for Cancer Research UK, raising over £45,000 through a number of events and initiatives.
- CPI Mortars colleagues joined over 10,000 walkers who took part in the annual Glasgow Kiltwalk raising £16,000 for the Glasgow Children's Hospital Charity
- Buildbase donated building materials and tools to the 'Curriculum Construction Project' at the National Autistic Society's Anderson School in Chigwell, where students learn about site and tool handling safety, the basics of painting and decorating, brickwork and tiling.
- The Netherlands business continued to sponsor 'Beursvloer Woerden', a trade fair which provides for the sharing of information and skills between local businesses and social organisations. Other activities included sponsorship of sports events to raise funds for the Dutch Cancer Society.

AMBITIOUS

We acknowledge that we can always do better and we have highlighted a number of areas of focus for improvement in 2019 and beyond:

Diversity

We recognise we have more work to do to meet diversity targets on gender, age and ethnicity. For 2019 each business has agreed an appropriate strategy on diversity with specific goals with the aim of attracting and retaining a more diverse workforce.

Health and Safety

The Group's Lost Time Injury Frequency Rate (LTIFR) reduced by 4.6 per cent to 1.04 lost time injuries per 100,000 hours worked. Although this improvement is welcomed, we recognise that our most significant challenge in this area is the engagement of all colleagues in 'wanting' and 'choosing' to work and behave safely, rather than simply 'having' to.

CO_2e emissions

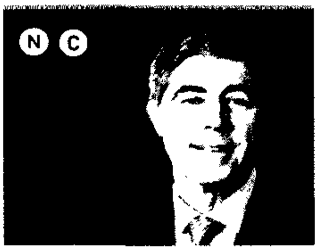
2018 saw a reduction in CO_2e emissions per £'m of revenue while use of diesel per £'m of revenue was flat. We aim to reduce our carbon footprint by continuing to invest in energy and fuel efficiency across our businesses.

Corporate Governance

Board of Directors and Secretary

Legend

(A) Audit and Risk Committee
(F) Finance Committee
(N) Nominations Committee
(R) Remuneration Committee
(C) Committee Chairman



Michael J. Roney (USA), MBA
Non-Executive Chairman
Michael Roney was appointed to the Board as Non-Executive Director, Deputy Chairman and Chairman Designate on 1 May 2016 and assumed the role of Non-Executive Chairman on 1 January 2017.

Career
Mr. Roney was Chief Executive of Bunzl plc from 2005 until his retirement in April 2016. Prior to joining Bunzl he was Chief Executive Officer of Goodyear Dunlop Tires Europe, having previously been President of Goodyear's Eastern European, African and Middle Eastern businesses. He was formerly Non-Executive Director of Johnson Matthey Plc.

Current external appointments
Non-Executive Chairman of Next plc, the FTSE 100 listed UK retailer. Non-Executive Director of Brown-Forman Corporation, the US based spirits business.

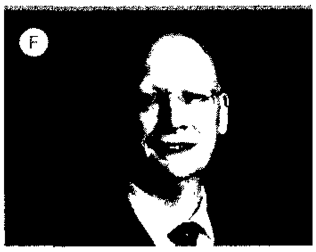
Board Length of Service: 2.9 years

Gavin Slark (UK)
Chief Executive Officer
Gavin Slark joined the Group and the Board as Chief Executive Designate on 1 April 2011 and was appointed Chief Executive Officer on 1 July 2011.

Career
Mr. Slark was previously Group Chief Executive of BSS Group plc, a leading UK distributor of plumbing, heating, pipeline and mechanical services and products.

Current external appointments
Non-Executive Director of Galliford Try plc, a UK housebuilding and construction group.

Board Length of Service: 8.0 years



David Arnold (UK), BSc, FCMA, FCT
Chief Financial Officer
David Arnold joined the Group as Group Chief Financial Officer on 9 September 2013.

Career
Mr. Arnold was Group Finance Director of Enterprise plc, the UK Maintenance and Support Services business, from 2010 to 2013 and was Finance Director of Redrow plc, the house builder, from 2003 to 2010. He previously held senior financial positions with Six Continents plc, the hotels group and Tarmac plc, the building materials company.

Current external appointments
None.

Board Length of Service: 5.5 years

Charles Rinn, MBA, FCCA
Group Financial Controller & Secretary

Finance Committee Membership	Length of Service*
G. Slark (Chairman)	8.0 years
D. Arnold	5.5 years
C. Rinn	15.0 years

Frank van Zanten (NL), MBA
Non-Executive Director
Frank van Zanten was appointed to the Board on 13 May 2013.

Career
Mr. van Zanten is Chief Executive of Bunzl plc, the FTSE 100 UK international distribution and outsourcing Group with operations across the Americas, Europe and Australasia. Prior to his appointment as CEO he was Managing Director of Bunzl's Continental Europe business area. He was previously Chief Executive of PontMeyer N.V., the Dutch Builders Merchants.

Current external appointments
Chief Executive of Bunzl plc.

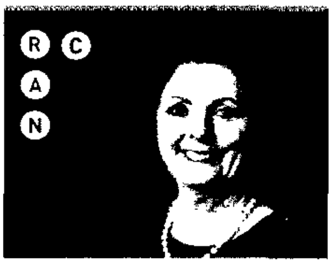
Board Length of Service: 5.8 years

Paul Hampden Smith (UK), FCA
Non-Executive Director
Paul Hampden Smith was appointed to the Board on 27 August 2015 and was appointed Senior Independent Director on 9 May 2017.

Career
Mr. Hampden Smith was Group Finance Director of Travis Perkins plc from 1996 until his retirement in February 2013. He joined the Travis Perkins Group in 1988 and has 25 years' senior level management experience in the UK merchanting industry. He was previously Non-Executive Director of Pendragon plc, Redrow plc, DX Services plc and Clipper Logistics plc.

Current external appointments
Appointed Non-Executive Chairman of Bellway plc on 12 December 2018 having been appointed Non-Executive Director in 2013.

Board Length of Service: 3.5 years

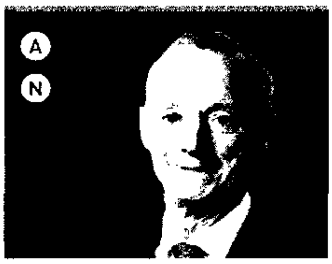


Susan Murray (UK)
Non-Executive Director
Susan Murray was appointed to the Board on 14 October 2016.

Career
Mrs. Murray spent her executive career in consumer goods and retail. She is a former Chief Executive of Littlewoods Stores Limited and former Worldwide President and Chief Executive of The Pierre Smirnoff Company, part of Diageo plc. Mrs. Murray is a former Chairman of Farrow & Ball and a former Non-Executive Director of Compass Group plc, Pernod Ricard S.A., Imperial Brands plc, EI Group plc, Aberdeen Asset Management plc, SSL International plc and Wm Morrison Supermarkets plc.

Current external appointments
Non-Executive Director of Boparan Holdings Limited, a food manufacturing company, Hays plc, a provider of recruitment and human resources services and Mitchells & Butlers plc, an operator of restaurants, pubs and bars in the UK and Germany.

Board Length of Service: 2.4 years



Vincent Crowley (IRL), BA, FCA
Non-Executive Director
Vincent Crowley was appointed to the Board on 14 October 2016.

Career
In the course of a 24 year career with Independent News & Media PLC, a leading Irish newspaper and media business, Mr. Crowley held a number of leadership positions including Chief Executive Officer and Chief Operating Officer and was a member of the Board. Prior to joining Independent News & Media PLC, he held senior roles in KPMG and Arthur Andersen.

Current external appointments
Non-Executive Director of C&C Group plc, an international manufacturer and distributor of branded drinks and Executive Chairman of Altas Investments plc, an Irish company that holds investments in infrastructure and related businesses.

Board Length of Service: 2.4 years

Remuneration Committee Membership	Length of Service*
S. Murray (Chairman)	2.1 years
F. van Zanten	3.2 years
P. Hampden Smith	3.2 years

Nomination Committee Membership	Length of Service*
M. Roney (Chairman)	2.8 years
F. van Zanten	3.7 years
P. Hampden Smith	3.6 years
S. Murray	2.0 years
V. Crowley	2.0 years

Audit and Risk Committee Membership	Length of Service*
P. Hampden Smith (Chairman)	3.5 years
V. Crowley	2.1 years
S. Murray	1.2 years

*All lengths of service are as at 11 March 2019

Directors' Report on Corporate Governance

Compliance with the 2016 UK Corporate Governance Code
Grafton Group plc ("the Company") is incorporated in Ireland and is subject to Irish company law. Its Units (shares) are listed on the London Stock Exchange and the Group is subject to the UK Corporate Governance Code ("the Code") which sets out the standards for corporate governance to be applied by companies that are listed on the London Stock Exchange. This report describes how the Company has applied the main and supporting principles of the Code during the year.

The Board believes that the Company has, throughout the accounting period, complied with all relevant provisions of the Code.

During the year the Board considered the provisions of the 2018 Corporate Governance Code ("the 2018 Code") which sets a higher standard of corporate governance and is implementing a programme of work to ensure compliance with the relevant provisions of the 2018 Code in the current financial year.

LEADERSHIP

The Board of Directors

Role of the Board
The Board is responsible for the oversight and success of the Group's business. The Board's responsibilities include:
- Ensuring that appropriate management, development and succession plans are in place;
- Reviewing the environmental and health and safety performance of the Group;
- Approving the appointment of Directors and the Company Secretary;
- Approving policies relating to Directors' remuneration and severance; and
- Ensuring that satisfactory dialogue takes place with shareholders.

It is Board policy that no individual or small group of individuals can dominate its decision-making.

The Board has delegated some of its responsibilities to the Audit and Risk, Remuneration, Nomination and Finance Committees.

Matters Reserved for Board Decision
The Board has a formal schedule of matters specifically reserved for its decision, covering:
- Strategic decisions;
- Risk management and internal controls;
- Acquisitions and capital expenditure above agreed thresholds;
- Approval of interim and final dividends and share purchases;
- Changes to the capital structure;
- Tax and treasury management;
- Approval of half-yearly and annual financial statements; and
- Budgets and matters currently or prospectively affecting the Group and its performance.

Supported by

Audit and Risk Committee
Monitors the appropriateness and integrity of the Group's financial reporting, external audit, internal audit and risk management processes.

See page 73
for more information

Nomination Committee
Evaluates the composition of the Board to ensure an effective balance of skills and experience and considers succession planning for directors and senior executives.

See page 77
for more information

Remuneration Committee
Determines the policy for remuneration of the Chairman, the Executive Directors, the Company Secretary and such other executive management as it is designated to consider.

See page 79
for more information

Finance Committee
Considers the financing requirements of the Group, amendments to the terms of existing bank facilities, finance and operating leases for assets other than property up to a specified level and litigation matters.

See page 68
for more information

Chairman and Chief Executive Officer

There is a clear division of responsibility between the Chairman and the Chief Executive Officer. The responsibilities of each role are clearly documented in schedules approved by the Board that have been updated to reflect the provisions of the 2018 Code. The CEO is responsible for day-to-day management of the Group including implementing the strategy agreed with the Board and reporting on the performance of the Group. He is accountable to the Board as CEO for all authority delegated to executive management. The Chairman is responsible for leading the Board and ensuring its effectiveness in all aspects of its role.

Board meetings

The Board met on nine occasions during 2018. The Board receives updates on developments from management between meetings as appropriate. The Board takes the major decisions as set out in the schedule of matters reserved to it for decision, while allowing management sufficient scope to run the business within a tight reporting framework. The Group has arranged insurance cover up to a specified limit in respect of legal actions against directors and officers.

Non-Executive Directors

Non-Executive Directors constructively challenge management proposals and review the performance of the Group. During the year, the Chairman and Non-Executives met with and without the CEO present.

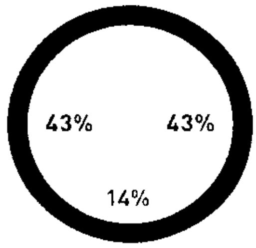
Senior Independent Director

Mr. Paul Hampden Smith is the Senior Independent Director and is available to act as a sounding board for the Chairman, and as an intermediary for the other Directors, if necessary. He is also available to shareholders who may have concerns that cannot be addressed through the normal channels of Chairman, Chief Executive Officer or Chief Financial Officer. The role of the Senior Independent Director is clearly set out in a document approved by the Board which was updated to reflect the provisions of the 2018 Code.

Company Secretary

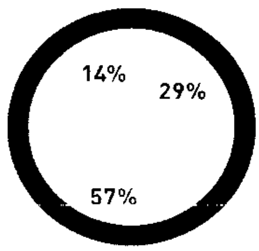
The Directors have access to the advice and services of the Company Secretary, Mr. Charles Rinn, who advises the Board and Board Committees on governance matters. The Company's Articles of Association and Schedule of Matters reserved for the Board provide that the appointment or removal of the Company Secretary is a matter for the full Board.

Board Tenure



- More than 5 years
- 3-5 years
- 1-3 years

Executive and Non-Executive Director Balance



- Executive Directors
- Non-Executive Directors
- Chairman

Attendance at Board and Board Committee Meetings during the Year Ended 31 December 2018

The number of Board Meetings and Committee Meetings held during the year and attended by each Director was as follows:

	Board		Audit and Risk Committee		Finance Committee		Remuneration Committee		Nomination Committee	
Number of Meetings	**Total**	**Attended**	**Total**	**Attended**	**Total**	**Attended**	**Total**	**Attended**	**Total**	**Attended**
M. Roney	9	9	-	-	-	-	-	-	1	1
G. Slark	9	9	-	-	2	2	-	-	-	-
D. Arnold	9	9	-	-	2	2	-	-	-	-
P. Hampden Smith	9	9	4	4	-	-	5	5	1	1
F. van Zanten	9	9	-	-	-	-	5	5	1	1
S. Murray	9	9	4	4	-	-	5	5	1	1
V. Crowley	9	9	4	4	-	-	-	-	1	1

The Board is assisted by Committees of Board members that focus on specific aspects of its responsibilities as delegated to it by the Board. The Terms of Reference of the Audit and Risk Committee, Remuneration Committee and Nomination Committee were updated to reflect the provisions of the 2018 Code and are on the Group's website at www.graftonplc.com. Membership and length of service of Board Committees is shown on pages 64 to 65. Ms. Susan Lannigan, Deputy Company Secretary is Secretary to the Audit and Risk Committee. Ms. Paula Harvey, Group HR Director, is Secretary to the Remuneration Committee. Mr. Charles Rinn is Secretary to the Nomination Committee.

The Finance Committee is chaired by Mr. Gavin Slark, CEO and also comprises Mr. David Arnold, CFO and Mr. Charles Rinn, Group Financial Controller and Secretary. The Committee considers the financing requirements of the Group, considers amendments to the terms of existing bank facilities, approval of finance and operating leases for assets other than property up to a specified level and litigation matters.

The Board is briefed on key discussions and decisions by each Committee Chairman at the Board meeting immediately following the relevant Committee meeting and minutes of Committee meetings are circulated to the Board.

What the Board Did in 2018

The following is a summary of the significant matters considered by the Board during the year:

January
- Group CEO Review
- Strategy and acquisitions update
- Trading and financial performance review
- Health & Safety
- Findings of internal Board evaluation
- Updates on strategy including an update on the acquisition of Leyland SDM
- Presentation on cyber security
- Reports on Gender Pay by UK Business Units
- Updated Tax Policy & Tax Risk Management Strategy

February
- Group CEO Review
- Strategy and acquisitions update
- Trading and financial performance review
- Health & Safety
- 2017 Final Results Announcement
- 2017 Annual Report, Notice of AGM and noted interim dividend proposal
- Guarantee of the liabilities of certain Group subsidiaries
- Update on the Group GDPR compliance project and Data Protection Policy
- Update on the progress of the AX system in Buildbase

May
- Group CEO Review
- Strategy and acquisitions update
- Trading and financial performance review
- Health & Safety
- Proposal to raise funds in the US Private Placement Market
- Group Equality, Diversity and Inclusion Policy
- Trading Update
- AGM

June
- Group CEO Review
- Strategy and acquisitions update
- Trading and financial performance review
- Health & Safety
- Update on the adoption of IFRS 16
- Update on developments in Group Procurement

EFFECTIVENESS

Board Composition

It is the Group's policy that the Board comprises a majority of Non-Executive Directors. At 31 December 2018, the Board was made up of seven members comprising the Non-Executive Chairman, two Executive Directors and four independent Non-Executive Directors.

The Board considers that its proposed size and structure is appropriate to the scale, complexity and geographic spread of its operations and that the number of Non-Executive Directors is considered sufficient to enable the Board and its Committees to operate effectively without excessive reliance on any individual Non-Executive Director. The Board believes that Executive and Non-Executive Directors between them have the necessary skills, knowledge and international business experience, gained from a diverse range of industries and backgrounds, required to manage the Group. The skills, expertise and experience of the Board is used to review strategy, allocate capital, monitor financial performance and consider executive management's response to market developments and operational matters.

The terms and conditions of appointment of Non-Executive Directors, which include the time commitment expected from each Director, are available for inspection by any person at the Company's registered office during normal business hours and prior to the AGM.

Directors' Independence and Board Balance

The four Non-Executive Directors, Mr. Paul Hampden Smith, Mr. Frank van Zanten, Mr. Vincent Crowley and Mrs. Susan Murray are considered by the Board to be independent in character and free from any business or other relationship which could materially interfere with the exercise of independent judgement. The Board has determined that each of the Non-Executive Directors fulfilled this requirement and is independent. In reaching that conclusion, the Board considered the principles relating to independence contained in the Code.

In accordance with the provisions of the Code, the Board has decided that all Directors should retire at the 2019 Annual General Meeting ("AGM") and offer themselves for re-election.

The Board undertakes a formal annual evaluation of the performance of its Directors and is satisfied that all Directors who are proposed for re-election continue to discharge their obligations as Directors and contribute effectively to the work of the Board and its Committees. Further details on the Board evaluation are set out below.

The overall composition and balance of the Board is kept under review as outlined in the Chairman's Report and in the programme of work undertaken by the Nomination Committee in its report on pages 77 to 78. The Board and the Nomination Committee will continue to manage the orderly succession of Non-Executive Directors who were appointed between 2013 and 2017.

June (Strategy)

- Considered development of the Group's Business Units organically and through acquisition, growth opportunities in new geographic markets, trends in the merchanting market, on-line trading and changes in the competitive landscape
- Current portfolio composition and possible acquisition opportunities
- Online strategy at Business Unit level

August

- Group CEO Review
- Strategy and acquisitions update
- Trading and financial performance review
- Health & Safety
- Received an update from CEO on corporate developments
- Received a report from the Audit and Risk Committee Chair on both the External Auditor's and the Committee's review of the Interim Results for 2018
- Approved the Interim Results for 2018 and noted the interim dividend proposal
- Approved a proposal for a grant of options under the UK SAYE scheme

October

- Group CEO Review
- Strategy and acquisitions update
- Trading and financial performance review
- Health & Safety
- Presentation on the implementation of the AX system in Buildbase
- Update on corporate developments
- Proposal to reduce bank facilities following US Private Placement
- Update on changes to the UK Corporate Governance Code and programme of work to ensure compliance in 2019

December

- Group CEO Review
- Strategy and acquisitions update
- Trading and financial performance review
- Health & Safety
- Presentations from a number of Business Unit management teams that included a review of 2018 and plans for 2019
- Group Budget for 2019
- Approach to engagement with the workforce
- Review of key risks

Induction and Training
It is the policy of the Board that formal induction is offered to all Directors appointed to the Board. This includes on-site visits and meetings with Senior Management in the Group's businesses and briefings from the Chairman, Executive Directors and the Company Secretary. Induction covers matters such as the operations of the Group, the role of the Board and matters reserved for its decision, powers delegated to Board Committees, corporate governance and the performance of the Group. Directors are advised on appointment of their legal and other duties and of their obligations as Directors of a listed company. The training and development needs of the Directors were reviewed and agreed during the year.

Information and Support
Directors have full and timely access to all relevant information in an appropriate form. Reports and papers are circulated to Directors in sufficient time to enable them to prepare for Board and Committee meetings. All Directors receive monthly management accounts and reports covering the Group's performance, development proposals and other matters to enable them to review and oversee the performance of the Group on an ongoing basis. The Board devotes one of its meetings to strategy and one to the following year's budget. The strategy meeting covers the macro-economic, political and social systems, construction market, housing market, business sectors, competitive landscape and challenges and opportunities in existing and prospective countries of operation for the Group. It also covers distinctive segments of the merchanting market, competitive landscape and possible acquisition opportunities.

All Directors have access to independent professional advice at the Group's expense where necessary to enable them to discharge their responsibilities as Directors.

The Board periodically visits branches and meets with senior management in order to help Directors gain a deeper understanding of the Group's operations, markets, performance and development. These contacts also provide an opportunity to get to know management below board level and to listen to their views.

Evaluation of Board
A formal review of the performance of the Board, Board Committees and individual Directors is undertaken each year including an external evaluation every three years. The process is designed to ensure that the effectiveness of the Board is maintained and improved.

An externally facilitated evaluation was conducted during the year by Trusted Advisors Partnership (TAP), with whom the Group has no other connection. The evaluation involved each Director and the Company Secretary independently completing a questionnaire that covered a range of issues including the effectiveness of the Board and its Committees, strategy and development, internal controls and risk management, monitoring financial and operating performance and shareholder value creation. A one-to-one interview was also carried out between the TAP assessor and each Director and the Company Secretary. The overall results of the evaluation were very positive and concluded that the Board and its Committees are operating effectively and to a high standard of governance and in compliance with best practice. Recommendations made by the report will be addressed during the course of 2019.

The Non-Executive Directors met without the Chairman present to appraise his performance. The evaluation of individual directors and the Company Secretary involved a meeting between each of them individually and the Chairman.

The Board confirms that each of the Non-Executive and Executive Directors continues to perform effectively and demonstrate a strong commitment to the role.

Succession Planning
The Board's general policy is to keep the overall composition and balance of the Board under review and to manage the orderly succession of Non-Executive Directors without compromising the effectiveness and continuity of the Board and its Committees.

The Board plans for succession with the assistance of the Nomination Committee. The Board believes that it is necessary to have appropriate Executive Director and Non-Executive Director representation to provide Board balance and also to provide the Board with the breadth of experience required by the increasing scale, geographic spread and complexity of the Group's operations.

The Nomination Committee takes account of the skills, knowledge and experience, including international business experience, required by the Board. It also considered Board diversity, including gender and nationality in considering suitable candidates to serve as Non-Executive Directors as part of the ongoing process of Board renewal. The Committee also considers the need for an appropriately sized Board that can function effectively.

The Board considers senior management succession planning on a regular basis with a view to developing, over the coming years, a strong succession pipeline for key positions up to and including Executive Director level.

ACCOUNTABILITY

The Board is committed to providing a fair, balanced and understandable assessment of the Group's position and prospects.

Responsibility for reviewing the Group's internal controls, risk management and risk evaluation procedures has been delegated by the Board to the Audit and Risk Committee. Details of how these duties were discharged is set out in the Audit and Risk Committee Report on pages 73 to 76.

An assessment of the viability of the Group over a three year period to December 2021 was carried out by the Board and details of this assessment are set out below.

Going Concern

The Directors, having made appropriate enquiries, believe that the Company and the Group as a whole has adequate resources to continue in operational existence for the foreseeable future, being 12 months from the date of approval of the financial statements and, for this reason, they continue to adopt the going concern basis in preparing the financial statements.

Viability Statement

The Directors have assessed the viability of the Group over a three-year period to December 2021, taking account of the Group's current position and prospects, the Group's strategy and principal risks and how they are managed as documented on pages 48 to 51. Based on this assessment, the Directors have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period to December 2021.

In making this statement the Directors have considered the resilience of the Group, taking account of its current position, the principal risks facing the business in severe and reasonable scenarios, and the effectiveness of mitigating actions that could be taken to avoid or reduce the impact or occurrence of the underlying risks that would realistically be open to them in the circumstances. This assessment has considered the potential impacts of these risks on the business model, future performance, solvency and liquidity over the period. The Directors have also considered the Group's response to the 2008 global financial crisis which was very effective.

The Directors have determined that the three-year period to December 2021 is an appropriate period over which to provide its viability statement. The Group prepares five year plans as part of its annual budgeting process however, given the inherent uncertainties, the outer two years are more difficult to forecast. These two years are used mainly for scenario planning with the Board placing greater reliance on the initial three year period. In making their assessment, the Directors have taken account of the Group's low net debt to equity position of four per cent at the end of 2018, its strong financial position, headroom and duration of loan facilities currently in place, its key potential mitigating actions of reducing the Group's cost base, capital expenditure, dividend payments and the Group's ability to generate positive cash inflows in a scenario of falling revenue as working capital invested in the business is reduced. These mitigating actions were tested during the downturn in the Group's businesses from 2008 to 2012 which highlighted the resilience of its business model to a very severe and protracted economic downturn by historic standards.

REMUNERATION

The Board has adopted remuneration policies that are considered sufficient to attract, retain and motivate Directors of the quality required to manage the company successfully whilst ensuring that the performance related elements of pay are both stretching and rigorously applied. The Board has established a Remuneration Committee comprising three independent Non-Executive Directors. Details of the committee's key responsibilities and a description of its work during 2018 are contained in the Report of the Remuneration Committee on Directors' Remuneration on pages 79 to 95.

COMMUNICATIONS WITH SHAREHOLDERS

The Company recognises the importance of communication with shareholders. Meetings are held with existing and prospective institutional shareholders principally after the release of half-yearly and annual results. The Group also issued trading updates in January, May, July and November of 2018.

Presentations to analysts were held in London on 1 March 2018 and 22 August 2018 following the announcement of the Final Results for 2017 and the Interim results for 2018 respectively. The presentations by the CEO and the CFO were broadcast live on www.graftonplc.com/webcast and are available to view or download at www.graftonplc.com.

Significant or noteworthy acquisitions are announced to the market. The Company's website www.graftonplc.com provides the full text of all announcements including the half-yearly and annual results and investor presentations. As noted above, the Group also issues regular trading updates on the performance of the overall group and individual business segments.

While the Chairman takes overall responsibility for ensuring that the views of shareholders are communicated to the Board as a whole, contact with major shareholders is maintained through the CEO and the CFO. The Chairman and the Senior Independent Director are available to meet with shareholders if they have concerns which have not been resolved through the normal channels of CEO or CFO or where such contacts are not appropriate. The Board receives feedback from investors following meetings with management following the announcement of the Final Results and the Interim Results and also receives analysts' reports on the Group. The Chairman attends the presentation of the interim and annual results and is available to meet with major shareholders.

All shareholders are invited to attend the AGM which provides an opportunity for shareholders to put questions to the Chairman, the Chairman of each of the Board Committees and Executive Directors and to meet informally with Directors before and after the meeting. The Company Secretary communicates with shareholders on corporate governance matters, particularly in the lead up to the AGM.

Disclosure Committee

The Disclosure Committee is a management Committee comprising Mr. Gavin Slark, Group CEO and Mr. David Arnold, Group CFO. The Committee holds meetings formally and informally as required to ensure the accuracy and timeliness of compliance with the EU Market Abuse Regulation.

General Meetings

Grafton Group plc is incorporated, managed and controlled in Ireland and the Company's AGM is held in Dublin. The Notice of the AGM, which specifies the time, date, place and the business to be transacted, is sent to shareholders at least 20 working days before the meeting. The AGM is normally attended by all Directors. Resolutions are voted on by either a show of hands of those shareholders attending in person or by proxy, or, if validly requested, by way of a poll. In a poll, the votes of shareholders present and voting at the meeting are added to the proxy votes received in advance and the total number of votes for, against and withheld for each resolution are announced. This information is made available on the Company's website following the meeting.

All other general meetings are called Extraordinary General Meetings (EGMs). An EGM called for the passing of a special resolution must be called by at least 21 clear days' notice. Provided shareholders have passed a special resolution at the immediately preceding AGM and the Company allows shareholders to vote by electronic means, an EGM to consider an ordinary resolution may, if the Directors deem it appropriate, be called at 14 clear days' notice. In view of the Group's international shareholder base, it is the Board's policy to give 21 days' notice of EGMs unless the Directors believe that a period of 14 days is merited by the business of the meeting and the circumstances surrounding the business of the meeting.

A quorum for a general meeting of the Company is constituted by four or more shareholders present in person and entitled to vote. The passing of resolutions at a meeting of the Company, other than special resolutions, requires a simple majority. A special resolution requires a majority of at least 75 per cent of the votes cast to be passed.

Shareholders have the right to attend, speak, ask questions and vote at general meetings. In accordance with Irish company law, the Company specifies the record date for the general meeting, by which date shareholders must be registered in the Register of Members of the Company to be entitled to attend. Record dates are specified in the notice of general meeting. Shareholders may exercise their right to vote by appointing a proxy/proxies, by electronic means or in writing, to vote some or all of their shares. The requirements for the receipt of valid proxy forms are set out in the Notice convening the meeting. A shareholder, or a group of shareholders, holding at least five per cent of the issued share capital of the Company, has the right to requisition a general meeting. A shareholder, or a group of shareholders, holding at least three per cent of the issued share capital of the Company, has the right to put an item on the agenda of an AGM or to table a draft resolution for inclusion on the agenda of a general meeting, subject to any contrary provision in Irish company law.

Memorandum and Articles of Association

The Company's Memorandum and Articles of Association set out the objects and purposes of the Company. The Articles detail the rights attaching to each share class, the method by which the Company's shares can be purchased or re-issued, the provisions which apply to the holding of and voting at general meetings and the rules relating to the Directors, including their appointment, retirement, re-election, duties and powers.

The Company's Memorandum and Articles of Association may be amended by a Special Resolution passed by the shareholders at an AGM or EGM of the Company.

A copy of the Memorandum and Articles can be obtained from the Group's website www.graftonplc.com.

Audit and Risk Committee Report

Dear Shareholder,

I am pleased to present the report of the Audit and Risk Committee for the year ended 31 December 2018.

This report describes how the Committee has fulfilled its responsibilities during the year under its Terms of Reference and under *the relevant requirements of the Code.*

The Committee is satisfied that its role and authority include those matters envisaged by the Code that should fall within its remit and that the Board has delegated authority to the Committee to address those tasks for which it has responsibility.

All members of the Committee are determined by the Board to be independent Non-Executive Directors in accordance with provision B1.1 of the Code. In accordance with the requirements of provision C.3.1 of the Code, I am designated as the Committee member with recent and relevant financial experience. The biographical details on page 65 demonstrate that all members of the Committee have a wide range of financial, taxation, commercial and business experience relevant to the sector in which the Group operates.

Meetings

The Committee met four times during the year and attendance by each Committee member is set out in the table on page 67.

Meetings are attended by the members of the Committee and others who attend by invitation, being principally the CEO, the CFO, the Group Financial Controller and Company Secretary and the Group Internal Audit and Business Risk Director. Other members of executive management may be invited to attend to provide insight or expertise in relation to specific matters. The PwC Group Engagement Leader and other representatives of the External Auditor are also invited to attend certain Committee meetings. The Committee also met privately with the External Auditor and the Group Internal Audit and Business Risk Director without executive management present. Ms. Susan Lannigan, Deputy Company Secretary, is Secretary to the Committee.

The Chairman of the Committee reports to the Board on a regular basis on the work of the Audit and Risk Committee and on its findings and recommendations.

Key Duties

Monitoring the integrity of the Group's financial statements and announcements relating to the Group's performance;

Where requested by the Board, advising on whether the Annual Report and accounts, taken as a whole, is fair, balanced and understandable, and whether it provides the information necessary for shareholders to assess the Group's performance, business model and strategy;

Monitoring the effectiveness of the external audit process, conducting the tender process and making recommendations to the Board in relation to the appointment, reappointment and removal of the External Auditor;

Overseeing the relationship between the Group and the External Auditor including approving the remuneration, terms of engagement and scope of audit;

Reviewing the effectiveness of the Group's internal financial controls;

Monitoring and reviewing the scope, resourcing, findings and effectiveness of the Group's Internal Audit function;

Overseeing the effectiveness of the Group's internal control and risk management systems in place and the steps taken to mitigate the Group's risks; and

Reporting to the Board on how the Committee has discharged its responsibilities.

The full terms of reference of the Committee can be found on the Group's website www.graftonplc.com.

Key Areas of Activity During 2018

A summary of the key activities of the Committee during the year is set out below:

Financial Reporting

The Committee reviewed the draft financial statements and draft half-yearly results before recommending their approval to the Board. As part of this review, the Committee considered significant accounting policies, estimates and significant judgements. The Committee reviewed the Half Year and Final Results announcements. The Committee also reviewed the Report of PwC following their audit and the significant management letter points on internal controls in the Group's individual businesses prepared by PwC as part of the audit process. The significant issues in relation to the financial statements considered by the Committee and how these were addressed are set out on page 76.

Risk Management and Internal Control

The Board has delegated responsibility to the Committee for monitoring the effectiveness of the Group's system of risk management and internal control, which is set out in further detail in the Risk Management Report on pages 46 to 51. The Committee reviewed the Group's Risk Management Process and the procedures established for identifying, evaluating and managing key risks, which included a review of the status of risk management performance against the objectives set for the year.

Internal Audit

The Group Internal Audit and Business Risk Director reports to the Chief Financial Officer and also has direct access to the Audit and Risk Committee. The Committee met with the Group Internal Audit and Business Risk Director on four occasions during the year where he presented internal audit report findings and recommendations and updated the Committee on the actions taken to implement recommendations. The Committee also met with the Group Internal Audit and Business Risk Director without executive management present.

The scope, authority and responsibility of the Internal Audit function are set out in the Internal Audit Charter which has been approved by the Committee.

During the year the Committee also considered and approved the programme of work to be undertaken by the Group's Internal Audit function in 2019 and the results of a feedback survey from the Committee and Business Unit Management relating to the effectiveness of the Internal Audit function, the results of which demonstrated a significant improvement since the survey was previously carried out in 2016.

External Auditor

The Committee reviewed the External Auditor's plan for the 2018 audit of the Group and approved the remuneration and terms of engagement of the External Auditor. The Committee also considered the quality and effectiveness of the external audit process and the independence and objectivity of the Auditor.

In order to ensure the independence of the External Auditor, the Committee received confirmation from the Auditors that they are independent of the Group under the requirements of the Irish Auditing and Accounting Supervisory Authority's Ethical Standards for Auditors (Ireland). The Auditors also confirmed that they were not aware of any relationships between the firm and the Group or between the firm and persons in financial reporting oversight roles in the Group that may affect its independence. The Committee considered and was satisfied that the relationships between the Auditor and the Group including those relating to the provision of non-audit services did not impair the Auditor's judgement or independence.

Non-Audit Services

The External Auditor is not prohibited from undertaking non-audit services that do not conflict with auditor independence, provided the provision of the services does not impair the Auditor's objectivity or conflict with their role as Auditor and subject to having the required skills and competence to provide the services. The Auditor is precluded from providing non-audit services that could compromise its independence or judgement.

The Committee has approved a policy on the provision by the External Auditor of non-audit services. Under this policy the External Auditor will not be engaged for any non-audit services without the approval of the Audit & Risk Committee. The External Auditor is precluded from providing certain services under Regulation (EU) No 537/2014, or from providing any non-audit services that have the potential to compromise its independence or judgement. With the exception of fees incurred in acquired businesses, fees for non-audit services in any financial year are targeted not to represent more than 20 per cent of the audit fee.

The Committee monitors and reviews the nature of non-audit services provided by the Auditors. An analysis of non-audit services provided by PwC for 2018 is disclosed in Note 3 on page 130. The Committee has undertaken a review of non-audit services provided during 2018 and is satisfied that these services, which were very limited in nature, were efficiently provided by the External Auditor with the benefit of their knowledge of the business and did not prejudice their independence and objectivity.

Whistleblowing and Fraud

The Group Anti-Fraud and Theft Policy sets out the Group's approach to all forms of fraud and theft, the responsibilities of Business Unit management in relation to prevention and detection procedures and controls, the appropriate reporting channels and the possible actions which may be taken by the Group in response to suspected fraud or theft. Instances of fraud or theft over a specified threshold are reported to and monitored by the Committee.

The Committee periodically considers reports received on matters raised through "Speak Up", the independent Group wide confidential reporting which allows colleagues to report, anonymously if they wish, any concerns they may have regarding certain practices or conduct in their businesses including possible instances of fraud and theft. All concerns raised through this channel and the outcomes of investigations are reported to the Committee.

Anti-Bribery and Corruption

The Group's Code of Business Conduct and Ethics sets out the ethical standards to which all Group employees are expected to adhere. It sets out the core standards and procedures to be observed and provides practical guidance on dealing with bribery risk. An annual declaration of independence is signed by senior management and other individuals who are considered to be exposed to higher risk of conflicts of interest, including employees who have responsibility for contract negotiations with customers and suppliers.

Estimates and Judgements

The Committee reviewed in detail the following areas of significant judgement, complexity and estimation in connection with the Financial Statements for 2018. The Committee considered a report from the external auditors on the audit work undertaken and conclusions reached as set out in their audit report on pages 103 to 110. The Committee also had an in-depth discussion on these matters with the External Auditor.

Goodwill	The Committee considered the goodwill impairment analysis provided by management and agreed with the conclusion reached that no impairment charge should be recognised in the year. In arriving at its decision, the Committee considered the impairment review conducted by management which involved comparing the recoverable amount and carrying amount of the CGUs. The review by management involved discounting the forecasted cash flows of each CGU based on the Group's pre-tax weighted average cost of capital adjusted to reflect issues associated with each CGU and carrying out sensitivity analysis on the key assumptions used in the calculations including cash flow forecasts (revenue growth, margin), terminal growth rate and pre-tax discount rate. The Committee noted the significant overall level of headroom in the value in use model prepared by management and considered the impact on the headroom of sensitivity analysis on the key assumptions used in the model. Of the CGUs which are not significant, the value-in-use of the Belgian merchanting CGU is the most sensitive to changes in key assumptions. The Committee also compared the year-end market capitalisation of the Group to its net asset position and noted that it was materially higher than the net asset value.
Completeness and Accuracy of Rebate Income and Receivables	Supplier rebates represent a significant source of income in the merchanting industry and is an area of risk due to the number, complexity and materiality of rebate arrangements. The Committee reviewed the basis used by management for calculating rebate income for the year and rebates receivable at the year end and was satisfied that the accounting treatment adopted was appropriate and that rebates receivable at the year-end were recoverable. In reaching its conclusion, the Committee reviewed information and reports prepared by the internal audit function which completed year-end reviews across a sample of significant Business Units with the primary objective of providing independent assurance on the accuracy of rebate receivable balances at year-end. These reviews included re-performing calculations on a sample of rebate income for 2018 with reference to agreements with individual suppliers and reports of purchases made from suppliers. The Committee also considered the value of rebates received after the year end relating to 2018.
Valuation of Inventory	The Group carries significant levels of inventory and key judgements are made by management in estimating the level of provisioning required for slow moving inventory. In arriving at its conclusion that the level of inventory provisioning was appropriate, the Committee received half year and full year updates from management on stock ageing and provisioning at Business Unit level. The Committee reviewed the basis for calculating the valuation of rebate attributable to inventory and was satisfied that inventory was appropriately valued and that a prudent approach for inventory provisioning was adopted.

As Chairman of the Committee, I engaged with the Group CFO, the Group Internal Audit and Business Risk Director and the PwC Group Engagement Leader in preparation for Committee meetings. I also attend the Annual General Meeting and am available to respond to any questions that shareholders may have concerning the activities of the Committee.

Paul Hampden Smith
Chairman of the Audit and Risk Committee
11 March 2019

Nomination Committee Report

Dear Shareholder,

I am pleased to present the report of the Nomination Committee for the year ended 31 December 2018.

Key Duties of Committee

Evaluating the balance of skills, knowledge, experience and diversity of the Board and Committees and making recommendations to the Board with regard to any changes;

Considering succession planning for Directors and other senior executives taking into account what skills and expertise are needed for the future;

Regularly reviewing the structure, size, composition and length of service on the Board and assessing the skills, knowledge and experience required of the Board and its Committees;

Identifying, and nominating for the approval of the Board, candidates for appointment as Directors and ensuring that there is a formal, rigorous and transparent procedure for the appointment of new Directors to the Board;

Considering the re-appointment of any Non-Executive Director at the conclusion of their specified term of office and making recommendations to the Board;

Considering succession planning to senior management positions, and overseeing the development of a diverse pipeline for succession;

Ensuring diversity policy is linked to company strategy; and

Reviewing the gender balance of those in senior management positions and their direct reports.

The full terms of reference of the Committee can be found on the Group's website www.graftonplc.com.

Activities of the Committee During 2018

Evaluation of Board & Committees

During 2018, the Committee considered the structure, size and composition of the Board and its Committees and was satisfied on each of these grounds. The Committee also considered the balance of skills, experience and knowledge on the Board and concluded that they were appropriate for the scale and complexity of the Group.

To ensure that the independence of the Non-Executive Directors is maintained, the Committee keeps the tenure of the Board as a whole under review. The tenure of the Non-Executive Directors' on the Board at 31 December 2018 was as follows:

Length of service	Number of Directors
Between 2-3 years	3
Between 3-4 years	1
Between 5-6 years	1

The Committee reviewed the time required to fulfil the roles of Chairman, Senior Independent Director and Non-Executive Director and was satisfied that all members of the Board continue to devote appropriate time to their duties and to be effective in their roles.

Director Re-election/Re-appointment

The Committee agreed that a recommendation would be made to shareholders to approve the re-election of all directors at the 2018 AGM having considered their performance, skills, experience and continued contribution to the Board.

It was further agreed that, as Mr. Paul Hampden-Smith's three year term of office was due to expire in August 2018, a recommendation would be made to the Board to have his directorship extended for another three year term.

External Board Evaluation

The Board conducts an annual evaluation of its own performance and that of its Committees and individual Directors. In accordance with the UK Corporate Governance Code, an external Board evaluation was conducted during 2018 following an internal evaluation in each of the previous two years. Trusted Advisors Partnership (TAP) were appointed to conduct the evaluation. This firm had no previous connections with the Group and was therefore considered to be independent of the Company and its Directors.

Each Director and the Company Secretary completed a questionnaire that covered a range of factors that fall within the remit of the Board including corporate strategy and business principles, internal controls and risk management and the effectiveness of the Board and its Committees. This was followed by a one-to-one interview between each Director and the Company Secretary and the board assessor from TAP.

The evaluation found that the Board and its Committees are operating effectively and to a high standard of governance and in compliance with best practice. Recommendations made by the report will be addressed during the course of 2019.

Nomination Process

There is a formal, rigorous and transparent procedure used by the Committee to nominate suitable candidates for appointment to the Board. Candidates are identified and selected on merit against objective criteria and with due regard to the benefits of diversity on the Board. Specialist independent recruitment agencies, that have no other connection with the company, are used to identify candidates matching the requirements for each role. The Committee makes recommendations to the Board concerning the appointment of Executive and Non-Executive Directors, having considered the blend of skills, experience, and diversity deemed appropriate for the particular role and reflecting the international nature of the Group and the opportunities and challenges it is expected to face in the future.

The Nomination Committee also makes recommendations to the Board concerning the reappointment of any Non-Executive Directors at the conclusion of their specified term and the re-election of all Directors who are the subject of annual rotation. Appointments to the Board are for a three year period, subject to shareholder approval and annual re-election, after consideration of the annual performance evaluation. The terms and conditions of appointment of Non-Executive Directors are set out in formal letters of appointment.

Succession Planning

Each year the Committee considers the leadership needs of the Group and succession planning for senior management roles including the Chief Executive Officer and Chief Financial Officer.

Directors are committed to ensuring that the Board is sufficiently diverse and appropriately balanced and, on the recommendation of the Committee, the Board has agreed that gender and diversity are factors that will be given very careful attention in shortlisting candidates for appointment to the Board in the future.

Diversity and Inclusivity

The Group recognises the benefits of diversity and its objective of achieving greater diversity at Board, senior management and across the wider workforce is supported by a Group Equality, Diversity and Inclusion Policy. The Board keeps this policy under review to ensure that it is effective in achieving diversity in its broadest sense having regard to experience, age, gender, religious beliefs, sexual orientation, race, ethnicity, disability, nationality, background and culture.

While the Board will always seek to appoint the most talented and skilled candidates on merit against objective criteria, greater diversity is actively considered when making Board appointments. The composition of the Board has evolved considerably over recent years and gender and diversity will continue to be given careful consideration when shortlisting candidates as part of the process of Board refreshment and renewal.

The Board and Executive Management is committed to increasing female representation in senior leadership positions across the Group. The appointment of women to some of the most senior management positions in recent years clearly demonstrates, in setting the tone from the top, that there are no barriers to women succeeding at the highest level within Grafton. The Group is also making progress with its objective of increasing the number of female branch managers and new initiatives have been introduced to provide career development opportunities for female colleagues including participation in management development programmes, mentoring and coaching.

The Board and Management continues to focus on evolving and implementing strategies for recruiting and developing colleagues in ways that promote diversity and inclusion.

The Year Ahead

Grafton has a strong Board with a range of experience that has driven its success and with the capacity to support its future growth and development. The Committee believes that all Directors have the right blend of skills and experience to advance the interests of shareholders and to build on the Group's track record of profitable growth. In the year ahead, succession planning will continue to be a priority to ensure that the Group can retain, attract and develop the best people available at Board and senior management level to implement its strategy and grow profitability. The Committee will also take an active role in improving diversity and gender balance across the Group.

Michael Roney
Chairman of the Nomination Committee
11 March 2019

Report of the Remuneration Committee on Directors' Remuneration

Chairman's Annual Statement

Dear Shareholder,

I am pleased to present my report as Chairman of the Remuneration Committee.

Although not required under the Irish Companies Act 2014, the Committee has continued to prepare the Remuneration Report in accordance with the UK regulations governing the disclosure and approval of remuneration of the Directors. This remuneration report has been split into three parts - (i) the Chairman's Annual Statement,(ii) the Remuneration Policy Report which sets out the Group's policy for remunerating Directors,and (iii) the Annual Report on Remuneration which sets out how Directors were remunerated in 2018 and how it is proposed to apply the policy in 2019.This report also contains additional information on directors share interests.

In 2018,the Group made good progress reporting record results for the year. This performance was reflected in the outcomes of the annual bonus and Long-Term Incentive Plan,against both of which performance was above threshold but below maximum.

Approach to Remuneration

The Committee's overall remuneration philosophy has not changed over the year and remains to ensure that Executive Directors are incentivised to successfully implement the Board's strategy and that remuneration is aligned with the interests of shareholders over the longer term. The Committee seeks to achieve this by:

- Rewarding Executive Directors fairly and competitively for the delivery of strong performance;
- Taking into account the need to attract,retain and motivate executives of high calibre and to ensure that Executive Directors are provided with an appropriate mix of short term and long term incentives;
- Taking a range of factors into account including market practice,the changing nature of the business and markets in which it operates, the performance of the Group,the experience, responsibility and performance of the individuals concerned and remuneration practices elsewhere in the Group; and
- Setting bonus targets that are stretching and Long Term Incentive Plan (LTIP) metrics that are challenging with full vesting of awards requiring exceptional performance.

These principles underpinned the Directors' remuneration described in the Remuneration Policy Report put to shareholders at the AGM of the Company held on 9 May 2018. The Committee was pleased by the high level of shareholder support for our remuneration resolution with 99.19 per cent of votes cast in favour of the Annual Report on Remuneration. The Remuneration Policy became effective from the close of the 2017 AGM and the following pages describe how the policy has been applied in 2018 and how it will apply in 2019.

Performance Outcome for 2018

The business performed strongly during 2018 with revenue up 9 per cent to £2.95 billion and Group adjusted operating profit 19 per cent ahead of the prior year. Adjusted earnings per share grew by 20 per cent to 66.0p and the total dividend for the year will be increased by 16 per cent,the sixth consecutive year of double-digit growth. Return on capital employed was 15 per cent, up 140bps on 2017 and represented the achievement of the Group's medium-term financial target set in 2015. The Group's strong performance is reflected in the Executive Directors' short and longer term remuneration,as detailed below.

Remuneration for 2018

The Committee agreed in December 2017 to award an increase in basic salary of 1.75 per cent to the Chief Executive Officer and Chief Financial Officer for 2018. The increase approved was lower than the rate of increase that applied to the general workforce in Ireland and the UK of 1.84 per cent.

The annual bonus for 2018 was based on two financial performance targets being operating profit (70 per cent) and return on capital employed (30 per cent). Reflecting the strong financial performance set out above, a bonus of 111.32 per cent of basic salary, out of a potential bonus opportunity of 120 per cent of basic salary, was awarded to the Chief Executive Officer. The bonus award to the Chief Financial Officer was 92.77 per cent of basic salary out of a potential bonus opportunity of 100 per cent of basic salary.

The performance conditions for LTIP awards granted in April 2016, that covered the performance period of three years ending on 31 December 2018, were based on growth in Adjusted Earnings Per Share (EPS) and Total Shareholder Return (TSR). Half of the award to the Chief Executive Officer and Chief Financial Officer was based on the relative TSR performance versus a comparator group. As the Group's TSR was above the median relative to a bespoke group of 18 UK and Irish quoted companies that operate in the construction industry, 44.59 per cent of this half of the award will vest. The other half of the award was based on the Group's adjusted EPS for the financial year ended 31 December 2018 being in the range of 56.0 pence to 64.0 pence. As the Adjusted Earnings Per Share of 66.0 pence for 2018 was above the target range 100 per cent of this half of the award will vest. As a result, 72.29 per cent of the total award granted in 2016 to the Chief Executive Officer and Chief Financial Officer will vest.

The Remuneration Committee is satisfied that the short and long-term elements of remuneration reflect the strong performance of the Group both in 2018 and over the three years to the end of 2018 and no adjustments were required.

Implementation of Remuneration Policy for 2019

The remuneration policy was approved at the 2017 AGM on the basis that it is intended to apply until the AGM in 2020.

The Committee approved a salary increase of 1.50 per cent for 2019 for the Chief Executive Officer and Chief Financial Officer which is slightly lower than the anticipated rate of increase for the general workforce.

The annual bonus opportunity remains at 120 per cent of salary for the CEO and 100 per cent of salary for the CFO. The 2019 bonus will be based on the same two critical measures of financial performance for the Group as in 2018, being operating profit (70 per cent) and ROCE (30 per cent). These measures are intended to focus the executive team on both profitability and the maintenance of a disciplined approach to the use of capital.

LTIP awards will continue to be made at 200 per cent of salary to the CEO and at 175 per cent of salary to the CFO. Half of the awards will be based on a TSR performance condition and half on an adjusted EPS performance condition. This is in line with the award made in 2018.

The TSR performance condition will be measured, in line with the policy, against a comparator group consisting of the constituents of the London Stock Exchange's FTSE 250 Index excluding investment trusts. The comparator group was chosen on the basis that it is more representative of the Group's overall trading and financial environment and is a more appropriate measure of outperformance than a previously used comparator group of eighteen UK and Irish listed companies operating in the construction sector as there were too few quoted companies that carried on business activities that are similar to Grafton.

The proposed EPS range for the 2019 LTIP award is 82p to 94p for the year ended 31 December 2021 which compares to adjusted EPS of 66.0p for 2018 and is equivalent to annual compound growth of 7.5 per cent to 12.5 per cent. We have taken consensus Brokers Forecasts, as updated following the publication of the Final Results for 2018 on 28 February 2019, and other factors into account when setting the target range. The lower end of the target range (threshold) is appropriately challenging whilst the upper end of the range is stretching and will only be achieved if performance is exceptional. The Committee believes that this range is aligned with delivery of the Group's strategic and financial objectives. 25 per cent of the award will vest if the lower target in the range is achieved. Where EPS is between the lower and higher targets in the range, then between 25 per cent and 100 per cent of this part of the award will vest on a straight line basis.

The Remuneration Policy is set out on pages 81 to 86.

Shareholder Engagement

The Committee is committed to open dialogue with shareholders and institutional investor bodies on remuneration matters and welcomes feedback as it helps to inform its decisions.

I hope that we can rely on your continued support at this year's AGM. I am available to respond to any questions that shareholders have about the Remuneration Policy, the Annual Report on Remuneration or indeed on any other aspect of the work of the Committee and can be contacted by email at remunerationchair@graftonplc.com.

Susan Murray
Chairman of the Remuneration Committee

Remuneration Policy Report

This part of the Directors' Remuneration Report sets out the Remuneration Policy for the Company and has been prepared in accordance with Schedule 8 to the UK Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and the disclosure requirements set out in the Listing Rules of the UK Financial Conduct Authority. The policy has been developed taking into account the principles of the 2016 UK Corporate Governance Code and describes the policy to be applied from 1 January 2017 onwards.

The policy took formal effect from the 2017 AGM and is intended to apply until the 2020 AGM. Please note that some of the information shown has been updated to take account of the fact that the policy is now approved and enacted rather than proposed.

Policy Overview

The objective of the Remuneration Policy is to provide remuneration packages for each Executive Director that will:

- Attract, retain and motivate executives of high calibre;
- Ensure that executive management is provided with appropriate incentives to encourage enhanced long-term performance;
- Ensure that the overall package for each director is linked to the short and longer term strategic objectives of the Group; and
- Have a significant proportion of the potential remuneration package paid in equity, which is designed to ensure that executives have a strong alignment with shareholders.

When setting the levels of short-term and long-term variable remuneration and the balance of equity and cash within the package, consideration is given to discouraging unnecessary risk-taking whilst ensuring that performance hurdles are suitably challenging.

In determining the policy, the Remuneration Committee took into account all factors which it considered necessary, including market practice, the changing nature of the business and markets in which it operates, the performance of the Group, the experience, responsibility and performance of the individuals concerned and remuneration practices elsewhere in the Group.

How the Views of Shareholders are taken into Account

The Remuneration Committee considers the guidelines issued by bodies representing institutional shareholders and feedback from shareholders on the Group's remuneration policies and practices. Leading shareholders and investor bodies were consulted prior to agreeing the new Remuneration Policy. The Committee also takes on board any shareholder feedback received prior to and during the AGM each year. This feedback, together with any feedback received during meetings and contacts with shareholders from time to time, is then considered as part of the annual review of the Remuneration Policy and its effectiveness.

When any significant changes are proposed to the Remuneration Policy, the Remuneration Committee Chairman will inform major shareholders of these in advance and will offer a meeting to discuss these changes. The Remuneration Committee will actively engage with shareholders and give serious consideration to their views.

Details of votes cast for and against the resolution to approve the prior year's remuneration report and any matters discussed with shareholders during the year are referred to in the Annual Report on Remuneration on page 93 and in the Chairman's Annual Statement on page 79.

How the Views of Employees are taken into Account

When setting the Remuneration Policy for Executive Directors the Remuneration Committee takes into account the pay and employment conditions of other employees in the Group although it does not directly consult with employees on Directors' remuneration.

The Remuneration Policy for Directors

The table below summarises the key aspects of the Group's Remuneration Policy for Executive Directors.

Element, purpose and link to strategy	Operation	Maximum opportunity/limit	Performance targets/comments
Base Salary			
To recruit, retain and reward executives of a suitable calibre for the roles and duties required	Salaries of Executive Directors are reviewed annually in January and any changes made are effective from 1 January. When conducting this review and the level of increase, the Committee considers a range of factors including: • The performance of the Group and the individual; • Market conditions; • The prevailing market rates for similar positions in UK and Irish companies of broadly comparable size and a number of industry specific peers; • The responsibilities and experience of each Executive Director; and • The level of salary increases implemented across the Group.	There is a cap for current Directors that limits salary increases for 2017, 2018 and 2019 to that of the general workforce. The Committee may decide for any particular year, based on the performance of the Group and personal performance, to apply a lower rate of increase in salary to Directors than the rate of increase applied to the general workforce.	Not applicable
Benefits			
To provide market competitive benefits to ensure the well-being of Directors	Benefits may include company car, mobile telephone, life assurance, private medical cover and permanent health insurance. Relocation or other related expenses may be offered, as required.	The value of other benefits is based on the cost to the company and is not pre-determined. Relocation expenses must be reasonable and necessary.	Not applicable
Pension			
To provide market competitive benefits	A company contribution to a money purchase pension scheme or provision of a cash allowance in lieu of pension.	A company pension contribution or payment in lieu of pension made through the payroll of up to 25% of basic salary.	Not applicable

Element, purpose and link to strategy	Operation	Maximum opportunity/limit	Performance targets/comments
Annual Bonus			
To encourage and reward delivery of the Group's annual financial and strategic objectives	Bonus payments are determined by the Committee after the year end, based on performance against the targets set. Performance measures and targets are reviewed annually. The bonus is payable in cash. An Executive Director is required to apply 30% of their annual bonus after statutory deductions for the purchase of shares in the Group until their shareholding is equivalent to at least 200 per cent of basic salary. Clawback may be applied, at the discretion of the Committee, in the event of gross misconduct, material misconduct, material misstatement of results, a calculation error and/or the use of incorrect or inaccurate information when calculating the bonus award.	The maximum award under the annual bonus plan is 120% of basic salary for the CEO and 100% of salary for the CFO and any Executive Directors appointed in the future (other than a CEO).	The bonus will be primarily based on the achievement of appropriate financial measures but may also include an element for non-financial measures including personal performance and strategic measures. Financial measures which will account for the vast majority of the bonus opportunity in any year may include measures such as earnings per share, profit, return on capital employed, free cash flow and such other measures as determined from time to time by the Committee. The metrics chosen and their weightings will be set out in the Annual Report on Remuneration. For financial measures, a sliding scale is set by the Committee. No bonus is payable if performance is below a minimum threshold, up to 20% is payable for achieving threshold and the bonus payable increases on a straight line or similar basis thereafter with full bonus payable for achieving the upper point on the scale.
Long-Term Incentives ('LTIP')			
To encourage and reward delivery of the Group's strategic objectives; to provide alignment with shareholders through the use of shares and to assist with retention	The 2011 LTIP is an incentive plan that is designed to reward Executive Directors and senior executives in a manner that aligns their interests with those of shareholders. An Executive Director nominated to participate in the plan is granted an award over "free shares" which vest subject to the achievement of performance conditions measured over three financial years and the Executive Director remaining employed in the Group. There is a clawback provision under which the Remuneration Committee has the discretion to require the reduction of the vesting of awards or require the repayment of vested awards (within two years of the vesting of awards) in circumstances where the vesting arose as a result of information which has subsequently proved to be inaccurate or misleading in a material respect. There is a holding period of two years on shares received by Executive Directors from LTIP awards that vest after taking into account any shares sold to pay tax and other statutory obligations.	The maximum value of awards which may be granted in any financial year is 200% of salary. The Company's policy is to make awards of up to 200% of basic salary in the case of the CEO and 175% of basic salary in the case of the CFO and any Executive Directors (other than a CEO) appointed in the future.	LTIP awards vest subject to the achievement of challenging financial and total shareholder return performance targets measured over a three year performance period. The vesting of LTIP awards made to Executive Directors is currently subject to EPS (earnings per share) and TSR (total shareholder return) performance conditions. The Remuneration Committee has the authority to set appropriate metrics (not limited to EPS and TSR) for each award taking account of the medium to long term strategic objectives of the Group. The EPS (as defined in the scheme rules) condition if chosen will be subject to achieving EPS within a target range. 25% of this part of the award will vest if the lower target in the range is achieved. Where the EPS is between the lower and higher targets in the range, then between 25% and 100% of this part of the award will normally vest on a straight line basis. If TSR is chosen as a metric, the Group's TSR must equal the median TSR of the peer group with 25% of this part of the award vesting on achieving threshold performance and full vesting for upper quintile performance or better. Awards will vest on a straight line basis for performance between the median and upper quintile. Notwithstanding the achievement of a TSR performance condition, no shares will vest unless the Committee considers that overall financial results have been satisfactory in the circumstances over the performance period.

Element, purpose and link to strategy	Operation	Maximum opportunity/limit	Performance targets/comments
All-Employee Share Plans			
To encourage share ownership and align the interests of employees with shareholders	Executive Directors are entitled to participate in employee share schemes in operation during the period of the policy on the same basis as other colleagues. The Group currently operates the 2011 Approved SAYE Plan for UK colleagues.	The limits are set by the UK tax authorities from time to time. Currently this limit is £500 per month for the SAYE scheme.	Not applicable
Share Ownership Guidelines			
To increase the alignment of interests between Executive Directors and shareholders	An Executive Director is required to apply 30% of their annual bonus after statutory deductions for the purchase of shares in the Group until his/her shareholding is equivalent to at least 200 per cent of basic salary. Half of any LTIP awards that vest, after taking into account any shares sold to pay tax and other statutory obligations, must be held until the share ownership guideline has been met. Vested awards subject to the two year holding period will be deemed to be part of an executive directors' shareholding.	Minimum 200% of basic salary to be held in Grafton shares, built up over time.	Not applicable
Chairman and Non-Executive Director Fees			
To attract and retain a high-calibre Chairman and Non-Executive Directors by offering a market competitive fee level	The Chairman's fee is set based on a recommendation from the Remuneration Committee. On the recommendation of the Chairman, the Board sets the level of remuneration of all Non-Executive Directors within an aggregate limit approved from time to time by shareholders. Additional fees may be payable for chairing the main Board Committees. The level of fees paid seeks to recognise the time commitment, responsibility and skills required to contribute to the effectiveness of the Board. Non-Executive Directors may be reimbursed for travel and accommodation expenses (and any personal tax that may be due on those expenses).	Details of the outcome of the most recent fee review are provided in the Annual Remuneration Report.	Not applicable

Annual Bonus and LTIP Discretions

The Committee will operate the annual bonus and LTIP according to their respective rules and in accordance with the Listing Rules and applicable tax rules. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of these plans. These include (but are not limited to) the following (albeit with the level of award restricted as set out in the policy table above):

- Who participates in the plan;
- The timing of grant of awards;
- The size of awards;
- The choice of performance measures and performance target conditions in respect of each annual award (including the setting of EPS targets and the selection of a TSR comparator group);
- Discretion relating to the measurement of performance in the event of a change of control or reconstruction;
- Determination of a good leaver status (in addition to other specified categories) for incentive plan purposes based on the rules of the plan;
- Adjustments required in certain circumstances (e.g. in the event of a de-merger, special dividend or an alteration to the capital structure of the Company including a capitalisation of reserves or rights issue); and
- The ability to adjust existing performance conditions for exceptional events so that they can still fulfil their original purpose.

Legacy Arrangements

For the avoidance of doubt, it is noted that the Group will honour any commitments entered into with current or former Directors that have been previously disclosed to shareholders.

Differences in Remuneration Policy for Executive Directors Compared to Other Employees

The Committee is made aware of pay structures across the wider Group when setting the Remuneration Policy for Executive Directors. The Committee considers the general basic salary increase for the broader employee population when determining the annual salary review for the Executive Directors.

Overall, the Remuneration Policy for the Executive Directors is more heavily weighted towards variable pay than for other employees. This ensures that there is a clear link between value created for shareholders and remuneration received by Executive Directors and recognises that Executive Directors should have the greatest accountability and responsibility for increasing shareholder value.

Approach to Recruitment and Promotions

The remuneration package for a new Director will be set in accordance with and subject to the limits set out in the Group's approved policy as set out earlier in this report, subject to such modifications as are set out below.

Salary levels for Executive Directors will be set in accordance with the Group's Remuneration Policy, taking into account the experience and calibre of the individual and his/her existing remuneration package. Where it is appropriate to offer a lower salary initially, a series of increases to the desired salary positioning may be made over subsequent years subject to individual performance and development in the role. Benefits will generally be provided in line with the approved policy, with relocation, travel or other expenses provided if necessary. A pension contribution of up to 25 per cent of salary may be provided.

The structure of the variable pay element will be in accordance with and subject to the limits set out in the Group's approved policy detailed above. Different performance measures may be set initially for the annual bonus in the year an Executive Director joins the Group taking into account the responsibilities of the individual and the point in the financial year that he or she joins the Board. Subject to the rules of the scheme, an LTIP award may be awarded after joining the Group.

If it is necessary to buy-out incentive pay or benefit arrangements (which would be forfeited on leaving the previous employer) in the case of an external appointment, this would be provided for taking into account the form (cash or shares), timing and expected value (i.e. likelihood of meeting any existing performance criteria) of the remuneration being forfeited. The general policy is that payment should be no more than the Committee considers is required to provide reasonable compensation for remuneration being forfeited. Share awards may be used to the extent permitted under the Group's existing share plans and provisions under the Listing Rules where necessary.

In the case of an internal hire, any outstanding variable pay awarded in relation to the previous role will be allowed to pay out according to its terms of grant or adjusted as considered desirable to reflect the new role.

Fees for a new Chairman or Non-Executive Director will be set in line with the approved policy.

Service Contracts & Payments for Loss of Office

The Remuneration Committee determines the contractual terms for new Executive Directors, subject to appropriate professional advice to ensure that these reflect best practice.

The Group's policy is that the period of notice for Executive Directors will not exceed 12 months. The employment contracts of the current CEO and the CFO may be terminated on six months' notice by either side. In the event of a director's departure, the Group's policy on termination is as follows:

- The Group will pay any amounts it is required to make in accordance with or in settlement of a director's statutory employment rights;
- The Group will seek to ensure that no more is paid than is warranted in each individual case;
- There is no entitlement to bonus paid following notice of termination unless expressly provided for in an Executive Director's employment contract but the Group reserves the right to pay a bonus for the notice period subject to performance conditions; and

Report of the Remuneration Committee on Directors' Remuneration (continued)
Remuneration Policy Report (continued)

- Following service of notice to terminate employment, the Company may place the executive on garden leave. During this time, the executive will continue to receive salary and benefits (or a sum equivalent to) until the termination of employment.

A Director's service contract may be terminated without notice and without any further payment or compensation, except for sums accrued up to the date of termination, on the occurrence of certain events such as gross misconduct.

If the Group terminates employment in lieu of notice in other circumstances, compensation payable is as provided for in employment contracts which is as follows:
- Gavin Slark - basic salary due for any unexpired notice period;
- David Arnold - basic salary together with benefits and bonus which would have been payable during the notice period or any unexpired balance thereof. Any bonus payable is subject to performance conditions. Payments may be made in monthly instalments.

The Group may pay salary, benefits and pension in lieu of notice for a new director.

The treatment of unvested awards previously granted under the LTIP upon termination will be determined in accordance with the plan rules. As a general rule, LTIP awards will lapse upon a participant giving or receiving notice of his/her cessation of employment. However for certain good leaver reasons including death, ill health, injury, disability, redundancy, agreed retirement, their employing company or business being sold out of the Group, or any other reason at the Committee's discretion after taking into account the circumstances prevailing at the time, awards will vest on the normal vesting date subject to the satisfaction of performance conditions and pro-rating the award to reflect the reduced period of time between the commencement of the performance period and the Executive Director's cessation of employment as a proportion of the total performance period. Alternatively, the Committee can decide that the award will vest on the date of cessation, subject to the extent to which the performance conditions have been satisfied by reference to the date of cessation and pro-rated by reference to the date of cessation of employment.

Non-Executive Directors

All Non-Executive Directors have letters of appointment with the Company for an initial period of three years, unless otherwise terminated earlier by and at the discretion of either party upon one month's written notice or otherwise in accordance with the Group's Articles of Association and subject to annual re-appointment at the AGM.

The appointment letters for Non-Executive Directors provide that no compensation is payable on termination other than accrued fees and expenses.

Remuneration Scenarios for Executive Directors

The Group's normal policy results in a significant portion of remuneration received by Executive Directors being dependent on performance. The chart below shows how the total pay opportunities for 2019 for Executive Directors vary under three performance scenarios - Minimum, In line with Expectation, Maximum and Maximum plus 50 per cent share price growth.

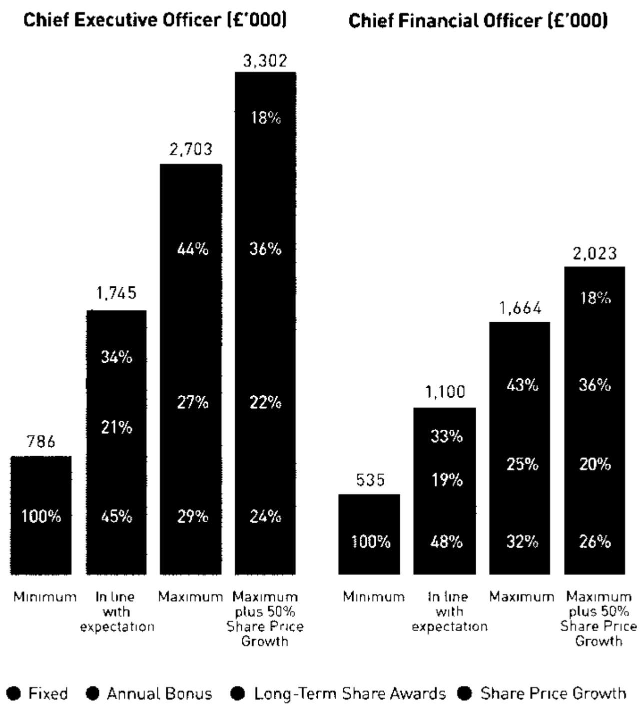


Chart labels show proportion of the total package comprised of each element

Assumptions:

Minimum = fixed pay only (2019 salary, benefits and pension)
In line with Expectation (which is not target) = 50% vesting of the annual bonus and LTIP awards
Maximum = 100% vesting of the annual bonus and LTIP awards
Maximum plus 50% Share Price Growth = 100% vesting of the annual bonus and LTIP awards plus 50% share price growth.

Annual Report on Remuneration

Although not required under Irish Companies legislation, this report includes the disclosures required by UK legislation contained in Part 3 of Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, and the disclosures required by 9.8.6R of the Listing Rules.

Membership of the Remuneration Committee

During the year, the Committee comprised Mrs. Susan Murray, Chairman, Mr. Frank van Zanten and Mr. Paul Hampden Smith, all of whom are Non-Executive Directors determined by the Board to be independent.

The Committee members have no personal financial interest, other than as shareholders, in matters to be decided, no potential conflicts of interests arising from cross directorships and no day-to-day involvement in running the business. The Non-Executive Directors are not eligible for pensions and do not participate in the Group's bonus or share schemes. The Committee's Terms of Reference which were updated in response to the 2018 UK Corporate Governance Code can be found on the company website.

Mr. Michael Roney, the Chairman, attended meetings of the Committee during 2018 by invitation and participated in discussions. The Committee also consulted with the CEO as appropriate and periodically invited him to attend certain parts of meetings of the Committee. The Chair of the Committee was assisted in her work by Mr. Charles Rinn, Company Secretary and Ms. Paula Harvey, Group HR Director. No Directors or the Company Secretary take part in discussions relating to their own remuneration and benefits.

Aon plc are the Committee's advisor on remuneration matters and fees paid to them during the year were £27,935. The Group has no other connection with Aon plc other than one of its departments provides pension advice. During the year Aon provided a market practice update to the Committee on remuneration trends and governance and also provided advice on the fulfilment of the TSR vesting condition for the LTIP and general advice to the Committee Chairman on remuneration matters. The Committee is satisfied that the advice provided by Aon is objective and independent. Aon is a signatory to the Remuneration Consultants' Code of Conduct which requires its advice to be impartial and Aon has confirmed to the Committee its compliance with the Code.

Activity During The Year

27 February 2018
- Determined bonus awards under the 2017 bonus scheme for Executive Directors and the Company Secretary;
- Determined extent to which the vesting conditions were met for the LTIP awards granted in 2015;
- Agreed the quantum of the 2018 LTIP awards to be granted to the Executive Directors and Company Secretary;
- Determined and approved the basis for calculating the EPS target range for the 2018 LTIP award; and
- Considered and approved the Report of the Remuneration Committee on Director's Remuneration.

9 April 2018
- Approved the grant of 2018 LTIP awards.

8 May 2018
- Determined arrangements for the vesting of the 2015 LTIP award.

29 October 2018
- Considered the AGM vote on remuneration resolutions and the feedback from shareholder advisory groups;
- Reviewed the current remuneration policy and received a market practice update from Aon;
- Considered pay and conditions across the Group's workforce and pay ratios reporting;
- Reviewed the LTIP Scheme allocation structure and good leaver rules and process;
- Considered an update on the UK Corporate Governance Code; and
- Reviewed and updated the Committee's Terms of Reference in response to the 2018 UK Corporate Governance Code.

13 December 2018
- Agreed the rate of increase in basic salaries for 2019;
- Approved the framework for measuring financial targets for the 2019 bonus scheme;
- Reviewed compliance with minimum share ownership guidelines;
- Provisional discussion on forecast bonus awards for 2018 and on vesting of LTIP awards granted in 2016;
- Initial consideration of 2019 LTIP participants, award levels, performance measures and targets;
- Considered additional responsibilities of Committee under the 2018 UK Corporate Governance Code;
- Considered potential impact of IFRS 16 lease accounting standard on bonus and LTIP awards; and
- Reviewed Proxy Advisors Voting Guidelines for 2019 AGM.

Single Total Remuneration Figure of Directors' Remuneration

The following table sets out the total remuneration for Directors for the year ending 31 December 2018 and the prior year.

	Salary/Fees (a)		Bonus (b)		Pension (c)		Other Benefits (d)		Long Term Incentive Plan (e)		Total	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Executive Directors												
G. Slark	**590**	580	**657**	696	**128**	128	**59**	73	**606**	212	**2,040**	1,689
D. Arnold	**404**	397	**375**	397	**81**	79	**43**	41	**346**	121	**1,249**	1,035
	994	977	**1,032**	1,093	**209**	207	**102**	114	**952**	333	**3,289**	2,724
Non-Executive Directors												
M. Roney	**230**	230	-	-	-	-	-	-	-	-	**230**	230
P. Hampden Smith	**62**	61	-	-	-	-	-	-	-	-	**62**	61
F. van Zanten	**62**	61	-	-	-	-	-	-	-	-	**62**	61
S. Murray	**62**	61	-	-	-	-	-	-	-	-	**62**	61
V. Crowley	**62**	61	-	-	-	-	-	-	-	-	**62**	61
R. Ryan (i)	-	22	-	-	-	-	-	-	-	-	-	22
C.M. Fisher (ii)	-	22	-	-	-	-	-	-	-	-	-	22
	478	518	-	-	-	-	-	-	-	-	**478**	518
Total Remuneration	**1,472**	1,495	**1,032**	1,093	**209**	207	**102**	114	**952**	333	**3,767**	3,242

(i) Mr. Ryan retired from the Board on 9 May 2017
(ii) Mr. Fisher retired from the Board on 9 May 2017

Comparative figures included in the table above have been presented on a consistent basis with the current year. Further details on the valuation methodologies applied are set out in notes (a) to (e) below. These valuation methodologies are as required by the Regulations and are different from those applied within the financial statements which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The total expense relating to the Directors recognised within the income statement is £1,368,000 (2017: £1,114,000) in respect of the Long-Term Incentive Plan (LTIP).

Notes to the Directors' Remuneration Table:

(a) This is the amount of salaries and fees earned in respect of the financial year. Non-Executive Directors' fees are payable in Euro and remained unchanged at €70,000 to cover all Board and Committee duties. The sterling equivalent was £62,000 in 2018.

(b) This is the amount of bonus earned in respect of the financial year.

(c) This is the amount of contribution payable in respect of the financial year by way of a company contribution to a pension scheme or a taxable payment in lieu of pension made through the payroll.

(d) Benefits comprise permanent health and medical insurance, the provision of a company car and, in the case of Mr. Slark, a rent allowance.

(e) For the year ended 31 December 2018, this is the value of LTIP awards that will vest in May 2019. The value of the awards is based on the average share price of £7.05 for the three months to 31 December 2018. The vesting of these awards was subject to performance conditions over the period from 1 January 2016 to 31 December 2018. For the year ended 31 December 2017, this is the value of LTIP awards that vested in May 2018. The value of this award has been updated from that disclosed last year to reflect the share price of £7.845 on the date of vesting.

Fixed pay in 2018

Salary and Fees

Having taken account of both external market developments and internal Group considerations, the Committee agreed in December 2017 that the basic salary of the Chief Executive Officer and the Chief Financial Officer would increase by 1.75 per cent for the year ended 31 December 2018. This reflects a salary cap in the Remuneration Policy which limits increases to current Directors' to that of the general workforce.

	Salary/Fees		
	2018 £'000	2017 £'000	% Change
G. Slark	**590**	580	1.75%
D. Arnold	**404**	397	1.75%

Non-Executive Directors' fees were paid at the rate of £62,000 per annum, the same level in constant currency (€70,000) since 2005. No additional fees were paid for chairing Board Committees. The fee paid to Mr. Roney, Non-Executive Chairman, was £230,000.

Benefits

Benefits comprise permanent health and medical insurance, the provision of a company car and, in the case of Mr. Slark, a rent allowance.

	Health and Medical Insurance £'000	Provision of a Company Car £'000	Rent Allowance £'000	Total 2018 Taxable Benefits £'000	Total 2017 Taxable Benefits £'000
G. Slark	**10**	**34**	**15**	**59**	73
D. Arnold	**8**	**35**	**-**	**43**	41

Pension

Pension benefits comprise either a company contribution to an Executive Director's personal pension plan, a company contribution to the Group defined contribution pension scheme or a taxable non-pensionable allowance paid through the payroll in lieu of pension benefit.

	2018 Base Salary £'000	% of Salary	2018 Pension Contribution £'000	2017 Pension Contribution £'000
G. Slark	**590**	**21.7%**	**128**	128
D. Arnold	**404**	**20.0%**	**81**	79

Mr. Slark's pension benefit comprised a payment made to a defined contribution scheme and a taxable non-pensionable cash allowance. The total pension benefit was £128,040. The pension benefit for Mr. Arnold was paid as a taxable non-pensionable cash allowance.

Pay for Performance

Annual Bonus

The maximum bonus opportunity for Mr. Slark and Mr. Arnold was 120 per cent and 100 per cent of salary respectively. The bonus was based on two financial measures.

The table below analyses the composition of the bonus opportunity for the year:

	Percentage of Basic Salary		
	Operating Profit	Return on Capital Employed	Bonus Payable
G. Slark	84%	36%	120%
D. Arnold	70%	30%	100%

Financial targets were set at the beginning of the year by reference to the Group's budget for 2018. The actual targets and performance against those targets are set out in the table below for 2018:

	Threshold (0% Payable)	Budget (50% Payable)	Stretch (100% Payable)	Actual	% of Maximum Payable
Operating Profit	167,804	181,410	195,016	194,478	98.02%
Return on capital employed*	12.3%	13.3%	14.4%	13.96%	80.51%

* Based on capital employed in monthly management accounts

The Committee considered the impact of the Leyland SDM acquisition on profit and determined that no adjustment should be made.

The award for each financial measure was based on a sliding scale from 92.5 per cent to 107.5 percent of the Group's budget for 2018. No bonus was payable if performance was below a minimum threshold of 92.5 per cent of budget. The bonus then increased on a straight line basis up to a limit of 100 per cent of the bonus opportunity on achieving 107.5 per cent of budget.

The Committee considered the extent to which these targets were achieved and agreed a payment of 111.32 per cent of salary for Mr. Slark and 92.77 per cent of salary for Mr. Arnold out of a maximum bonus opportunity of 120 per cent and 100 per cent of salary respectively. The Committee determined that no adjustments to these outcomes were required.

Report of the Remuneration Committee on Directors' Remuneration (continued)
Annual Report on Remuneration (continued)

Long Term Incentive Plan (LTIP)

The Remuneration Committee has the authority to set appropriate criteria for each award. The Committee believes that the LTIP should align management and shareholder interests and assist the Group in the recruitment and retention of senior executives.

Awards Granted with a Performance Period Covering the Three Years to 31 December 2018

The performance conditions for LTIP awards made in April 2016 were based on growth in EPS and TSR. Half of the awards to Executive Directors were based on relative TSR versus a peer group of 18 UK and Irish companies that operate in the construction sector. The other half was based on the Group's Adjusted EPS for the financial year ended 31 December 2018.

The relevant targets and results for the year were as follows:

	50% TSR relative to a peer group		50% Adjusted EPS	
	Performance ranking required	% of element vesting	Performance required	% of element vesting
Below threshold	Below 9	0%	Below 56p	0%
Threshold	9	25%	56p	25%
Stretch or above	4.75	100%	64p	100%
Actual achieved	7.89	44.59%	66.0p	100%

The following is a summary of the awards that will vest under the scheme in 2019:

Director	Total number of shares granted	Percentage of award vesting (%)	Number of shares vesting	Value of shares vesting (£'000)[1]
Gavin Slark	118,894	72.295	85,954	606
David Arnold	67,857	72.295	49,057	346

1) As these awards do not vest until 9 May 2019, a deemed share price is used to calculate the value of shares vesting. This is taken as the three-month average to 31 December 2018 being £7.05.

LTIP Awards Granted During the Year Ended 31 December 2018

The following awards were made during the year ended 31 December 2018:

	Date of Grant	Number of nil cost Units	% of Base Salary	Share Price at Grant Date	Value of Award at Grant Date
G. Slark	9 Apr 18	156,613	200	7.5375	£1,180,470
D. Arnold	9 Apr 18	93,854	175	7.5375	£707,425

The 2018 awards to Mr. Slark and Mr. Arnold are subject to the achievement of the following TSR and Adjusted EPS performance conditions:

	50% TSR relative to a peer group		50% Adjusted EPS	
	Performance ranking required	% of element vesting	Performance required	% of element vesting
Below threshold	Below median	0%	Below 69p	0%
Threshold	Median	25%	69p	25%
Between threshold and stretch	Median – 80th percentile	25% - 100%	69p - 80p	25% - 100%
Stretch or above	Above 80th percentile	100%	80p	100%

The TSR comparator group consists of the constituents of the London Stock Exchange's FTSE 250 Index excluding investment trusts. This index was chosen on the basis that it is more representative of the Group's overall trading and financial environment and is a more appropriate measure of outperformance.

Notwithstanding the achievement of the TSR performance condition, no shares will vest unless the Committee considers that the overall financial results have been satisfactory in the circumstances over the performance period.

Vested awards are subject to a two-year holding period. Clawback provisions will apply.

External Appointments

The Company recognises that Executive Directors may be approached to become Non-Executive Directors of other companies and that opportunities of this nature can provide valuable experience that benefits the company.

Mr. Slark is a Non-Executive Director of Galliford Try plc and is permitted to retain his fee for the role which amounted to £41,200 in 2018.

Loss of Office Payments and Payments to Past Directors

No loss of office payments or any payments to past Directors were made during the year.

Application of Remuneration Policy in 2019

Salaries

The Remuneration Policy for 2019 includes a salary cap which limits increases to current Directors' salaries over the life of the policy (covering 2017, 2018 and 2019) to that of the general workforce. The Committee may decide for any particular year, based on company and personal performance, to apply a slightly lower rate of increase to the salaries of Directors than the rate of increase applied to the general workforce.

The following salaries will apply for 2019:

	2019 Base Salary	2018 Base Salary	% Increase
G. Slark	**£599,090**	£590,236	1.50%
D. Arnold	**£410,307**	£404,243	1.50%

Chairman and Non-Executive Directors' Fees

Non-Executive Directors' fees are payable in Euro and will remain unchanged at €70,000 to cover all Board and Committee duties. The sterling equivalent was £62,000 in 2018. The fee paid to Mr. Roney as Chairman will remain at £230,000 per annum.

Pension and Benefits

Mr. Slark and Mr. Arnold will receive taxable pension contributions/ salary supplements in lieu of pension of £128,040 and 20 per cent of salary respectively which is consistent with the arrangements in place for 2018.

Annual Bonus

The maximum potential performance related bonus pay award for the Chief Executive Officer for 2019 is 120 per cent of basic salary and the maximum bonus opportunity for 2019 for the Chief Financial Officer is 100 per cent of salary. These limits also applied in respect of 2018. The measures and weightings for 2019 are as follows:

CEO Bonus Based on	% of Salary 2019	% of Salary 2018
Operating profit	**84%**	84%
Return on capital employed	**36%**	36%

CFO Bonus Based on	% of Salary 2019	% of Salary 2018
Operating profit	**70%**	70%
Return on capital employed	**30%**	30%

The actual bonus targets are commercially sensitive and will be disclosed in the 2019 Annual Report.

The annual bonus is payable in cash subject to part investment in shares if required under the Group's share ownership guidelines as set out in the Remuneration Policy.

Clawback provisions operate as set out in the Remuneration Policy.

Long-Term Incentives

Awards to be made in 2019 will be at the same level as 2018 being 200 per cent of salary for the CEO and 175 per cent of salary for the CFO.

Vesting of the 2019 award will continue to be based on relative TSR (50 per cent) and on EPS (50 per cent) performance conditions as follows:

	50% TSR relative to a peer group		50% Adjusted EPS	
	Performance ranking required	% of element vesting	Performance required	% of element vesting
Below threshold	Below median	0%	Below 82p	0%
Threshold	Median	25%	82p	25%
Between threshold and stretch	Median - 80th percentile	25% - 100%	82p - 94p	25% - 100%
Stretch or above	Above 80th percentile	100%	94p	100%

The TSR performance condition will continue to be measured against a comparator group consisting of the constituents of the London Stock Exchange's FTSE 250 Index excluding investment trusts.

Notwithstanding the achievement of the TSR performance conditions, no shares will vest unless the Committee considers that the overall financial results of the Group have been satisfactory in the circumstances over the performance period.

For EPS growth targets, the Committee set the percentage growth range having considered consensus Brokers Forecasts, as updated following the publication of the Final Results for 2018 on 28 February 2019, and other factors including the Group's budget, strategic business plan and the economic and trading environment. The Committee has historically set very demanding growth ranges for EPS in absolute terms. Consistent with prior years, the lower end of the target range (threshold) is appropriately challenging whilst the upper end of the range is stretching and will only be achieved if performance is exceptional.

A holding period of two years will apply to LTIP awards received by Executive Directors that vest, after taking into account any shares sold to pay tax and other statutory obligations in line with the Remuneration Policy. Shares held during the two-year holding period will be deemed to be part of an executive directors' shareholding, for the purposes of monitoring the shareholding guidelines. The vesting period and the holding period will be five years in total.

Relative Importance of Spend on Pay

The following table sets out the percentage change in dividends and overall spend on employee pay in the 2018 financial year compared with the prior year.

	2018 £'000	2017 £'000	Percentage Change
Dividends payable	**42,796**	36,775	16.4%
Employee remuneration costs	**424,348**	395,358	7.3%

Percentage Change in CEO Pay

The table below shows the percentage year-on-year change in the value of salary, benefits and annual bonus for the Chief Executive Officer between the current and previous year compared to that of the average employee.

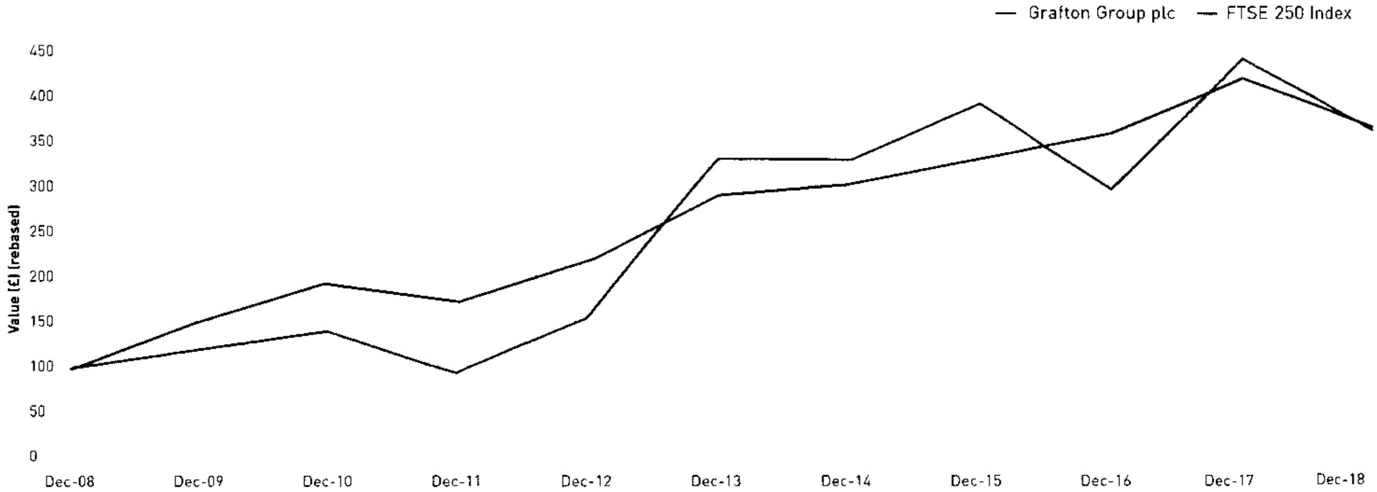
	2018 £'000	2017 £'000	Percentage Change
Chief Executive Officer			
- Salary	**590**	580	1.75%
- Benefits	**59**	73	(19.2%)
- Bonus	**657**	696	(5.6%)
Average employee			
- Salary, Benefits and Bonus (£)*	**29,284**	28,264	3.6%

* based on average number of persons employed during the year. The increase in constant currency was 3.3%.

Performance Graph and Single Total Figure of Remuneration

Total Shareholder Return

The graph below compares the TSR performance of Grafton Group plc, assuming dividends are re-invested, with the TSR performance of the FTSE 250 over the period 31 December 2008 to 31 December 2018.



Source: FactSet

The table below shows the total remuneration figure for the position of CEO over the ten years to 2018.

	2009	2010	2011	2012	2013	2014	2015	2016	2017	**2018**
CEO single total figure of remuneration (£'000)	589	570	1,151	1,001	1,524	3,080	2,255	1,692	1,689	**2,040**
Annual bonus payout relative to maximum	0%	0%	16%	49%	49%	98%	53%	60%	100%	**93%**
LTIP vesting	N/A	N/A	N/A	N/A	45%	100%	87%	50%	26%	**72%**

Statement of Shareholder Voting at the 2018 AGM

The 2017 Annual Report on Remuneration received the following votes from shareholders:

	Total Number of Votes	% of Votes Cast
For	164,213,882	99.19
Against	1,334,401	0.81
Total	165,548,283	100.00

The number of votes withheld was 1,092,850.

Report of the Remuneration Committee on Directors' Remuneration (continued)
Annual Report on Remuneration (continued)

Directors' and Secretary's Interests

The beneficial interests of the Directors in the share capital of the Company were as follows:

Director	31 December 2018 Grafton Units*	31 December 2017 Grafton Units*	Unvested LTIP Awards**	Unvested SAYE Options***
G. Slark	**330,747**	316,925	**434,658**	-
D. Arnold	**69,888**	53,628	**256,824**	**2,696**
F. van Zanten	**3,000**	3,000	-	-
P. Hampden Smith	**32,990**	32,990	-	-
M. Roney	**22,432**	11,529	-	-
V. Crowley	**8,000**	8,000	-	-
S. Murray	**1,500**	-	-	-
Secretary				
C. Rinn	**414,718**	410,932	**69,937**	-

* At 31 December 2018 and at 31 December 2017, a Grafton Unit comprised one ordinary share of 5 cents each and seventeen 'A' ordinary shares of 0.001 cent each in Grafton Group plc and one 'C' ordinary share of Stg0.0001p in Grafton Group (UK) plc.

** Vesting of these awards is subject to performance conditions and includes awards granted in 2016, 2017 and 2018.

*** Option to buy shares at the agreed price at end of the three year period on 1 December 2020 (1,329 units) and at the agreed price at end of the three year period on 1 December 2021 (1,367 units)

The closing price of a Grafton Unit on 31 December 2018 was 643.0p (31 December 2017: 802.0p) and the price range during the year was between 630.0p and 841.5p (2017: 540.5p and 841.0p).

There have been no changes in the interests of the Directors and Secretary between 31 December 2018 and the date of this report.

To further align the interests of senior management with those of shareholders, Executive Directors are subject to share ownership guidelines. Executive Directors are required to build a holding of shares in the Company with a minimum value of 200 per cent of their salary. Directors are required to apply 30 per cent of their annual bonus after statutory deductions for the purchase of shares in the Group until this share ownership requirement is fulfilled.

Mr. Slark held shares at the year-end valued at 3.6 times his salary. Mr. Arnold held shares at the year-end valued at 1.1 times his salary. This is based on the closing price of a Grafton Unit on 31 December 2018 of 643p.

During the year, Mr. Arnold purchased 8,372 Grafton Units and received 15,395 Grafton Units on the maturity of the 2015 LTIP scheme of which he sold 7,507 Grafton Units to meet tax liabilities and brokers commission, retaining a net 7,888 Grafton Units.

Mr. Slark and Mr. Arnold complied with the share ownership guidelines set out in the Remuneration Policy in 2018.

Directors' and Secretary's Interests under the Grafton Group Share Schemes

The interests of the Directors and the Secretary to acquire Grafton Units in accordance with the Grafton Group Share Schemes are shown below:

Mr. C. Rinn had an interest to acquire 100,000 (31 December 2017: 100,000) Grafton Units at 31 December 2018 at a price of €1.66 subject to the rules of the 1999 Grafton Group Share Scheme.

Under the terms of the 1999 Grafton Group Share Scheme, shares were subject to the performance conditions set out below:

- Basic shares which cannot be converted before the expiration of five years, unless the Remuneration Committee agrees to a shorter period which shall not be less than three years, and may be converted any time after that to the end of their contractual life provided the Company's earnings per share has grown at not less than the rate of growth in the Consumer Price Index plus 5 per cent compounded during that period. Basic shares granted after 8 May 2008 cannot be converted before the expiration of three years.
- Second tier shares which cannot be converted before the expiration of five years and at any time thereafter up to the end of their contractual life, only if over a period of at least five years, the growth in the Group's earnings per share would place it in the top 25 per cent of the companies listed on the Irish Stock Exchange Index over the same period and also provided that such shares shall be acquired only if the Company's earnings per share growth over the relevant period is greater, by not less than 10 per cent on an annualised basis, than the increase in the Consumer Price Index over that period.

The share scheme had a ten year life for the award of entitlements. This period expired in 2009 and was replaced in 2011 by the Long Term Incentive Plan.

There has not been any contract or arrangement with the Company or any subsidiary undertaking during the year in which an Officer of the Company was materially interested and which was significant in relation to the Company's business except for remuneration arrangements.

Directors' and Secretary's Interests under the 2011 Long Term Incentive Plan

The grant of awards over Grafton Units to the Directors and Secretary under the LTIP are shown below:

			Number of Units								
	Grant Date	Share Price on date of Grant	1 January 2018	Granted	Lapsed	Shares Received	31 Dec 2018	EPS Condition	TSR Condition	Performance Period	Vesting Date**
G. Slark	17 April 2015	£8.18	104,314	-	(77,338)	(26,976)*	-	-	-	1 Jan 2015 - 31 Dec 2017	10 May 2018
	14 April 2016	£7.18	118,894	-	-	-	118,894	59,447	59,447	1 Jan 2016 - 31 Dec 2018	14 April 2019
	12 April 2017	£7.15	121,654	-	-	-	121,654	60,827	60,827	1 Jan 2017 - 31 Dec 2019	12 April 2020
	10 May 2017	£7.74	37,497	-	-	-	37,497	18,749	18,748	1 Jan 2017 - 31 Dec 2019	10 May 2020
	9 April 2018	£7.54	-	156,613	-	-	156,613	78,307	78,306	1 Jan 2018 - 31 Dec 2020	9 April 2021
			382,359	**156,613**	**(77,338)**	**(26,976)**	**434,658**	**217,330**	**217,328**		
D. Arnold	17 April 2015	£8.18	59,534	-	(44,139)	(15,395)*	-	-	-	1 Jan 2015 - 31 Dec 2017	10 May 2018
	14 April 2016	£7.18	67,857	-	-	-	67,857	33,929	33,928	1 Jan 2016 - 31 Dec 2018	14 April 2019
	12 April 2017	£7.15	69,432	-	-	-	69,432	34,716	34,716	1 Jan 2017 - 31 Dec 2019	12 April 2020
	10 May 2017	£7.74	25,681	-	-	-	25,681	12,841	12,840	1 Jan 2017 - 31 Dec 2019	10 May 2020
	9 April 2018	£7.54	-	93,854	-	-	93,854	46,927	46,927	1 Jan 2018 - 31 Dec 2020	9 April 2021
			222,504	**93,854**	**(44,139)**	**(15,395)**	**256,824**	**128,413**	**128,411**		
C. Rinn	17 April 2015	£8.18	14,640	-	(10,854)	(3,786)*	-	-	-	1 Jan 2015 - 31 Dec 2017	10 May 2018
	14 April 2016	£7.18	18,534	-	-	-	18,534	9,267	9,267	1 Jan 2016 - 31 Dec 2018	14 April 2019
	12 April 2017	£7.15	20,269	-	-	-	20,269	10,135	10,134	1 Jan 2017 - 31 Dec 2019	12 April 2020
	10 May 2017	£7.74	5,555	-	-	-	5,555	2,778	2,777	1 Jan 2017 - 31 Dec 2019	10 May 2020
	9 April 2018	£7.54	-	25,579	-	-	25,579	12,790	12,789	1 Jan 2018 - 31 Dec 2020	9 April 2021
			58,998	**25,579**	**(10,854)**	**(3,786)**	**69,937**	**34,970**	**34,967**		

* The market price at the date of vesting was £7.845.

** This is the earliest date for vesting except for the vesting in 2018 which is the actual date of vesting. The actual date of vesting is subject to approval by the Remuneration Committee.

The Group's previous long-term incentive share scheme expired in April 2009. Consequently, no long-term incentive awards were made during 2010. Shareholder approval was granted at the AGM held on 4 May 2011 for the introduction of a new Long-Term Incentive Plan and the first awards under the plan were made on 25 May 2011. Subsequent awards under the LTIP were made on 18 April 2012, 16 April 2013, 16 April 2014, 17 April 2015, 14 April 2016, 12 April 2017, 10 May 2017 and 9 April 2018.

Susan Murray
Chairman of the Remuneration Committee
11 March 2019

Report of the Directors

The Directors present their report to the shareholders together with the audited financial statements for the year ended 31 December 2018.

Group Results

Group revenue increased by £0.25 billion to £2.95 billion in 2018. Adjusted operating profit before property profit increased 18 per cent to £189.6 million compared to £160.9 million in 2017.

The net finance expense was £6.1 million (2017: £6.4 million). Group statutory profit before taxation amounted to £181.3 million compared with £154.5 million in the previous year.

The income tax expense of £30.9 million (2017: £26.6 million) was equivalent to an effective tax rate of 17.1 per cent (2017: 17.2 per cent). The underlying rate for the year was 18.5 per cent (2017: 18.5 per cent).

Basic earnings per share were 63.3 pence compared with 54.0 pence in the previous year. Adjusted earnings per share (before amortisation of intangible assets arising on acquisitions, goodwill written off in the period and profit/(loss) on disposal of Group businesses) increased by 20 per cent to 66.0 pence from 54.9 pence in 2017.

The Group and Company financial statements for the year ended 31 December 2018 are set out in detail on pages 100 to 189.

Dividends

The payment in 2018 of a second interim dividend for 2017 of 10.25 pence on the 'C' Ordinary shares in Grafton Group (UK) plc from UK-sourced income amounted to £24.3 million. An interim dividend for 2018 of 6.00 pence per share was paid on 28 September 2018 on the 'C' Ordinary shares in Grafton Group (UK) plc from UK-sourced income and amounted to £14.3 million.

A second interim dividend for 2018 of 12.00 pence per share will be paid on the 'C' Ordinary Shares in Grafton Group (UK) plc from UK-sourced income to all holders of Grafton Units on the Company's Register of Members at the close of business on 8 March 2019 (the 'Record Date'). The dividend will be paid on 5 April 2019. A liability in respect of this second interim dividend has not been recognised at 31 December 2018 as there was no present obligation to pay the dividend at the year-end.

Review of the Business

Shareholders are referred to the Chairman's Statement, Chief Executive Officer's Review, Sectoral and Strategic Review and Financial Review which contain a review of operations and the financial performance of the Group for 2018, the outlook for 2019 and the key performance indicators used to assess the performance of the Group. These are deemed to be incorporated in the Report of the Directors.

Cautionary Statement

Certain statements made in this Annual Report are forward looking statements. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual events or results to differ materially from those expressed or implied by these forward-looking statements. They appear in a number of places throughout this Annual Report and include statements regarding the intentions, beliefs or current expectations of Directors and senior management concerning, amongst other things, the results of operations, financial conditions, liquidity, prospects, growth rate and potential growth opportunities, potential operating performance improvements, the effects of competition and the strategy of the overall Group and its individual businesses. You should not place undue reliance on forward looking statements. These forward looking statements are made as at the date of this Directors Report. The Company and its Directors expressly disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise, except as required by law.

The risk factors included on pages 48 to 51 of this Annual Report could cause the Group's results to differ materially from those expressed in forward-looking statements. There may be other risks and uncertainties that the Group is unable to predict at this time or that the Group currently does not expect to have a material adverse effect on its business. These forward-looking statements are made as of the date of this Annual Report.

The forward-looking statements in this Annual Report do not constitute reports or statements published in compliance with any of Regulations 4 to 9 and 26 of the Transparency (Directive 2004/109/EC) Regulations 2007.

Board of Directors

Under the Company's Articles of Association, Directors are required to submit themselves to shareholders for election at the Annual General Meeting following their appointment and all Directors are required to submit themselves for re-election at intervals of not more than three years.

However, in line with the provisions contained in the UK Corporate Governance Code, all Directors retired at the conclusion of the 2018 Annual General Meeting and being eligible offered themselves for re-election. All directors were re-elected to the Board on the same day.

The Board has decided that all Directors seeking re-election should retire at the 2019 Annual General Meeting and offer themselves for re-election.

Share Capital

At 31 December 2018, a Grafton Unit comprised one ordinary share of 5 cent and seventeen 'A' ordinary shares of 0.001 cent each in Grafton Group plc and one 'C' ordinary share of Stg0.0001p in Grafton Group (UK) plc. The composition of the Company's share capital including a summary of the rights and obligations attaching to the three components of a Grafton Unit is set out in Note 18 to the Group Financial Statements.

The Group has in place a number of employee share schemes, the details of which are set out in the Report of the Remuneration Committee on Directors' Remuneration and in Note 33 to the Group Financial Statements.

Annual General Meeting

The Annual General Meeting of the Company will be held at the IMI Conference Centre, Sandyford Road, Dublin 16 on Wednesday 8 May 2019 at 10.30am. Your attention is drawn to the circular on the Company's website, www.graftonplc.com which sets out details of resolutions to be considered at the Annual General Meeting, including the following:

Continuation in Office of Auditors

While it is not required under Irish law, an advisory, non-binding resolution is being presented in relation to the continuation of PwC in office as Auditors.

Authority to Allot Relevant Securities

Shareholders are being asked to renew the Directors' authority to allot and issue any unissued ordinary share capital of the Company. The total number of shares which the Directors may issue under this authority will be limited to approximately 26 per cent of the issued share capital of the Company at 11 March 2019. The Directors have no present intention to make a share issue other than in respect of employee share schemes.

Disapplication of Pre-emption Rights

At each Annual General Meeting, the Directors seek authority to disapply statutory pre-emption rights in relation to allotments of shares for cash up to an aggregate nominal value for all allotments and all treasury shares of approximately €594,415 representing five per cent of the nominal value of the issued ordinary share capital of the Company. Under the Articles of Association, shareholders are required to renew this power at each year's Annual General Meeting. The Directors confirm their intention to follow the provisions of the Pre-emption Principles regarding cumulative usage of authorities within a rolling three-year period. These principles provide that companies should consult shareholders prior to issuing shares, other than to existing shareholders, for cash representing in excess of 7.5% of the Company's issued share capital in any rolling three-year period.

Authority to Make Market Purchases of the Company's Own Shares

At the 2018 Annual General Meeting, shareholders gave the Company and/or any of its subsidiaries authority to make market purchases of up to 10 per cent of the Company's own shares. Shareholders are being asked to renew this authority.

The Directors have no present intention to exercise this authority. However, the Directors consider it appropriate to maintain the flexibility that this authority provides. The Directors monitor the Company's share price and may from time to time exercise this power to make market purchases of the Company's own shares, at price levels which they consider to be in the best interests of the shareholders generally, after taking account of the Company's overall financial position. The minimum price which may be paid for any market purchase of the Company's own shares will be the nominal value of the shares and the maximum price which may be paid will be 105 per cent of the then average market price of the shares.

Authority to Re-issue Treasury Shares

Shareholders are being asked to sanction the price range at which any treasury share (that is a share of the Company redeemed or purchased and held by the Company rather than being cancelled) may be re-issued other than on the Stock Exchange. The maximum and minimum prices at which such a share may be re-issued are 120 per cent and 95 per cent respectively of the average market price of a share calculated over the five business days immediately preceding the date of such re-issue.

The authorities which will be sought at the forthcoming AGM to allot relevant securities, dis-apply pre-emption rights, purchase the Company's Units and re-issue treasury shares will, if granted, expire on the earlier of the date of the Annual General Meeting in 2020 or 15 months after the passing of these resolutions.

Report of the Remuneration Committee on Directors' Remuneration

In line with best practice, the Board is proposing to submit the Chairman's Annual Statement and the Annual Report on Remuneration of the Remuneration Committee (other than the Remuneration Policy Report which was approved at the 2017 AGM), as set out on pages 79 to 80 and 87 to 95, to a non-binding advisory vote.

Notice Period for Extraordinary General Meetings

This resolution will, if adopted, maintain the existing authority in the Articles of Association which permits the Company to convene an extraordinary general meeting on 14 days' notice in writing where the purpose of the meeting is to consider an ordinary resolution. As a matter of policy, the 14 days' notice will only be utilised where the Directors believe that it is merited by the business of the meeting and the circumstances surrounding the business of the Meeting.

Payment of future dividends by Electronic Fund Transfer

The Board has decided that after the dividend payment on 5 April 2019, all future dividend payments will be made by direct credit transfer into a nominated bank or financial institution.

To register to receive dividends electronically, shareholders should register their direct credit transfer instructions directly by going to the website of the Company's Registrars at www.signalshares.com and entering the Company name, Grafton Group plc or alternatively downloading a form at https://www.linkassetservices.com/shareholders-and-investors/shareholder-services-ireland. If direct credit transfer instructions are not received in good time prior to the payment of the next dividend in October 2019, shareholders will be sent the normal tax voucher advising of the amount of the dividend and that the amount is being held because direct credit transfer instructions had not been received in time. Dividends will not accrue interest while they are held. Payment will be transferred to shareholder account as soon as possible on receipt of direct credit transfer instructions.

Substantial Holdings

So far as the Company is aware, the following held an interest in 3% or more of the nominal value of any class of capital carrying voting rights to vote in all circumstances at general meetings of the Company (excluding treasury shares) at 31 December 2018 and 6 March 2019:

	31 December 2018		6 March 2019	
Name	Holding	%	Holding	%
The Capital Group Companies, Inc*	26,082,732	10.97	26,082,732	10.97
Mr. Michael Chadwick**	21,926,409	9.22	21,926,409	9.22
Investec Asset Management Limited	18,700,194	7.86	19,046,178	8.01
EdgePoint Investment Group Inc.	14,020,360	5.90	6,698,320	2.82
Blackrock, Inc.	9,499,855	4.00	12,872,767	5.41
Franklin Templeton Institutional, LLC	9,239,958	3.89	9,239,958	3.89
Standard Life Aberdeen plc*	7,382,030	3.10	7,382,030	3.10
Kames Capital plc*	7,237,448	3.04	7,041,144	2.96
Dimensional Fund Advisors LP*	7,112,538	2.99	7,112,538	2.99
Eleva Capital SAS	---	---	7,166,344	3.01

* The Company has been advised that these units are not beneficially owned.
**Beneficial holding of 19,436,079 Grafton Units and non-beneficial holding of 2,490,330 Grafton Units.

Apart from these holdings, the Company has not been notified at 6 March 2019 or at 31 December 2018 of any interest in 3 per cent or more of the nominal value of any class of capital carrying voting rights to vote in all circumstances at general meetings of the Company (excluding treasury shares).

Directors' and Secretary's interests in the share capital of the Company are set out in the Report of the Remuneration Committee on Directors' Remuneration.

Accounting Records

The Directors are responsible for ensuring that adequate accounting records are maintained by the Company as required by Sections 281-285 of the Companies Act, 2014. The Directors believe that they have complied with this requirement by providing adequate resources to maintain proper books and accounting records throughout the Group including the appointment of personnel with appropriate qualifications, experience and expertise. The books and accounting records of the Company are maintained at Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland.

Takeover Regulations 2006

The capital structure of the Company is detailed in Note 18 to the Group Financial Statements. Details of employee share schemes are set out in Note 33. In the event of a change of control, the vesting/conversion/exercise of share entitlements/options may be accelerated. The Group's borrowing facilities may require repayment in the event of a change of control. The Company's Articles of Association provide that the business of the Company shall be managed by the Directors, who may exercise all such powers of the Company subject to the Companies Act and the Articles of Association. Details of the powers of the Directors in relation to the issuing or buying back by the Company of its shares are set out above. The Company's Memorandum and Articles of Association, which are available on the Company's website, www.graftonplc.com, are deemed to be incorporated in this part of the Report of the Directors.

Corporate Governance Regulations

As required by company law, the Directors have prepared a Report on Corporate Governance which is set out on pages 66 to 72 and which, for the purposes of Section 1373 of the Companies Act 2014, is deemed to be incorporated in this part of the Report of the Directors. This includes the Report of the Audit and Risk Committee. Details of the capital structure and employee share schemes are included in Notes 18 and 33 respectively.

Directors Compliance Statement

It is the policy of the Company to comply with its relevant obligations as defined in the Companies Act 2014. The Directors have drawn up a compliance policy statement as defined in section 225(3)(a) of the Companies Act 2014. Arrangements and structures have been put in place that are, in the Directors' opinion, designed to secure material compliance with the Company's relevant obligations. These arrangements and structures were reviewed by the Company during the financial year. As required by section 225(2) of the Companies Act 2014, the Directors acknowledge that they are responsible for the Company's compliance with its relevant obligations. In discharging their responsibilities under section 225, the Directors relied on the advice of third parties who the Directors believe have the requisite knowledge and experience to advise the Company on compliance with its relevant obligations.

Principal Risks and Uncertainties

The Company is required under Irish company law to give a description of the principal risks and uncertainties. These principal risks and uncertainties are set out on pages 48 to 51 and are deemed to be incorporated in this section of the Report of the Directors.

Transparency Regulations 2007 and the European Union (Disclosure of Non-Financial and Diversity Information by Certain Large Undertakings and Groups) Regulations 2017

The report on Corporate Social Responsibility set out on pages 52 to 61, is deemed to be incorporated in this part of the Report of the Directors together with details of earnings per share in Note 11 to the Group Financial Statements, employment details in Note 6 and details of financial instruments in Note 21.

Subsidiaries

The Group's principal operating subsidiary undertakings are set out on page 188.

Political Contributions

There were no political contributions which require disclosure under the Electoral Act, 1997.

Events after the Balance Sheet Date

There have been no material events subsequent to 31 December 2018 that would require adjustment to or disclosure in this report.

Auditor

The statutory Auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office in accordance with Section 382 (2) of the Companies Act 2014 and a resolution authorising the Directors to fix their remuneration will be submitted to the Annual General Meeting.

Disclosure of information to statutory Auditors

In accordance with the provisions of section 330 of the Companies Act 2014, each of the persons who are Directors of the Company at the date of approval of this report confirms that:

So far as the Director is aware, there is no relevant audit information (as defined in the Companies Act 2014) of which the statutory Auditor is unaware; and

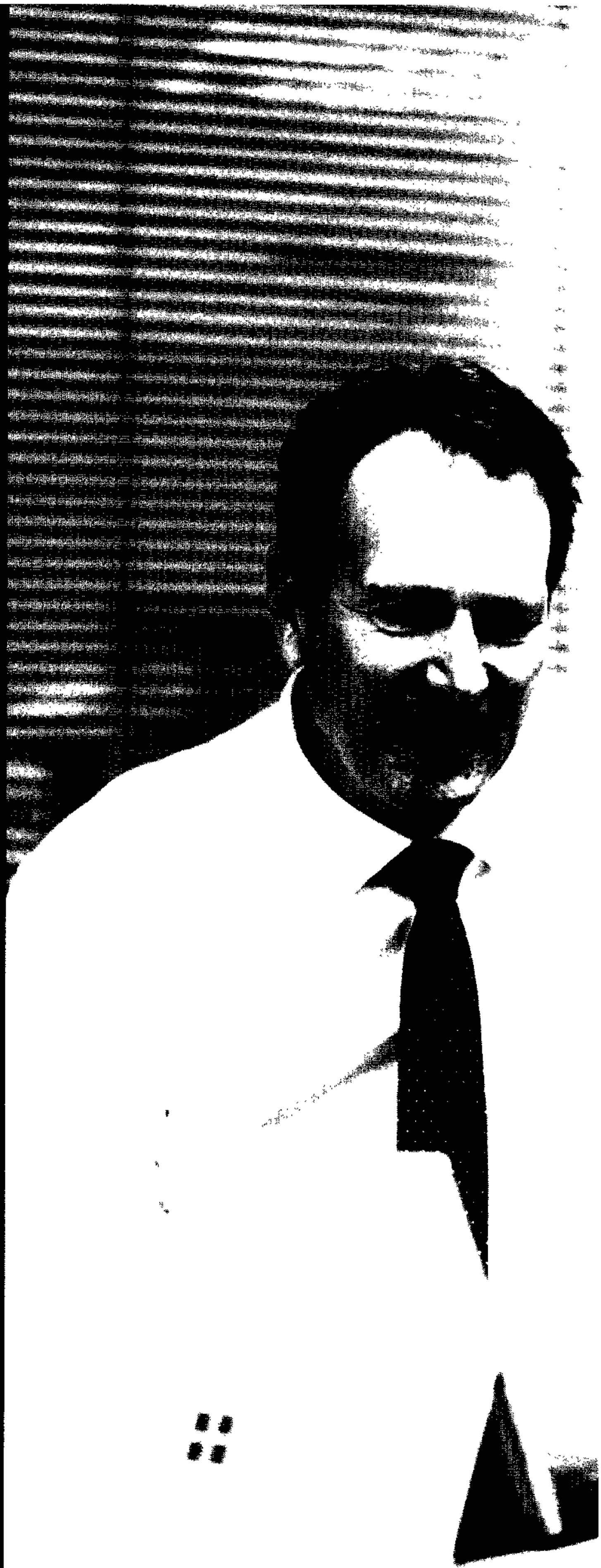
The Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information (as defined) and to ensure that the statutory Auditor is aware of such information.

On behalf of the Board

Gavin Slark
Director
11 March 2019

David Arnold
Director

Financial Statements



Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Group and Company financial statements, in accordance with applicable law and regulations.

Company law in the Republic of Ireland requires the Directors to prepare Group and Company financial statements each year. Under that law, the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and have elected to prepare the Company financial statements in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 101 Reduced Disclosure Framework, and promulgated by the Institute of Chartered Accountants in Ireland) and Irish law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Group and Company as at the end of the financial year and the profit or loss of the Group for the financial year.

In preparing each of the Group and Company 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 that the Group financial statements comply with IFRS as adopted by the European Union, and as regards the Company, have been prepared in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 101 Reduced Disclosure Framework, and promulgated by the Institute of Chartered Accountants in Ireland) and Irish law; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are also required by the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Central Bank of Ireland to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, and financial position, and which enable them to ensure that the financial statements of the Company comply with the provisions of the Companies Act 2014, and as regards to the Group financial statements Article 4 of IAS Regulation. The Directors are also responsible for taking all reasonable steps to ensure such records are kept by its subsidiaries which enable them to ensure that the financial statements of the Group comply with the provisions of the Companies Act 2014. They are also responsible for safeguarding the assets of the Company and the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website (www.graftonplc.com). Legislation in the Republic of Ireland concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility Statement as required by the Transparency Directive and the UK Corporate Governance Code

Each of the Directors, whose names and functions are listed on pages 64 to 65 of this Annual Report, confirm that, to the best of each person's knowledge and belief:

- The Group financial statements, prepared in accordance with IFRS as adopted by the European Union and the Company financial statements prepared in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 101 Reduced Disclosure Framework, and promulgated by the Institute of Chartered Accountants in Ireland) and Irish law, as applied in accordance with the provisions of the Companies Act 2014, give a true and fair view of the assets, liabilities, financial position of the Group and Company at 31 December 2018 and of the profit of the Group for the year then ended;
- The Report of the Directors contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group and Company and that a fair description of the principal risks and uncertainties faced by the Group and Company is provided on pages 48 to 51; and
- The Annual Report and financial statements, taken as a whole, provides the information necessary to assess the Group's performance, business model and strategy and is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy.

On behalf of the Board

Gavin Slark
Director

David Arnold
Director

11 March 2019

Independent auditors' report to the members of Grafton Group plc

Report on the audit of the financial statements

Opinion

In our opinion

- Grafton Group plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the Group's and the Company's assets, liabilities and financial position as at 31 December 2018 and of the Group's profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 101 "Reduced Disclosure Framework" and Irish law); and
- the financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report, which comprise:

- the Group Balance Sheet as at 31 December 2018;
- the Company Balance Sheet as at 31 December 2018;
- the Group Income Statement and Group Statement of Comprehensive Income for the year then ended;
- the Group Cash Flow Statement for the year then ended;
- the Group Statement of Changes in Equity for the year then ended;
- the Company Statement of Changes in Equity for the year then ended; and
- the Notes to the Group financial statements and the Notes to the Company financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law. Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by IAASA's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in note 3 to the financial statements, we have provided no non-audit services to the Group or the Company in the period from 1 January 2018 to 31 December 2018.

Our audit approach

Overview

Materiality

- £8.7 million (2017: £7.3 million) - Group financial statements
- Based on approximately 5% of profit before tax.
- €8.3 million (2017: €7.2 million) - Company financial statements
- Based on approximately 0.5% of total assets.

Audit scope

- We conducted an audit of the complete financial information of 15 of the Group's 19 reporting components across the United Kingdom, Ireland, Netherlands and Belgium. These accounted for in excess of 95% of revenue, profit before tax and total assets.

Key audit matters

- Valuation of goodwill
- Recognition of supplier rebates
- Valuation of inventory

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	*How our audit addressed the key audit matter*
Valuation of goodwill Refer to page 76 (Audit and Risk Committee Report), Note 1 Summary of significant accounting policies and Note 12, Goodwill. As at 31 December 2018 Goodwill amounted to £646.2 million. Goodwill is allocated to 7 groups of Cash Generating Units ("CGUs") in order to conduct impairment testing. The groups of CGUs represent the lowest level within the Group at which goodwill is monitored for internal management purposes. Goodwill must be tested for impairment on at least an annual basis. The Group tests goodwill for impairment using a value-in-use ("VIU") model. The cash flows included in this VIU model are those included in the management approved forecasts for the period from 2019 to 2023 and long term growth rates are used to estimate cash flows beyond that period. As set out in Note 12 to the financial statements, impairment testing of goodwill involves a number of areas of judgement and estimates, in particular estimating the growth and gross margin in the period 2019 to 2023, long term growth rates used in calculating a terminal value and pre-tax discount rates for each CGU. We focused on this area due to the significance of this asset, which accounts for 28% of total assets at 31 December 2018 and because the Directors' assessment of the recoverable amount of goodwill involves complex and subjective judgements about the future results of the business. In particular we focused on the Belgian Merchanting CGU group which, as set out in Note 12, has lower headroom.	We agreed the underlying cash flow forecast model for each of the groups of CGUs to the management approved budgets and checked the mathematical accuracy of the impairment models. We considered the reliability of management's forecasting process by considering how actual results compared to forecasts for the years 2015 to 2018. We critically assessed and challenged management on the key assumptions included in the model, in particular the revenue and gross margin assumptions over the period 2019 - 2023. We compared the growth rates to external data and considered them to be within reasonable ranges. We assessed the appropriateness of forecast gross margins through comparison to actual historic margins achieved. We also assessed the appropriateness of the Group's forecast long term growth rates used to calculate terminal values by comparing them to independent sources. We considered the appropriateness of the discount rates applied to each of the groups of CGUs by comparing the elements of the weighted average cost of capital calculation to external benchmarks. We performed our own sensitivity analysis on the impact of changes in key assumptions on the impairment assessment, for example the cash flows, discount rate and the rates of growth assumed by management. In particular, we focused on the Belgium Merchanting CGU group, which has lower headroom and consequently is most sensitive to changes in key assumptions. We assessed the change in assumptions that would result in an impairment in the Belgian Merchanting CGU group and assessed the disclosure of these sensitivities in the financial statements and found them to be appropriate. We assessed the appropriateness of the other related disclosures in note 12 to the Group's financial statements.

Key audit matter	How our audit addressed the key audit matter
Recognition of supplier rebates Refer to page 76 (Audit and Risk Committee Report), Note 1, Summary of Significant Accounting Policies, and Note 17, Trade and Other Receivables. The Group has entered into rebate arrangements with a significant number of its suppliers. Supplier rebates received and receivable in respect of goods purchased are deducted from cost of sales in the income statement or the cost of inventory, to the extent that those goods remain in inventory at the year-end. Due to the nature of the agreements in place, a significant portion of the Group's rebate income during the year is not finalised or received until after the year end. Certain arrangements have volume targets that span the year end. In addition, in certain businesses, the process for calculating rebate income requires manual input and use of spreadsheets. We have focused on this area as the calculation of rebate income in the year and the rebate receivable at 31 December 2018 involves the use of estimates and judgements due to the complex rebate arrangements in place and the manual nature of the underlying calculations in some businesses.	We updated our understanding of the significant rebate arrangements that the Group has entered into by meeting procurement personnel and reading a sample of contracts. We also inspected the work performed by Internal Audit to ensure there were no findings that would impact our audit. We assessed the reasonableness of any significant estimates and judgements made by management in the calculation of rebate income and rebate receivables. We recalculated, on a sample basis, rebate income and receivables by reference to supplier agreements and purchases reports. Where arrangements had volume targets we assessed the appropriateness of assumptions made by reference to purchases in the period. For a sample of suppliers, we agreed the rebate receivable to third party confirmation of rebate income and rebates due at 31 December 2018. Where responses were not received we completed alternative procedures including obtaining rebate agreements and re-computing rebate income and rebates receivable. We also considered the actual results of the collection of rebates during the year including those relating to the prior year comparing the amount collected to the related estimated rebates receivable noting that there was no significant variance from the amount estimated. We assessed the appropriateness of the related disclosures within the financial statements.
Valuation of inventory Refer to page 76 (Audit and Risk Committee Report), Note 1, Summary of significant accounting policies and Note 16, Inventories. Inventory on hand at 31 December 2018 is £350.1 million. The Group holds a significant number of product lines across its branch network in the UK, Ireland, Belgium and Netherlands. Significant judgement is exercised by management in assessing the level of inventory provision in respect of slow moving inventory. Management assess the required level of provision based on a model that reflects the age of inventory on hand at year end and other considerations in respect of specific inventory. In locations that had stocktakes in advance of the year end, management estimates a provision for stock losses (a "shrinkage provision") in order to accurately state inventory on hand at year end. Where inventory on which rebates have been earned is held at the year-end, an appropriate rebate deduction is made from the gross carrying value of that inventory. We focused on this area due to the judgement involved in estimating the inventory provisions and rebate deductions across multiple product lines and locations.	We tested the accuracy of inventory ageing reports where they supported the calculation of inventory provisions by selecting a sample of inventory items on hand and testing the aged classification by reference to purchase documentation. We recomputed and agreed the provisions recorded in line with the Group policy. We assessed the appropriateness of Group policy by reference to past experience and the provisions were considered reasonable. We also obtained an understanding from management of plans to liquidate slower moving inventory and we then considered the appropriateness of any provisions made. In locations where stocktaking occurred before the year-end we evaluated the reasonableness of the shrinkage provisions recorded by reference to the historical shrinkage experience of the Group. We recalculated a sample of allocations of rebate deductions to inventory by reference to the volume and value of inventory sourced from specific suppliers and the related rebate arrangements with those suppliers. The rebate deducted from inventory was considered to be reasonable. We assessed the appropriateness of the related disclosures within the financial statements.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group financial statements are a consolidation of 19 reporting components across 4 geographical markets. The Group's accounting process is structured around a local finance function for each of the reporting components. These functions maintain their own accounting records and controls and report to the head office finance team in Dublin.

In establishing the scope of the Group audit, we identified 4 reporting components, each contributing over 10% of Group profit before tax, which in our view required an audit of their complete financial information due to their size and financial significance to the Group. A further 11 reporting components had an audit of their complete financial information based on our risk assessment, the materiality of the reporting component and statutory audit requirements.

This resulted in a total of 15 reporting components which were subject to an audit of their full financial information. For the remaining 4 components, the Group audit team performed other procedures including analytics at a Group level to consider our assessment that there were no significant risks of material misstatement within these components.

The Group audit team performed the work on 5 components. The Group team were responsible for the scope and direction of the audit process. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. The Group audit team visits the component teams on a rotational basis. During the year, senior members of the Group audit team visited 8 in scope locations, including the 4 identified significant components. In addition to these visits the Group team interacted regularly with the component teams during all stages of the audit. The Group audit team attended all of the component team meetings with local management where the results of each component's audit were finalised, either in person or by conference call. We obtained and considered the detailed findings reports from all component teams. In addition, the Group audit team reviewed working papers of the auditors for the significant components.

The full scope audits of reporting components and Group functions accounted for in excess of 95% of revenue, profit before tax and total assets.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	*Company financial statements*
Overall materiality	£8.7 million (2017: £7.3 million)	€8.3 million (2017: €7.2 million)
How we determined it	Approximately 5% of profit before tax	Approximately 0.5% of total assets
Rationale for benchmark applied	We have applied this benchmark as profit before tax is a key accounting benchmark, which is also a key performance indicator for the Group.	We considered total assets to be the most relevant benchmark as the Company is primarily an investment holding company. The Company primarily holds investments in subsidiaries and receivables from Group companies.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £0.1 million and £7.4 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £435,000 (Group audit) (2017: £350,000) and €413,000 (Company audit) (2017: €360,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Independent Auditor's Report
to the Members of Grafton Group plc (continued)

Going concern

In accordance with ISAs (Ireland) we report as follows:

Reporting obligation	*Outcome*
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's or the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's or the Company's ability to continue as a going concern.
We are required to report if the directors' statement relating to going concern in accordance with Rule 9.8.6R(3) of the Listing Rules of the UK Financial Conduct Authority is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Report of the Directors, we also considered whether the disclosures required by the Companies Act 2014 (excluding the information included in the "Non-Financial Statement" as defined by that Act on which we are not required to report) have been included.
Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (Ireland), the Companies Act 2014 (CA14) and the Listing Rules applicable to the Company (Listing Rules) require us to also report certain opinions and matters as described below (required by ISAs (Ireland) unless otherwise stated).

Report of the Directors

- In our opinion, based on the work undertaken in the course of the audit, the information given in the Report of the Directors (excluding the information included in the "Non-Financial Statement" as defined by that Act on which we are not required to report) for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with the applicable legal requirements. (CA14)
- Based on our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Report of the Directors (excluding the information included in the "Non-Financial Statement" as defined by that Act on which we are not required to report). (CA14)

Corporate governance statement

- In our opinion, based on the work undertaken in the course of the audit of the financial statements,
  - the description of the main features of the internal control and risk management systems in relation to the financial reporting process; and
  - the information required by Section 1373(2)(d) of the Companies Act 2014;
  - included in the Corporate Governance Statement, is consistent with the financial statements and has been prepared in accordance with section 1373(2) of the Companies Act 2014. (CA14)
- Based on our knowledge and understanding of the Company and its environment obtained in the course of the audit of the financial statements, we have not identified material misstatements in the description of the main features of the internal control and risk management systems in relation to the financial reporting process and the information required by section 1373(2)(d) of the Companies Act 2014 included in the Corporate Governance Statement. (CA14)
- In our opinion, based on the work undertaken during the course of the audit of the financial statements, the information required by section 1373(2)(a),(b),(e) and (f) of the Companies Act 2014 and regulation 6 of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and Groups) Regulations 2017 is contained in the Corporate Governance Statement. (CA14)

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or to draw attention to regarding:

- The directors' confirmation on page 48 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 71 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and the Company and their environment obtained in the course of the audit. (Listing Rules)

Other code provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors on page 102 that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on pages 73 to 76 describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk Committee.
- The directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Independent Auditor's Report
to the Members of Grafton Group plc (continued)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at:
https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf

This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2014 opinions on other matters

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
In our opinion the accounting records of the Company were sufficient to permit the Company financial statements to be readily and properly audited.
The Company Balance Sheet is in agreement with the accounting records.

Companies Act 2014 exception reporting

Directors' remuneration and transactions

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

Appointment

We were appointed by the directors on 4 July 2016 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is 3 years, covering the years ended 31 December 2016 to 31 December 2018.

Paul O'Connor
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
11 March 2019

Group Income Statement
For the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Revenue	2	**2,952,743**	2,715,830
Operating costs	3	**(2,770,145)**	(2,557,654)
Property profits		**4,854**	2,722
Operating profit		**187,452**	160,898
Finance expense	7	**(7,071)**	(7,122)
Finance income	7	**944**	675
Profit before tax		**181,325**	154,451
Income tax charge	9	**(30,922)**	(26,622)
Profit after tax for the financial year		**150,403**	127,829
Profit attributable to:			
Owners of the Parent		**150,403**	127,719
Non-controlling interests		**-**	110
Profit after tax for the financial year		**150,403**	127,829
Earnings per ordinary share - basic	11	**63.29p**	53.95p
Earnings per ordinary share - diluted	11	**63.12p**	53.80p

On behalf of the Board

Gavin Slark
Director
11 March 2019

David Arnold
Director

Group Statement of Comprehensive Income

For the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Profit after tax for the financial year		**150,403**	127,829
Other comprehensive income			
Items that are or may be reclassified subsequently to the income statement			
Currency translation effects:			
- on foreign currency net investments		**1,775**	4,146
Fair value movement on cash flow hedges:			
- Effective portion of changes in fair value of cash flow hedges		**92**	(202)
- Net change in fair value of cash flow hedges transferred from equity		**337**	336
Deferred tax on cash flow hedges	26	**(45)**	(30)
		2,159	4,250
Items that will not be reclassified to the income statement			
Remeasurement gain on Group defined benefit pension schemes	32	**1,205**	7,438
Deferred tax on Group defined benefit pension schemes	26	**(386)**	(1,069)
		819	6,369
Total other comprehensive income		**2,978**	10,619
Total comprehensive income for the financial year		**153,381**	138,448
Total comprehensive income attributable to:			
Owners of the Parent		**153,381**	138,338
Non-controlling interests		**-**	110
Total comprehensive income for the financial year		**153,381**	138,448

On behalf of the Board

Gavin Slark
Director
11 March 2019

David Arnold
Director

Group Balance Sheet
As at 31 December 2018

	Notes	2018 £'000	2017 £'000
ASSETS			
Non-current assets			
Goodwill	12	**646,198**	591,746
Intangible assets	15	**79,809**	54,340
Property, plant and equipment	13	**521,631**	504,412
Investment properties	13	**15,048**	22,056
Deferred tax assets	26	**9,395**	11,867
Retirement benefit assets	32	**1,469**	1,527
Other financial assets	14	**123**	126
Total non-current assets		**1,273,673**	1,186,074
Current assets			
Properties held for sale	13	**11,595**	5,055
Inventories	16	**350,061**	328,525
Trade and other receivables	17	**451,245**	413,095
Cash and cash equivalents	20	**222,984**	253,659
Derivative financial instruments	22	**49**	-
Total current assets		**1,035,934**	1,000,334
Total assets		**2,309,607**	2,186,408
EQUITY			
Equity share capital	18	**8,514**	8,494
Share premium account	18	**213,430**	212,167
Capital redemption reserve	19	**621**	621
Revaluation reserve	19	**13,146**	13,327
Shares to be issued reserve	19	**11,220**	8,744
Cash flow hedge reserve	19	**(43)**	(427)
Foreign currency translation reserve	19	**79,280**	77,505
Retained earnings		**974,271**	858,053
Treasury shares held	18	**(3,897)**	(3,897)
Total equity attributable to owners of the Parent		**1,296,542**	1,174,587
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	20	**275,250**	315,165
Provisions	23	**21,651**	21,888
Retirement benefit obligations	32	**21,632**	25,006
Derivative financial instruments	22	**-**	484
Deferred tax liabilities	26	**42,444**	37,986
Total non-current liabilities		**360,977**	400,529
Current liabilities			
Interest-bearing loans and borrowings	20	**767**	916
Derivative financial instruments	22	**103**	-
Trade and other payables	24	**608,659**	572,130
Current income tax liabilities		**33,036**	27,613
Provisions	23	**9,523**	10,633
Total current liabilities		**652,088**	611,292
Total liabilities		**1,013,065**	1,011,821
Total equity and liabilities		**2,309,607**	2,186,408

On behalf of the Board

Gavin Slark
Director
11 March 2019

David Arnold
Director

Group Cash Flow Statement
For the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Profit before taxation		**181,325**	154,451
Finance income	7	**(944)**	(675)
Finance expense	7	**7,071**	7,122
Operating profit		**187,452**	160,898
Depreciation	13	**41,875**	39,455
Amortisation of intangible assets	15	**7,118**	4,032
Share-based payments charge	33	***6,193***	*4,908*
Movement in provisions	23	**(1,525)**	(3,094)
Asset impairment and fair value (gains)/losses	13	**1,159**	329
Goodwill written off on disposal of Group businesses	12	**3,580**	-
(Profit)/loss on sale of Group businesses	28	**(1,649)**	3
Loss/(profit) on sale of property, plant and equipment		**577**	(737)
Property profit		**(4,854)**	(2,722)
Contributions to pension schemes in excess of IAS 19 charge		**(2,565)**	(1,840)
(Increase)/decrease in working capital	27	**(28,153)**	9,506
Cash generated from operations		**209,208**	210,738
Interest paid		**(6,628)**	(6,438)
Income taxes paid		**(24,299)**	(18,157)
Cash flows from operating activities		**178,281**	186,143
Investing activities			
Inflows			
Proceeds from sale of property, plant and equipment		**7,350**	3,100
Proceeds from sale of properties held for sale		**2,614**	5,708
Proceeds from sale of investment properties		**934**	-
Proceeds from sale of Group businesses (net)	28	**12,951**	512
Interest received		**944**	675
		24,793	9,995
Outflows			
Acquisition of subsidiary undertakings and businesses (net of cash acquired)	28	**(73,815)**	(37,732)
Investment in intangible assets - computer software	15	**(6,859)**	(7,687)
Purchase of property, plant and equipment	13	***(66,713)***	*(73,729)*
		(147,387)	(119,148)
Cash flows from investing activities		**(122,594)**	(109,153)
Financing activities			
Inflows			
Proceeds from the issue of share capital		**1,283**	1,941
Proceeds from borrowings		**244,910**	34,355
		246,193	36,296
Outflows			
Repayment of borrowings		**(294,233)**	(31,439)
Dividends paid	10	**(38,598)**	(33,708)
Acquisition of non-controlling interest		**-**	(2,630)
Payment on finance lease liabilities		**(433)**	(439)
		(333,264)	(68,216)
Cash flows from financing activities		**(87,071)**	(31,920)
Net (decrease)/increase in cash and cash equivalents		**(31,384)**	45,070
Cash and cash equivalents at 1 January		**253,659**	205,857
Effect of exchange rate fluctuations on cash held		**709**	2,732
Cash and cash equivalents at 31 December		**222,984**	253,659
Cash and cash equivalents are broken down as follows:			
Cash at bank and short-term deposits		**222,984**	253,659

Group Statement of Changes in Equity

	Equity share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Shares to be issued reserve £'000	Cash flow hedge reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Treasury shares £'000	Total equity £'000
Year to 31 December 2018										
At 1 January 2018	8,494	212,167	621	13,327	8,744	(427)	77,505	858,053	(3,897)	1,174,587
Profit after tax for the financial year	-	-	-	-	-	-	-	150,403	-	150,403
Total other comprehensive income										
Remeasurement gain on pensions (net of tax)	-	-	-	-	-	-	-	819	-	819
Movement in cash flow hedge reserve (net of tax)	-	-	-	-	-	384	-	-	-	384
Currency translation effect on foreign currency net investments	-	-	-	-	-	-	1,775	-	-	1,775
Total other comprehensive income	-	-	-	-	-	384	1,775	819	-	2,978
Total comprehensive income	-	-	-	-	-	384	1,775	151,222	-	153,381
Transactions with owners of the Parent recognised directly in equity										
Dividends paid (Note 10)	-	-	-	-	-	-	-	(38,598)	-	(38,598)
Issue of Grafton Units	20	1,263	-	-	-	-	-	-	-	1,283
Share based payments charge	-	-	-	-	6,193	-	-	-	-	6,193
Tax on share based payments	-	-	-	-	(304)	-	-	-	-	(304)
Transfer from shares to be issued reserve	-	-	-	-	(3,413)	-	-	3,413	-	-
Transfer from revaluation reserve	-	-	-	(181)	-	-	-	181	-	-
	20	1,263	-	(181)	2,476	-	-	(35,004)	-	(31,426)
At 31 December 2018	8,514	213,430	621	13,146	11,220	(43)	79,280	974,271	(3,897)	1,296,542

Group Statement of Changes in Equity (continued)

	Equity share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Shares to be issued reserve £'000	Cash flow hedge reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Treasury shares £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
Year to 31 December 2017												
At 1 January 2017	8,449	210,271	621	13,507	8,446	(531)	73,359	751,842	(3,897)	1,062,067	3,122	1,065,189
Profit after tax for the financial year	-	-	-	-	-	-	-	127,719	-	127,719	110	127,829
Total other comprehensive income												
Remeasurement gain on pensions (net of tax)	-	-	-	-	-	-	-	6,369	-	6,369	-	6,369
Movement in cash flow hedge reserve (net of tax)	-	-	-	-	-	104	-	-	-	104	-	104
Currency translation effect on foreign currency net investments	-	-	-	-	-	-	4,146	-	-	4,146	-	4,146
Total other comprehensive income	-	-	-	-	-	104	4,146	6,369	-	10,619	-	10,619
Total comprehensive income	-	-	-	-	-	104	4,146	134,088	-	138,338	110	138,448
Transactions with owners of the Parent recognised directly in equity												
Dividends paid (Note 10)	-	-	-	-	-	-	-	(33,708)	-	(33,708)	-	(33,708)
Issue of Grafton Units	45	1,896	-	-	-	-	-	-	-	1,941	-	1,941
Share based payments charge	-	-	-	-	4,908	-	-	-	-	4,908	-	4,908
Tax on share based payments	-	-	-	-	439	-	-	-	-	439	-	439
Transfer from shares to be issued reserve	-	-	-	-	(5,049)	-	-	5,049	-	-	-	-
Acquisition of non-controlling interest	-	-	-	-	-	-	-	602	-	602	(3,232)	(2,630)
Transfer from revaluation reserve	-	-	-	(180)	-	-	-	180	-	-	-	-
	45	1,896	-	(180)	298	-	-	(27,877)	-	(25,818)	(3,232)	(29,050)
At 31 December 2017	8,494	212,167	621	13,327	8,744	(427)	77,505	858,053	(3,897)	1,174,587	-	1,174,587

Notes to the Group Financial Statements

1. Summary of Significant Accounting Policies

Statement of Compliance

The consolidated financial statements of Grafton Group plc have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

The IFRSs applied in these financial statements were those effective for accounting periods ending on 31 December 2018.

New Standards, Amendments and Interpretations

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have been applied in preparing these financial statements. None of these have had a significant effect on the financial statements of the Group or parent company, except for the following:

IFRS 9, 'Financial instruments', (effective date: Grafton Group plc financial year beginning 1 January 2018). This standard replaces the guidance in IAS 39 that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Group adopted IFRS 9 from 1 January 2018, with the practical expedient as stated below. In accordance with the transitional provisions, comparative figures have not been restated. The impact of adopting IFRS 9 was not material to the Group's consolidated financial statements and there was no adjustment to retained earnings on application at 1 January 2018.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held-to-maturity, loans and receivables and available-for-sale. Under IFRS 9, on initial recognition, a financial asset is classified as measured at amortised cost or fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVPL). The classification is based on the business model for managing the financial assets and the contractual terms of the cash flows.

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management assessed which business models apply to the financial assets held by the Group and classified its financial instruments into the appropriate IFRS 9 categories as follows:

	Original Classification	New Classification	Carrying amount 1 January 2018 £m
Trade and other receivables	Loans and receivables	Amortised Cost	413.1
Cash and cash equivalents	Loans and receivables	Amortised Cost	253.7
Interest rate swaps	Cashflow hedge	FVOCI*	(0.5)

*when hedge accounting is applied

Trade and other receivables and cash and cash equivalents that were classified as loans and receivables under IAS 39 - Financial Instruments: Recognition and Measurement are now classified at amortised cost as the Group's business model is to hold the financial asset to collect contractual cash flows. Interest rate swaps which were classified as cashflow hedges are now classified as FVOCI.

Trade receivables are subject to the new expected credit loss model in IFRS 9 - Financial Instruments. The Group has therefore revised its impairment methodology. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Group also considered any forward looking macro-economic factors when measuring expected losses.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and the commencement of legal proceedings. This change in methodology did not have a material impact on the Group's financial results.

The adoption of IFRS 9 - Financial Instruments has not had a significant impact on the Group's accounting policies related to financial liabilities and derivative financial instruments.

IFRS 9 - Financial Instruments requires that when a financial liability measured at amortised cost is modified without being derecognised, a gain or loss should be recognised in the income statement. This change in accounting policy did not have a material impact on the Group's financial results.

The Group has elected to adopt the new general hedge accounting model in IFRS 9. The new hedge accounting does not have an impact on the Group's accounting for hedging instruments. The Group's risk management practices and documentation has been assessed in line with the new standard and all current hedge relationships qualify as continuing hedges upon the adoption of IFRS 9.

1. Summary of Significant Accounting Policies (continued)

IFRS 15, 'Revenue from contracts with customers' (effective date: Grafton Group plc financial year beginning 1 January 2018). This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. Variable consideration is included in the transaction price if it is highly probable that there will be no significant reversal of the cumulative revenue recognized when the uncertainty is resolved. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations.

The Group adopted IFRS 15 using the modified retrospective approach on 1 January 2018. The Group carried out a review of existing contractual arrangements and determined that there was no material impact for the Group's revenue streams. The adoption of IFRS 15, 'Revenue from contracts with customers' resulted in a change to the Group's accounting policy for revenue recognition which is outlined below.

New Standards, Amendments and Interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group or parent company, except for the following:

IFRS 16, 'Leases' (effective date: Grafton Group plc financial year beginning 1 January 2019). This standard addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17 'Leases', and related interpretations.

The distinction between operating leases (off balance sheet) and finance leases (on balance sheet) is removed for lease accounting under IFRS 16. The principal difference to lease accounting at present under IAS 17 is the requirement to bring almost all leases onto the balance sheet except for leases with a term of less than 12 months. The Group expects to adopt IFRS 16 by applying the modified retrospective approach and to recognise a lease liability and corresponding right of use asset. The lease liability is initially measured at the present value of the lease payments that are not paid as of that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. The right of use asset will be an amount equal to the lease liability, adjusted for any prepaid or accrued lease payments and the onerous lease provision. The right of use asset is initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability.

The standard is expected to have a material impact on the Group with the recognition of lease liabilities and right of use assets. Group Management have reviewed contracts to identify lease arrangements that would need to be recognised under IFRS 16. Based on the impact analysis performed, the Group expects to recognise a lease liability and corresponding right of use asset of approximately £565 million to £585 million at transition.

There will be a higher income statement charge in the earlier years post-implementation which will unwind over time such that the overall impact of IFRS 16 will be neutral on the income statement over the life of a lease. There is no effect on Grafton's existing banking covenants as a result of the implementation of IFRS 16.

In 2018, the operating lease expense recognised in the income statement was £77.0 million (2017: £68.7 million).

Basis of Preparation

The consolidated Financial Statements are presented in sterling, rounded to the nearest thousand and are prepared on a going concern basis. The Statements have been prepared under the historical cost convention, as modified by the previous revaluation of land and buildings, the measurement at fair value of share-based payments at initial date of award and the measurement at fair value of all derivative financial instruments. The carrying values of recognised assets and liabilities that are fair value hedged are adjusted to record changes in the fair values attributable to the risks that are being hedged.

The preparation of consolidated financial statements in accordance with IFRS as adopted by the EU requires management to make certain estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expense. Management believes that the estimates and assumptions made are reasonable based on the information available to it at the time that those estimates and assumptions are made. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant in relation to the consolidated financial statements are set out in Note 34 and relate primarily to provisions for liabilities including onerous lease provisions, valuation of inventory, accounting for defined benefit pension schemes, goodwill impairment, fair value of investment properties, rebate income and current taxation.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all subsidiaries drawn up to 31 December each year.

The financial year-end of the Group's subsidiaries are coterminous.

1. Summary of Significant Accounting Policies (continued)

Subsidiaries

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is obtained and they cease to be consolidated from the date on which the Group loses control. The definition of control is when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity.

Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealised gains and income and expenses arising from such transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Revenue Recognition

Revenue comprises the fair value of consideration receivable for goods and services supplied to external customers in the ordinary course of the Group's activities and excludes inter-company revenue and value added tax.

In general, revenue is recognised to the extent that the Group has satisfied its performance obligations to the buyer and the buyer has obtained control of the goods or services being transferred. In the case of sales of goods, this generally arises when products have either been delivered to or collected by a customer and there is no unfulfilled obligation that could affect the acceptance of the products. Service revenue comprises tool hire revenue and is recognised over the period of hire.

Revenues are recorded based on the price specified in the sales invoices/ contracts net of actual and estimated returns, rebates and any discounts granted and in accordance with the terms of sale. Accumulated experience is used to estimate returns, rebates and discounts using the expected value method and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

Revenue Recognition (prior year comparatives under IAS 18)

Revenue comprises the fair value of consideration receivable for goods and services supplied to external customers in the ordinary course of the Group's activities and excludes inter-company revenue and value added tax.

In general, revenue is recognised to the extent that it is subject to reliable measurement, that is probable that economic benefits will flow to the Group and that the significant risks and rewards of ownership have passed to the buyer. In the case of sales of goods, this generally arises when products have either been delivered to or collected by a customer and there is no unfulfilled obligation that could affect the acceptance of the products.

Revenues are recorded based on the price specified in the sales invoices/ contracts net of actual and estimated returns, rebates and any discounts granted.

Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses for which discrete financial information is available, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision Maker, being the Board, who is responsible for allocating resources and assessing performance.

Foreign Currency Translation

Functional and Presentation Currency

The consolidated financial statements are presented in sterling. Items included in the financial statements of each of the Group's entities are measured using its functional currency, being the currency of the primary economic environment in which the entity operates which is primarily euro and sterling. The functional currency of the parent company is euro.

Transactions and Balances

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to the relevant functional currency at the rate of exchange ruling at the balance sheet date. All currency translation differences on monetary assets and liabilities are taken to the income statement except for the effective portion designated as a hedge of a net investment in a foreign operation which is recognised in other comprehensive income.

Foreign Operations

The assets and liabilities of foreign operations, including goodwill arising on consolidation, are translated to sterling at the foreign exchange rates ruling at the balance sheet date. Results and cash flows of subsidiaries which do not have sterling as their functional currency are translated into sterling at average exchange rates for the year and the related balance sheets are translated at the rates of exchange ruling at the balance sheet date. Foreign exchange movements arising on translation of the net investment in a foreign operation, including those arising on long term intra-Group loans deemed to be quasi equity in nature, are recognised directly in other comprehensive income, in the currency translation reserve. The portion of exchange gains or losses on foreign currency borrowings or derivatives used to provide a hedge against a net investment in a foreign operation that is designated as a hedge of those investments is recognised directly in other comprehensive income to the extent that they are determined to be effective. The ineffective portion is recognised immediately in the income statement.

1. Summary of Significant Accounting Policies (continued)

Movements since 1 January 2004, the date of transition to IFRS, are recognised in the currency translation reserve and are reclassified to the income statement on disposal of the related business.

Share Capital and Share Premium

The company's share capital and share premium has been translated from euro into sterling at historic rates of exchange at the dates of transactions.

Exceptional Items and Non-Recurring Items

The Group has adopted a policy in relation to its income statement which seeks to highlight significant items within the Group's results. Such items may include significant restructuring and onerous lease provisions, profit or loss on disposal or termination of operations, litigation costs and settlements and impairment of assets. Judgement is used by the Group in assessing the particular items which, by virtue of their scale and nature, should be disclosed in the income statement or related notes. Where exceptional items are not significant for separate presentation, they are disclosed as non-recurring items.

Property profit is disclosed as a separate line item on the face of the Income Statement. Property profit arises when the proceeds, less costs to sell, exceed the carrying value of the disposed property.

Rebate Arrangements

Rebate arrangements are a common component of supplier agreements in the merchanting industry. As part of its on-going business activities, Grafton Group plc has entered into such arrangements with a significant number of its suppliers.

Supplier rebates received and receivable in respect of goods which have been sold to the Group's customers are deducted from cost of sales in the income statement. Where goods on which rebate has been earned remain in inventory at the year-end, an appropriate rebate deduction is made from the gross balance sheet carrying value of that inventory. The rebate deduction is only released to the income statement when the goods are ultimately sold.

At the year-end the balance sheet includes a balance representing unpaid amounts receivable from suppliers.

Finance Expense

Finance expense comprises interest payable on borrowings calculated using the effective interest rate method, net foreign exchange losses on monetary items and gains and losses on hedging instruments that are recognised in the income statement. The net finance cost of pension scheme obligations is recognised as a finance expense in the income statement. The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method. Where appropriate the fair value adjustment to hedged items that are the subject of a fair value hedge is included as a finance expense or finance income. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the income statement as incurred using the effective interest rate method.

Finance Income

Finance income comprises interest income on cash and cash equivalents, dividend income, gains on the disposal of financial assets, and gains on hedging instruments that are recognised in profit or loss. The net expected return on defined benefit pension scheme plan assets is recognised as finance income in the income statement. Interest income is recognised in the income statement as it accrues using the effective interest rate method.

Business Combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is defined as when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in the income statement.

The consideration transferred does not include amounts related to the settlement of the pre-existing relationships. Such amounts are generally recognised in the income statement.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in the income statement.

1. Summary of Significant Accounting Policies (continued)

Goodwill

Goodwill is the excess of the consideration paid over the fair value of the identifiable assets, liabilities and contingent liabilities in a business combination and relates to assets which are not capable of being individually identified and separately recognised.

Goodwill acquired is allocated, at acquisition date, to the groups of Cash Generating Units (CGU's) expected to benefit from synergies related to the acquisition. Where management reassesses its groups of CGU's, goodwill is reallocated on a relative value basis.

Goodwill is measured at cost less accumulated impairment losses. The CGU's represent the lowest level within the Group at which goodwill is monitored for internal management purposes. These units are no larger than the operating segments determined in accordance with IFRS 8: Operating Segments. Goodwill is subject to impairment testing on an annual basis and at any time during the year if an indicator of impairment exists.

Where the recoverable amount of a cash generating unit is less than the carrying amount, an impairment loss is recognised. Impairment losses arising in respect of goodwill are not reversed once recognised.

Where a subsidiary is sold, any goodwill arising on acquisition, net of any impairments, is included in determining the profit or loss arising on disposal.

Intangible Assets (Computer Software)

Acquired computer software, including computer software which is not an integrated part of an item of computer hardware, is stated at cost less any accumulated amortisation and any accumulated impairment losses. Cost comprises of purchase price and any other directly attributable costs.

Computer software is recognised if it meets the following criteria:

- An asset can be separately identified;
- It is probable that the asset created will generate future economic benefits;
- The development cost of the asset can be measured reliably;
- The completion and implementation of the asset is technically feasible;
- It is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- The cost of the asset can be measured reliably.

Costs relating to the development of computer software for internal use are capitalised once the recognition criteria outlined above are met.

Computer software is amortised over its expected useful life, which ranges from 4 to 10 years, by charging equal instalments to the income statement from the date the assets are ready for use.

Intangible Assets (Other than Goodwill and Computer Software)

An intangible asset, other than goodwill and computer software, is recognised to the extent that it is probable that the expected future economic benefits attributable to the asset will flow to the Group and that its fair value can be measured. The asset is deemed to be identifiable when it is separable (i.e. capable of being divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability) or when it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the Group or from other rights and obligations.

Intangible assets acquired as part of a business combination are capitalised separately from goodwill at fair value on the date of acquisition if the intangible asset meets the definition of an asset and the fair value can be reliably measured.

Intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The carrying value of intangible assets is reviewed for impairment at each reporting date and is also subject to impairment testing when events or changes in circumstances indicate that the carrying values may not be recoverable.

Intangible assets are amortised on a straight-line basis. In general, finite life intangible assets are amortised over periods ranging from one to twenty years, depending on the nature of the intangible asset.

Property, Plant and Equipment

Property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses. The Group's freehold properties in Ireland were revalued to fair value in 1998 and are measured on the basis of deemed cost being the revalued amount at the date of that revaluation less accumulated depreciation. The valuations were deemed to be cost for the purposes of transition to IFRS as adopted by the EU.

Property, plant and equipment are depreciated over their useful economic life on a straight line basis at the following rates:

Freehold buildings	50-100 years
Freehold land	Not depreciated
Leasehold buildings	Lease term or up to 100 years
Plant and machinery	5-20 years
Motor vehicles	5 - 10 years
Plant hire equipment	4-10 years

The residual value and useful lives of property, plant and equipment are reviewed and adjusted if appropriate at each balance sheet date.

1. Summary of Significant Accounting Policies (continued)

On disposal of property, plant and equipment, the cost and related accumulated depreciation and impairments are removed from the balance sheet and the net amount, less any proceeds, is taken to the income statement.

The carrying amounts of the Group's property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of an asset or its cash generation unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless the asset is recorded at a revalued amount in which case it is firstly dealt with through the revaluation reserve relating to that asset with any residual amount being transferred to the income statement.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent costs are included in an asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of replacing the item can be reliably measured. All other repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Investment Properties

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

When the use of a property changes from owner occupied or held for sale to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain on this remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in Other Comprehensive Income and presented in the revaluation reserve. Any loss is recognised in profit or loss.

Assets Held for Sale

Non-current assets that are expected to be recovered principally through sale rather than continuing use and meet the IFRS 5 criteria are classified as held for sale. These assets are shown in the balance sheet at the lower of their carrying amount and fair value less any costs to sell. Impairment losses on initial classification as non-current assets held for sale and subsequent gains or losses on re-measurement are recognised in the income statement.

Investments

Investments, other than investments in joint ventures and associates, are stated in the balance sheet at fair value with changes in fair value recognised directly in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit and loss following derecognition of the investment. Dividends from such investments are recognised in the income statement and are reported as non-operating items.

Where investments are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date. Where it is impracticable to determine fair value in accordance with IFRS 13, unquoted equity investments are recorded at historical cost and are included within financial assets on this basis in the Group balance sheet. They are assessed for impairment annually.

Leases

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have transferred to the Group and hire purchase contracts are capitalised in the balance sheet and are depreciated over the shorter of useful life and lease term with any impairment being recognised in accumulated depreciation. Leased assets are recorded at an amount equal to the lower of its fair value and the present value of the minimum lease payments at the inception of finance leases. The capital elements of future obligations under leases and hire purchase contracts are included in liabilities in the balance sheet and analysed between current and non-current amounts. The interest elements of the obligations are charged to the income statement over the periods of the leases and hire purchase contracts so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease rentals are charged to the income statement on a straight-line basis over the lease term. Lease incentives are recognised over the lease term on a straight line basis as a reduction of the lease expense.

1. Summary of Significant Accounting Policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in, first-out principle and includes all expenditure incurred in acquiring the inventories and bringing them to their present location and condition. Raw materials are valued on the basis of purchase cost on a first-in, first-out basis. In the case of finished goods and work-in-progress, cost includes direct materials, direct labour and attributable overheads based on normal operating capacity and excludes borrowing costs. Net realisable value is the estimated proceeds of sale less all further costs to completion and less all costs to be incurred in marketing, selling and distribution.

Trade and Other Receivables and Payables

Trade and other receivables and payables are stated at amortised cost (less any impairment losses), which approximates to fair value given the short-term nature of these assets and liabilities.

Trade receivables are carried at original invoice amount less an allowance for potentially uncollectable debts. Provision is made using the expected credit loss model which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and days past due.

Bad debts are written-off in the income statement when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and the commencement of legal proceedings.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances held for the purposes of meeting short-term cash commitments and money market instruments which are readily convertible to a known amount of cash. Where money market instruments are categorised as cash equivalents, the related balances have an original maturity of three months or less. In addition, for the purposes of the Group cash flow statement, bank overdrafts are netted against cash and cash equivalents where the overdrafts are repayable on demand and form an integral part of cash management. Bank overdrafts are included within current interest-bearing loans and borrowings in the Group balance sheet.

Derivative Financial Instruments and Hedging Activities

Derivative financial instruments, principally interest rate and currency swaps/forwards, are used in certain circumstances to hedge the Group's exposure to foreign exchange and interest rate risks arising from its financing activities.

Derivative financial instruments are recognised initially at fair value and thereafter are subsequently re-measured at their fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of interest rate and currency swaps/forwards is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest and currency exchange rates and the current creditworthiness of the swap counterparties.

The method of recognising the resulting gain or loss on re-measurement to fair value depends on whether the derivative is designated as a hedging instrument. Where derivatives are not designated or do not fulfil the criteria for hedge accounting, changes in fair values are reported in the income statement. Where derivatives qualify for hedge accounting, recognition of the resulting gains or losses depends on the nature of the item being hedged. The Group designates certain derivatives for various purposes in hedge relationships in one or more of the following types of relationships:

(i) Fair value hedge: Hedges of the fair value of recognised liabilities;
(ii) Cash flow hedge: Hedges of a particular risk associated with a highly probable forecast transaction; or
(iii) Net investment hedge: Hedges of a net investment in a foreign operation.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of the hedged items.

(i) Fair Value Hedge

Any gain or loss stemming from the re-measurement of the hedging instrument to fair value is reported in the income statement. In addition, any gain or loss on the hedged item which is attributable to the fair value movement in the hedged risk is adjusted against the carrying amount of the hedged item and reflected in the income statement.

Where a derivative financial instrument is used to economically hedge the foreign exchange exposure of a recognised monetary asset or liability, hedge accounting is not applied and any gain or loss accruing on the hedging instrument is recognised as finance income or expense in the income statement.

If the hedge no longer meets the criteria for hedge accounting, hedge accounting ceases and the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

1. Summary of Significant Accounting Policies (continued)

(ii) Cash Flow Hedges

The effective part of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and presented in the cash flow hedge reserve in equity with the ineffective portion being reported as finance expense or income in the income statement. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised in other comprehensive income are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss. For cash flow hedges, other than those covered by the preceding statements, the associated cumulative gain or loss is removed from other comprehensive income and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the income statement.

Hedge accounting is discontinued when a hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. The cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is transferred to the income statement in the period.

(iii) Hedge of Net Investment in Foreign Operation

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and presented in the foreign currency translation reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within finance income or finance expense. Cumulative gains and losses remain in equity until disposal or partial disposal of the net investment in the foreign operation at which point the related differences are reclassified to the income statement as part of the overall gain or loss on sale.

Interest-Bearing Loans and Borrowings

All loans and borrowings are initially recorded at fair value, net of related transaction costs. After initial recognition, current and non-current interest-bearing loans and borrowings are measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method. Amortised cost includes any issue costs and any discount or premium on settlement. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Provisions

A provision is recognised on a discounted basis when the Group has a present (either legal or constructive) obligation as a result of a past event and it is probable that a transfer of economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount required to settle the obligation. A provision for restructuring is recognised when the Group has approved a restructuring plan and the restructuring has commenced. A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting its obligations under the contract. The provision is measured at the lower of the present value of the expected cost of terminating the contract and the present value of the expected net cost of continuing with the contract.

Retirement Benefit Obligations

Obligations to the defined contribution pension plans are recognised as an expense in the income statement as service is received from the relevant employees. The Group has no legal or constructive obligation to pay further contributions in the event that these plans do not hold sufficient assets to provide retirement benefits.

The Group operates a number of defined benefit pension schemes which require contributions to be made to separately administered funds. The Group's net obligation in respect of defined benefit pension schemes is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan asset is deducted. The discount rate employed in determining the present value of the schemes' liabilities is determined by reference to market yields at the balance sheet date on high quality corporate bonds for a term consistent with the currency and term of the associated post-employment benefit obligations.

The net surplus or deficit arising in the Group's defined benefit pension schemes are shown within either non-current assets or liabilities on the face of the Group Balance Sheet. The deferred tax impact of pension scheme surpluses and deficits is disclosed separately within deferred tax assets or liabilities as appropriate. The Group recognises actuarial gains and losses immediately in other comprehensive income.

1. Summary of Significant Accounting Policies (continued)

Any increase in the present value of the plans' liabilities expected to arise from employee service during the period is charged to operating profit. The Group determines net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the period. Differences between the income recognised based on the discount rate and the actual return on plan assets, together with the effect of changes in the current or prior assumptions underlying the liabilities are recognised in other comprehensive income. When the benefits of a defined benefit plan are improved, the portion of the increased benefit relating to past service by employees is recognised as a past service cost in the income statement at the earlier of the date when the plan amendment occurs and when the related restructuring costs are recognised. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

Share-Based Payment Transactions

The 2011 Long-Term Incentive Plan (LTIP), the 1999 Grafton Group Share Scheme for Senior Executives and the SAYE Scheme for UK employees should enable employees to acquire shares in the Company subject to the conditions of these schemes. New units are issued to satisfy obligations under the 1999 Grafton Group Share Scheme and the SAYE scheme. Entitlements under the LTIP may be satisfied by the issue of units or by a market purchase of units. The fair value of share entitlements at the grant date is recognised as an employee expense in the income statement over the vesting period with a corresponding increase in equity. The fair value is determined by an external valuer using a binomial model. Share entitlements granted by the Company are subject to certain non-market based vesting conditions. Non-market vesting conditions are not taken into account when estimating the fair value of entitlements as at the grant date. The expense for share entitlements shown in the income statement is adjusted to reflect the number of awards for which the related non-market based vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related non-market based vesting conditions at the vesting date.

The proceeds received by the Company on the vesting of share entitlements are credited to share capital and share premium when the share entitlements are converted or issued.

Income Tax

Income tax in the income statement represents the sum of current tax and deferred tax.

Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income.

Current tax is based on taxable profit and represents the expected tax payable for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes certain items that are not tax deductible including property depreciation. The Group's liability for current tax is calculated using rates that have been enacted or substantially enacted at the balance sheet date. The Group's income tax charge reflects various allowances and reliefs and planning opportunities available in the tax jurisdictions in which the Group operates. The determination of the Group's charge for income tax in the income statement requires estimates to be made, on the basis of professional advice, in relation to certain matters where the ultimate outcome may not be certain and where an extended period may be required before such matters are determined. The amount shown for current taxation reflects tax uncertainties and is based on the Directors' single best estimate of the probable outflow of economic resources that will be required. The estimates for income tax included in the financial statements are considered appropriate but no assurance can be given that the final determination of these matters will not be materially different to the estimates included in the financial statements. Whilst it is possible, the Group does not currently anticipate that any such differences could have a material impact on the income tax provision and profit for the period in which such a determination is made nor does it expect any significant impact on its financial position in the near term. This is based on the Group's knowledge and experience, as well as the profile of the individual components which have been reflected in the current tax liability, the status of the tax audits, enquiries and negotiations in progress at each year-end, previous claims and any factors specific to the relevant tax environments.

Deferred tax is provided, using the liability method, on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled based on rates that have been enacted or substantially enacted at the balance sheet date.

Deferred tax assets and liabilities are not recognised for the following temporary differences:

- Goodwill that is not deductible for tax purposes;
- Temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or taxable profit or loss; and
- Temporary differences associated with investments in subsidiaries in which case deferred tax is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future.

1. Summary of Significant Accounting Policies (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit would be available to allow all or part of the deferred tax asset to be utilised.

Share Capital

Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Repurchase of Share Capital

When share capital recognised as equity is purchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity.

Dividends

Dividends on ordinary shares are recognised as a liability in the Group's financial statements in the period in which they are declared by the Company. In the case of interim dividends, these are considered to be declared when they are paid. In the case of final dividends these are declared when authorised by the shareholders in General Meeting.

Earnings per Share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for treasury shares held. Diluted EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding adjusted for treasury shares held and for the effects of all dilutive potential ordinary shares related to employee share schemes.

2. Segment Information

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Chief Operating Decision Maker, being the Board, in order to allocate resources to the segments and to assess their performance. Three reportable segments have been identified, Merchanting, Retailing and Manufacturing.

The Merchanting segment is engaged in the distribution of building and plumbing materials primarily to professional trades people engaged in residential repair, maintenance and improvement projects and also in residential and other new build construction from a network of 675 branches in the UK, Ireland, the Netherlands and Belgium.

The aggregation of operating segments into the Merchanting segment reflects, in the opinion of management, the similar economic characteristics within each of these segments as well as the similar products and services offered and supplied and the classes of customers. This is assessed by reference to gross margins and long-term growth rates of the segments.

The Retailing segment operates Ireland's largest DIY and home improvement business from a network of 35 stores that supply mainly retail customers with a wide range of products for DIY and for the home and garden.

The Manufacturing segment comprises the largest manufacturer of dry mortar in Great Britain operating from 10 plants and a plastics manufacturing business in Ireland.

Information regarding the results of each operating segment is included in this note. Performance is measured based on segment operating profit/(loss) as included in the internal management reports that are reviewed by the Group's Chief Operating Decision Maker. Segment operating profit is used to measure performance as such information is the most relevant in evaluating the results of the Group's segments.

Segment results, assets and liabilities include all items directly attributable to a segment.

Segment capital expenditure is the total amount incurred during the period to acquire segment assets that are expected to be used for more than one accounting period.

2. Segment Information (continued)

Group Income Statement

	Continuing operations - Year Ended 31 December							
	Merchanting		Retailing		Manufacturing		Group	
	2018	2017	2018	2017	2018	2017	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Segment revenue*	**2,675,756**	2,469,350	**198,174**	180,391	**91,992**	78,009	**2,965,922**	2,727,750
Less: Inter-segment revenue	**-**	-	**-**	-	**(13,179)**	(11,920)	**(13,179)**	(11,920)
	2,675,756	2,469,350	**198,174**	180,391	**78,813**	66,089	**2,952,743**	2,715,830
Segment operating profit	**168,179**	148,877	**16,785**	11,179	**19,248**	15,125	**204,212**	175,181
Property profits	**4,854**	2,722	**-**	-	**-**	-	**4,854**	2,722
Amortisation of intangible assets arising on acquisitions	**(5,095)**	(2,756)	**-**	-	**-**	-	**(5,095)**	(2,756)
Net loss on disposal of Group businesses/Goodwill written off-non-recurring (Note 28)	**(1,931)**	-	**-**	-	**-**	-	**(1,931)**	-
Segment operating profit**	**166,007**	148,843	**16,785**	11,179	**19,248**	15,125	**202,040**	175,147

* Service revenue amounted to £38.3 million for the period (2017: £37.9 million).

** Segment operating profit is shown after property profits, amortisation of intangible assets arising on acquisitions and non-recurring items.

	Group	
	2018	2017
	£'000	£'000
Reconciliation to consolidated operating profit		
Segment operating profit after non-recurring items	**202,040**	175,147
Central activities	**(14,588)**	(14,249)
Operating profit	**187,452**	160,898
Finance expense	**(7,071)**	(7,122)
Finance income	**944**	675
Profit before tax	**181,325**	154,451
Income tax	**(30,922)**	(26,622)
Profit after tax for the financial year	**150,403**	127,829

2. Segment Information (continued)

Group Balance Sheet

	Continuing operations - as at 31 December							
	Merchanting		Retailing		Manufacturing		Group	
	2018	2017	2018	2017	2018	2017	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Segment assets	**1,965,869**	1,816,532	**64,260**	59,348	**45,458**	43,349	**2,075,587**	1,919,229
Reconciliation of total assets								
Deferred tax assets							**9,395**	11,867
Retirement benefit assets							**1,469**	1,527
Other financial assets							**123**	126
Derivative financial instruments							**49**	-
Cash and cash equivalents							**222,984**	253,659
Total assets in the Group balance sheet							**2,309,607**	2,186,408

	Continuing operations – as at 31 December							
	Merchanting		Retailing		Manufacturing		Group	
	2018	2017	2018	2017	2018	2017	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Segment liabilities	**574,209**	545,941	**48,344**	43,657	**17,280**	15,053	**639,833**	604,651
Reconciliation of total liabilities								
Interest bearing loans and borrowings (current and non-current)							**276,017**	316,081
Retirement benefit obligations							**21,632**	25,006
Deferred tax liabilities							**42,444**	37,986
Current tax liabilities							**33,036**	27,613
Derivative financial instruments (current and non-current)							**103**	484
Total liabilities in the Group balance sheet							**1,013,065**	1,011,821

2. Segment Information (continued)

Other Segment Information

	Continuing operations – Year Ended 31 December							
	Merchanting		Retailing		Manufacturing		Group	
	2018	2017	2018	2017	2018	2017	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital expenditure	**58,755**	67,087	**3,340**	3,491	**4,618**	3,151	**66,713**	73,729
Investment in intangible assets	**6,817**	7,628	**-**	-	**42**	59	**6,859**	7,687
Intangible assets acquired	**25,614**	5,508	**-**	-	**-**	-	**25,614**	5,508
Depreciation	**36,414**	34,462	**3,014**	2,635	**2,447**	2,358	**41,875**	39,455
Amortisation of intangible assets	**7,090**	4,030	**-**	-	**28**	2	**7,118**	4,032

Geographic Analysis

The following is a geographic analysis of the information presented above. The analysis of geographic revenue below is the same whether it is based on location of assets or customers.

	Belgium		Ireland		Netherlands		UK		Group	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Segment revenue (continuing operations)	**91,581**	89,613	**643,625**	588,030	**155,519**	131,028	**2,062,018**	1,907,159	**2,952,743**	2,715,830
Revenue – merchanting segment	**91,581**	89,613	**441,106**	403,607	**155,519**	131,028	**1,987,550**	1,845,102	**2,675,756**	2,469,350
Capital expenditure	**2,196**	2,156	**10,038**	13,061	**1,191**	1,223	**53,288**	57,289	**66,713**	73,729
Investment in intangible assets	**-**	-	**-**	-	**326**	-	**6,533**	7,687	**6,859**	7,687
Intangible assets acquired	**-**	-	**-**	-	**-**	5,508	**25,614**	-	**25,614**	5,508
Segment non-current assets	**23,138**	25,066	**310,523**	298,556	**66,724**	79,830	**862,301**	769,102	**1,262,686**	1,172,554
Properties held for sale									**11,595**	5,055
Inventories									**350,061**	328,525
Trade and other receivables									**451,245**	413,095
Total segment assets									**2,075,587**	1,919,229
Segment liabilities	**14,649**	15,728	**193,898**	180,919	**16,677**	15,580	**414,609**	392,424	**639,833**	604,651

3. Operating Costs and Income

The following have been charged/(credited) in arriving at operating profit:

	2018 £'000	2017 £'000
Non-recurring items:		
Net loss on disposal of Group businesses/Goodwill written off	**1,931**	3
Total non-recurring items	**1,931**	3
(Increase) in inventories (Note 27)	**(23,759)**	(24,481)
Purchases and consumables	**2,002,763**	1,850,037
Staff costs before non-recurring items (Note 6)	**424,348**	395,358
Auditor's remuneration - Group and subsidiaries	**984**	996
Depreciation (Note 13)	**41,875**	39,455
Lease rentals and other hire charges	**77,007**	68,733
Amortisation of intangible assets (Note 15)	**7,118**	4,032
Loss/(profit) on disposal of property, plant and equipment	**577**	(737)
Selling, distribution and administrative expenses	**237,301**	224,258
	2,770,145	2,557,654

The following services were provided by the Group's Auditor:

	2018 £'000	2017 £'000
Audit services (i)		
- Group Auditor - PwC Ireland	**424**	374
- Other network firm - PwC	**541**	601
	965	975
Other assurance services (ii)		
- Group Auditor - PwC Ireland	**9**	9
- Other network firm - PwC	**10**	12
	19	21
Auditor's remuneration - Group and subsidiaries (i) & (ii)	**984**	996
Other non-audit services		
- Group Auditor - PwC Ireland	-	-
- Other network firm - PwC	-	-
	-	-
Tax advisory services		
- Group Auditor - PwC Ireland	-	-
- Other network firm - PwC	-	-
	-	-
Total (including expenses)		
- Group Auditor - PwC Ireland	**433**	383
- Other network firm - PwC	**551**	613
	984	996

4. Exceptional Items

There were no exceptional items recognised in 2018 or 2017.

5. Directors' Remuneration, Pension Entitlements and Interests

	2018 £'000	2017 £'000
Emoluments	**2,815**	2,909
Benefits under Long-Term Incentive Plan (LTIP)*	**952**	333
Total emoluments	**3,767**	3,242
Emoluments above include the following pension payments/contributions		
- Defined contribution **	**209**	207
	209	207

* For the year ended 31 December 2018, this is the value of LTIP awards that will vest in May 2019. The value of the awards is based on the average share price of £7.05 for the three months to 31 December 2018. The vesting of these awards was subject to performance conditions over the period from 1 January 2016 to 31 December 2018. For the year ended 31 December 2017, this is the value of LTIP awards that vested in May 2018. The value of this award has been updated from that disclosed last year to reflect the share price of £7.845 on the date of vesting.

** This is the amount of contribution payable in respect of the financial year by way of a company contribution to a pension scheme or a payment in lieu of pension made through the payroll. This amount is accruing to two directors at 31 December 2018 (2017: two).

Further information on Directors' remuneration, pension entitlements and interests in shares and share entitlements is presented in the Report of the Remuneration Committee on Directors' Remuneration on pages 79 to 95.

6. Employment

The average number of persons employed during the year by segment was as follows:

	2018	2017
Merchanting	**11,293**	10,903
Retailing	**1,096**	1,077
Manufacturing	**224**	214
Holding company	**24**	28
	12,637	12,222

The aggregate remuneration costs of employees were:

	£'000	£'000
Wages and salaries	**370,067**	345,439
Social welfare costs	**38,316**	36,466
Share based payments charge	**6,193**	4,908
Defined benefit pension (Note 32)	**2,763**	2,353
Defined contribution pension and related costs	**7,009**	6,192
Staff costs charged to operating profit	**424,348**	395,358
Net finance cost on pension scheme obligations (Note 32)	**503**	721
Charged to income statement	**424,851**	396,079
Remeasurement (gain) on pension schemes (Note 32)	**(1,205)**	(7,438)
Total employee benefit cost	**423,646**	388,641

The share-based payments charge was derived on the basis of the Group's expectation of the number of shares likely to vest having regard to the service, the historic performance of the Group over the period since the share entitlements were granted and the forecast performance over the remaining life of share awards.

Total capitalised costs in the year of £2.0 million (2017: £2.7 million) related to the development of computer software for internal use.

Key Management

The cost of key management including Directors is set out in the table below:

	2018	2017
Number of Individuals	**8**	10

	2018 £'000	2017 £'000
Short-term employee benefits	**3,146**	3,255
Share-based payment charge	**1,505**	1,223
Retirement benefits expense	**271**	268
Charged to operating profit	**4,922**	4,746

7. Finance Expense and Finance Income

	2018 £'000	2017 £'000
Finance expense:		
Interest on bank loans, US senior notes and overdrafts	**5,865***	4,902*
Net change in fair value of cash flow hedges transferred from equity	**337**	336
Interest on finance leases	**165**	188
Net finance cost on pension scheme obligations	**503**	721
Foreign exchange loss	**201**	975
	7,071	7,122
Finance income:		
Interest income on bank deposits	**(944)***	(675)*
	(944)	(675)
Net finance expense recognised in income statement	**6,127**	6,447

*Net bank/loan note interest of £4.9 million (2017: £4.2 million)

	2018 £'000	2017 £'000
Amounts relating to items not at fair value through income statement		
- Total finance expense on financial liabilities	**6,734**	6,786
- Total finance income on financial assets	**(944)**	(675)
Recognised directly in other comprehensive income		
Currency translation effects on foreign currency net investments	**1,775**	4,146
Effective portion of changes in fair value of cash flow hedges	**92**	(202)
Net change in fair value of cash flow hedges transferred to income statement	**337**	336
	2,204	4,280

8. Foreign Currencies

The results and cash flows of the subsidiaries with euro functional currencies have been translated into sterling using the average exchange rate for the year. The balance sheets of subsidiaries with euro functional currencies have been translated into sterling at the rate of exchange ruling at the balance sheet date.

The average sterling/euro rate of exchange for the year ended 31 December 2018 was Stg88.47 pence (2017: Stg87.67 pence). The sterling/euro exchange rate at 31 December 2018 was Stg89.45 pence (2017: Stg88.72 pence).

9. Income Tax

(a) Income tax recognised in income statement	2018 £'000	2017 £'000
Current tax expense		
Irish corporation tax	**4,823**	1,005
UK and other corporation tax	**24,272**	23,134
	29,095	24,139
Deferred tax expense		
Irish deferred tax expense relating to the origination and reversal of temporary differences	**1,484**	1,765
Deferred tax credit resulting from change in tax rates	**(489)**	(415)
UK and other deferred tax expense relating to the origination and reversal of temporary differences	**832**	1,133
	1,827	2,483
Total income tax expense in income statement	**30,922**	26,622

Taxation

The income tax expense of £30.9 million (2017: £26.6 million) was equivalent to an effective tax rate of 17.1 per cent (2017: 17.2 per cent) and compares to the underlying tax rate for the year of 18.5 per cent (2017: 18.5 per cent). The effective tax rate benefitted from the utilisation of previously unrecognised losses brought forward to offset gains on the disposal of properties and a credit for prior year adjustments. The underlying rate is based on the prevailing rates of corporation tax and the mix of profits between the UK, Ireland, the Netherlands and Belgium. The tax rate is impacted by the disallowance of a tax deduction for certain overheads including depreciation on property. The tax rate for the Group is most sensitive to changes in the UK rate of corporation tax where the highest proportion of Group profits are earned. The UK rate is currently 19 per cent and a two percentage point reduction to 17 per cent will take effect on 1 April 2020.

Taxation paid in 2018 of £24.3 million (2017: £18.2 million) reflected the availability of tax allowances and various reliefs carried forward from prior years.

The amount shown for current taxation reflects tax uncertainties and is based on the Directors' single best estimate of the probable outflow of economic resources that will be required. As with all estimates, the actual outcome may be different to the current estimate.

(b) Reconciliation of effective tax rate	2018 £'000	2017 £'000
Profit before tax	**181,325**	154,451
Profit before tax multiplied by the standard rate of tax of 12.5% (2017: 12.5%)	**22,666**	19,306
Effects of:		
Expenses not deductible for tax purposes	**4,247**	3,652
Differences in effective tax rates on overseas earnings	**7,129**	6,094
Effect of change in tax rates	**(489)**	(415)
Items not previously recognised for deferred tax	**(667)**	(2,999)
Other differences	**(1,964)**	984
Total income tax expense in income statement	**30,922**	26,622

9. Income Tax (continued)

(c) Deferred tax recognised directly in equity/other comprehensive income	2018 £'000	2017 £'000
Actuarial movement on pension schemes (Note 32)	**386**	1,069
Employee share schemes	**304**	(439)
Financing - cash flow hedge	**45**	30
	735	660

At 31 December 2018 the Group recognised deferred tax assets on tax losses of £2.6 million (2017: £4.2 million). The tax losses arose in the Irish and Belgian tax jurisdictions and their utilisation is dependent on future profits. The Directors have concluded that a forecast period of up to four years is the appropriate timescale over which to consider whether it is more likely than not that the Irish and Belgian sub-groups will earn sufficient future profits to utilise losses carried forward.

Deferred income tax liabilities have not been recognised for any taxes that would be payable on the unremitted earnings of certain subsidiaries as it is probable that any temporary differences will not reverse in the foreseeable future.

10. Dividends

	2018 £'000	2017 £'000
Group		
Interim dividend of 10.25p per Grafton Unit - paid 6 April 2018	**24,334**	-
Interim dividend of 6.0p per Grafton Unit - paid 28 September 2018	**14,264**	-
Interim dividend of 9.0p per Grafton Unit - paid 13 April 2017	**-**	21,267
Interim dividend of 5.25p per Grafton Unit - paid 6 October 2017	**-**	12,441
	38,598	33,708

The payment in 2018 of a second interim dividend for 2017 of 10.25 pence on the 'C' Ordinary shares in Grafton Group (UK) plc from UK-sourced income amounted to £24.3 million. An interim dividend for 2018 of 6.00 pence per share was paid on 28 September 2018 on the 'C' Ordinary shares in Grafton Group (UK) plc from UK-sourced income and amounted to £14.3 million.

A second interim dividend of 12.00 pence will be paid on the 'C' Ordinary shares in Grafton Group (UK) plc from UK-sourced income to all holders of Grafton Units on the Company's Register of Members at the close of business on 8 March 2019 (the 'Record Date') and the cash consideration will be paid on 5 April 2019. A liability in respect of this second interim dividend has not been recognised at 31 December 2018, as there was no present obligation to pay the dividend at the year-end. The dividend payable on 5 April 2019 of £28.5 million will be recognised in 2019.

Notes to the Group Financial Statements (continued)

11. Earnings per Share - Group

The computation of basic, diluted and adjusted earnings per share is set out below:

	2018 £'000	2017 £'000
Numerator for basic, adjusted and diluted earnings per share:		
Profit after tax for the financial year	**150,403**	127,829
Non-controlling interest	**-**	(110)
Numerator for basic and diluted earnings per share	**150,403**	127,719
Net loss on disposal of Group businesses/Goodwill written off	**1,931**	-
Tax on disposal of Group businesses	**488**	-
Amortisation of intangible assets arising on acquisitions	**5,095**	2,756
Tax relating to amortisation of intangible assets arising on acquisitions	**(1,025)**	(618)
Numerator for adjusted earnings per share	**156,892**	129,857

Denominator for basic and adjusted earnings per share:

	Number of Grafton Units	Number of Grafton Units
Weighted average number of Grafton Units in issue	**237,626,735**	236,746,881
Dilutive effect of options and awards	**664,353**	662,760
Denominator for diluted earnings per share	**238,291,088**	237,409,641
Earnings per share (pence)		
- Basic	**63.29**	53.95
- Diluted	**63.12**	53.80
Adjusted earnings per share (pence)		
- Basic	**66.02**	54.85
- Diluted	**65.84**	54.70

The weighted average potential employee share entitlements over 1,165,051 Grafton Units (2017: 707,588) which are currently anti-dilutive are not included in the above calculation for diluted earnings per share and adjusted diluted earnings per share.

12. Goodwill

	2018 £'000	2017 £'000
Cost		
At 1 January	**591,746**	566,237
Arising on acquisitions (Note 28)	**56,218**	17,671
Disposal of Group businesses (Note 28)	**(3,580)**	(89)
Translation adjustment	**1,814**	7,927
At 31 December	**646,198**	591,746

Goodwill Acquired

Goodwill acquired during the year in the amount of £56.2 million (2017: £17.7 million) was allocated to the merchanting segment. Goodwill on these acquisitions reflects the anticipated purchasing and operational synergies to be realised as part of the enlarged Group. Intangible assets which formed part of the acquisition consideration are detailed in Note 15.

Disposal of Group Businesses

During the year the Group completed the disposal of a number of non-core businesses which were no longer considered to be a strategic fit within the Group's portfolio of businesses. These included Boole's Tools & Piping Fittings Limited and Online Home Retail Limited in the UK and the Saint-Vith branch in Belgium. This resulted in a write-off of goodwill amounting to £3.6 million.

Goodwill Impaired

There were no impairments during the year (2017: £Nil). Total accumulated impairment losses at 31 December 2018 amounted to £Nil (2017: £Nil).

Cash Generating Units

Goodwill arising as part of a business combination is allocated to groups of cash generating units ('CGUs') for the purpose of impairment testing based on the Group's existing business segments or, where appropriate, recognition of a new CGU. The CGUs represent the lowest level at which goodwill is monitored for internal management purposes and are not larger that the operating segments determined in accordance with IFRS 8, Operating Segments. A total of seven CGUs (2017: seven) have been identified and these are analysed between the three reportable segments as follows:

	Cash-generating units		Goodwill	
	2018 Number	2017 Number	2018 £'000	2017 £'000
Merchanting	**4**	4	**644,034**	589,582
Retailing	**1**	1	**-**	-
Manufacturing	**2**	2	**2,164**	2,164
	7	7	**646,198**	591,746

12. Goodwill (continued)

Impairment Testing

Goodwill is subject to impairment testing on an annual basis at 31 December and additionally during the year if an indicator of impairment is considered to exist. The recoverable amount of each cash generating unit is determined based on value-in-use calculations. The carrying value of each cash generating unit was compared to its estimated value-in-use. There were no impairments during the year (2017: £Nil).

Value-in-use Calculations

The value-in-use is calculated on the basis of estimated future cash flows discounted to present value. Estimated future cash flows were determined by reference to the budget for 2019 and management forecasts for each of the following years from 2020 to 2023 inclusive. The terminal value was calculated using a long-term growth rate in respect of the years after 2023. The estimates of future cash flows were based on consideration of past experience together with an assessment of the future prospects for each of the businesses within the CGUs. The assumptions used are also referenced against external industry data.

The key assumptions used in the value-in-use calculations are the revenue growth rate, the discount rate and the long term growth rate. The pre-tax discount rates used were based on the Group's estimated weighted average cost of capital, adjusted to reflect risks associated with each CGU. The discount rates range from 8.3 per cent to 10.0 per cent (2017: 9.1 per cent to 10.2 per cent). In determining the terminal value of the value-in-use, it was assumed that cash flows after the first five years will increase at a long term growth rate of 2 per cent (2017: 2 per cent). The rate assumed was based on an assessment of the likely long term growth prospects of the individual CGUs.

Significant Goodwill Amounts

Only the UK merchanting and Irish merchanting CGUs have significant amounts of goodwill. A summary of the allocated goodwill and the assumptions relating to the recoverable amounts of these CGUs is shown below:

	UK Merchanting		Irish Merchanting	
	2018	2017	**2018**	2017
Goodwill (£'000)	**415,207**	363,878	**162,611**	161,283
Recoverable amount basis	**Value-in-use**	Value-in-use	**Value-in-use**	Value-in-use
Revenue growth rate average	**1.7%**	2.8%	**5.3%**	7.3%
Long term growth rate	**2.0%**	2.0%	**2.0%**	2.0%
Discount rate (pre-tax)	**9.9%**	9.4%	**9.4%**	9.1%

The remaining goodwill balance of £68.4 million (2017: £66.6 million) is allocated across three CGUs and the goodwill amounts of these CGUs are not significant either individually or in aggregate.

Sensitivity Analysis

The value-in-use calculations are sensitive to changes in the key assumptions of the revenue growth rate, the discount rate and the long term growth rate. While management believes that the value-in-use assumptions are prudent, sensitivity analysis was performed based on reasonable changes in each of the three key assumptions in the significant CGUs. No reasonably possible change in any of the key assumptions would cause the carrying amount to exceed the recoverable amount in significant CGUs.

Of the CGUs which are not significant, the value-in-use of the Belgium merchanting CGU is the most sensitive to changes in key assumptions. However, the underlying assumptions used in compiling the cash flow forecasts for Belgium are deemed by management to be appropriate. Moreover, Goodwill of £9.2 million that is allocated to this CGU is not material to the overall carrying value of Goodwill of £646.2 million. Should the underlying assumptions attributable to the Belgium Merchanting CGU differ in the future, to the extent that the value-in-use recoverable amount would be lower than its carrying amount, any impairment charge is not likely to be significant.

13. Property, Plant and Equipment, Properties Held for Sale and Investment Properties

13. (a) Property, Plant and Equipment

	Freehold land and buildings €'000	Leasehold improvements / buildings €'000	Plant and Machinery* €'000	Motor Vehicles* €'000	Total €'000
Year ended 31 December 2017					
Opening net book amount	284,220	56,672	81,495	39,273	461,660
Additions	6,400	13,862	37,425	16,042	73,729
Arising on acquisitions (Note 28)	4,699	148	635	103	5,585
Disposals	(244)	(26)	(2,083)	(11)	(2,364)
Depreciation charge	(4,747)	(4,591)	(21,095)	(9,022)	(39,455)
Impairment charge	(300)	-	-	-	(300)
Reclassification to properties held for sale	(214)	-	-	-	(214)
Reclassification from properties held for sale	497	-	-	-	497
Reclassification from investment properties	386	-	-	-	386
Reclassifications	(3,916)	3,540	89	287	-
Exchange adjustment	3,602	487	694	105	4,888
Closing net book amount	290,383	70,092	97,160	46,777	504,412
At 31 December 2017					
Cost	335,319	121,706	301,901	86,615	845,541
Accumulated depreciation & impairment loss	(44,936)	(51,614)	(204,741)	(39,838)	(341,129)
Net Book Amount	290,383	70,092	97,160	46,777	504,412

	Freehold land and buildings €'000	Leasehold improvements / buildings €'000	Plant and Machinery* €'000	Motor Vehicles* €'000	Total €'000
Year ended 31 December 2018					
Opening net book amount	**290,383**	**70,092**	**97,160**	**46,777**	**504,412**
Additions	**948**	**10,282**	**35,616**	**19,867**	**66,713**
Arising on acquisitions (Note 28)	**-**	**907**	**457**	**126**	**1,490**
Disposals	**(698)**	**(259)**	**(2,277)**	**(436)**	**(3,670)**
Disposal of Group businesses (Note 28)	**(1,712)**	**(618)**	**(264)**	**(619)**	**(3,213)**
Depreciation charge	**(4,196)**	**(5,419)**	**(22,108)**	**(10,152)**	**(41,875)**
Impairment charge	**(646)**	**(13)**	**(387)**	**-**	**(1,046)**
Reclassification to properties held for sale	**(1,683)**	**-**	**-**	**-**	**(1,683)**
Reclassification to investment properties	**(762)**	**-**	**-**	**-**	**(762)**
Reclassifications	**711**	**(792)**	**(94)**	**175**	**-**
Exchange adjustment	**880**	**86**	**293**	**6**	**1,265**
Closing net book amount	**283,225**	**74,266**	**108,396**	**55,744**	**521,631**
At 31 December 2018					
Cost	**328,863**	**125,361**	**291,503**	**91,034**	**836,761**
Accumulated depreciation & impairment loss	**(45,638)**	**(51,095)**	**(183,107)**	**(35,290)**	**(315,130)**
Net Book Amount	**283,225**	**74,266**	**108,396**	**55,744**	**521,631**

*Due to the dissimilar nature of Motor Vehicles and Plant and Machinery, these have been disaggregated in 2018 and the comparatives for 2017 have been updated accordingly.

13. Property, Plant and Equipment, Properties Held for Sale and Investment Properties (continued)

13. (a) Property, Plant and Equipment (continued)

The Group's freehold and long leasehold properties located in the Republic of Ireland were professionally valued as at December 1998 by professional valuers in accordance with the Appraisal and Valuation Manual of the Society of Chartered Surveyors. Property acquired/purchased after December 1998 is stated at fair value or cost. The valuations, which were made on an open market for existing use basis, were deemed to be cost for the purpose of the transition to IFRS as adopted by the EU. The remaining properties, which are located in the United Kingdom, the Netherlands and Belgium, are included at cost less depreciation.

Property, plant and equipment included leased assets as follows:

	Plant, machinery and motor vehicles		Leasehold properties	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Cost	**-**	-	**6,763**	6,718
Accumulated depreciation	**-**	-	**(4,222)**	(3,922)
Net book amount	**-**	-	**2,541**	2,796
Depreciation charge for year	**-**	-	**272**	273

The Group repaid finance leases amounting to £0.4 million (2017: £0.4 million) and entered new leases during the year of £Nil (2017: £Nil).

13. (b) Properties Held for Sale

	Carrying Amount £'000
At 1 January 2017	8,407
Transfers from property, plant and equipment	214
Transfers to investment properties	(157)
Transfers to property, plant & equipment	(497)
Disposals	(2,986)
Translation adjustment	74
At 31 December 2017	**5,055**
Transfers from property, plant and equipment	**1,683**
Transfers from investment properties	**7,025**
Impairments and property revaluations	**(113)**
Disposals	**(2,075)**
Translation adjustment	**20**
At 31 December 2018	**11,595**

During the year one Irish and four UK held for sale properties were sold. Four properties were transferred from investment properties and six properties from PPE. The total number of properties held for sale at 31 December 2018 was 16 (2017: 11), of which 12 (2017: 10) are located in the UK and four (2017: one) in Ireland. These properties are shown in the balance sheet at the lower of their carrying amount and fair value less any disposal costs. Five properties are included at a fair value of £9.6 million (2017: three properties at £2.8 million).

Properties held for sale are not used in the course of business and are available for immediate sale in their present condition subject to terms that are usual and customary for properties of this nature. The individual properties were being actively marketed at the year end and the Group is committed to its plan to sell these properties in an orderly manner.

13. Property, Plant and Equipment, Properties Held for Sale and Investment Properties (continued)

13. (c) Investment Properties

	Fair Value £ 000
At 1 January 2017	21,749
Transfers from properties held for sale	157
Transfers to property, plant & equipment	(386)
Fair value gains/(losses)	(29)
Translation adjustment	565
At 31 December 2017	**22,056**
Transfers to properties held for sale	**(7,025)**
Transfers from property, plant & equipment	**762**
Disposals	**(876)**
Translation adjustment	**131**
At 31 December 2018	**15,048**

The total number of investment properties at 31 December 2018 was 20 (2017: 23) of which seven (2017: six) are located in the UK, 12 (2017: 16) in Ireland and one (2017: one) in Belgium. These properties are being held pending a further recovery in the property market or with a view to enhancing their development potential by securing alternative use planning.

Investment properties of £15.0 million, which are separately classified in non-current assets, are carried at fair value in the financial statements. An internal review undertaken by the Group Property Director was used to determine fair values. The valuation techniques used were the market value of comparable transactions that were recently completed or on the market. In cases where there are no recent precedent transactions, valuations were based on estimated rental yields, consideration of residual value and consultations with external agents who have knowledge of local property markets.

13. (d) Fair Value Hierarchy – Properties Held for Sale Carried at Fair Value and Investment Properties

As noted in the Group's accounting policies on page 122, properties held for sale are held at the lower of carrying amount and fair value less costs to sell. Investment properties are carried at fair value. Fair value is defined as the price that would be received if the asset was sold in an orderly transaction between market participants based on the asset's highest and best use. Valuations are reviewed each year by the Directors with movements in fair value recognised in the income statement.

The Group reviewed its property portfolio during the year. Properties held for sale comprise land and buildings in a number of locations across the UK and Ireland. Investment properties, comprising land and buildings located in the UK, Ireland and Belgium, are held for capital appreciation and or rental income and are not occupied by the Group for trading purposes. This also includes parts of properties which are sub-let to third parties. Properties held for sale comprise properties that are held at a carrying amount of £2.0 million (2017: £2.2 million) and properties held at a fair value of £9.6 million (2017: £2.8 million). Investment properties are held at a fair value of £15.0 million (2017: £22.1 million).

In general, valuations have been undertaken having regard to comparable market transactions between informed market participants. Due to very limited transactions for properties of a similar nature in the UK and Ireland, the valuations of a number of properties were determined internally with reference to local knowledge, valuation techniques and the exercise of judgement following consultation with property advisers with recent experience of the location and nature of the properties being valued.

Property valuations are derived from data which is not publicly available and for these reasons, the valuations of the Group's property portfolio is classified as level 3 as defined by IFRS 13.

13. Property, Plant and Equipment, Properties Held for Sale and Investment Properties (continued)

The following is a summary of valuation methods used in relation to the Group's held for sale and investment properties which are carried at fair value:

At 31 December 2018

	Comparable market transactions £'000	Offers from third parties £'000	Total 2018 £'000
Properties Held for Sale			
Merchanting segment	**9,626**	**-**	**9,626**

	Comparable market transactions £'000	Other methods £'000	Total 2018 £'000
Investment Properties			
Merchanting segment	**11,283**	**-**	**11,283**
Manufacturing segment	**2,548**	**1,217**	**3,765**
Total	**13,831**	**1,217**	**15,048**

At 31 December 2017

	Comparable market transactions £'000	Offers from third parties £'000	Total 2017 £'000
Properties Held for Sale			
Merchanting segment	2,595	248	2,843

	Comparable market transactions £'000	Other methods £'000	Total 2017 £'000
Investment Properties			
Merchanting segment	17,978	-	17,978
Manufacturing segment	2,871	1,207	4,078
Total	20,849	1,207	22,056

13. Property, Plant and Equipment, Properties Held for Sale and Investment Properties (continued)

The following table shows a reconciliation from the opening balance to the closing 2018 balance for level 3 fair values:

	Properties held for sale 2018 €'000	Investment properties 2018 €'000
Balance at beginning of year	**5,055**	**22,056**
Transfers from property, plant and equipment	**1,683**	**762**
Transfers from investment properties	**7,025**	**(7,025)**
Disposals	**(2,075)**	**(876)**
Fair value losses	**(113)**	**-**
Foreign exchange movement	**20**	**131**
Balance at end of year	**11,595**	**15,048**
Recorded at fair value	**9,626**	**15,048**
Recorded at cost	**1,969**	**-**
Total	**11,595**	**15,048**

During 2018 a fair value loss of €0.1 million was recognised on two properties.

The following table shows a reconciliation from the opening balance to the closing 2017 balance for level 3 fair values:

	Properties held for sale 2017 €'000	Investment properties 2017 €'000
Balance at beginning of year	8,407	21,749
Transfers from property, plant and equipment	214	-
Transfers to property, plant and equipment	(497)	(386)
Transfers to investment properties	(157)	157
Disposals	(2,986)	-
Fair value gain/(losses)	-	(29)
Foreign exchange movement	74	565
Balance at end of year	5,055	22,056
Recorded at fair value	2,843	22,056
Recorded at cost	2,212	-
Total	5,055	22,056

During 2017 one Irish investment property was revalued with a fair value gain of €0.4 million. A fair value movement of €0.4m was recognised on a number of Irish properties as a result of an increase in the rate of stamp duty.

Valuation Techniques and Significant Unobservable Inputs

The following tables show the valuation techniques used in measuring the fair value of properties held for sale and investment properties and the significant unobservable inputs used. Where market transactions are present, the comparable market transaction method is used for land and buildings held for sale or capital appreciation.

13. Property, Plant and Equipment, Properties Held for Sale and Investment Properties (continued)

Properties Held for Sale

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Comparable market transactions - price per square metre: The value is based on comparable market transactions after discussion with independent agents and/or with reference to other information sources.	**UK - Regional (excluding major cities)** • Comparable warehouse market prices of £603 - £853 per square metre. • Comparable industrial development land prices of £50,000 - £248,000 per acre. **Ireland - Urban (major cities)** • Comparable warehouse market price of £564 per square metre. • Comparable industrial development land prices of £255,000 - £269,000 per acre.	**The estimated fair value would increase/(decrease) if:** • Comparable market prices per square metre were higher/(lower).
Offers from third parties: This valuation is used for properties that have formal offer documentation received by the Group from third parties intending to purchase with a reasonable possibility of a sale being concluded.	**UK - Regional (excluding major cities)** • One offer for warehouse property at £411 per square metre. • One offer for residential property at £745 per square metre. • One offer for industrial land at £220,000 per acre. **UK - Urban (major cities)** • One retail property under offer at £3,125 per square metre.	**The estimated fair value would increase/(decrease) if:** • Final offer price increased/(decreased).
Residual Valuation:	**Ireland - Urban** • Redevelopment site residual valuation of £1.917m per acre.	**The estimated fair value would increase/(decrease) if:** • Comparable market prices per square metre were higher/(lower).

13. Property, Plant and Equipment, Properties Held for Sale and Investment Properties (continued)

Investment Properties

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Comparable market transactions - price per square metre: The value is based on comparable market transactions after discussion with independent registered property appraisers and/or with reference to other information sources.	**Ireland - Urban** • Comparable office market prices of £447 - £1,170 per square metre. • Comparable minimum warehouse market prices of £224 - £890 per square metre. • Comparable agricultural land market prices of £12,076 per acre. • Comparable minimum industrial land price of £89,450 per acre. **Ireland - Regional** • Comparable warehouse market prices of £159 - £428 per square metre. • Comparable market prices of development land £43,636 - £436,337 per acre. **UK - Regional (excluding major cities)** • Comparable warehouse market price of £228 - £350 per square metre. **UK - Urban** • Comparable market prices for development sites of between £150,000 and £1,500,000 per acre.	**The estimated fair value would increase/(decrease) if:** Comparable market prices per square metre were higher/(lower).

14. Other Financial Assets

	Other Investments £'000
At 1 January 2017	125
Translation adjustment	1
At 31 December 2017	**126**
Translation adjustment	**(3)**
At 31 December 2018	**123**

Other investments represent sundry equity investments at cost less provision for impairment.

15. Intangible Assets

	Computer Software £'000	Trade Names £'000	Customer Relationships £'000	Total £'000
Cost				
At 1 January 2017	26,225	2,823	19,777	48,825
Additions	7,687	-	-	7,687
Acquisitions	91	534	4,883	5,508
Translation adjustment	(3)	83	591	671
At 1 January 2018	**34,000**	**3,440**	**25,251**	**62,691**
Additions	**6,859**	**-**	**-**	**6,859**
Acquisitions (Note 28)	**701**	**1,880**	**23,033**	**25,614**
Translation adjustment	**(3)**	**20**	**144**	**161**
At 31 December 2018	**41,557**	**5,340**	**48,428**	**95,325**
Amortisation				
At 1 January 2017	1,490	352	2,399	4,241
Charge for the year	1,276	336	2,420	4,032
Translation adjustment	1	9	68	78
At 1 January 2018	**2,767**	**697**	**4,887**	**8,351**
Charge for the year	**2,023**	**511**	**4,584**	**7,118**
Translation adjustment	**1**	**3**	**43**	**47**
At 31 December 2018	**4,791**	**1,211**	**9,514**	**15,516**
Net book amount				
At 31 December 2018	**36,766**	**4,129**	**38,914**	**79,809**
At 31 December 2017	31,233	2,743	20,364	54,340

Computer software of £36.8 million at 31 December 2018 (2017: £31.2 million) reflects the cost of the Group's investment to upgrade the IT systems and infrastructure that supports a number of UK businesses as part of a multi-year programme of investment. A number of these systems are not yet available for use in the business and are therefore not amortised.

Customer relationships and trade names arise from business combinations (Note 28) and are amortised over their estimated useful lives. The average remaining amortisation period is 7.6 years (2017: 8.3 years).

The amortisation expense of £7.1 million (2017: £4.0 million) has been charged in operating costs in the income statement. Amortisation on acquired intangibles amounted to £5.1 million (2017: £2.8 million).

16. Inventories

	2018	2017
	£'000	£'000
Raw materials	**1,511**	1,325
Finished goods	**1,465**	1,350
Goods purchased for resale	**347,085**	325,850
	350,061	328,525

The inventory provision at 31 December 2018 was £37.9 million (2017: £36.4 million).

Movement in Impairment Provision

	2018	2017
	£'000	£'000
At 1 January	**36,379**	31,701
Utilised/released during year	**(3,702)**	(4,813)
Acquired during the year	**188**	2,796
Additional provision	**4,851**	6,167
Translation adjustment	**161**	528
At 31 December	**37,877**	36,379

17. Trade and Other Receivables

	2018	2017
	£'000	£'000
Amounts falling due within one year:		
Trade receivables	**306,569**	290,045
Other receivables	**144,676**	123,050
	451,245	413,095

The carrying amount of trade and other receivables represents the maximum credit exposure. Other receivables primarily includes prepayments and rebates receivable. Rebates receivable amounted to £100.4 million (2017: £88.3 million).

The maximum exposure to credit risk for trade debtors and other receivables at the reporting date by geographic region was as follows:

	Carrying Amount	
	2018	2017
	£'000	£'000
United Kingdom	**325,471**	298,676
Ireland	**84,965**	75,558
Netherlands	**24,428**	23,914
Belgium	**16,381**	14,947
	451,245	413,095

Credit risk is well diversified over a broad customer base with only a small number of accounts with balances in excess of £100,000 that collectively account for a small proportion of total trade receivables. A number of businesses also have credit insurance policies in place which provide cover for the most significant amounts receivable from customers in the UK and Ireland.

17. Trade and Other Receivables (continued)

The ageing of trade and other receivables, under the expected credit loss model, at 31 December 2018 was:

	Gross Value €'000	Impairment €'000	Carrying Amount €'000	Weighted Average Loss Rate %
Not Past Due	**290,924**	**(281)**	**290,643**	**0.1%**
Past Due				
0-30 days	**118,190**	**(460)**	**117,730**	**0.4%**
30-60 days	**31,048**	**(2,074)**	**28,974**	**6.7%**
+60 days	**22,350**	**(8,452)**	**13,898**	**37.8%**
	171,588	**(10,986)**	**160,602**	**6.4%**
	462,512	**(11,267)**	**451,245**	**2.4%**

The ageing of trade and other receivables, under IAS 39, at 31 December 2017 was:

	Gross Value €'000	Impairment €'000	Carrying Amount €'000
Not Past Due	293,471	-	293,471
Past Due			
0-30 days	96,823	(1,411)	95,412
30-60 days	17,737	(1,418)	16,319
+60 days	15,200	(7,307)	7,893
	129,760	(10,136)	119,624
	423,231	(10,136)	413,095

Movement in Impairment Provision

	2018 €'000	2017 €'000
At 1 January	**10,136**	8,982
Written-off during year	**(4,511)**	(4,829)
Additional provision	**5,610**	5,843
Translation adjustment	**32**	140
At 31 December	**11,267**	10,136

18. Share Capital and Share Premium

Group and Company	2018 €'000	2017 €'000
Authorised:		
Equity shares		
300 million ordinary shares of 5c each	**15,000**	15,000
30 billion 'A' ordinary shares of 0.001c each	**300**	300
	15,300	15,300

18. Share Capital and Share Premium (continued)

Year ended 31 December 2018

	Issue Price	Number of Shares	2018 Nominal Value €'000
Issued and fully paid:			
Ordinary shares – nominal value of €0.05			
At 1 January		**237,785,549**	**8,472**
Issued under UK SAYE scheme*		**212,475**	**8**
2011 Long Term Incentive Plan			
Date awards granted			
April 2015 LTIP	**Nil**	**267,857**	**12**
At 31 December		**238,265,881**	**8,492**
'A' ordinary shares			
At 1 January		**4,042,354,333**	**22**
'A' ordinary shares issued in year		**8,165,644**	**-**
At 31 December		**4,050,519,977**	**22**
Total nominal share capital issued			**8,514**

* Refer to Note 33 which outlines the issue price of the 2018, the 2017 and the 2014 SAYE Schemes.

Year ended 31 December 2017

	Issue Price	Number of Shares	2017 Nominal Value €'000
Issued and fully paid:			
Ordinary shares – nominal value of €0.05			
At 1 January		236,795,887	8,427
Issued under UK SAYE scheme**		322,165	12
2011 Long Term Incentive Plan			
Date awards granted			
April 2014 LTIP	Nil	667,497	33
At 31 December		237,785,549	8,472
'A' ordinary shares			
At 1 January		4,025,530,079	22
'A' ordinary shares issued in year		16,824,254	-
At 31 December		4,042,354,333	22
Total nominal share capital issued			8,494

** Refer to Note 33 which outlines the issue price of both the 2017 and 2014 SAYE Schemes.

18. Share Capital and Share Premium (continued)

Share Premium

Group	2018 £'000	2017 £'000
At 1 January	**212,167**	210,271
Premium on issue of shares under UK SAYE scheme	**1,263**	1,896
At 31 December	**213,430**	212,167

Grafton Units Issued During 2018
The number of Grafton Units issued during the year under the Group's Executive Share Schemes and the UK SAYE scheme was 480,332 (2017: 989,662) and the total consideration received amounted to £1,283,000 (2017: £1,941,000). Costs relating to the issues were £Nil (2017: £Nil).

Grafton Units
At 31 December 2018 and 31 December 2017, a Grafton Unit comprised one ordinary share of Euro five cent and seventeen 'A' ordinary shares of 0.001 cent each in Grafton Group plc and one 'C' ordinary share of Stg0.0001p in Grafton Group (UK) plc.

Ordinary Shares
The holders of ordinary shares are entitled to attend, speak and vote at all General Meetings of the Company.

'A' Ordinary Shares
At 31 December 2018, there were seventeen 'A' Ordinary shares per Grafton Unit.

All 'A' ordinary shares purchased between 2004 to 2009 were cancelled.

The 'A' ordinary shares rank pari passu with ordinary shares regarding any dividends declared. On a return of capital on a winding up or otherwise (other than on conversion, redemption or purchase of shares), the holders of 'A' ordinary shares are entitled, pari passu with the holders of the ordinary shares, to the repayment of their nominal value of 0.001 cent per share, with no right to participate any further. The holders of the 'A' ordinary shares are not entitled to receive notice of any general meeting of Grafton or to attend, speak or vote at any such general meeting, unless the business of the meeting includes a resolution varying or abrogating any of the special rights attaching to such shares.

'C' Ordinary Shares (in Grafton Group (UK) plc)
The 'C' ordinary shares do not entitle their holders to receive notice of, attend or vote at any general meeting of Grafton Group (UK) plc unless the business of the meeting includes a resolution varying or abrogating any of the special rights attaching to such shares. If dividends are declared on 'C' ordinary shares, the holder of a Grafton Unit shall be entitled to be paid dividends in respect of the 'C' ordinary shares comprised in such Grafton Unit. On a return of capital on a winding up or otherwise (other than on conversion, redemption or purchase of shares) the holders of 'C' ordinary shares are entitled, pari passu with the holders of the 'A' ordinary shares and 'B' ordinary shares in Grafton Group (UK) plc, to the repayment of their nominal value of Stg0.0001p per share, with no right to participate any further. Any holder of a 'C' ordinary share, with the prior approval of an extraordinary resolution of the holders of the 'C' ordinary shares or with the prior consent in writing of the holders of at least three quarters in nominal value of the issued 'C' ordinary shares, is entitled to call for all the holders of the 'A' ordinary shares and/or 'B' ordinary shares to acquire all the 'C' ordinary shares at their nominal value.

Treasury Shares
The Group holds 500,000 (2017: 500,000) Grafton Units at a cost of £3,897,000 (2017: £3,897,000) as treasury shares.

19. Group Statement of Changes in Equity

The capital redemption reserve is a legal reserve which arose from the purchase of 'A' ordinary shares, the redemption of redeemable shares in prior years and the buy-back and cancellation of shares.

The revaluation reserve was created as a result of a revaluation of Irish properties in 1998.

The shares to be issued reserve comprises amounts expensed in the income statement in connection with share-based payments, net of transfers to retained earnings on the exercise of share entitlements and the lapsing of such entitlements.

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

The foreign currency translation reserve arises from the currency effect on translation of the investment in subsidiaries with euro functional currencies as adjusted for foreign currency borrowings and derivatives designated as net investment hedges.

Non-Controlling Interests

In December 2017, the Group acquired the non-controlling interest of YouBuild NV (formerly BMC Groep NV), a Belgian builders Merchanting business. This is now accounted for as a 100% subsidiary undertaking.

20. Interest-Bearing Loans and Borrowings

	2018 €'000	2017 €'000
Non-current liabilities		
Euro bank loans	**131,138**	312,980
US senior notes	**142,338**	-
Finance leases	**1,774**	2,185
	275,250	315,165
Current liabilities		
Euro bank loans	**332**	478
Finance leases	**435**	438
	767	916

The decrease in non-current interest-bearing loans and borrowings largely reflects borrowings repaid during the year and the foreign exchange movement on translation of the Group's euro denominated bank loans/ US senior notes into sterling at the year end.

20. Interest-Bearing Loans and Borrowings (continued)

Maturity of Financial Liabilities

The maturity profile of the Group's interest bearing financial liabilities (bank debt, loan notes and finance leases) can be summarised as follows:

	Bank loans 2018 £'000	US senior notes 2018 £'000	Finance leases 2018 £'000	Total 2018 £'000	Bank loans 2017 £'000	Finance leases 2017 £'000	Total 2017 £'000
Due within one year	**332**	-	**435**	**767**	478	438	916
Between one and two years	**282**	-	**435**	**717**	254	438	692
Between two and three years	**304**	-	**435**	**739**	207	438	645
Between three and four years	**250**	-	**435**	**685**	51,071	438	51,509
Between four and five years	**130,302**	-	**435**	**130,737**	261,428	438	261,866
After five years	-	**142,338**	**34**	**142,372**	20	433	453
	131,470	**142,338**	**2,209**	**276,017**	313,458	2,623	316,081
Derivatives				**54**			484
Gross debt				**276,071**			316,565
Cash and short term deposits				**(222,984)**			(253,659)
Net debt				**53,087**			62,906
Shareholders' equity				**1,296,542**			1,174,587
Gearing				**4%**			5%

The following table indicates the effective interest rates at 31 December 2018 in respect of interest bearing financial assets and financial liabilities and the periods during which they re-price. The effective interest rate and timing of re-pricing were adjusted for the effect of derivatives.

	Effective Interest Rate	Total £'000	6 months or less £'000	6 to 12 months £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
Euro deposits	**0.00%**	**3,939**	**3,939**	-	-	-	-
Sterling deposits	**0.74%**	**9,943**	**9,943**	-	-	-	-
Cash at bank	**0.00% - 0.70%**	**209,102**	**209,102**	-	-	-	-
Total cash and cash equivalents		**222,984**	**222,984**	-	-	-	-
Floating rate debt:							
Euro loans	**0.93%**	**(68,855)**	**(68,855)**	-	-	-	-
Total floating rate debt		**(68,855)**	**(68,855)**	-	-	-	-
Fixed rate debt:							
Euro loans	**1.37%**	**(62,615)**	**(62,615)**	-	-	-	-
Finance leases	**6.00%**	**(2,209)**	**(218)**	**(217)**	**(435)**	**(1,305)**	**(34)**
US senior notes	**2.49%**	**(142,338)**	-	-	-	-	**(142,338)**
Total fixed rate debt		**(207,162)**	**(62,833)**	**(217)**	**(435)**	**(1,305)**	**(142,372)**
Derivatives		**(54)**	**(54)**	-	-	-	-
Total Net Debt		**(53,087)**	**91,242**	**(217)**	**(435)**	**(1,305)**	**(142,372)**

Borrowing Facilities and US Senior Notes

The Group had bilateral loan facilities of £489.4 million with six relationship banks at the year-end. An option was exercised in February 2018 to extend facilities of £422.3 million for a further year to March 2023. The maturity of the remaining facility of £67.1 million was extended by two years to March 2023.

The Group had an undrawn committed borrowing facility at 31 December 2018 of £356.8 million (2017: £213.1 million) in respect of which all conditions precedent were met.

20. Interest-Bearing Loans and Borrowings (continued)

In September 2018, the Group raised €160 million (£143.1 million before costs) through an issue of unsecured senior notes in the US Private Placement market with ten and twelve year maturities at an average fixed annual coupon of 2.5 per cent and used the proceeds received to refinance existing debt. The issue of these notes diversified the Group's sources of funding by re-entering the US Private Placement market, extended the maturity profile of debt and provided greater certainty over the cost of debt for an extended period at attractive rates.

The average maturity of committed bank facilities and unsecured senior notes at 31 December 2018 was 5.7 years.

The following table indicates the effective interest rates at 31 December 2017 in respect of interest bearing financial assets and financial liabilities and the periods in which they re-price. The effective interest rate and timing of re-pricing were adjusted for the effect of derivatives.

	Effective Interest Rate	Total £'000	6 months or less £'000	6 to 12 months £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
Euro deposits	0.00%	9,771	9,771	-	-	-	-
Sterling deposits	0.37%	59,273	59,273	-	-	-	-
Cash at bank	(0.40%) - 0.45%	184,615	184,615	-	-	-	-
Total cash and cash equivalents		253,659	253,659	-	-	-	-
Floating rate debt:							
Euro loans	0.84%	(251,354)	(251,354)	-	-	-	-
Total floating rate debt		(251,354)	(251,354)	-	-	-	-
Fixed rate debt:							
Euro loans	1.41%	(62,104)	(62,104)	-	-	-	-
Finance leases	6.00%	(2,623)	(219)	(219)	(438)	(1,314)	(433)
Total fixed rate debt		(64,727)	(62,323)	(219)	(438)	(1,314)	(433)
Derivatives		(484)	(484)	-	-	-	-
Total Net Debt		(62,906)	(60,502)	(219)	(438)	(1,314)	(433)

21. Financial Instruments and Financial Risk

The fair values of financial assets and liabilities together with the carrying amounts shown in the balance sheet are as follows:

At 31 December 2018	Fair value through OCI £'000	Amortised cost £'000	Total carrying value £'000	Fair value £'000
Other financial assets*	**123**	-	**123**	-
Trade and other receivables*	-	**451,245**	**451,245**	-
Cash and cash equivalents*	-	**222,984**	**222,984**	-
	123	**674,229**	**674,352**	-
Interest rate swaps and other derivatives	**(54)**	-	**(54)**	**(54)**
Euro bank loans	-	**(131,470)**	**(131,470)**	**(133,911)**
US senior notes	-	**(142,338)**	**(142,338)**	**(143,120)**
Finance leases	-	**(2,209)**	**(2,209)**	**(2,209)**
Trade and other payables*	-	**(608,659)**	**(608,659)**	-
	(54)	**(884,676)**	**(884,730)**	**(279,294)**

21. Financial Instruments and Financial Risk (continued)

At 31 December 2017	Available for sale £'000	Cashflow hedge £'000	Fair value through profit and loss £'000	Loans and receivables £'000	Liabilities at amortised cost £'000	Total carrying value £'000	Fair value £'000
Other financial assets*	126	-	-	-	-	126	-
Trade and other receivables*	-	-	-	413,095	-	413,095	-
Cash and cash equivalents*	-	-	-	253,659	-	253,659	-
	126	-	-	666,754	-	666,880	-
Interest rate swaps	-	(484)	-	-	-	(484)	(484)
Euro bank loans	-	-	-	-	(313,458)	(313,458)	(316,495)
Finance leases	-	-	-	-	(2,623)	(2,623)	(2,623)
Trade and other payables*	-	-	-	-	(572,130)	(572,130)	-
	-	(484)	-	-	(888,211)	(888,695)	(319,602)

*The Group has not disclosed the fair values of financial instruments such as short term receivables and payables because their carrying value closely approximates fair value.

Fair Value

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Set out below is an analysis of financial instruments carried at fair value, by valuation method. The different levels in the fair value hierarchy have been defined as follows:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included within level 1 that are observable, either directly or indirectly.
Level 3: inputs that are not based on observable market data.

Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

- **Trade and other receivables/trade and other payables**
  For receivables and payables with a remaining life of less than six months or demand balances, fair value is the amount that is payable contractually less an impairment provision where appropriate.

- **Cash and cash equivalents, including short-term bank deposits**
  For short term bank deposits and cash and cash equivalents, all of which have a remaining maturity of less than four months, the carrying amount is a reasonable approximation of fair value.

- **Other financial assets**
  Certain of the Group's financial assets are comprised of investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Such investments are measured at cost less provision for impairment where appropriate and applicable.

- **Derivative instruments (Interest rate swaps)**
  The fair values of interest rate swaps are calculated as the present value of the estimated future cash flows based on the terms and maturity of each contract and using forward currency rates and market interest rates as applicable for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty where appropriate.

21. Financial Instruments and Financial Risk (continued)

Fair Value (continued)

- **Interest bearing loans and borrowings**

  For floating rate interest bearing loans and borrowings with a contractual repricing date of less than six months, the nominal amount is deemed to reflect fair value. For loans with repricing dates of greater than six months, the fair value is calculated based on the present value of the expected future principal and interest cash flows discounted at interest rates effective at the balance sheet date and adjusted for credit spread.

- **Finance lease liabilities**

  Fair value is based on the present value of future cash flows discounted at market rates and credit spread.

The following table shows the fair values of financial assets and liabilities including their level in the fair value hierarchy, all of which are considered Level 2. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	2018 Total £'000	2018 Level 2 £'000
Liabilities measured at fair value		
Designated as hedging instruments		
Interest rate swaps and other derivatives	**(54)**	**(54)**
Liabilities not measured at fair value		
Liabilities at amortised cost		
Euro bank loans	**(133,911)**	**(133,911)**
US senior notes	**(143,120)**	**(143,120)**
Finance leases	**(2,209)**	**(2,209)**
	(279,240)	**(279,240)**

	2017 Total £'000	2017 Level 2 £'000
Liabilities measured at fair value		
Designated as hedging instruments		
Interest rate swaps	(484)	(484)
Liabilities not measured at fair value		
Liabilities at amortised cost		
Euro bank loans	(316,495)	(316,495)
Finance leases	(2,623)	(2,623)
	(319,118)	(319,118)

21. Financial Instruments and Financial Risk (continued)

Fair Value (continued)
Level 2 Fair Values

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Financial assets and liabilities measured at fair value			
Interest rate swaps	The fair value of interest rate swaps is calculated as the present value of the estimated future cashflows based on observable yield curves	Not applicable	Not applicable
Financial assets and liabilities not held at fair value			
Other financial liabilities*	Discounted cash flows	Not applicable	Not applicable

*Other financial liabilities include Euro bank loans, US senior notes and finance leases.

Risk Exposures and Group Treasury Policy
The Group's operations expose it to various financial risks that include credit risk, liquidity risk, currency risk and interest rate risk. The Group's treasury policies, which are regularly reviewed, are designed to reduce financial risk in a cost efficient way. A limited number of foreign exchange swaps, spot foreign currency contracts, foreign currency forwards and interest rate swaps are undertaken periodically to hedge underlying interest rate, fair value and currency exposures and it is Board policy to manage these risks in a non-speculative manner.

The Group has exposure to the following risks from its use of financial instruments:
- Credit risk
- Liquidity risk
- Currency risk
- Interest rate risk

The manner in which the Group is exposed to each of these risks and the risk management policies applied are discussed below.

The Board of Directors has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies.

The Board and the Audit and Risk Committee have reviewed the process for identifying, evaluating and managing the significant risks affecting the business.

Credit Risk
Credit risk arises from credit granted to customers. Credit risk also arises on cash and cash equivalents, derivative financial instruments and cash and deposits with banks and financial institutions.

Exposure to credit risk is monitored on an ongoing basis. The Group's exposure to customer credit risk is diversified over a large customer base and the incidence of default by customers is tightly managed by Business Unit credit control teams. Credit insurance is in place to cover major exposures in the UK and Irish merchanting businesses. Credit evaluations are performed regularly. New customers are subject to initial credit checks that include trade and bank references and are generally subject to restricted credit limits prior to developing a credit history. Due to the established nature of the businesses, a high proportion of customers have long-standing trading relationships with Group companies. These established customers are reviewed regularly for financial strength and the appropriateness of their credit limit.

21. Financial Instruments and Financial Risk (continued)

The Group establishes a provision for impairment that represents its estimate of losses in respect of trade and other receivables. The main components of this provision are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

Cash and short term bank deposits are invested with a range of banks, all with original maturities of less than 4 months at 31 December 2018.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

The maximum exposure to credit risk at 31 December 2018 and 31 December 2017 was:

	2018	2017
	£'000	£'000
Trade and other receivables	**451,245**	413,095
Cash and cash equivalents	**222,984**	253,659
	674,229	666,754

Additional disclosures in relation to the Group's exposure to credit risk arising from trade and other receivables is set out in Note 17.

The maximum exposure to credit risk for cash and cash equivalents, based on the domicile of the parent bank, at the reporting date was:

	Carrying Amount	
	2018	2017
	£'000	£'000
United Kingdom banks	**161,183**	208,926
Republic of Ireland banks	**58,825**	41,220
Netherlands banks	**2,747**	2,617
Belgium banks	**229**	896
	222,984	253,659

The majority of the Group's cash on deposit and cash balances is held with financial institutions that have an upper investment grade credit rating.

	2018	2017
	£'000	£'000
Gross amounts of cash and cash equivalents	**230,308**	280,845
Amounts set off in the balance sheet *	**(7,324)**	(27,186)
Net amounts of cash and cash equivalents in the balance sheet	**222,984**	253,659

*The Group has netting arrangements in place with Bank of Ireland, HSBC and Lloyds Bank with cash balances and overdrawn positions being netted, as a legal right of set-off exists with each bank.

21. Financial Instruments and Financial Risk (continued)

Foreign Currency Risk Management

Transactional foreign exchange risk arises from foreign currency transactions, assets and liabilities. Group operations manage foreign exchange trading risks against their functional currencies. The majority of trade conducted by the Group's Irish, Belgian and Dutch businesses is in euro. Sterling is the principal currency for the Group's UK businesses. Currency risks are regularly monitored and managed by utilising spot and forward foreign currency contracts as appropriate for settling liabilities arising from the purchase of goods for resale in non-functional currencies. The majority of transactions entered into by Group entities are denominated in functional currencies and no significant level of hedging is required.

A proportion of the Group's net worth is denominated in euro. This is reflected in profit after tax reserves retained in euro denominated trading and finance companies which gives rise to translation differences on conversion to sterling.

Borrowings made in a non-functional currency are swapped into a functional currency.

Sensitivity Analysis

A ten per cent strengthening of the sterling exchange rate against the euro exchange rate at the balance sheet date would have decreased equity and profit after tax by the amount shown below. This assumes that all variables, in particular the results and financial position of each euro functional currency entity and interest rates, remained constant. A ten per cent weakening of the sterling exchange rate against the euro exchange rate would have an equal and opposite effect on the amounts shown below on the basis that all variables remain constant.

	Equity £'000	Profit after tax £'000
31 December 2018		
10% strengthening of sterling currency against the euro	**(28,900)**	(4,741)
31 December 2017		
10% strengthening of sterling currency against the euro	**(23,784)**	(3,436)

Hedging

The Group has exposure to changes in interest rates on certain debt instruments and has hedged an element of this risk by entering into interest rate swaps. The nominal value of contracts outstanding is £62,615,000 (2017: £62,104,000) and the period hedged is from December 2014 to May 2019 (2017: December 2014 to May 2019).

The Group classified interest rate swaps as cash flow hedges and stated them at their fair value. The fair value of these swaps at 31 December 2018 was a net liability of £0.1 million (2017: a liability of £0.5 million). A net charge of £0.4 million (2017: £0.1 million) was recorded in the cash flow hedge reserve in other comprehensive income and a balance of £Nil (2017: £Nil), being the ineffective portion of the hedge, was taken to the Group Income Statement (Note 7).

21. Financial Instruments and Financial Risk (continued)

Interest Rate Risk

The majority of the Group's ongoing operations are financed from a mixture of cash generated from operations and borrowings. Bank borrowings are initially secured at floating interest rates and interest rate risk is monitored on an ongoing basis. Interest rate swaps are used to manage interest rate risk when considered appropriate having regard to the interest rate environment.

In September 2018, the Group raised €160 million (£143.1 million before costs) through an issue of unsecured senior notes in the US Private Placement market with ten and twelve year maturities at an average fixed annual coupon of 2.5 per cent and used the proceeds received to refinance existing debt. The issue of these notes diversified the Group's sources of funding by re-entering the US Private Placement market, extended the maturity profile of debt and provided greater certainty over the cost of debt for an extended period at attractive rates.

Cash Flow Sensitivity Analysis for Variable Rate Instruments

A reduction of 50 basis points in interest rates at the reporting date would have increased profit before tax and equity by £0.4 million (2017: £1.6 million) on the basis of the Group's gross debt of £276.1 million at 31 December 2018. £68.9 million of the gross debt is exposed to variable rates with a further £62.6 million fixed until May 2019 at which point the rates become variable. An increase of 50 basis points, on the same basis, would have an equal and opposite effect.

Capital Management

The capital structure of the Group comprises share capital, reserves and net debt.

The overall approach is to optimise shareholder value by leveraging the balance sheet to an appropriate level having regard to economic and trading conditions in the Group's markets, the level of internal cash generation, credit conditions generally and interest rates payable.

The Group's capital structure is kept under ongoing review and the debt component is actively managed with a view to maintaining diversified sources of funding, significant undrawn facilities and cash deposits.

The Directors monitor the Company's share price and may from time to time exercise their powers to make market purchases of the Company's own shares, at price levels which they consider to be in the best interests of the shareholders generally, after taking account of the Company's overall financial position.

The principal bank covenants are a net debt to equity ratio limit of 85 per cent, EBITDA interest cover of 4 times and a minimum shareholders' equity of £0.9 billion at 31 December 2018.

At 31 December 2018 the net debt to equity ratio was 4 per cent and shareholders' equity was £1.3 billion. EBITDA for the year was £236.4 million and underlying EBITDA interest cover for 2018 was 48.0 times.

21. Financial Instruments and Financial Risk (continued)

Funding and Liquidity

The Group has cash resources at its disposal through the holding at the year-end of deposits and cash balances of £223.0 million (2017: £253.7 million) which together with undrawn bank facilities of £356.8 million (2017: £213.1 million) and cash-flow from operations provides flexibility in financing its operations.

The following are the undiscounted contractual maturities of financial liabilities, including interest payments.

31 December 2018	Carrying Amount £'000	Contractual Cash Flow* £'000	Within 1 Year £'000	Between 1 and 2 Years £'000	Between 2 and 5 Years £'000	Greater Than 5 Years £'000
Non-Derivative Financial Liabilities						
Bank loans	**131,470**	**140,193**	**1,845**	**1,780**	**136,568**	**-**
US senior notes	**142,338**	**181,242**	**3,557**	**3,557**	**10,670**	**163,458**
Finance lease liabilities	**2,209**	**9,497**	**755**	**755**	**2,265**	**5,722**
Trade and other payables	**608,659**	**608,659**	**608,659**	**-**	**-**	**-**
Derivative Financial Instruments						
Interest rate swaps and other derivatives	**54**	**89**	**89**	**-**	**-**	**-**
	884,730	**939,680**	**614,905**	**6,092**	**149,503**	**169,180**

*Includes interest based on the rates in place at 31 December 2018.

31 December 2017	Carrying Amount £'000	Contractual Cash Flow* £'000	Within 1 Year £'000	Between 1 and 2 Years £'000	Between 2 and 5 Years £'000	Greater Than 5 Years £'000
Non-Derivative Financial Liabilities						
Bank loans	313,458	328,404	3,476	3,244	321,664	20
Finance lease liabilities	2,623	10,103	755	755	2,264	6,329
Trade and other payables	572,130	572,130	572,130	-	-	-
Derivative Financial Instruments						
Interest rate swaps used for hedging	484	443	333	110	-	-
	888,695	911,080	576,694	4,109	323,928	6,349

*Includes interest based on the rates in place at 31 December 2017.

The following table indicates the periods in which cash flows associated with derivatives that are cash flow hedges are expected to occur.

31 December 2018	Carrying Amount £'000	Expected Cash Flow £'000	6 Months or Less £'000	6 to 12 Months £'000	1 to 2 Years £'000	2 to 3 Years £'000	3 to 4 Years £'000	4 to 5 Years £'000
Interest rate swaps and other derivatives	**(54)**	**(89)**	**(89)**	**-**	**-**	**-**	**-**	**-**

31 December 2017	Carrying Amount £'000	Expected Cash Flow £'000	6 Months or Less £'000	6 to 12 Months £'000	1 to 2 Years £'000	2 to 3 Years £'000	3 to 4 Years £'000	4 to 5 Years £'000
Interest rate swaps	(484)	(443)	(170)	(163)	(110)	-	-	-

22. Derivatives

	2018	2017
	£'000	£'000
Included in current assets and non-current liabilities:		
Fair value of interest rate swaps and other derivatives	**(54)**	(484)

The decrease in derivatives at 31 December 2018 is due to movements in the fair values of the interest rate swaps and other derivatives.

Nature of derivative instruments as at 31 December 2018

	Hedge Period	Nature of hedging instrument	Notional payable amount of contracts outstanding	Notional receivable amount of contracts outstanding	Fair value asset £'000	Fair value liability £'000
Interest Rate Swap	**Dec 2014 to May 2019**	**Floating interest rate to fixed interest rate**	**€70,000,000**	**€70,000,000**	**-**	**(72)**
Foreign Currency Forwards*	**Oct 2018 to June 2019**	**Forward purchase of foreign currency liabilities**	**£6,900,000**	**£6,900,000**	**18**	**-**

* The fair value of foreign currency forwards (derivative financial instruments) are shown in the balance sheet in current assets of £49,000 and in current liabilities of £31,000.

Nature of derivative instruments as at 31 December 2017

	Hedge Period	Nature of hedging instrument	Notional payable amount of contracts outstanding	Notional receivable amount of contracts outstanding	Fair value asset £'000	Fair value liability £'000
Interest Rate Swap	Dec 2014 to May 2019	Floating interest rate to fixed interest rate	€70,000,000	€70,000,000	-	(484)

23. Provisions

	2018 £'000	2017 £'000
Non-current liabilities		
Insurance provision	**9,480**	9,453
Onerous lease provision	**6,521**	7,111
Dilapidations provision	**5,650**	5,324
	21,651	21,888
Current liabilities		
Insurance provision	**3,903**	3,791
Onerous lease provision	**1,654**	2,738
Dilapidations provision	**1,344**	1,663
Other provisions	**2,622**	2,441
	9,523	10,633

	Insurance		Onerous Leases		Dilapidations	
	2018	2017	2018	2017	2018	2017
Provisions	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January	**13,244**	13,061	**9,849**	12,663	**6,987**	7,546
Charge in year	**4,862**	6,437	**437**	577	**1,487**	1,439
Utilised	**-**	-	**(1,519)**	(3,166)	**(1,065)**	(1,868)
Released	**(1,873)**	(3,601)	**(653)**	(571)	**(431)**	(185)
Paid during the year	**(2,940)**	(3,120)	**-**	-	**-**	-
Foreign exchange	**90**	467	**61**	346	**16**	55
At 31 December	**13,383**	13,244	**8,175**	9,849	**6,994**	6,987
Non-current	**9,480**	9,453	**6,521**	7,111	**5,650**	5,324
Current	**3,903**	3,791	**1,654**	2,738	**1,344**	1,663

	Other Provisions		Total	
	2018	2017	2018	2017
Provisions	£'000	£'000	£'000	£'000
At 1 January	**2,441**	1,458	**32,521**	34,728
Charge in year	**170**	964	**6,956**	9,417
Utilised	**-**	-	**(2,584)**	(5,034)
Released	**-**	-	**(2,957)**	(4,357)
Paid during the year	**-**	-	**(2,940)**	(3,120)
Foreign exchange	**11**	19	**178**	887
At 31 December	**2,622**	2,441	**31,174**	32,521
Non-current	**-**	-	**21,651**	21,888
Current	**2,622**	2,441	**9,523**	10,633

23. Provisions (continued)

Insurance Provision

The insurance provision relates to actual obligations under the self-insurance elements of the Group's overall insurance arrangements which are subject to limits in respect of both individual and aggregate claims. This provision was based on an independent actuarial valuation. The provision principally covers the combined public and employer liability claims for the Group's businesses. The Group has third party insurance cover above specific limits for individual claims and has an overall maximum aggregate payable for all claims for any one year. Given the nature of employer and public liability claims, the timing of cash outflows can vary significantly. The outflow arising from the payment of claims in 2019 is expected to be at a similar level to 2018. Based on historical experience, it is the Directors best estimate that the balance of claims which are provided for at 31 December 2018 will be paid over a two to six year period.

The incurred but not reported (IBNR) element of the insurance provision is classified as non-current as the normal cycle for settlement of such claims is likely to be more than 12 months from the year end.

Claims no longer being challenged by the Group are classified as current liabilities at year end. The Group no longer has an unconditional right to defer payment and it is only the timing of the payment that is uncertain.

Claims in legal process are classified as non-current liabilities at year end as the Group still has an unconditional right to defer settlement since it can not generally determine the extent and duration of the legal process unless it expects to settle claims within 12 months.

Onerous Lease Provision

The onerous lease provision covers the expected cost to the Group of onerous property leases based on the present value of the unavoidable costs of meeting obligations under lease contracts where the unavoidable costs exceed the economic benefits expected to be received under the contract. The timing of cash outflows is over the remaining life of the relevant lease. Changes in trading patterns from year to year may impact forecast cashflows and alter the amount and timing of outflows.

Expected reimbursements in the form of sub-lease rental income are taken into account in respect of certain properties which can be sublet.

Dilapidations Provision

The dilapidations provision covers the cost of reinstating certain Group properties at the end of the lease term. This is based on the terms of the individual leases which set out the conditions relating to the return of property. The timing of the outflows will match the ending of the relevant leases which ranges from 2 to 20 years.

Other Provisions

Other provisions relate to pension contributions, legal provisions, deferred consideration and Waste Electrical & Electronic Equipment ("WEEE") provisions. None of these are individually material to require separate disclosure in the financial statements.

24. Trade and Other Payables

	2018 £'000	2017 £'000
Trade payables	**460,778**	440,616
Accruals	**104,307**	91,888
Social welfare	**4,392**	4,384
Employee income tax	**7,660**	6,748
Value added tax	**31,522**	28,494
	608,659	572,130

25. Obligations under Finance Leases

	2018			2017		
Leasehold Property	Minimum lease payments £'000	Interest £'000	Principal £'000	Minimum lease payments £'000	Interest £'000	Principal £'000
Committed finance lease obligations:						
Within one year	**755**	**320**	**435**	755	317	438
Between one and five years	**3,020**	**1,280**	**1,740**	3,019	1,267	1,752
Later than five years	**5,722**	**5,688**	**34**	6,329	5,896	433
	9,497	**7,288**	**2,209**	10,103	7,480	2,623

Under the terms of the leases, no contingent rents are payable.

26. Deferred Taxation

Recognised deferred tax assets and liabilities	Assets 2018 £'000	Liabilities 2018 £'000	Net (assets)/ liabilities 2018 £'000	Assets 2017 £'000	Liabilities 2017 £'000	Net (assets)/ liabilities 2017 £'000
Property, plant and equipment	**(2,429)**	**31,364**	**28,935**	(2,501)	31,177	28,676
Employee share schemes	**(698)**	**-**	**(698)**	(667)	-	(667)
Financing	**(10)**	**-**	**(10)**	(55)	-	(55)
Other items	**(696)**	**970**	**274**	(901)	953	52
Intangibles	**-**	**10,110**	**10,110**	-	5,856	5,856
Tax value of losses carried forward	**(2,636)**	**-**	**(2,636)**	(4,162)	-	(4,162)
Pension	**(2,926)**	**-**	**(2,926)**	(3,581)	-	(3,581)
(Assets)/liabilities	**(9,395)**	**42,444**	**33,049**	(11,867)	37,986	26,119

The decrease in the deferred tax asset reflects the utilisation of tax allowances and reliefs for which deferred tax assets were previously recognised, the decrease in the deferred tax asset in respect of property, plant and equipment and a decrease in the deferred tax asset on the pension schemes deficit.

At 31 December 2018, there were unrecognised deferred tax assets in relation to capital losses of £1.9 million (31 December 2017: £0.6 million), trading losses of £3.3 million (31 December 2017: £3.4 million) and deductible temporary differences of £2.6 million (31 December 2017: £nil). Deferred tax assets were not recognised in respect of certain capital losses as they can only be recovered against certain classes of taxable profits. The Directors believe that it is not probable that such profits will arise in the foreseeable future. The trading losses arose in entities that have incurred losses in recent years and the Directors believe that it is not probable there will be sufficient taxable profits in the relevant entities against which they can be utilised. Separately, the Directors believe that it is not probable the deductible temporary differences will be utilised.

26. Deferred Taxation (continued)

Analysis of Net Deferred Tax (asset)/liability	Balance 1 Jan 18 £'000	Recognised in profit or loss £'000	Recognised in other comprehensive income £'000	Foreign exchange retranslation £'000	Arising on acquisitions £'000	Balance 31 Dec 18 £'000
Property, plant and equipment	**28,676**	**77**	**-**	**108**	**74**	**28,935**
Employee share schemes	**(667)**	**(335)**	**304**	**-**	**-**	**(698)**
Financing	**(55)**	**-**	**45**	**-**	**-**	**(10)**
Other items	**52**	**252**	**-**	**43**	**(73)**	**274**
Intangibles	**5,856**	**(7)**	**-**	**26**	**4,235**	**10,110**
Tax value of losses carried forward	**(4,162)**	**1,543**	**-**	**(17)**	**-**	**(2,636)**
Pension	**(3,581)**	**297**	**386**	**(28)**	**-**	**(2,926)**
	26,119	**1,827**	**735**	**132**	**4,236**	**33,049**

Analysis of Net Deferred Tax (asset)/liability	Balance 1 Jan 17 £'000	Recognised in profit or loss £'000	Recognised in other comprehensive income £'000	Foreign exchange retranslation £'000	Arising on acquisitions £'000	Balance 31 Dec 17 £'000
Property, plant and equipment	28,069	(77)	-	684	-	28,676
Employee share schemes	(528)	300	(439)	-	-	(667)
Financing	(85)	-	30	-	-	(55)
Other items	(173)	408	-	38	(221)	52
Intangibles	4,358	(616)	-	144	1,970	5,856
Tax value of losses carried forward	(6,231)	2,268	-	(199)	-	(4,162)
Pension	(4,699)	200	1,069	(101)	(50)	(3,581)
	20,711	2,483	660	566	1,699	26,119

27. Movement in Working Capital

	Inventory £'000	Trade and other receivables £'000	Trade and other payables £'000	Total £'000
At 1 January 2017	292,681	397,689	(523,700)	166,670
Translation adjustment	4,008	3,631	(5,752)	1,887
Disposal of Group businesses	(342)	(245)	161	(426)
Acquisitions (Note 28)	7,697	6,667	(3,499)	10,865
Movement in 2017	24,481	5,353	(39,340)	(9,506)
At 1 January 2018	**328,525**	**413,095**	**(572,130)**	**169,490**
Translation adjustment	**1,069**	**977**	**(1,422)**	**624**
Disposal of Group businesses (Note 28)	**(9,984)**	**(6,281)**	**7,820**	**(8,445)**
Acquisitions (Note 28)	**6,692**	**3,083**	**(6,950)**	**2,825**
Movement in 2018	**23,759**	**40,371**	**(35,977)**	**28,153**
At 31 December 2018	**350,061**	**451,245**	**(608,659)**	**192,647**

28. Acquisition & Disposals of Subsidiary Undertakings and Businesses

Acquisition of Subsidiary Undertakings and Businesses

On 16 February 2018, the Group acquired the entire share capital (100%) of LSDM Limited ("Leyland SDM"). Leyland SDM is a very recognisable and trusted decorating and DIY brand in Central London selling paint, tools, ironmongery and accessories. The Leyland SDM "small box" convenience trading format is a proven business model in Central London that complements the Group's larger Selco branches located in Greater London. Leyland SDM trades from 21 branches. The transaction was funded from the Group's cash and debt facilities. The business is incorporated in the merchanting segment.

On 1 June 2018, the Group acquired 100% of Freke Inbraakbeveiliging ("Freke"), a single branch full service security/access control specialist merchant in the Netherlands. The business is incorporated in the merchanting segment.

In September 2018, the Group acquired 100% of Smits' Ijzerhandel B.V., a single branch in the Netherlands trading as Probin Kaatsheuvel which offers ironmongery, tools and workwear products. The business is incorporated in the merchanting segment.

Goodwill on these acquisitions reflects the anticipated purchasing and operational synergies that should be realised as part of the enlarged Group.

The provisional fair values of assets and liabilities acquired in 2018 are set out below:

	Leyland SDM	Other	Total
	£'000	£'000	£'000
Property, plant and equipment (Note 13)	1,323	167	1,490
Intangible assets - customer relationships (Note 15)	23,033	-	23,033
Intangible assets - trade names (Note 15)	1,880	-	1,880
Intangible assets - computer software (Note 15)	701	-	701
Inventories (Note 27)	6,340	352	6,692
Trade and other receivables (Note 27)	2,558	525	3,083
Trade and other payables (Note 27)	(6,234)	(716)	(6,950)
Corporation tax liability	(703)	(7)	(710)
Deferred tax liability (Note 26)	(4,309)	-	(4,309)
Deferred tax asset (Note 26)	-	73	73
Debt acquired	(7,386)	-	(7,386)
Cash acquired	5,477	440	5,917
Net assets acquired	22,680	834	23,514
Goodwill (Note 12)	53,954	2,264	56,218
Consideration	76,634	3,098	79,732
Satisfied by:			
Cash paid	76,634	3,098	79,732
Net cash outflow – arising on acquisitions			
Cash consideration	76,634	3,098	79,732
Less: cash and cash equivalents acquired	(5,477)	(440)	(5,917)
	71,157	2,658	73,815

Acquisitions would have contributed revenue of £54.3 million and operating profit of £7.8 million in the year ended 31 December 2018 on the assumption that they had been acquired on 1 January. Acquisitions completed in 2018 contributed revenues of £45.7 million and operating profit of £6.8 million for the period from the date of acquisition until the year end.

In 2018, the Group incurred acquisition costs of £0.7m (2017: £0.7m). These have been included in operating costs in the Group Income Statement.

28. Acquisition & Disposals of Subsidiary Undertakings and Businesses (continued)

Acquisition of Subsidiary Undertakings and Businesses (continued)

The fair value of identifiable net assets acquired in 2018 was £23.5 million.

	Fair Value £'000	Consideration £'000	Goodwill £'000
Total acquisitions	**23,514**	**79,732**	**56,218**

Any adjustments to these provisional fair values within the twelve month timeframe from the date of acquisition will be disclosed in the 2019 Annual Report as stipulated by IFRS3 Business Combinations.

There were no adjustments processed during the year to the fair value of business combinations completed during the year ended 31 December 2017.

Disposal of Subsidiary Undertakings and Businesses

During the year the Group completed the disposal of a number of businesses which were no longer considered to be a strategic fit within the portfolio of the Group's businesses. These included Boole's Tools & Piping Fittings Limited and Online Home Retail Limited in the UK and Saint-Vith in Belgium.

Boole's Tools was disposed on 31 August 2018. Saint-Vith was disposed on 31 October 2018 and the disposal of Online Home Retail was completed on 14 December 2018. As a result, the net assets of the Group decreased by £1.9 million representing an overall loss on disposal. The loss on disposal reflects the cash consideration of £13.5 million offset by the net book value of the assets disposed of £15.4 million. The net assets disposed include the write off of the carrying value of the allocated goodwill of £3.6 million. None of these were individually material to be disclosed separately.

The carrying value of assets and liabilities disposed in 2018 are set out below:

	Total £'000
Property, plant and equipment (Note 13)	**3,213**
Inventories (Note 27)	**9,984**
Trade and other receivables (Note 27)	**6,281**
Trade and other payables (Note 27)	**(7,820)**
Corporation tax liability	**(356)**
Cash disposed	**583**
Goodwill written off (Note 12)	**3,580**
Net assets disposed	**15,465**
Cash consideration received	**(13,534)**
Net loss on disposal of Group businesses	**1,931**

Analysis of net loss on disposal of Group businesses

Goodwill written off (Note 12)	**(3,580)**
Profit on disposal	**1,649**
	(1,931)

Net cash inflow – arising on disposals

Cash consideration received	**13,534**
Cash disposed	**(583)**
	12,951

29. Reconciliation of Net Cash Flow to Movement in Net Debt

	2018 £'000	2017 £'000
Net (decrease)/increase in cash and cash equivalents	**(31,384)**	45,070
Net movement in derivative financial instruments	**430**	264
Bank loans and loan notes acquired with subsidiaries (Note 28)	**(7,386)**	-
Cash flow from movement in debt and lease financing	**49,756**	(2,477)
Change in net debt resulting from cash flows	**11,416**	42,857
Translation adjustment	**(1,597)**	(9,468)
Movement in net debt in the year	**9,819**	33,389
Net debt at 1 January	**(62,906)**	(96,295)
Net debt at 31 December	**(53,087)**	(62,906)

Analysis of net debt	Balance 1 Jan 18 £'000	Cashflow £'000	Acquisitions £'000	Non-cash movements £'000	Translation adjustment £'000	Balance 31 Dec 18 £'000
Cash and cash equivalents	253,659	(37,301)	5,917	-	709	222,984
Interest bearing loans and borrowings:						
Non-current liabilities	(312,980)	41,375	-	412	(2,283)	(273,476)
Current liabilities	(478)	7,948	(7,386)	(412)	(4)	(332)
Total interest bearing loans and borrowings	(313,458)	49,323	(7,386)	-	(2,287)	(273,808)
Finance leases	(2,623)	433	-	-	(19)	(2,209)
Derivatives - current and non-current	(484)	430	-	-	-	(54)
Net debt	(62,906)	12,885	(1,469)	-	(1,597)	(53,087)

30. Capital Expenditure Commitments

At the year end the following commitments authorised by the Board had not been provided for in the financial statements:

	2018 £'000	2017 £'000
Contracted for	**4,965**	7,935
Not contracted for	**72,989**	71,180
	77,954	79,115

Capital expenditure commitments are analysed by geography in the table below:

	2018 £'000	2017 £'000
UK	**58,094**	73,436
Ireland	**13,905**	2,944
Netherlands	**5,483**	547
Belgium	**472**	2,188
	77,954	79,115
Amounts relating to intangibles included above	**203**	2,450

31. Operating Leases

Total commitments payable under non-cancellable operating leases are as follows:

	Land and buildings 2018 £'000	Other 2018 £'000	Total 2018 £'000	Land and buildings 2017 £'000	Other 2017 £'000	Total 2017 £'000
Operating lease payments due:						
Within one year	**68,832**	**6,323**	**75,155**	64,521	6,722	71,243
Between two and five years	**250,118**	**8,037**	**258,155**	234,579	9,489	244,068
Over five years	**385,046**	**58**	**385,104**	385,199	-	385,199
	703,996	**14,418**	**718,414**	684,299	16,211	700,510

The Group leases a number of properties under operating leases. The leases typically run for a period of 15 to 25 years. Rents are generally reviewed every five years.

During the year ended 31 December 2018 £77.0 million (2017: £68.7 million) was recognised as an expense in the income statement in respect of operating leases and other hire charges.

32. Pension Commitments

A number of defined benefit and defined contribution pension schemes are operated by the Group and the assets of the schemes are held in separate trustee administered funds.

The actuarial reports are not available for public inspection.

IAS 19 – Employee Benefits

The Group operates four defined benefit schemes in Ireland, two defined benefit schemes in the UK, one scheme in the Netherlands and three schemes in Belgium for qualifying employees (the "DB Schemes"). All schemes except one are closed to new entrants. The DB Schemes are administered by trusts that are legally separated from the Group. The trustees of the DB Schemes are required by law to act in the interest of the members of the DB Schemes. The trustees of the DB Schemes are responsible for the investment policy of the schemes.

Under the DB Schemes, the employees are entitled to receive an annual payment on attainment of normal retirement age which in Ireland, is in line with the State pension age (i.e. age 66, 67 or 68 depending on year of birth) and in the UK is age 65 for the majority of benefits. The level of benefit payable depends on length of service. It also depends, in the case of Ireland, on a member's final pensionable salary near retirement (excluding salary increases up to and including 1st January 2019) and in the case of the UK, on a member's 2013 pensionable salary. Salary for pension purposes is integrated with the State Pension. The DB Schemes provide post retirement pension increases in the UK only and spouse's death in retirement pensions in both Ireland and the UK. No other post-retirement benefits are provided to employees.

32. Pension Commitments (continued)

Defined Benefit Pension Schemes – Principal Risks

Through its defined benefit pension schemes the Group is exposed to a number of risks the most significant of which are detailed below:

Asset volatility: Under IFRS the assets of the Group's defined benefit pension schemes are reported at fair value. The majority of the schemes' assets comprise of equities, bonds and property all of which may fluctuate significantly from one reporting period to the next.

Discount rates: the discount rates used in calculating the present value of scheme liabilities are determined by reference to market yields at the balance sheet date of high quality corporate bonds consistent with the currency and term of the retirement benefit obligations. Changes to the discount rates can have a very significant impact on the amount of defined benefit scheme liabilities.

Salary and price inflation: Some of the Group's pension obligations are salary and inflation linked. Higher salary and price inflation will lead to higher liabilities. In 2013 the Group agreed new arrangements on pensionable salary increases which reduced this risk as noted in the financial assumptions. The exposure to inflation risk relates to the granting of inflation linked pension increases in the UK and also to revaluation of deferred benefits in both the UK and Ireland.

Longevity risk: In the majority of cases the Group's defined benefit pension schemes provide benefits for life. Increases in life expectancy will therefore give rise to higher liabilities.

The nature of these risks is not materially different across all schemes with the exception of salary and price inflation risks which differ between the UK and Ireland.

Financial Assumptions

The financial assumptions used to calculate the retirement benefit liabilities under IAS 19 were as follows:

	At 31 Dec 2018 Irish schemes	At 31 Dec 2018 UK schemes	At 31 Dec 2017 Irish schemes	At 31 Dec 2017 UK schemes
Valuation method	**Projected Unit**	**Projected Unit**	Projected Unit	Projected Unit
Rate of increase in salaries	**2.40%***	**0.00%****	2.65%*	0.00%**
Rate of increase of pensions in payment	**-**	**3.10%**	-	3.10%
Discount rate	**1.80%**	**2.90%**	1.85%	2.60%
Inflation rate increase	**1.20%**	**2.10%*****	1.45%	2.10%***

*2.40% applies from 2 January 2019 (2017: 2.65% from 2 January 2019).

** Pensionable salaries are not adjusted for inflation.

***The inflation assumption shown for the UK is based on the Consumer Price Index (CPI).

The future life expectancy at age 65 for males and females (currently aged 55 and 65), inherent in the mortality tables used for the 2018 and 2017 year end IAS 19 disclosures are as follows:

2018 Mortality (years)		Ireland	UK	2017 Mortality (years)		Ireland	UK
Future Pensioner aged 65:	**Male**	**22.7**	**22.1**	Future Pensioner aged 65:	Male	22.5	22.2
	Female	**24.9**	**24.3**		Female	24.8	24.3
Current Pensioner aged 65:	**Male**	**21.4**	**21.5**	Current Pensioner aged 65:	Male	21.2	21.6
	Female	**23.8**	**23.5**		Female	23.7	23.5

32. Pension Commitments (continued)

Scheme Assets

The assets in these schemes are analysed below:

	%	2018 £'000	%	2017 £'000
UK equities	**2**	**5,635**	3	7,424
Overseas (non- UK) equities	**39**	**90,023**	43	104,374
Government bonds	**21**	**47,325**	15	34,890
Corporate bonds	**3**	**6,394**	3	6,734
Property	**6**	**13,082**	3	8,195
Diversified growth funds	**13**	**30,031**	31	74,877
Other	**0**	**1,508**	1	1,616
Cash	**16**	**36,673**	1	1,253
	100	**230,671**	100	239,363
Actuarial value of liabilities		**(250,834)**		(262,842)
Deficit in the schemes		**(20,163)**		(23,479)
Represented by:				
Retirement benefit assets		**1,469**		1,527
Retirement benefit obligations		**(21,632)**		(25,006)
		(20,163)		(23,479)

Some of the investment funds in which the schemes invest, held shares in Grafton Group plc. The total amount held in Grafton Group plc shares was £Nil at 31 December 2018 (2017: £Nil).

The net pension scheme deficit of £20,163,000 is shown in the Group balance sheet as (i) retirement benefit obligations (non-current liabilities) of £21,632,000 of which £14,982,000 relates to the Euro schemes and £6,650,000 relates to a UK scheme and (ii) retirement benefit assets (non-current assets) of £1,469,000 relating to another UK scheme (£1,060,000) and a Euro scheme (£409,000).

In 2017, the net pension scheme deficit of £23,479,000 is shown in the Group balance sheet as (i) retirement benefit obligations (non-current liabilities) of £25,006,000 of which £13,038,000 relates to the Euro schemes and £11,968,000 relates to a UK scheme and (ii) retirement benefit assets (non-current assets) of £1,527,000 relating to another UK scheme (£1,040,000) and a Euro scheme (£487,000).

The actual return on plan assets is set out below:

	2018 £'000	2017 £'000
Actual return on plan assets	**(7,341)**	16,867

Plan assets are comprised as follows:

	2018 Quoted £'000	2018 Unquoted £'000	2018 Total £'000	2017 Quoted £'000	2017 Unquoted £'000	2017 Total £'000
Equity - UK	**5,315**	**320**	**5,635**	7,114	310	7,424
Equity - Other	**89,603**	**420**	**90,023**	103,846	528	104,374
Bonds - Government	**46,960**	**365**	**47,325**	34,559	331	34,890
Bonds - Corporate	**5,901**	**493**	**6,394**	6,201	533	6,734
Property	**12,888**	**194**	**13,082**	8,089	106	8,195
Cash	**36,673**	**-**	**36,673**	1,237	16	1,253
Diversified growth funds	**30,031**	**-**	**30,031**	74,877	-	74,877
Other	**-**	**1,508**	**1,508**	-	1,616	1,616
Total	**227,371**	**3,300**	**230,671**	235,923	3,440	239,363

32. Pension Commitments (continued)

Sensitivity of Pension Liability to Judgemental /Assumptions

Assumption	Change in Assumptions	Impact on Scheme Liabilities
Discount rate	Increase by 0.25%	Reduce by 4.3%
Rate of salary growth	Increase by 0.25%	Increase by 0.7%
Rate of inflation*	Increase by 0.25%	Increase by 2.5%
Life expectancy	Increase by 1 year	Increase by 3.4%

*Assumed that an increase of 0.25% in the inflation assumption would also give rise to an increase in the salary increase assumption of 0.25%.

The above sensitivity analysis is derived through changing an individual assumption while holding all other assumptions constant.

The following table provides a reconciliation of the scheme assets (at bid value) and the actuarial value of scheme liabilities:

	Year Ended 31 December					
	Assets		Liabilities		Net asset/(deficit)	
	2018	2017	2018	2017	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January	**239,363**	221,966	**(262,842)**	(253,251)	**(23,479)**	(31,285)
Acquired in year	**-**	-	**-**	(198)	**-**	(198)
Interest income on plan assets	**5,328**	5,296	**-**	-	**5,328**	5,296
Contributions by employer	**5,499**	4,193	**-**	-	**5,499**	4,193
Contributions by members	**651**	688	**(651)**	(688)	**-**	-
Benefit payments	**(8,399)**	(8,179)	**8,399**	8,179	**-**	-
Current service cost	**-**	-	**(2,764)**	(2,677)	**(2,764)**	(2,677)
Past service credit	**-**	-	**34**	282	**34**	282
Settlement gain	**-**	-	**-**	98	**-**	98
Other long term benefit (expense)	**-**	-	**(33)**	(56)	**(33)**	(56)
Interest cost on scheme liabilities	**-**	-	**(5,831)**	(6,017)	**(5,831)**	(6,017)
Remeasurements						
Actuarial gain/(loss) arising from:						
- experience variations	**-**	-	**6,270**	183	**6,270**	183
- financial assumptions	**-**	-	**7,848**	(6,216)	**7,848**	(6,216)
- demographic assumptions	**-**	-	**(244)**	1,900	**(244)**	1,900
Return on plan assets excluding interest income	**(12,669)**	11,571	**-**	-	**(12,669)**	11,571
Translation adjustment	**898**	3,828	**(1,020)**	(4,381)	**(122)**	(553)
At 31 December	**230,671**	239,363	**(250,834)**	(262,842)	**(20,163)**	(23,479)
Related deferred tax asset (net)					**2,926**	3,581
Net pension liability					**(17,237)**	(19,898)

Expense Recognised in Income Statement

	2018	2017
	£'000	£'000
Current service cost	**2,764**	2,677
Other long term benefit expense	**33**	56
Settlement gain	**-**	(98)
Past service credit	**(34)**	(282)
Total operating charge	**2,763**	2,353
Net finance costs on pension scheme obligations	**503**	721
Total expense recognised in income statement	**3,266**	3,074

32. Pension Commitments (continued)

Recognised Directly in Other Comprehensive Income

	2018 £'000	2017 £'000
Remeasurement gain on pensions	**1,205**	7,438
Deferred tax on pensions	**(386)**	(1,069)
	819	6,369

Actuarial Valuations – Funding Requirements

Employees pay contributions equal to a percentage of pensionable salary. The percentage payable varies by scheme. Triennial actuarial valuations are carried out to determine the group's contribution rate required under the schemes.

In Ireland, the DB schemes are assessed against the Funding Standard (the statutory minimum funding requirement). As most of the DB schemes did not satisfy the Funding Standard, funding proposals are in place to address Funding Standard deficits. The funding proposals were agreed between the Group and the trustees of the relevant schemes and were designed to restore the Funding Standard positions by the end of 2023. The portion of contributions due for 2019, which relate to deficit funding in the Irish Schemes is £1.6 million, of which, £0.3 million had been paid by the 31st December 2018 reporting date and is already allowed for in the end of year asset value. An annual assessment is carried out each year to confirm the funding proposals remain on-track to achieve their funding targets. If a funding proposal is certified as being off-track, higher contributions may be required to fund the deficits. Triennial valuations are also due to be carried out for the Irish schemes at 1st January 2019.

In the UK, the DB schemes are subject to the Statutory Funding Objective under the Pensions Act 2004. Valuations of the DB Schemes are carried out at least once every three years to determine whether or not the Statutory Funding Objectives are met. As part of the process, the Group must agree with the Trustees of the DB Schemes the contributions to be paid to address any shortfalls against the Statutory Funding Objectives and contributions to pay for future accrual of benefits. The results of a valuation prepared with an effective date of 31 December 2017 are still being finalised. Under the current schedule of contributions, the company expects to pay £0.8 million in respect of deficit funding in the UK in 2019.

No explicit external contracts have been entered into to provide liability matching such as longevity swaps or annuity purchase. Following a recent strategy review the scheme's investments are being more closely aligned to the liabilities by term and nature in order to minimise volatility and target full funding on the local statutory funding measures.

The contributions expected to be paid to the Group's defined benefit schemes in 2019 total approximately £2.6 million.

Average duration and scheme composition

	Ireland		UK	
	2018	2017	2018	2017
Average duration of defined benefit obligation (years)	**18.00**	19.00	**17.95**	18.96

Allocation of total defined benefit obligation by participant

	2018	2017
Active plan participants	**33%**	36%
Deferred plan participants	**27%**	29%
Retirees	**40%**	35%
	100%	100%

33. Share Based Payments

The Group's employee share schemes are equity settled share based payments as defined in IFRS 2 Share Based Payments. The total share based payments expense for the year charged to the income statement was £6,193,000 (2017: £4,908,000), analysed as follows:

	2018 £'000	2017 £'000
LTIP	**5,235**	4,574
UK SAYE Scheme	**958**	334
	6,193	4,908

Details of the schemes operated by the Group are set out below:

Long Term Incentive Plan (LTIP)

A Long Term Incentive Plan (LTIP) was introduced in 2011. Details of the plan are set out in the Report of the Remuneration Committee on Directors' Remuneration on pages 79 to 95. Awards over 967,455 Grafton Units were granted under the plan on 9 April 2018 (2017: 876,455 on 12 April 2017 and 68,733 on 10 May 2017).

A summary of the award granted on 9 April 2018 is set out below:

Grant date	**LTIP 2018 9 April 2018**	LTIP 2017 10 May 2017	LTIP 2017 12 April 2017
Share price at date of award	**£7.54**	£7.74	£7.15
Exercise price	**N/A**	N/A	N/A
Number of employees	**215**	3	211
Number of share awards	**967,455**	68,733	876,455
Vesting period	**3 years**	3 years	3 years
Expected volatility	**35.4%**	28.1%	27.9%
Award life	**3 years**	3 years	3 years
Expected life	**3 years**	3 years	3 years
Risk free rate	**0.86%**	0.38%	0.42%
Expected dividends expressed as dividend yield	**2.05%**	1.74%	1.91%

Valuation model - EPS	**Binomial model**	Binomial model	Binomial model
Valuation model - TSR	**Black Scholes/ Monte-Carlo**	Black Scholes/ Monte-Carlo	Black Scholes/ Monte-Carlo
Fair value of share award - EPS component	**£7.09**	£7.34	£6.75
Fair value of share award - TSR component	**£4.08**	£5.79	£4.98

The expected volatility, referred to above, is based on volatility over the last 3 years. The expected life is equal to the vesting period. The risk free rate of return is the yield on bonds from the Bank of England for a term consistent with the life of the award at the grant date. The fair values of share awards granted under the 2011 plan were determined taking account of peer group total share return volatility together with the above assumptions.

33. Share Based Payments (continued)

A reconciliation of all share awards granted under the LTIP is as follows:

	2018 Number	2017 Number
Outstanding at 1 January	**2,383,190**	2,343,298
Granted in year	**967,455**	945,188
Forfeited#	**(167,610)**	(121,609)
Expired unvested	**(339,271)**	(116,190)
Exercised	**(267,857)**	(667,497)
Outstanding at 31 December	**2,575,907**	2,383,190

#Share entitlements forfeited by employees who have left the Group and have no further entitlements under the scheme.

At 31 December 2018 and 31 December 2017 none of the LTIPs were exercisable as the conditions for exercise were not fulfilled before the year-end.

Share Schemes

Up to April 2009 key executives could acquire shares in the Group so as to provide an incentive to perform strongly over an extended period and to align their interests with those of shareholders. Under the terms of the 1999 Grafton Group Share Scheme, two types of share were available subject to the conditions set out below:

(i) Basic shares which cannot be converted before the expiration of five years, unless the Remuneration Committee agrees to a shorter period which shall not be less than three years, and may be converted any time after that to the end of their contractual life provided the Company's earnings per share has grown at not less than the rate of growth in the Consumer Price Index plus 5 per cent compounded during that period. Basic shares granted after 8 May 2008 cannot be converted before the expiration of three years.

(ii) Second tier shares which cannot be converted before the expiration of five years and at any time thereafter up to the end of their contractual life, only if over a period of at least five years the growth in the Group's earnings per share would place it in the top 25 per cent of the companies listed on the Irish Stock Exchange Index over the same period and provided that such shares shall be acquired only if the Company's earnings per share growth over the relevant period is greater, by not less than 10 per cent on an annualised basis, than the increase in the Consumer Price Index over that period.

The share scheme had a ten year life for the award of entitlements and this period expired in 2009. The percentage of share capital which may be issued under the scheme and individual grant limits complied with Institutional Guidelines.

The number of Grafton Units issued during the year under the Company's Executive Share Schemes was Nil (2017: Nil). Entitlements outstanding at 31 December 2018 amounted to 1,505,001 (2017: 1,505,001). Grafton Units may be acquired, in accordance with the rules of the scheme, at a price of €1.66 during the period to 2019.

A reconciliation of share entitlements under the Grafton Group Share Option Scheme and the 1999 Grafton Group Share Scheme is as follows:

	2018		2017	
	Number	Weighted average exercise price €	Number	Weighted average exercise price €
Outstanding at 1 January	**1,505,001**	**1.66**	2,440,001	4.27
Forfeited#	-	-	-	-
Expired*	-	-	(935,000)	8.48
Outstanding at 31 December	**1,505,001**	**1.66**	1,505,001	1.66

#Share entitlements forfeited by employees who have left the Group and have no further entitlements under the scheme.
*Performance conditions not met.

33. Share Based Payments (continued)

Share entitlements are exercisable within six months upon a change of control of the Company. The weighted average remaining life of the share entitlements is 0.2 years (2017: 1.2 years).

At 31 December 2018 none of the share entitlements were exercisable as the conditions for exercise were not fulfilled before the year-end.

UK SAYE Scheme

Options over 1,593,003 (2017: 1,395,276) Grafton Units were outstanding at 31 December 2018, pursuant to a new 2018 and existing 2017 three year saving contract under the Grafton Group (UK) plc 2011 Approved SAYE Plan at a price of £6.58 and £6.77 respectively. These options are normally exercisable within a period of six months after the third anniversary of the savings contract, being December 2021 for the 2018 SAYE scheme and December 2020 for the 2017 SAYE scheme.

Options over the Group's 2014 three year savings contract under the Grafton Group UK plc 2011 Approved SAYE plan at a price of £5.97 were Nil at 31 December 2018 (2017: 227,632). The number of Grafton Units issued during the year under this scheme was 211,728 (2017: 322,165) and the total consideration received amounted to £1,264,000 (2017: £1,923,000). Options forfeited in the year were 15,904 (2017: 43,878).

The number of Grafton Units issued during the year under the 2017 SAYE Scheme was 747 (2017: Nil) and the total consideration received amounted to £5,000 (2017: £Nil). Options forfeited in the year were 141,903 (2017: 7,782).

A reconciliation of options granted under the 2014 Grafton Group (UK) plc 2011 Approved SAYE Plan is as follows:

	Number	2018 Option price £	Number	2017 Option price £
Outstanding at 1 January	**227,632**	**5.97**	593,675	5.97
Forfeited	**(15,904)**	**5.97**	(43,878)	5.97
Exercised	**(211,728)**	**5.97**	(322,165)	5.97
Outstanding at 31 December	-		227,632	

A reconciliation of options granted under the 2017 SAYE is as follows:

	Number	2018 Option price £	Number	2017 Option price £
Outstanding at 1 January	**1,167,644**	**6.77**	-	-
Granted	-	-	1,175,426	6.77
Forfeited	**(141,903)**	**6.77**	(7,782)	6.77
Exercised	**(747)**	**6.77**	-	-
Outstanding at 31 December	**1,024,994**		1,167,644	

A reconciliation of options granted under the 2018 SAYE is as follows:

	Number	2018 Option price £
Outstanding at 1 January	-	-
Granted	**576,479**	**6.58**
Forfeited	**(8,470)**	**6.58**
Outstanding at 31 December	**568,009**	

The weighted average share price for the period was £7.62 (2017: £7.31).

At 31 December 2018 none of the 2018 or the 2017 UK SAYE shares were exercisable. The weighted average remaining life is 2.6 years (2017: 2.8 years).

34. Accounting Estimates and Judgements

In the opinion of the Directors, there were no matters of significant judgement exercised in the preparation of the financial statements and the key sources of estimation uncertainty were as follows:

Goodwill

The Group has capitalised goodwill of £646.2 million at 31 December 2018 (2017: £591.7 million) as detailed in Note 12. Goodwill is required to be tested for impairment at least annually or more frequently if changes in circumstances or the occurrence of events indicate potential impairment exists. The Group uses value in use calculations to determine the recoverable amount of cash generating units containing goodwill. Value in use is calculated as the present value of future cash flows. In calculating value in use, management estimation is required in forecasting cash flows of the segments and in selecting an appropriate discount rate and the nominal growth rate in perpetuity. In 2018, the Group disposed of a number of businesses which resulted in a write off of goodwill amounting to £3.6 million. There were no such material adjustments in 2017.

Retirement Benefit Obligations

The Group operates a number of defined benefit retirement plans which are as set out in Note 32. The Group's total obligation in respect of defined benefit plans is calculated by independent, qualified actuaries and updated at least annually and totals £250.8 million at 31 December 2018 (2017: £262.8 million). Plan assets at 31 December 2018 amounted to £230.7 million (2017: £239.4 million) giving a net scheme deficit of £20.2 million (2017: £23.4 million). The size of the obligation is sensitive to actuarial assumptions. The key assumptions are the discount rate, the rate of inflation, life expectancy, pension benefits and rate of salary increases. The sensitivities of the principal assumptions used to measure defined benefit pension scheme obligations are set out in Note 32.

Rebate Income

Rebate arrangements with suppliers are a common feature of trading in the merchanting industry and the Group has agreements with individual suppliers related to purchases of goods for resale.

Rebates are accounted for as a deduction from the cost of goods for resale and are recognised in the financial statements based on the amount that has been earned in respect of each individual supplier up to the balance sheet date. Rebates receivable are determined using established methodologies and are only recognised in the income statement where there is an agreement in place with an individual supplier, any related performance conditions have been met and the goods have been sold to a third-party customer.

Rebates receivable from individual suppliers are typically calculated by applying an agreed percentage to the purchase price shown on the supplier invoice for products purchased for resale. A small proportion of rebates receivable are based on volumes purchased with certain supplier agreements providing for a stepped increase in rebates if purchases reach predetermined targets within a specified time period.

The majority of rebate arrangements cover a calendar year which coincides with the financial year of the Group and this reduces the requirement to estimate rebates receivable at the year-end. Where estimation is used in the calculation of rebates receivable it is done on a consistent and prudent basis, based upon management's knowledge and experience of the suppliers and historic collection trends.

Rebates are classified in the balance sheet as follows:

Inventories

The carrying value of inventories at the balance sheet date is reduced to reflect rebates receivable relating to inventory that has not been sold at the balance sheet date.

Trade and Other Receivables

The amount of rebate receivable at the balance sheet date is classified as other receivables and separately disclosed in Note 17, Trade and Other Receivables.

Trade and Other Payables

Where the Group has the legal right to set-off rebates receivable against amounts owing to individual suppliers, any rebates receivable at the balance sheet date are netted against amounts payable to these suppliers and the amount, if material, is separately disclosed in Note 24, Trade and Other Payables.

34. Accounting Estimates and Judgements (continued)

Valuation of Inventory

Inventory comprises raw materials, finished goods and goods purchased for resale. Provisions are made against slow moving, obsolete and damaged inventories for which the net realisable value is estimated to be less than cost. Determining the net realisable value of the wide range of products held in many locations requires estimation to be applied to determine the likely saleability of products and the potential prices that can be achieved. In arriving at any provisions for net realisable value, the Directors take into account the age, condition, quality of the products in stock and recent sales trends. The actual realisable value of inventory may differ from the estimated value on which the provision is based. The Group held provisions in respect of inventory balances at 31 December 2018 amounting to £37.9 million (2017: £36.4 million).

35. Related Party Transactions

The principal related party transactions that require disclosure under IAS 24: Related Party Disclosures relate to subsidiaries, key management personnel and post-employment benefit plans.

Subsidiaries

Sales to and purchases from, together with outstanding payables and receivables to and from, subsidiaries are eliminated in the preparation of the consolidated financial information in accordance with IFRS 10, Consolidated Financial Statements.

Key Management Personnel

The term key management personnel for 2018 is the Board of Grafton Group plc and the Company Secretary/Group Financial Controller. The cost of key management personnel is analysed in Note 6 to the Group Financial Statements. The Report of the Remuneration Committee on Directors' Remuneration on pages 79 to 95 provides detailed disclosure for 2018 and 2017 of salaries, fees, performance-related pay, pension allowance, other benefits and entitlements to acquire Grafton Units in accordance with the rules of the 1999 Grafton Group Share Scheme and awards granted under the LTIP.

Post-Employment Benefit Plans

Pension commitments to existing and former employees under defined benefit pension scheme arrangements are disclosed in Note 32 to the Group Financial Statements.

36. Events after the Balance Sheet Date

There have been no other material events subsequent to 31 December 2018 that would require adjustment to or disclosure in this report.

37. Approval of Financial Statements

The Board of Directors approved the Group Financial Statements on pages 111 to 178 on 11 March 2019.

Company Balance Sheet
As at 31 December 2018

	Notes	2018 €'000	2017 €'000
Fixed assets			
Intangible assets	4	**164**	126
Tangible assets	4	**225**	421
Financial assets	5	**524,724**	535,130
Total fixed assets		**525,113**	535,677
Current assets			
Debtors (including €12.7m (2017: €12.7m) due after more than one year)	6	**1,213,984**	1,159,400
Cash at bank and in hand		**4,670**	6,091
Total current assets		**1,218,654**	1,165,491
Creditors: amounts falling due within one year	7	**(493,277)**	(453,723)
Net current assets		**725,377**	711,768
Total assets less current liabilities		**1,250,490**	1,247,445
Net assets		**1,250,490**	1,247,445
Capital and reserves			
Called-up share capital	11	**11,954**	11,930
Share premium account	11	**303,938**	302,508
Capital redemption reserve		**905**	905
Shares to be issued reserve		**13,582**	10,433
Profit and loss account		**925,857**	927,415
Treasury shares held		**(5,746)**	(5,746)
Shareholders' equity		**1,250,490**	1,247,445

There was a loss after tax of €5.4 million (2017: €9.6 million) attributable to the parent undertaking for the financial year.

On behalf of the Board

Gavin Slark
Director
11 March 2019

David Arnold
Director

Company Statement of Changes in Equity

	Equity share capital €'000	Share premium account €'000	Capital redemption reserve €'000	Shares to be issued reserve €'000	Profit and loss account €'000	Treasury shares €'000	Total equity €'000
Year to 31 December 2018							
At 1 January 2018	**11,930**	**302,508**	**905**	**10,433**	**927,415**	**(5,746)**	**1,247,445**
Loss after tax for the financial year	**-**	**-**	**-**	**-**	**(5,387)**	**-**	**(5,387)**
Total other comprehensive income							
Remeasurement loss on pensions (net of tax)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income	**-**	**-**	**-**	**-**	**(5,387)**	**-**	**(5,387)**
Transactions with owners of the Company recognised directly in equity							
Issue of Grafton Units	**24**	**1,430**	**-**	**-**	**-**	**-**	**1,454**
Share based payments charge	**-**	**-**	**-**	**6,978**	**-**	**-**	**6,978**
Transfer from shares to be issued reserve	**-**	**-**	**-**	**(3,829)**	**3,829**	**-**	**-**
	24	**1,430**	**-**	**3,149**	**3,829**	**-**	**8,432**
At 31 December 2018	**11,954**	**303,938**	**905**	**13,582**	**925,857**	**(5,746)**	**1,250,490**
Year to 31 December 2017							
At 1 January 2017	11,880	300,345	905	10,617	931,237	(5,746)	1,249,238
Loss after tax for the financial year	-	-	-	-	(9,604)	-	(9,604)
Total other comprehensive income							
Remeasurement loss on pensions (net of tax)	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	(9,604)	-	(9,604)
Transactions with owners of the Company recognised directly in equity							
Issue of Grafton Units	50	2,163	-	-	-	-	2,213
Share based payments charge	-	-	-	5,598	-	-	5,598
Transfer from shares to be issued reserve	-	-	-	(5,782)	5,782	-	-
	50	2,163	-	(184)	5,782	-	7,811
At 31 December 2017	11,930	302,508	905	10,433	927,415	(5,746)	1,247,445

Notes to the Company Financial Statements

1. Basis of Preparation

The financial statements have been prepared on a going concern basis under the historical cost convention in accordance with the Companies Act 2014 and Generally Accepted Accounting Practice in the Republic of Ireland (Financial Reporting Standard 101 Reduced Disclosure Framework (FRS101)). Note 2 describes the principle accounting policies under FRS101, which have been applied consistently.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Comparative period reconciliations for tangible fixed assets and intangible assets;
- The option to take tangible and intangible assets at deemed cost;
- Disclosures in respect of transactions with wholly-owned subsidiaries;
- Disclosures in respect of financial risk management;
- Disclosure of key management compensation;
- Certain requirements of IAS 1 Presentation of Financial Statements;
- Disclosures required by IFRS 7 Financial Instrument Disclosures;
- Disclosures required by IFRS 13 Fair Value Measurement; and
- The effects of new but not yet effective IFRSs.

As the consolidated financial statements of Grafton Group plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosure:

- IFRS 2 Share Based Payments in respect of group settled share-based payments.

In accordance with Section 304(2) of the Companies Act 2014, the income statement and related notes of the parent undertaking have not been presented separately in these financial statements.

2. Accounting Policies

Key accounting policies which involve estimates, assumptions and judgements

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Financial assets

Investments in subsidiaries are stated at cost less any accumulated impairment and are reviewed for impairment if there are any indicators that the carrying value may not be recoverable.

2. Accounting Policies (continued)

Loans receivable and payable

Intercompany loans receivable and payable are initially recognised at fair value. These are subsequently measured at amortised cost, less any provision for impairment.

Other significant accounting policies

Operating income and expense

Operating income and expense arises from the Company's principal activities as a holding company for the Group and are accounted for on an accruals basis.

Foreign currencies

The functional and presentation currency of the Company is euro. Transactions in foreign currencies are translated at the rates of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into euro at the rates of exchange ruling at the balance sheet date, with a corresponding charge or credit to the profit and loss account.

Share issue expenses

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Share-based payments

The Company has applied the requirements of Section 8 of FRS 101. The accounting policy applicable to share-based payments is addressed in detail on page 125 of the Consolidated Financial Statements.

Treasury Shares

Own equity instruments (i.e. Ordinary Shares) acquired by the Company are deducted from equity and presented on the face of the Company Balance Sheet. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's Ordinary Shares.

Dividends

Dividends on Ordinary Shares are recognised as a liability in the Company's Financial Statements in the period in which they are declared by the Company.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Property, plant and equipment are depreciated over their useful economic life on a straight line basis in line with Group policy as noted in Note 1 to the Consolidated Financial Statements.

2. Accounting Policies (continued)

Intangible assets (computer software)

Acquired computer software is stated at cost less any accumulated amortisation and any accumulated impairment losses. Cost comprises of purchase price and any other directly attributable costs. Computer software is recognised in line with the criteria as outlined in Note 1 to the Consolidated Financial Statements.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances held for the purpose of meeting short-term cash commitments and investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. Bank overdrafts are included within creditors falling due within one year in the Company Balance Sheet.

3. Statutory and Other Information

The following items have been charged to the company income statement:

	2018 €'000	2017 €'000
Statutory audit (refer to Note 3 of Group Financial Statements)	**60**	60
Depreciation	**204**	207
Intangible asset amortisation	**38**	33
Operating lease costs	**142**	114
Directors' remuneration	**4,728**	4,589

The Directors' remuneration is set out in detail in the Report of the Remuneration Committee on Directors' Remuneration on pages 79 to 95.

The average number of persons employed by the Company during the year was 24 (2017: 28).

	2018 €'000	2017 €'000
The aggregate remuneration costs of employees were:		
Wages and salaries	**5,289**	5,478
Social welfare costs	**303**	297
Share-based payments charge	**1,966**	1,654
Defined contribution and pension related costs	**404**	563
Charged to operating profit	**7,962**	7,992
Net finance cost on pension scheme obligations	**-**	-
Charged to income statement	**7,962**	7,992
Actuarial loss on pension scheme	**-**	-
Total employee benefit cost	**7,962**	7,992

4. Tangible & Intangible Assets

	Plant and Equipment 2018 €'000	Intangible Assets* 2018 €'000
Company		
Cost		
At 1 January	3,069	187
Additions	8	76
At 31 December	3,077	263
Depreciation		
At 1 January	2,648	61
Charge for year	204	38
At 31 December	2,852	99
Net book amount		
At 31 December	225	164
At 1 January	421	126

*The computer software additions reflects the cost of the Company's investment on upgrading the IT systems and infrastructure.

5. Financial Assets

	Other investments €'000	Investments in subsidiary undertakings €'000	Total €'000
At 1 January 2017	13	531,173	531,186
Capital contribution - share-based payments	-	3,944	3,944
At 31 December 2017	13	535,117	535,130
Additions	1	-	1
Capital contribution - share-based payments	-	5,011	5,011
Impairments during the year	-	(15,418)	(15,418)
At 31 December 2018	14	524,710	524,724

* The impairment charge during 2018 largely relates to subsidiaries which were liquidated

Other investments represent sundry equity investments at cost less provision for impairment.

6. Debtors

	2018	2017
	€'000	€'000
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	**1,195,343**	1,141,848
Deferred tax	**94**	214
Other receivables	**5,861**	4,606
	1,201,298	1,146,668
Amounts falling due after one year:		
Amounts owed by subsidiary undertakings	**12,686**	12,732

7. Creditors

	2018	2017
	€'000	€'000
Amounts falling due within one year:		
Accruals	**7,190**	7,096
Amounts owed to subsidiary undertakings	**486,087**	446,627
	493,277	453,723

8. Deferred Taxation

Recognised deferred tax (assets) and liabilities	Assets 2018 €'000	Liabilities 2018 €'000	Net (assets)/ liabilities 2018 €'000	Assets 2017 €'000	Liabilities 2017 €'000	Net (assets)/ liabilities 2017 €'000
Other items	**(94)**	**-**	**(94)**	(214)	-	(214)

	Balance 1 Jan 18 €'000	Recognised in income €'000	Recognised in other comprehensive income €'000	Foreign exchange retranslation €'000	Arising on acquisitions €'000	Balance 31 Dec 18 €'000
Other items	**(214)**	**120**	**-**	**-**	**-**	**(94)**

	Balance 1 Jan 17 €'000	Recognised in income €'000	Recognised in other comprehensive income €'000	Foreign exchange retranslation €'000	Arising on acquisitions €'000	Balance 31 Dec 17 €'000
Other items	(336)	122	-	-	-	(214)

9. Operating Leases

Total commitments payable under non-cancellable operating leases are as follows:

	Land and Buildings / Other 2018 €'000	Land and Buildings / Other 2017 €'000
Operating lease payments due:		
Within one year	**165**	142
Between two and five years	**603**	660
Over five years	**-**	141
	768	943

10. Pension Commitments

A defined benefit scheme and defined contribution pension schemes are operated by the Company and the assets of the schemes are held in separate trustee administered funds.

The actuarial reports are not available for public inspection.

IAS 19 – Employee Benefits

An actuarial valuation was updated to 31 December 2018 by a qualified independent actuary.

Financial Assumptions

The financial assumptions used to calculate the retirement benefit liabilities under IAS 19 were as follows:

	At 31 Dec 2018 Company scheme	At 31 Dec 2017 Company scheme
Valuation Method	**Projected Unit**	Projected Unit
Rate of increase of pensions in payment	**-**	-
Discount rate	**1.80%**	1.85%
Inflation rate increase	**1.20%**	1.45%

The Company's obligations to the scheme at the end of 2018 and 2017 were limited to providing a pension to an executive who retired in 2009 on a fixed pension.

	Year ended 31 December					
	Assets		Liabilities		Net asset/(deficit)	
	2018 €'000	2017 €'000	2018 €'000	2017 €'000	2018 €'000	2017 €'000
At 1 January	**1,309**	1,356	**(1,309)**	(1,356)	**-**	-
Interest income on plan assets	**24**	24	**-**	-	**24**	24
Benefit payments	**(76)**	(76)	**76**	76	**-**	-
Interest cost on scheme liabilities	**-**	-	**(24)**	(24)	**(24)**	(24)
Remeasurement gains/(losses)	**19**	5	**(19)**	(5)	**-**	-
At 31 December	**1,276**	1,309	**(1,276)**	(1,309)	**-**	-
Related deferred tax asset (net)					**-**	-
Net pension liability					**-**	-

No contributions are expected to be paid to the Company's defined benefit scheme in 2018 (2017: €Nil).

11. Share Capital and Share Premium

Details of equity share capital and share premium are set out below and in Note 18 to the Group Financial Statements.

	Issue Price	Number of Shares	2018 Nominal Value €'000	2017 Nominal Value €'000
Issued and fully paid:				
Ordinary shares				
At 1 January		**237,785,549**	**11,890**	11,841
Issued under UK SAYE scheme*		**212,475**	**11**	16
2011 Long Term Incentive Plan				
Date awards granted				
April 2015 LTIP	**Nil**	**267,857**	**13**	-
April 2014 LTIP	**Nil**	**-**	**-**	33
At 31 December		**238,265,881**	**11,914**	11,890
'A' ordinary shares				
At 1 January		**4,042,354,333**	**40**	39
'A' ordinary shares issued in year		**8,165,644**	**-**	1
At 31 December		**4,050,519,977**	**40**	40
Total nominal share capital issued			**11,954**	11,930

* Refer to Note 33 to the Group Financial Statements which outlines the issue price of the SAYE Schemes.

Share Premium

Company	2018 €'000	2017 €'000
At 1 January	**302,508**	300,345
Premium on issue of shares under UK SAYE scheme	**1,430**	2,163
At 31 December	**303,938**	302,508

12. Share-Based Payments

Details of Share-Based Payments are set out in Note 33 of the Group Financial Statements.

13. Related Party Transactions

The principal related party transactions that require disclosure under IAS 24: Related Party Disclosures relate to subsidiaries, key management personnel and post-employment benefit plans.

Subsidiaries

The consolidated accounts of the Company and its subsidiaries include the following transactions that have been eliminated on consolidation:

- Management charges made by the Company to its subsidiaries of €10.2 million (2017: €11.7 million) for the year ended 31 December 2018; and
- Loans were granted to and by the Company to its subsidiaries.

Post-Employment Benefit Plans

Pension commitments to existing and former employees under defined benefit pension scheme arrangements are disclosed in Note 10 to the Company Financial Statements.

14. Principal Operating Subsidiaries

The principal operating subsidiaries operating in Ireland are:

Name of Company	Nature of Business
Grafton Merchanting ROI Limited	Builders merchants
Chadwicks Limited	Builders merchants
Woodie's DIY Limited	DIY superstores

The Company owns 100 per cent of the ordinary shares, the only class of shares in issue, of its principal operating subsidiary undertakings. The registered office of principal subsidiary undertakings operating in Ireland is c/o Grafton Group plc, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18.

The principal operating subsidiaries operating in the United Kingdom are:

Name of Company	Nature of Business
Grafton Merchanting GB Limited	Builders merchants
Macnaughton Blair Limited	Builders merchants
Selco Trade Centres Limited	Builders merchants
LSDM Limited	Builders merchants
CPI Mortars Limited	Mortar manufacturers

The Company owns 100 per cent of the share capital of its principal subsidiary undertakings operating in the UK. The registered office of Grafton Merchanting GB Limited is Ground Floor, Boundary House 2 Wythall Green Way, Wythall, Birmingham, United Kingdom, B47 6LW. The registered office of Selco Trade Centres Limited is First Floor, Boundary House, 2 Wythall Green Way, Wythall, Birmingham, B47 6LW. The registered office of LSDM Limited is Ground Floor, Boundary House 2 Wythall Green Way, Wythall, Birmingham, United Kingdom, B47 6LW. The registered office of CPI Mortars Limited is Oak Green House, 250-256 High Street, Dorking, Surrey, RH4 1QT. The registered office of Macnaughton Blair Limited is 10 Falcon Road, Belfast, BT12 6RD, Northern Ireland.

The principal operating subsidiaries in Belgium are:

Name of Company	Nature of Business
YouBuild NV (formerly BMC Groep NV)	Builders merchants
Binje Ackermans S.A. (trading as MPRO)	Builders merchants

The registered office of YouBuild NV is Ropswalle 26, 8930 Menen, Belgium. The registered office of Binje Ackermans S.A. is Rue Nestor Martin 315, BE-1082 Brussel, Belgium.

The principal operating subsidiaries in the Netherlands are:

Name of Company	Nature of Business
Isero IJzerwarengroep B.V.	Ironmongery, tools and fixings
Pijnenburg Bouw en Industrie B.V.	Ironmongery, tools and fixings
Gunters en Meuser B.V.	Ironmongery, tools and fixings

The registered office of Isero IJzerwarengroep B.V. is Barwoutswaarder 1, 3449 HE Woerden, the Netherlands. The registered office of Pijnenburg Bouw en Industrie B.V. is Pegasusweg 4, 5015BZ Tilburg, the Netherlands. The registered office of Gunters en Meuser B.V. is Egelantiersgracht 2-6, 1015 RL Amsterdam, the Netherlands.

15. Section 357 Guarantees

Each of the following Irish registered subsidiaries of the Company, whose registered office is c/o Grafton Group plc, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18 (company number: 8149) may avail of the exemption from filing its statutory financial statements for the year ended 31 December 2018 as permitted by section 357 of the Companies Act 2014 and, if any these Irish registered subsidiaries of the Company elects to avail of this exemption, there will be in force an irrevocable guarantee from the Company in respect of all commitments entered into by such wholly-owned subsidiary, including amounts shown as liabilities (within the meaning of section 357 (1) (b) of the Companies Act 2014) in such wholly-owned subsidiary's statutory financial statements for the year ended 31 December 2018:

Athina Limited, Atlantic Home and Garden Centre Limited, Barretts of Ballinasloe Limited, Beralt Developments Limited, Bluebell Sawmills Limited, Cardston Properties Limited, Chadwicks Limited, Chadwicks Holdings Limited, Cheshunt Limited, Cork Builders Providers Limited, CPI Limited, Davies Limited, Deltana Limited, Denningco Limited, Doorplan Ireland Limited, Drainage Systems Dublin Limited, Dunmore Holdings Limited, Eddie's Hardware Limited, F&T Buckley (Holdings) Limited, F & T Buckley Limited, Frank Barrett & Sons Limited, Garvey Builders Providers Limited, Gillespie Building Supplies (Carlow) Limited, Grafton Group European Holdings Limited, Grafton Group Holdings Limited, Grafton Group Investments Limited, Grafton Group Management Services Limited, Grafton Group Secretarial Services Limited, Grafton Group Treasury Limited, Grafton Group Finance plc, Grafton Merchanting ROI Limited, Heatovent Ireland Limited, Heiton Buckley Limited, Heiton Group plc, Heiton McCowen Limited, Heiton McFerran Limited, House of Woods Limited, J.E. Telford Limited, Jarkin Properties Limited, Kenn Truss Limited, Knottingley Limited, Lacombe Properties Limited, Leeway Properties Limited, Leo Wright Holdings Limited, Market Hardware Limited, MB Doorplan Limited, MFP Plastics Limited, MFP Sales Limited, Mooney & O'Dea Limited, Morgan McMahon & Co. Limited, Multy Products (Ireland) Limited, Paddy Power (Kilbarry) Limited, Panelling Centre Limited, Payless D.I.Y. Limited, Perchura Limited, Plumbing Distributors Limited, Plumbland Limited, Pouladuff Developments Limited, Pouladuff Manufacturing Limited, Powlett Properties Limited, Resadale Properties Limited, Sam Hire Holdings Limited, Sam Hire Limited, Stettler Properties Limited, Telford Group Limited, Telfords (Athy) Limited, Telfords (Portlaoise) Limited, Timber Frame Limited, Tiska Limited, Titanium Limited, Topez Limited, Tribiani Limited, Tullamore Hardware Limited, Universal Providers Limited, W&S Timber Components Limited, Weeksbury Limited, Woodies DIY (Irl) Limited and Woodie's DIY Limited.

16. Other Guarantees

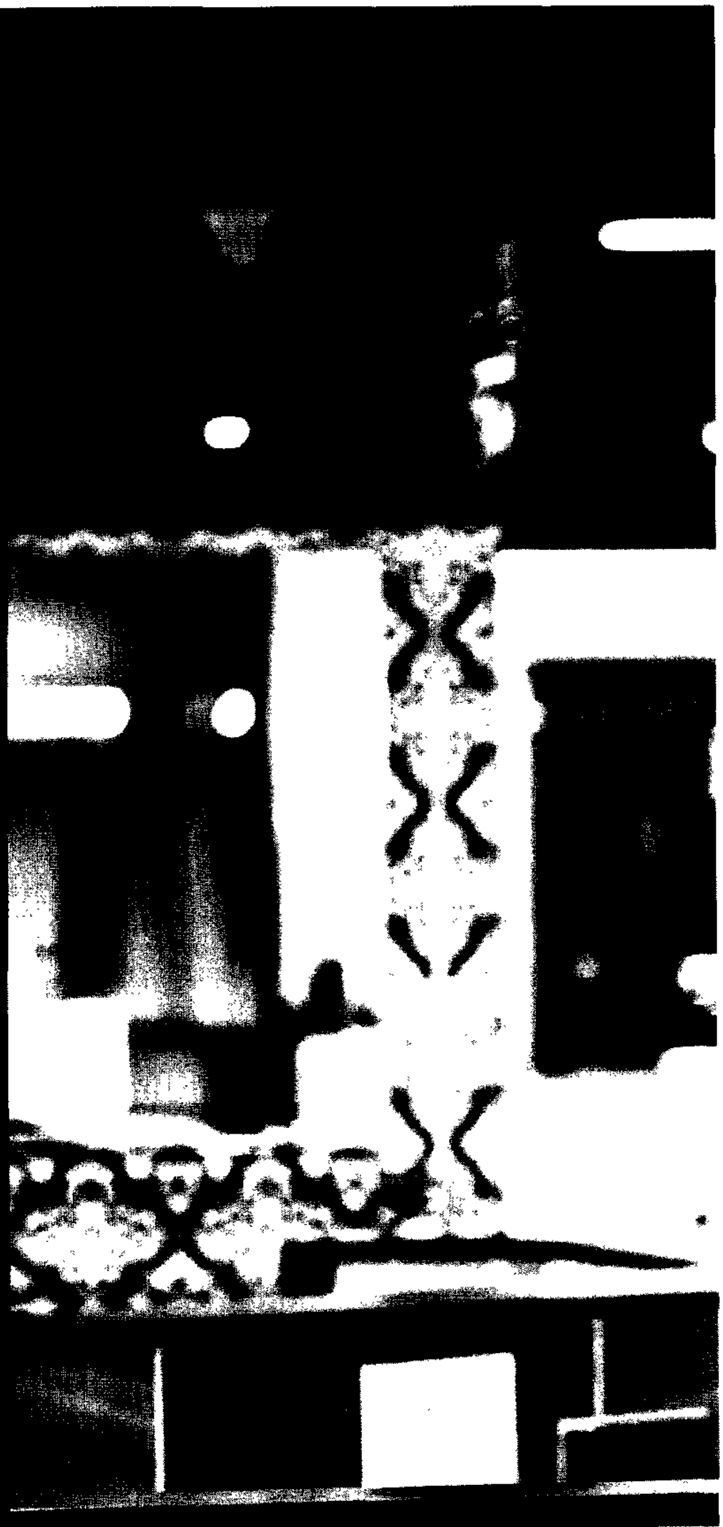
The company has declared and assumes joint and several liability for any obligations arising from the legal acts of Grafton Holding Netherlands B.V., Isero IJzerwarengroep B.V., Pijnenburg Bouw en Industrie B.V., Gunters en Meuser B.V. and Freke Inbraakbeveiliging BV in accordance with article 2:403 paragraph (f) of the Dutch Civil Code and such declarations will be filed at the Dutch commercial register (Kamer van Koophandel) in accordance with article 2:403 paragraph (g).

The Company has given guarantees in respect of the bank borrowings of subsidiary undertakings which amounted to €308.3 million at the balance sheet date. The Company has also guaranteed certain property lease obligations of subsidiary undertakings.

17. Approval of Financial Statements

The Board of Directors approved the Company Financial Statements in respect of the year ended 31 December 2018 on 11 March 2019.

Supplementary Information



Supplementary Financial Information

Alternative Performance Measures

Certain financial information set out in this consolidated year end financial statements is not defined under International Financial Reporting Standards ("IFRS"). These key Alternative Performance Measures ("APMs") represent additional measures in assessing performance and for reporting both internally and to shareholders and other external users. The Group believes that the presentation of these APMs provides useful supplemental information which, when viewed in conjunction with IFRS financial information, provides readers with a more meaningful understanding of the underlying financial and operating performance of the Group.

None of these APMs should be considered as an alternative to financial measures drawn up in accordance with IFRS.

The key APMs of the Group are set out below. As amounts are reflected in £'m some non-material rounding differences may arise. Numbers that refer to 2017 are available in the 2017 Annual Report.

APM	Description
Adjusted operating profit/ EBITA	Profit before amortisation of intangible assets arising on acquisitions, exceptional items, net finance expense and income tax expense.
Adjusted operating profit/ EBITA before property profit	Profit before profit on the disposal of Group properties, amortisation of intangible assets arising on acquisitions, exceptional items, net finance expense and income tax expense.
Adjusted operating profit/ EBITA margin before property profit	Adjusted operating profit/EBITA before property profit as a percentage of revenue.
Adjusted profit before tax	Profit before amortisation of intangible assets arising on acquisitions, exceptional items and income tax expense.
Adjusted profit after tax	Profit before amortisation of intangible assets arising on acquisitions and exceptional items but after deducting the income tax expense.
Capital turn	Revenue for the previous 12 months divided by average capital employed (where capital employed is the sum of total equity and net debt at each period end).
Constant currency	Constant currency reporting is used by the Group to eliminate the translational effect of foreign exchange on the Group's results. To arrive at the constant currency change, the results for the prior period are retranslated using the average exchange rates for the current period and compared to the current period reported numbers.
Dividend cover	Group earnings per share divided by the total dividend per share for the Group.
EBITDA	Earnings before exceptional items, net finance expense, income tax expense, depreciation and intangible assets amortisation. EBITDA (rolling 12 months) is EBITDA for the previous 12 months.
EBITDA interest cover	EBITDA divided by net bank/loan note interest.
Free cash conversion	Free cash flow as a percentage of adjusted operating profit.
Free cash flow	Cash generated from operations less replacement capital expenditure (net of disposal proceeds), less interest paid (net) and income taxes paid.
Gearing	The Group net debt divided by the total equity attributable to owners of the Parent times 100.

Alternative Performance Measures (continued)

APM	Description
Like-for-like revenue	Like-for-like revenue is a measure of underlying revenue performance for a selected period. Branches contribute to like-for-like revenue once they have been trading for more than twelve months. Acquisitions contribute to like-for-like revenue once they have been part of the Group for more than 12 months. When branches close, or where a business is disposed of, revenue from the date of closure, for a period of 12 months, is excluded from the prior year result.
Operating profit/EBIT margin	Profit before net finance expense and income tax expense as a percentage of revenue.
Return on capital employed	Adjusted operating profit divided by average capital employed (where capital employed is the sum of total equity and net debt at each period end) times 100.

Adjusted Operating Profit/EBITA before Property Profit

	2018 £'m	2017 £'m
Revenue	**2,952.7**	2,715.8
Operating profit	**187.5**	160.9
Property profit	**(4.9)**	(2.7)
Goodwill written off / profit on disposal of Group businesses	**1.9**	-
Amortisation of intangible assets arising on acquisitions	**5.1**	2.8
Adjusted operating profit/EBITA before property profit	**189.6**	160.9
Adjusted operating profit/EBITA margin before property profit	**6.4%**	5.9%

Operating Profit/EBIT Margin

	2018 £'m	2017 £'m
Revenue	**2,952.7**	2,715.8
Operating profit	**187.5**	160.9
Operating profit/EBIT margin	**6.4%**	5.9%

Adjusted Operating Profit/EBITA & Margin

	2018 £'m	2017 £'m
Operating profit	**187.5**	160.9
Goodwill written off / profit on disposal of Group businesses	**1.9**	-
Amortisation of intangible assets arising on acquisitions	**5.1**	2.8
Adjusted operating profit/EBITA	**194.5**	163.7
Adjusted operating profit/EBITA margin	**6.6%**	6.0%

Adjusted Profit before Tax

	2018 £'m	2017 £'m
Profit before tax	**181.3**	154.5
Goodwill written off / profit on disposal of Group businesses	**1.9**	-
Amortisation of intangible assets arising on acquisitions	**5.1**	2.8
Adjusted profit before tax	**188.4**	157.2

Supplementary Financial Information (continued)

Adjusted Profit after Tax

	2018 £'m	2017 £'m
Profit after tax for the financial year	**150.4**	127.8
Goodwill written off / profit on disposal of Group businesses	**1.9**	-
Related tax on disposal of Group businesses	**0.5**	-
Amortisation of intangible assets arising on acquisitions	**5.1**	2.8
Tax on amortisation of intangible assets arising on acquisitions	**(1.0)**	(0.6)
Adjusted profit after tax	**156.9**	130.0

Reconciliation of Profit to EBITDA

	2018 £'m	2017 £'m
Profit after tax for the financial year	**150.4**	127.8
Net finance expense	**6.1**	6.4
Income tax expense	**30.9**	26.6
Depreciation	**41.9**	39.5
Intangible asset amortisation	**7.1**	4.0
EBITDA	**236.4**	204.4

Net debt to EBITDA

	2018 £'m	2017 £'m
EBITDA	**236.4**	204.4
Net debt	**53.1**	62.9
Net debt to EBITDA - times	**0.22**	0.31

EBITDA Interest Cover

	2018 £'m	2017 £'m
EBITDA	**236.4**	204.4
Net bank/loan note interest	**4.9**	4.2
EBITDA interest cover - times	**48.0**	48.4

Free Cash Flow

	2018 £'m	2017 £'m
Cash generated from operations	**209.2**	210.7
Replacement capital expenditure	**(32.7)**	(32.2)
Proceeds on sale of property, plant and equipment	**7.4**	3.1
Proceeds on sale of properties held for sale / investment properties	**3.5**	5.7
Interest received	**0.9**	0.7
Interest paid	**(6.6)**	(6.4)
Income taxes paid	**(24.3)**	(18.2)
Free cash flow	**157.4**	163.5

Gearing

	2018 £'m	2017 £'m
Total equity attributable to owners of the Parent	**1,296.5**	1,174.6
Group net debt	**53.1**	62.9
Gearing	**4%**	5%

Return on Capital Employed

	2018 £'m	2017 £'m
Operating profit	**187.5**	160.9
Goodwill written off / profit on disposal of Group businesses	**1.9**	-
Amortisation of intangible assets arising on acquisitions	**5.1**	2.8
Adjusted operating profit	**194.5**	163.7
Total equity - current period end	**1,296.5**	1,174.6
Net debt - current period end	**53.1**	62.9
Capital employed - current period end	**1,349.6**	1,237.5
Total equity - prior period end	**1,174.6**	1,065.2
Net debt - prior period end	**62.9**	96.3
Capital employed - prior period end	**1,237.5**	1,161.5
Average capital employed	**1,293.6**	1,199.5
Return on capital employed	**15.0%**	13.6%

Capital Turn

	2018 £'m	2017 £'m
Revenue	**2,952.7**	2,715.8
Average capital employed	**1,293.6**	1,199.5
Capital turn - times	**2.3**	2.3

Dividend Cover

	2018	2017
Group adjusted EPS - basic (pence)	**66.02**	54.85
Group dividend (pence)	**18.00**	15.50
Group dividend cover - times	**3.7**	3.5

Free Cash Conversion

	2018 £'m	2017 £'m
Free cash flow	**157.4**	163.5
Adjusted operating profit	**194.5**	163.7
Free cash conversion	**81%**	100%

Grafton Group plc Financial History - 1997 to 2018

Group Income Statements	2018 £'m	2017 £'m	2016 £'m	2015 £'m	2014 £'m	2013 £'m	2012‡ £'m	2011 £'m	2010 £'m	2009 £'m	2008 £'m
Revenue	**2,952.7**	2,715.8	2,507.3	2,212.0	2,081.7	1,899.8	1,760.8	1,782.5	1,719.4	1,763.8	2,128.5
Operating profit	**182.6**	158.2	134.9	121.5	110.1	77.2	59.1	47.5	41.5	21.3	92.7
Operating margin %	**6.2%**	5.8%	5.4%	5.5%	5.3%	4.1%	3.4%	2.7%	2.4%	1.2%	4.4%
Restructuring (costs)/credit	**-**	-	(19.7)	-	-	2.8	(21.2)	(27.8)	(13.2)	(17.0)	(13.7)
Property profit	**4.9**	2.7	4.9	6.7	-	-	-	-	-	-	-
Finance (expense)/income (net)	**(6.1)**	(6.4)	(5.9)	(7.9)	(8.9)	(12.3)	(12.9)	(10.8)	(6.4)	7.8	(28.0)
Profit before taxation	**181.3**	154.5	114.2	120.3	101.2	67.7	25.0	8.9	21.9	12.1	51.0
Taxation	**(30.9)**	(26.6)	(21.1)	(23.8)	(21.2)	(5.6)	6.6	(6.7)	33.0	(0.2)	(5.1)
Profit after taxation	**150.4**	127.8	93.1	96.5	80.0	62.1	31.6	2.2	54.9	11.9	45.9

Group Balance Sheets	2018 £'m	2017 £'m	2016 £'m	2015 £'m	2014 £'m	2013 £'m	2012 £'m	2011 £'m	2010 £'m	2009 £'m	2008 £'m
Capital employed											
Goodwill and intangibles	**726.0**	646.1	610.8	554.2	485.9	481.0	476.2	474.9	479.7	489.3	516.0
Property, plant and equipment	**521.6**	504.4	461.7	430.1	423.4	413.4	458.3	471.9	489.6	537.1	603.2
Financial assets	**0.1**	0.1	0.1	0.1	0.1	0.1	0.2	0.1	3.4	3.5	0.2
Net current assets**	**161.7**	136.3	141.5	149.6	112.8	136.5	133.7	121.2	122.2	122.6	193.0
Other net non-current liabilities	**(59.8)**	(49.4)	(52.6)	(31.3)	(40.6)	(23.0)	(85.9)	(58.4)	(22.8)	(56.4)	(69.9)
	1,349.6	1,237.5	1,161.5	1,102.7	981.6	1,008.0	982.5	1,009.7	1,072.1	1,096.1	1,242.5
Financed as follows:											
Shareholders' equity	**1,296.5**	1,174.6	1,062.1	985.7	902.3	870.3	813.5	821.0	852.5	809.7	827.6
Non-controlling interest	**-**	-	3.1	3.4	4.0	4.0	4.1	-	-	-	-
Net debt/(cash)	**53.1**	62.9	96.3	113.6	75.3	133.7	164.9	188.7	219.6	286.4	414.9
	1,349.6	1,237.5	1,161.5	1,102.7	981.6	1,008.0	982.5	1,009.7	1,072.1	1,096.1	1,242.5
Other Information											
Acquisitions & investments	**73.8**	40.4	11.9	98.6	33.1	5.9	17.6	11.1	2.1	6.1	22.4
Purchase of fixed assets / investment in intangible assets	**73.6**	81.4	60.4	51.6	46.9	24.7	23.0	30.6	8.2	11.0	62.6
	147.4	121.8	72.3	150.2	80.0	30.6	40.6	41.7	10.3	17.1	85.0
Depreciation and intangible amortisation	**49.0**	43.5	38.1	33.1	32.5	31.5	33.9	37.1	40.1	44.7	45.0

Financial Highlights	2018	2017	2016	2015	2014	2013	2012‡	2011	2010	2009	2008
Adjusted EPS*** (pence)	**66.0**	54.9	47.7	41.2	34.4	22.3	15.1	13.4	15.9	4.8	25.6
Dividend/share purchase per share (pence)	**18.0**	15.5	13.8	12.5	10.8	8.5	7.0	6.5	6.0	4.5	11.9
Cashflow per share (pence)#	**83.9**	72.4	64.0	54.9	48.4	39.5	29.9	24.9	44.8	26.6	39.6
Net assets per share (pence)	**545.3**	495.0	449.5	419.0	387.9	374.4	350.6	354.1	368.5	351.0	359.5
Underlying EBITDA interest cover (times)	**48.0**	48.4	37.9	27.3	19.4	11.0	8.6	6.4	10.0	5.6	4.5
Dividend/share purchase cover	**3.7**	3.5	3.5	3.3	3.2	2.6	2.2	2.1	2.6	1.1	2.1
Net debt to shareholders' funds	**4%**	5%	9%	12%	8%	15%	20%	23%	26%	35%	50%
ROCE	**15.0%**	13.6%	12.5%	12.2%	11.1%	7.8%	6.1%	4.6%	3.8%	1.8%	7.6%

* The summary financial information is stated under IFRS for 2004 to 2018 and under Irish GAAP for all years from 1997 to 2003.

** Excluding net debt/(cash)

*** Before amortisation of intangible assets arising on acquisitions and profit/(loss) on disposal of Group businesses in 2018. Before amortisation of intangible assets arising on acquisitions in 2017. Before exceptional items and amortisation of intangible assets arising on acquisitions in 2016. Before pension credit, asset impairment and amortisation of intangible assets arising on acquisitions in 2015 (restated). Before pension credit and property impairment in 2013 and before restructuring costs and intangible amortisation in 2012 and taxation credits in both years. In previous years before intangible amortisation, onerous lease provision and impairment, restructuring costs (net), taxation credit in 2010 and investment profit in 2009 and excluding material property profits in previous years

Group Income Statements	2007 £'m	2006 £'m	2005 £'m	2004 £'m	2003 £'m	2002 £'m	2001 £'m	2000 £'m	1999 £'m	1998 £'m	1997 £'m
Revenue	2,193.3	2,000.0	1,798.1	1,270.5	1,035.2	724.6	614.9	506.2	408.6	289.7	239.1
Operating profit	180.4	165.4	146.2	109.3	80.1	56.4	48.1	39.4	30.5	22.4	18.7
Operating margin %	8.2%	8.3%	8.1%	8.6%	7.7%	7.8%	7.8%	7.8%	7.5%	7.7%	7.8%
Restructuring (costs)/credit	-	-	-	-	-	-	-	-	-	-	-
Property profit	5.0	25.9	6.6	5.1	2.4	2.3	1.4	-	-	-	-
Finance (expense)/income (net)	(24.0)	(21.4)	(21.4)	(15.5)	(11.9)	(8.3)	(7.7)	(7.2)	(5.4)	(3.3)	(1.8)
Profit before taxation	161.4	169.9	131.4	98.9	70.6	50.4	41.8	32.2	25.1	19.1	16.9
Taxation	(21.0)	(22.0)	(17.8)	(13.5)	(10.6)	(7.5)	(5.4)	(4.2)	(3.0)	(2.7)	(2.5)
Profit after taxation	140.4	147.9	113.6	85.4	60.0	42.9	36.4	28.0	22.1	16.4	14.4

Group Balance Sheets	2007 £'m	2006 £'m	2005 £'m	2004 £'m	2003 £'m	2002 £'m	2001 £'m	2000 £'m	1999 £'m	1998 £'m	1997 £'m
Capital employed											
Goodwill and intangibles	448.7	400.3	375.4	174.2	148.6	65.3	38.0	32.3	19.7	6.9	-
Property, plant and equipment	516.1	460.8	427.1	286.4	244.4	196.6	153.0	130.8	109.4	99.2	42.1
Financial assets	0.6	0.3	0.2	33.2	23.7	21.9	20.5	11.7	11.8	0.1	8.5
Net current assets**	256.9	225.4	207.8	137.6	139.9	93.9	78.8	66.5	47.4	42.5	20.1
Other net non-current liabilities	(35.7)	(35.8)	(52.4)	(35.8)	(19.9)	(11.7)	(10.8)	(10.0)	(8.8)	(8.7)	(0.8)
	1,186.6	1,051.0	958.1	595.6	536.7	366.0	279.5	231.3	179.5	140.0	69.9
Financed as follows:											
Shareholders' equity	783.0	681.1	557.7	349.4	317.0	209.5	160.9	135.1	112.7	98.6	53.6
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-
Net debt/(cash)	403.6	369.9	400.4	246.2	219.7	156.5	118.6	96.2	66.8	41.4	16.3
	1,186.6	1,051.0	958.1	595.6	536.7	366.0	279.5	231.3	179.5	140.0	69.9
Other Information											
Acquisitions & investments	61.0	59.4	326.7	60.2	152.3	55.8	38.4	34.5	41.9	36.2	21.7
Purchase of fixed assets / investment in intangible assets	71.7	84.8	68.8	60.3	48.0	42.8	26.1	26.3	19.4	14.0	10.7
	132.7	144.2	395.5	120.5	200.3	98.6	64.5	60.8	61.3	50.2	32.4
Depreciation and intangible amortisation	40.4	37.8	34.5	23.5	26.0	16.7	13.6	10.1	8.3	4.9	3.9

Financial Highlights	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Adjusted EPS*** (pence)	57.7	53.2	46.4	38.1	31.2	23.3	20.0	15.8	12.8	9.6	8.5
Dividend/share purchase per share (pence)	15.1	12.8	10.8	8.8	7.3	5.3	4.7	3.7	3.0	2.2	2.0
Cashflow per share (pence)#	74.1	68.4	60.4	49.1	40.6	32.7	27.9	22.1	18.1	13.1	11.5
Net assets per share (pence)	341.2	284.7	234.9	163.7	149.1	118.1	91.4	77.6	65.2	59.9	33.3
Underlying EBITDA interest cover (times)	8.2	10.2	9.4	9.9	9.1	9.1	8.2	6.9	7.2	8.3	12.9
Dividend/share purchase cover	3.8	4.2	4.3	4.3	4.3	4.4	4.3	4.3	4.3	4.3	4.3
Net debt to shareholders' funds	52%	54%	72%	70%	69%	75%	74%	71%	59%	42%	30%
ROCE	16.1%	16.5%	18.8%	19.3%	17.1%	16.5%	17.4%	17.4%	16.9%	18.2%	23.1%

Based on profit after tax before depreciation, 2016 exceptional items, 2015 pension credit, 2013 pension credit, intangible amortisation, onerous lease provision, impairment and excluding material property profits in previous years.

ǂ IAS 19 (Revised) 'Employee Benefits' has been adopted as required by IFRS from the year ended 31 December 2013.

The comparatives for the year ended 31 December 2012 have been restated.

Corporate Information

Auditor	PricewaterhouseCoopers
Bankers	Bank of Ireland HSBC Bank plc Ulster Bank Barclays Bank plc ABN AMRO Bank N.V. Lloyds Bank plc
Solicitors	Arthur Cox, Dublin A&L Goodbody, Dublin Squire Patton Boggs, London Allen & Overy, Amsterdam
Stockbrokers	Goodbody, Dublin Numis Securities Limited, London
Corporate & Registered Office	Heron House Corrig Road Sandyford Industrial Estate, Dublin 18 Phone: 00353-1-216 0600 Fax: 00353-1-295 4470 Email: email@graftonplc.com
Registrars	Link Asset Services Link Registrars Limited 2 Grand Canal Square, Dublin 2, D02 A342 Phone: 00353-1-553 0050 Email: enquiries@linkgroup.ie www.linkassetservices.com

Financial Calendar

Results

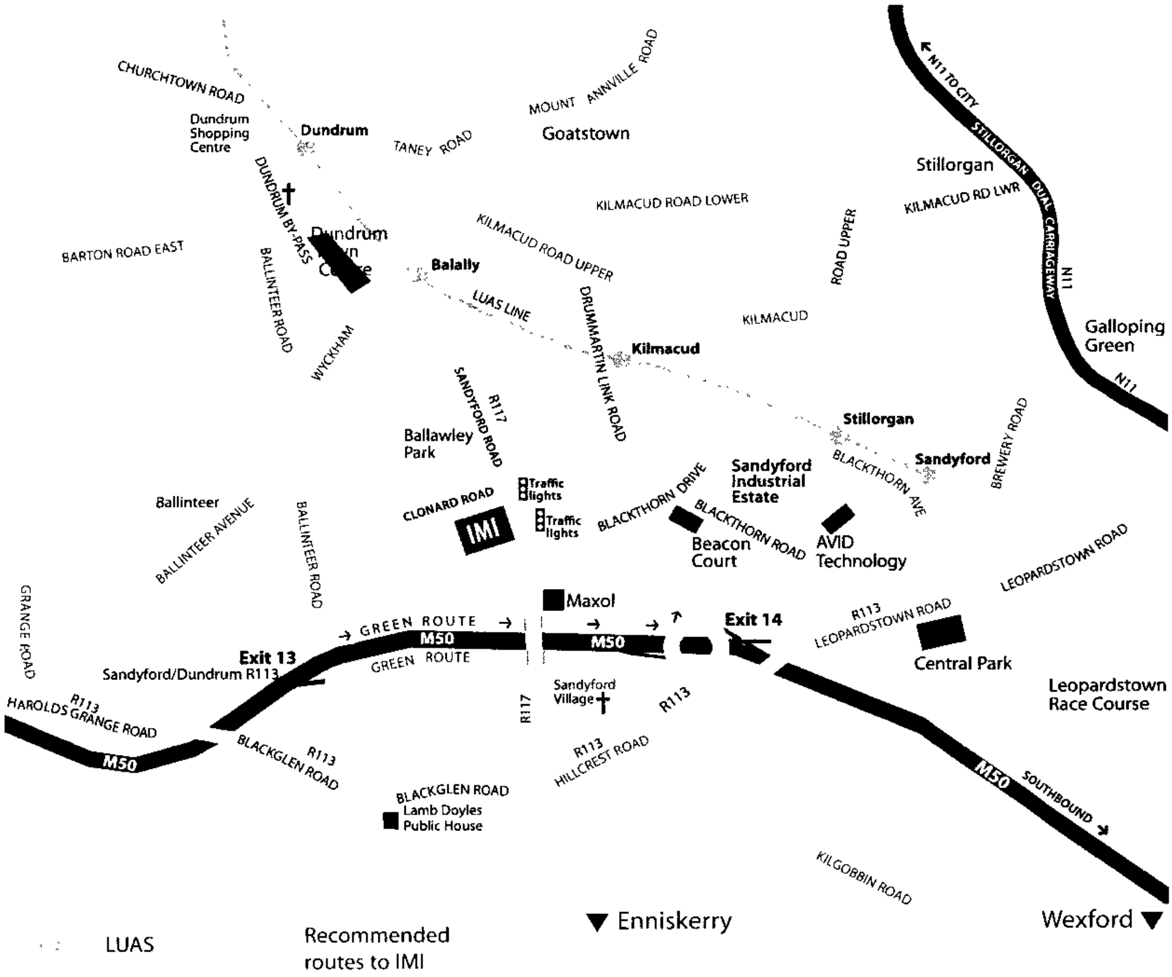
Half-Year Results for 2018	22 August 2018
Final Results for 2018	28 February 2019
Annual General Meeting	8 May 2019
2019 Half-Year Results	22 August 2019

Interim Dividends

Record date	31 August 2018
Record date	8 March 2019

Location of Annual General Meeting

The Annual General Meeting of the Company will be held on Wednesday 8 May 2019 at 10.30 am in the IMI Conference Centre, Sandyford Road, Dublin 16. Telephone: (01) 207 8400



Glossary of Terms

AGM	Annual General Meeting
APM	Alternative Performance Measure
BES 6001	Framework Standard for Responsible Sourcing
bps	Basis Points
CA14	Irish Companies Act 2014
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	Cash Generating Unit
CO2e	Carbon Dioxide Equivalent
CPC	Construction Products Certification
CPI	Consumer Price Index
CSR	Corporate Social Responsibility
DB Schemes	Defined Benefit Schemes
EBITA	Profit before amortisation of intangible assets arising on acquisitions, exceptional items, net finance expense and income tax expense
EBITDA	Earnings before exceptional items, net finance expense, income tax expense, depreciation and intangible assets amortisation
EGM	*Extraordinary General Meeting*
EPS	Earnings per Share
FRS	Financial Reporting Standard
FSC	Forest Stewardship Council
FVOCI	*Fair Value through Other Comprehensive Income*
FVPL	Fair Value through Profit or Loss
GAAP	Generally Accepted Accounting Principles
GDPR	EU General Data Protection Regulation
Grafton	Grafton Group plc
GRC	Group Risk Committee
IAS	International Accounting Standards
IAASA	Irish Auditing and Accounting Supervisory Authority
IBNR	Incurred But Not Reported
IFRS	International Financial Reporting Standards
IGBC	Irish Green Building Council
IOSH	Institution of Occupational Safety and Health
ISAs (Ireland)	International Standards on Auditing (Ireland)
KPI	Key Performance Indicators
LSDM Limited	Leyland SDM Limited
LTIFR	Lost Time Injury Frequency Rate
LTIP	Long Term Incentive Plan
PEFC	Programme for the Endorsement of Forest Certification
PPE	Property, Plant & Equipment
QQI	Quality and Qualifications Ireland
Record Date	The date on which holders of Grafton Units must be on the Company's Register of Members at the close of business to be eligible to receive a dividend payment
RMI	Repair, Maintenance and Improvement
ROCE	Return on Capital Employed
SAYE	Save As You Earn
the 2018 Code	2018 UK Corporate Governance Code
the Code	2016 UK Corporate Governance Code
the Company	*Grafton Group plc*
the Group	Grafton Group plc and its subsidiaries
TSR	Total Shareholder Return
Unit/Grafton Unit	A Grafton Unit, comprising one ordinary share of 5 cents each and seventeen 'A' ordinary shares of 0.001 cent each in Grafton Group plc and one 'C' ordinary share of Stg0.0001p in Grafton Group (UK) plc
VIU	Value-In-Use
WEEE	Waste Electrical and Electronic Equipment

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COMPANIES HOUSE

Grafton Group plc

Heron House
Corrig Road
Sandyford Industrial Estate, Dublin 18
Phone: 00-353-1-216 0600
Fax: 00-353-1-295 4470
Email: email@graftonplc.com
Web: www.graftonplc.com

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