Grafton Group plc

Annual Report **2015**

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

Contents

Strategic Report

About Grafton Group plc	02
Financial Highlights	04
Financial Summary	05
Operating Highlights	05
Trading Locations	06
Business Model	08
Strategy	10
Chairman's Statement	14
Chief Executive Officer's Review	16
Group Financial Review	32
Grafton Group plc Financial History - 1994 to 2015	34
Key Performance Indicators	36
Corporate Social Responsibility	37

Corporate Governance

Board of Directors and Secretary	42
Directors' Report on Corporate Governance	44
Executive Committee	50
Audit and Risk Committee Report	51
Principal Risks and Uncertainties	56
Report of the Remuneration Committee on Directors' Remuneration	59
- Chairman's Annual Statement	59
- Remuneration Policy Report	61
- Annual Report on Remuneration	69
Nomination Committee Report	79
Report of the Directors	81
Statement of Directors' Responsibilities	86

Financial Statements

Independent Auditor's Report	88
Group Income Statement	92
Group Statement of Comprehensive Income	93
Group Balance Sheet	94
Group Cash Flow Statement	95
Group Statement of Changes in Equity	96
Notes to the Group Financial Statements	98
Company Balance Sheet	165
Company Cash Flow Statement	166
Company Statement of Changes in Equity	167
Notes to the Company Financial Statements	168

Shareholder Information

Corporate Information	178
Financial Calendar	178
Location of Annual General Meeting	179

About Grafton Group plc

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 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 Britain.

Grafton trades from 668 branches and has almost 11,000 employees.

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.

The Group reported revenue of £2.2 billion and profit before tax of £120 million for 2015.

Merchanting

The Merchanting segment distributes building materials from 615 branches in the UK, Ireland, the Netherlands and Belgium.

Retailing

The Group is the largest DIY retailer in Ireland trading nationally from 37 stores and also operates a kitchens business from five stores.

Manufacturing

The Manufacturing segment operates the leading dry mortar business in Britain from 10 plants.

Financial Highlights	04
Financial Summary	05
Operating Highlights	05
Trading Locations	06
Business Model	08
Strategy	10
Chairman's Statement	14
Chief Executive Officer's Review	16
Group Financial Review	32
Grafton Group plc Financial History - 1994 to 2015	34
Key Performance Indicators	36
Corporate Social Responsibility	37

Strategic Report

Financial Highlights

Revenue

£2.2bn

UP 6%

Adjusted Group operating profit*

£126.8m

UP 15%

Adjusted Group operating profit margin*

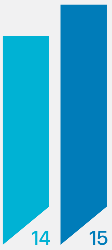
5.7%

increased by 40 basis points

Adjusted Group profit before taxation*

£118.9m

UP 17%



Adjusted basic earnings per share*

41.0p

UP 19%

Dividend

12.5p

UP 16%

Cash generation from operations

£139.3m

year-end gearing of 12%

Return on capital employed

12.2%

increased by 110 basis points

*Before defined benefit pension scheme past service credit of £2.95 million and an asset impairment charge of £1.52 million in the Belgium business in 2015. There were no non-recurring items in 2014.

Financial Summary

	2015 £'m	2014 £'m	% change
Revenue	**2,212**	2,082	+6%
Adjusted*			
Operating profit	**126.8**	110.1	+15%
Operating profit before property profit	**120.1**	107.9	+11%
Profit before tax	**118.9**	101.2	+17%
Profit after tax	**95.1**	80.0	+19%
Adjusted earnings per share – basic	**41.0p**	34.4p	+19%
Statutory			
Operating profit	**128.2**	110.1	+16%
Profit before tax	**120.3**	101.2	+19%
Profit after tax	**96.5**	80.0	+21%
Earnings per share – basic	**41.6p**	34.4p	+21%
Dividend	**12.50p**	10.75p	+16%
Net debt	**113.6**	75.3	+51%
Total equity	**989.0**	906.3	+9%
Adjusted operating margin	**5.7%**	5.3%	+40 bp
Return on capital employed	**12.2%**	11.1%	+1.1% pts

*Before defined benefit pension scheme past service credit of £2.95 million and an asset impairment charge of £1.52 million in the Belgium business in 2015. There were no non-recurring items in 2014.

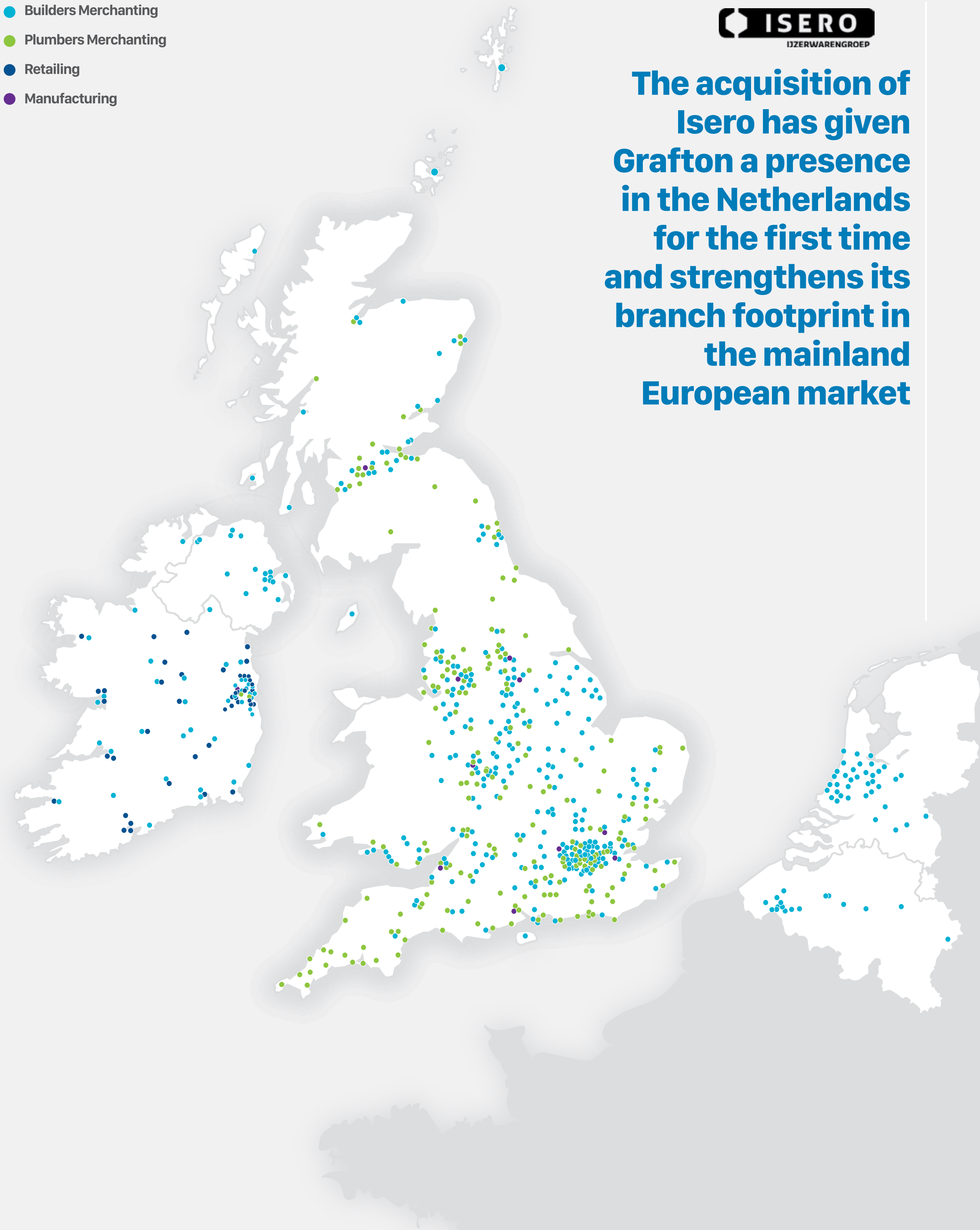
Operating Highlights

- UK merchanting business continued to generate good revenue and profit growth
- Selco performed particularly strongly and opened five new branches
- Significant improvement in Irish merchanting business supported by improving economic and construction trends
- DIY business in Ireland back on a growth path
- Successful entry into the Netherlands merchanting market on completion of Isero acquisition

"Grafton made continuing progress in 2015 producing record revenue and solid growth in operating profit. We continued to invest in organic growth initiatives and selective acquisitions, most notably Isero in the Netherlands. We are confident about the overall prospects for the Group and expect to deliver organic growth in the year ahead and to also benefit from recent development activity as well as exposure to the strengthening economies in Ireland and the Netherlands."

Gavin Slark,
Chief Executive Officer

Trading Locations



The acquisition of Isero has given Grafton a presence in the Netherlands for the first time and strengthens its branch footprint in the mainland European market


selco BUILDERS WAREHOUSE
TOOL & PLANT HIRE
selco HIRE
NOW OPEN
ENTRANCE

Business Model

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.

Operating Segments

Merchanting in the UK, Ireland, the Netherlands and Belgium (91 per cent of Group revenue).

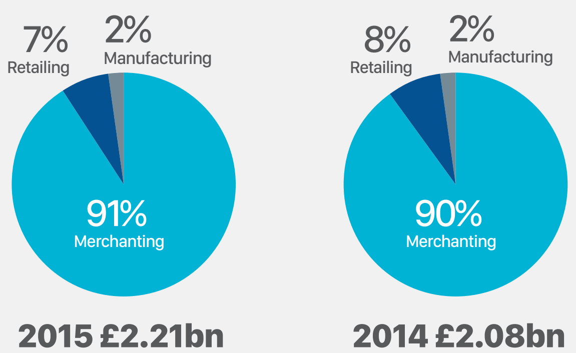
DIY **Retailing** in Ireland (7 per cent of Group revenue).

Dry Mortar **Manufacturing** in the UK (2 per cent of Group revenue).

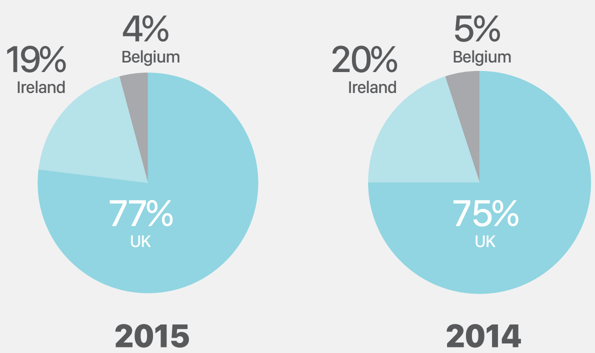
Trading Locations

	UK	Ireland	Belgium	Netherlands	Total
Merchanting	518	42	17	38	**615**
Retailing	-	42	-	-	**42**
Manufacturing	10	1	-	-	**11**
Total	528	85	17	38	668

% Revenue by Segment



% Revenue by Geographical Area



Market Positions

Grafton is the third largest builders merchant and fourth largest plumbers merchant in the UK. It is the number one builders and plumbers merchant in Ireland and is also the market leader in DIY Retailing. In the Netherlands Isero is the market leader in the tools and fixings segment of the merchanting market. The Group also has a leading position in the merchanting market in Belgium.

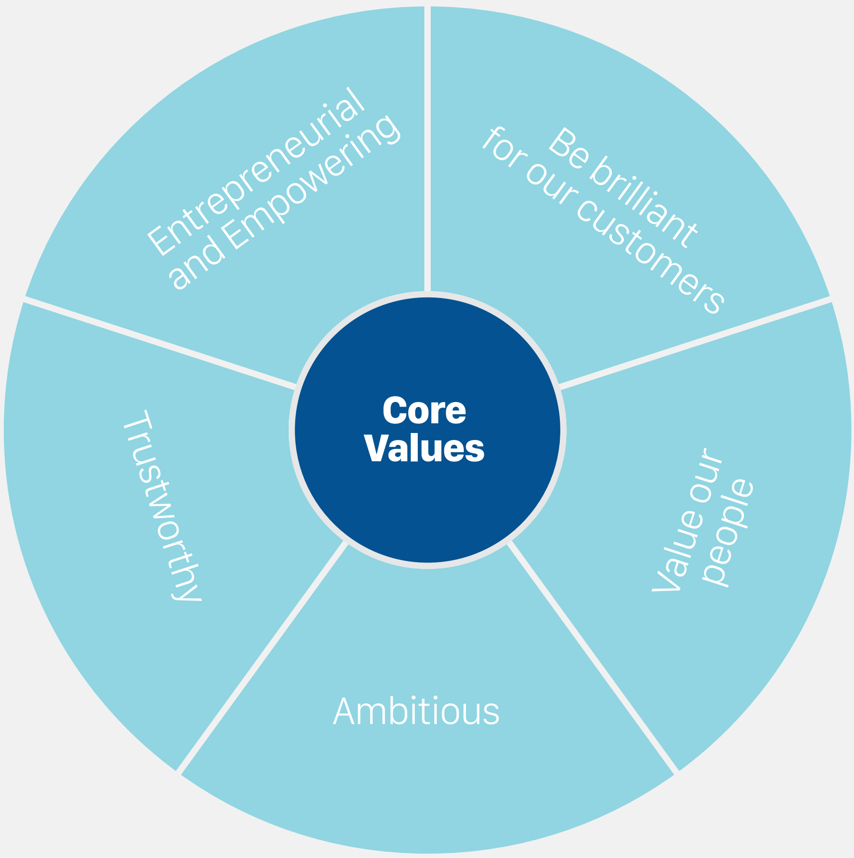
Key Strengths

The Group's strategy is underpinned by key strengths that include:

- Leading market positions and brands in each of the countries in which the Group operates.
- A portfolio of highly cash generative and profitable businesses.
- Sound financial metrics based on strong cash generation, low debt, a strong balance sheet and the financial resources to fund ongoing development activity.
- A geographically diversified network of almost 700 branches with opportunities for further growth through acquisition and organic development.
- 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 new businesses.

Grafton Core Values

The Group operates on a highly decentralised basis, united around five core values:



Strategy

The Group's strategy is to be an international distributor of building materials and related activities. This strategy is based on building market leadership positions in national or regional markets through organic growth and acquisitions.

Implementing this strategy is supported by:

A Strong Financial Base

- Maximising long term returns for shareholders supported by our three strategic financial pillars of revenue growth in new and existing markets, operating profit margin growth and optimising capital turn.

Excellence in Service

- Being the first choice supplier to our customers.
- Developing an innovative and efficient multi-specialist and multi-channel business.
- Refining and developing the range of products and services offered.
- Increasing multi-channel supply capabilities.
- Being a focused supplier of construction materials to all segments of the industry.

Organic Growth and Acquisitions

- Deploying mature acquisition and integration skills to complete transactions and realise synergies.
- Increasing market coverage where the Group is currently under-represented.
- Developing 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.

Strategic Report
Corporate Governance
Financial Statements
Shareholder Information

A Supportive Organisational Structure and Management

- Operating a decentralised organisation structure that confers significant autonomy on local management teams within a tight Group accounting, risk management and control environment.
- Maximising returns on capital employed from the existing branch network.
- Utilising the Board and the Group Headquarters based in Ireland to implement the strategy of the Group:
  - To allocate capital for replacement and development projects using a rigorous approach to project evaluation;
  - To critically review business performance using key metrics that are applied across the Group;
  - To facilitate the transfer of best practice initiatives; and
  - To coordinate the realisation of Group synergy benefits including procurement gains.
- Employing high calibre management teams comprised of individuals that have a mix of:
  - Through-the-cycle Merchanting, DIY Retailing and Mortar Manufacturing experience;
  - Broadly based operational management experience; and
  - Expertise covering a range of management disciplines appropriate to the scale and diversity of individual Group businesses.

Ethics and Integrity

- Conducting business to a high standard of integrity for the benefit of all stakeholders and in a responsible way that involves a commitment to achieving the highest practical standards of health and safety for employees, customers and visitors to Group locations.

Strategy
(continued)

Strategic Financial Pillars

Revenue Growth

Growth from recovery in the UK, Irish and Netherlands economies.

Organic growth from implants, new formats and greenfield developments.

Acquisitions in the UK and the Netherlands.

Operating Margin Growth

Operating leverage in the Group's brands as volumes recover.

Pricing initiatives through consistency, customer insights and benchmarking.

More favourable customer and product mix.

Self-help measures focused on branch implants, cost efficiencies and purchasing synergies.

Optimising Capital Turn

Benefits from economic and organic growth and operating leverage.

Disposal of surplus property and deployment of proceeds elsewhere in the Group to generate higher returns.

Working capital reduction from increasing stock turn.

Cash and collect retail style proposition for trade customers.

Strategy by Segment

Merchanting

The merchanting segment strategy is based on developing and maintaining national or regional market positions through a combination of organic growth and acquisitions.

UK

- Primary business focus on Repairs, Maintenance and Improvement (RMI) sector which has attractive market dynamics including greater through the cycle resilience.
- Focus on three financial pillars of revenue growth, improving the operating profit margin and increasing returns on capital employed by utilising spare capacity and creating greater efficiency in the existing branch network.
- Continue to extract efficiencies and synergies from current market leading positions.
- Development of Buildbase and Selco brands in areas of the market where they currently do not have a presence or are under-represented.
- Selectively participate in consolidation of UK merchanting market as a preferred buyer.
- Develop sustainable position in the electrical distribution market through the use of a low cost implant route to market model that leverages off existing merchanting assets and infrastructure.
- Growth of hire centre revenue in builders merchanting branches.
- Expand selectively in complementary product markets.

Ireland

- Strengthen market leadership position.
- Utilise spare capacity in the branch network, as market conditions improve, to increase revenue, operating margin and return on capital employed.
- Develop complementary presence in adjacent product categories.
- In-fill geographic coverage through greenfield development.

Belgium

- Extract scale related synergies as market position develops.
- Leverage off best practice and know-how in merchanting businesses in the UK and Ireland.

Netherlands

- Acquisition of Isero provided a development platform in a recovering economy and market.
- In-fill geographic coverage of the fixings and tools market through organic development and acquisitions.
- Identify opportunities to invest in other attractive segments of the merchanting market.
- Use Group scale and expertise to enhance product ranges in existing branch network.

Retailing

- Maintain clear market leadership position and strong brand recognition.
- Focus on core strengths in DIY, Home and Garden product categories.
- Utilise spare capacity in branch network, as market conditions improve, to increase revenue, operating margin and return on capital employed.

Manufacturing

- Maintain clear market leadership position in the UK Mortar market.
- Leveraging scale and expertise in the UK Mortar market to expand into related products and markets.

Markets

Demand in the Group's markets is influenced by a range of macro-economic factors including GDP growth, construction growth, construction output as a percentage of GDP, interest rates and the availability of credit. Other relevant measures are demographic trends, sustainable housing demand and employment trends. Demand in individual markets is also a function of the size of the construction, merchanting, RMI and housing markets. The age of the housing stock influences demand in the merchanting market as increased expenditure on housing RMI is required as the housing stock ages and the replacement rate of housing is low.

The Group's merchanting customers are primarily trade professionals covering a range of skills required for the construction and repair of houses including general house building, civils and groundworks contractors and trade specialists covering the plumbing and heating, joinery, roofing, insulation, landscaping and electrical trades.

Chairman's Statement

positive about the overall prospects for the Group in 2016

Results

Overall trading conditions in the Group's principal markets were favourable with organic growth and contributions from development activity contributing to an improved performance for the year. Group revenue increased by 6.3 per cent to £2.21 billion (2014: £2.08 billion) and underlying profit before tax rose by £17.7 million or 17.5 per cent to £118.9 million (2014: £101.2 million). Adjusted earnings per share increased by 19.2 per cent to 41.0p (2014: 34.4p).

Dividend

A second interim dividend of 8.0p (2014: 7.0p) was approved to give a total dividend for the year of 12.50p. This represented an increase of 16.3 per cent on total dividends of 10.75p paid for 2014. The increase is in line with the Board's policy of increasing dividends as earnings increase and reflects both the strong cashflow from operations and relatively low level of year-end net debt. The dividend cover increased to 3.3 times from 3.2 times.

Strategy

The Board continued to develop strategy through its annual strategy day meeting and discussions on strategy at the majority of Board meetings. I noted in last year's report that the Group was at an advanced stage in a review of specific markets that were in line with its strategy and which might provide opportunities for market entry at an attractive stage in the economic cycle. The acquisition of Isero, a distributor of tools and fixings, in November was one such opportunity that enabled the Group to establish a presence in an attractive segment of the merchanting market in the Netherlands.

The primary focus of expansion in the UK Merchanting market was on organic development of the Selco business with the opening of five branches and a number of small bolt-on acquisitions which complemented and added value to the existing traditional merchanting business.

The Group's strategy has gradually evolved in response to changing market conditions and opportunities and it continues to seek new platforms for growth and routes to market in merchanting and in complementary markets.

Board Composition

The Board is currently comprised of two Executive Directors, Gavin Slark and David Arnold, four Independent Non-Executive Directors and myself as Non-Executive Chairman.

Mr. Charles Fisher and Mr. Frank van Zanten joined the Board in 2009 and 2013 respectively. On the recommendation of the Nomination Committee, the Board appointed Mr. Paul Hampden Smith as Non-Executive Director in August 2015. He was also appointed to the Audit & Risk, Remuneration and Nomination Committees and succeeded Mr. Roderick Ryan as Chairman of the Audit and Risk Committee with effect from 1 January 2016. Paul is a highly experienced finance professional with 25 years senior level management experience in the UK merchanting industry, having held the role of Group Finance Director of Travis Perkins plc from 1996 until his retirement from the position in February 2013. He brings valuable financial experience to the Board and to the Committees of which he is a member.

Mr. Roderick Ryan, the fourth Independent Non-Executive Director, joined the Board in March 2006. He was due to step down from the Board on 31 December 2015 but agreed to remain on the Board for a period following the resignation of Ms. Annette Flynn from the Board in December 2015. I would like to thank Annette for her contribution to the Board over the past five years and wish her every success in the future.

The Nomination Committee plans to initiate a search for a new Non-Executive Director. Directors are committed to ensuring that the Board is sufficiently diverse and appropriately balanced and, on the recommendation of the Nomination Committee, the Board has agreed that gender and nationality are factors that will be given careful attention in shortlisting candidates for this appointment.

Board Evaluation

An external Board evaluation was conducted during the year in line with the requirements of the UK Corporate Governance Code. The review was facilitated by the Institute of Directors in Ireland who also carried out the previous external evaluation in 2012. Each Director 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.

The evaluation concluded that the Board and its Committees are operating effectively and to a high standard of governance and in compliance with best practice. The performance of the Board improved over all aspects of its work compared to the 2012 review which itself concluded that the Board operated to a very high standard. The report noted that the Board functions very effectively with no concentration of power and no restrictions on Directors to contribute to the development of strategy, provide good oversight of performance and constructively challenge management.

Annual General Meeting

In line with the policy adopted in recent years and with the provisions of the UK Corporate Governance Code, all Directors will retire and seek re-election at the 2016 AGM. The external board evaluation conducted during the year confirmed that each Director continued to perform effectively and to demonstrate a strong commitment to the role. I strongly recommend that each of the Directors be re-elected at the Annual General Meeting.

Management and Staff

On behalf of the Board, I would like to thank Gavin Slark and all of our colleagues for their contribution to the improved performance of the Group in 2015.

Conclusion

The Board is positive about the overall prospects for the Group in 2016 and anticipates increased profitability, cash flow and returns on capital employed for the year.

Michael Chadwick,
Chairman

Chief Executive Officer's Review

strengthening and growing our core business

Group Results

Grafton made continuing progress in 2015 producing record revenue and solid growth in operating profit that reflected both organic growth and contributions from acquisitions. It was a year of significant development activity with the acquisition of Isero which gave the Group a presence in the Netherlands for the first time, the completion of a number of bolt-on acquisitions in the UK merchanting market and the opening of five new Selco branches.

The UK merchanting business, which accounted for three quarters of Group revenue, reported record revenue and continued to grow operating profit albeit at a more moderate rate than in recent years. Overall trading conditions were broadly positive although the UK economy slowed and margin pressure was a feature of trading in the traditional merchanting business.

The merchanting business in Ireland reported a significant increase in revenue and operating profit for the second successive year against the backdrop of a strong recovery in the economy and generally good but competitive market conditions.

The Isero BV ("Isero") business, acquired as a growth platform in the Netherlands merchanting market, had only a minimal impact on the results for the year as it was acquired in late November.

The Irish retailing business benefitted from an acceleration in consumer spending which extended into the DIY sector in the second half of the year leading to increased revenue and operating profit in the Woodie's business.

The UK Mortar business reported a strong increase in operating profit despite weaker market conditions in the second half of the year.

Outlook

Growth in UK domestic demand was resilient in 2015 supported by rising employment, growth in real incomes, consumer confidence at near record highs and historically low interest rates. While these trends are expected to continue there are downside risks that the weaker outlook for the global economy, volatility in financial markets and a UK referendum on continued membership of the European Union could weigh on UK consumer confidence and demand. Activity in the housing RMI market is however expected to be sustained by strong market fundamentals, a resumption of growth in housing transactions in the second half of 2015 following a decline in the first half of the year and survey evidence that customers remain disposed to spending on big ticket items.

The overall outlook in Ireland is favourable as growth in employment and incomes in a low inflation and low interest rate environment should support the ongoing improvement in the economy. Both residential and non-residential construction should benefit from the improving economy. The gradual recovery in house building is expected to continue but at a much lower level than required to meet ongoing demand. A good pipeline of commercial projects at the planning stage or under construction should see a continuation of the growth in activity that started from a very low base during 2015. The recovery in retail sales which gathered momentum in 2015 should continue to be positive for the DIY market.

January and February 2016 average daily like-for-like revenue increased by 5.8 per cent in the UK merchanting business, 11.5 per cent in Irish merchanting business and 1.5 per cent in the Belgian merchanting business. Like-for-like revenue growth in the Netherlands business was 6.1 per cent compared to the pre-acquisition performance for January and February 2015. Revenue grew by 7.1 per cent in the retailing business in Ireland and by 13.0 per cent in the manufacturing segment.

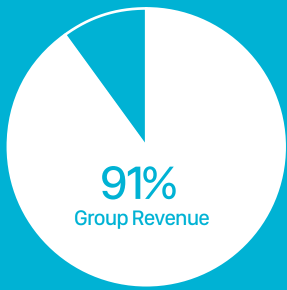
The Group is confident about its overall prospects and expects to deliver organic growth in operating profit in the year ahead and to also benefit from the development initiatives undertaken during 2015 and earlier this year. This should enable further progress towards the delivery of the medium term growth targets of a 7 per cent operating profit margin and a return on capital employed of 15 per cent.

The merchanting business in Ireland reported a significant increase in revenue and operating profit for the second successive year against the backdrop of a strong recovery in the economy and generally good but competitive market conditions.

Chief Executive Officer's Review (continued)
Operating Review - Merchanting

Merchanting

The Merchanting segment trades from 615 branches, principally under the Selco, Buildbase and Plumbase brands in the South East, Midlands and North of England, under the Chadwicks and Heiton Buckley brands in the Republic of Ireland and under the Macnaughton Blair brand in Northern Ireland. Grafton also trades under the Isero brand in the Netherlands and the YouBuild and MPRO brands in Belgium.



Market Position

Builders Merchanting

UK	No. 3
Ireland	No. 1
Netherlands (tools and fixings)	No. 1
Belgium	No. 1

Plumbers Merchanting

UK	No. 4
Ireland	No. 1

Chief Executive Officer's Review (continued)
Operating Review - Merchanting

Group Merchanting revenue increased by 7.3 per cent to £2.01 billion (2014: £1.88 billion). Operating profit, before an exceptional pension scheme credit of £2.95 million and an asset impairment charge in the Belgian business of £1.52 million, was up by 12.9 per cent to £124.20 million (2014: £110.04 million). The operating profit margin was up by 30 basis points to 6.2 per cent.

UK Merchanting revenue increased by 8.9 per cent to £1.66 billion (2014: £1.53 billion) and operating profit, including property profit and excluding an exceptional pension credit, was up by 13.8 per cent to £105.58 million (2014: £92.78 million). The operating profit margin increased by 30 basis points to 6.4 per cent. Operating profit, before property profit and before an exceptional pension credit, grew by 8.5 per cent to £98.89 million (2014: £91.16 million). The UK Merchanting operating profit margin, before property profit and before an exceptional pension credit, was unchanged at 6.0 per cent.

Growth of 3.9 per cent in average daily like-for-like revenue was driven by increased activity in the residential RMI and new build markets. Price inflation was estimated at 1.0 per cent for the year and like-for-like merchanting volumes increased by circa 3.0 per cent. New branches, implants, acquisitions and branch consolidations contributed revenue growth of 5.0 per cent.

The overall gross margin increased by ten basis points due to favourable mix changes relating to Selco and acquisitions that more than offset competitive pricing pressure in the traditional merchanting business, principally in Plumbase.

It was a more difficult year for the traditional merchanting business as the benefit of like-for-like revenue growth was more than offset by a decline in the gross margin and increased costs incurred in the ordinary course of business, upgrading legacy IT systems and strategic development initiatives.

Selco Builders Warehouse had an excellent year achieving significant success in growing revenue and operating profit and delivering a further improvement in operating margin. Strong like-for-like revenue growth was largely influenced by demand from trade and business customers operating in the residential RMI market and by an increase in average transaction values and footfall. Expansion of the branch network in recent years improved operating leverage through economies of scale in procurement and marketing while enabling the business to provide a superior customer service that differentiates it in the market place.

2015 was a year of significant development activity for Selco with the opening of five new branches including three in the last quarter. Market coverage in the South East was enhanced with the opening of branches in Redhill, New Southgate and Weybridge. Selco continued to build on its organic growth strategy by expanding its regional market position with the successful opening of branches in Coventry and Southampton. The programme of branch openings increased the network to 40 including 24 in London and the South East. A similar number of branch openings are planned for 2016.

Selco's retail style trade format evolved during the year with the launch of a Click & Collect service in all branches. Customers who order on-line can collect products purchased within one trading hour of placing an order. Selco Direct, a service that enables customers in the UK to purchase 5,000 products on-line for next day delivery, was also launched during the year.

UK Merchanting revenue increased by 8.9 per cent to £1.66 billion (2014: £1.53 billion) and operating profit, including property profit and excluding an exceptional pension credit, was up by 13.8 per cent to £105.58 million (2014: £92.78 million).

selco BUILDERS WAREHOUSE

BUILDBASE

PLUMBASE

MACNAUGHTON BLAIR

Buildbase delivered positive results increasing revenue, operating profit and operating margin supported by organic growth from solid demand in the residential RMI and new build markets and good contributions from the ten branches acquired in the second half of last year. The benefit of increased demand in the like-for-like business and an improvement in the gross margin was partially offset by increased costs related to strategic initiatives. The overall business showed a healthy increase in revenue and profit and Buildbase increased its share of a competitive market.

The Hirebase implants posted strong results and continued to develop its market position following the opening of 22 new implants in 2014 and 15 in 2015. The Electricbase strategic initiative made significant progress performing ahead of expectations and reporting an operating profit. A range of electrical products are now available through implants in 80 Buildbase branches including 23 that were opened in 2015.

In November, Buildbase acquired Wollens Limited ("Wollens"), a general merchanting business trading from two branches in Glastonbury and Cannington. Since the year-end, coverage of the merchanting market was enhanced with the purchase of T. Brewer & Co. Limited ("T. Brewer"), a specialist timber business trading from three branches in London and Allsand Supplies Limited ("Allsands"), a general builders merchanting business located in Larkfield, Kent.

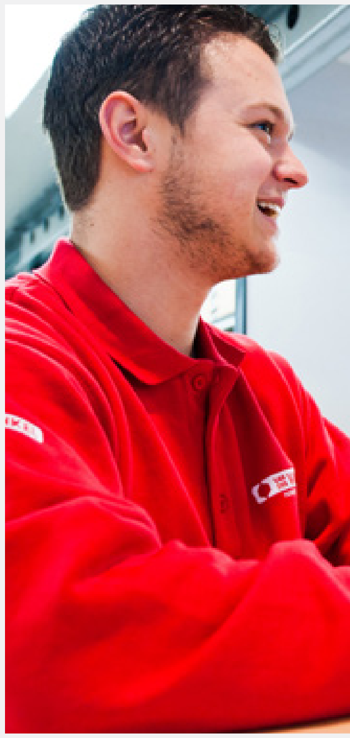
Plumbase showed a modest decline in revenue against the background of a softer residential heating market. The gross margin was lower due to intense price competition for lower volumes in the domestic heating market. The deterioration in market conditions led to a significant decline in operating profit for the year. A range of measures were implemented including the closure of eleven branches and six further branches were consolidated into properties that are shared with other Group businesses in response to the weaker market over the past year. Management continued to focus on securing procurement gains, tight cost control, growing revenue and tightly controlling working capital. The specialist bathroom products distribution business had another good year.

The contracts business comprises **Buildbase Civils** and a number of specialist distribution businesses where demand is mainly influenced by activity in the residential, infrastructure and commercial new build markets. Revenue increased but operating profit was reduced due to gross margin pressure in a competitive market.

Plumbase Industrial, a distributor of mechanical engineering products to the commercial, public sector, residential and industrial process markets was launched in late 2013. It continued to grow its market position organically and through the TG Lynes Limited ("TG Lynes") and Parkes Services Limited ("Parkes Services") acquisitions completed during the year. The acquisition of TG Lynes, with a strong position in the mechanical services market in London and the South East, was a significant step forward for the business. TG Lynes outperformed both pre-acquisition expectations and the prior year since acquisition in late February 2015. The acquisition of Parkes Services in August 2015 expanded market coverage into the Bristol area.

Macnaughton Blair, the Northern Ireland Merchanting business, benefitted from a steady recovery in the local economy supported by private sector employment growth, an improvement in customer confidence and spending and increased business investment. The recovery in construction activity continued to be fragile. Housing transactions showed marginal growth and house prices returned to 2005 levels. There were signs of a tentative recovery in house building with housing starts up by 17 per cent to one-third of pre-recession volumes. Revenue growth combined with a successful focus on cost efficiency helped to drive a significant improvement in both operating profit and margin. A strong performance in the specialist ironmongery division contributed to the improved performance. The contract scaffolding business, a small non-core business, was sold in June 2015.

Chief Executive Officer's Review (continued)
Operating Review - Merchanting



Irish Merchanting reported revenue was marginally lower at £257.32 million (2014: £257.55 million) although local currency revenue was up strongly by 10.9 per cent to €354.51 million (2014: €319.49 million). Operating profit increased by 13.2 per cent to £18.58 million (2014: £16.42 million) and by 25.7 per cent to €25.60 million (2014: €20.37 million) in local currency. The operating profit margin increased by 80 basis points to 7.2 per cent.

The business continued to benefit from its superior service quality, a key differentiator that saw it outperform a recovering market, increasing like-for-like revenue by 10.1 per cent. Despite competitive pricing pressure in the early months of the year, the gross margin recovered in the second half and was higher for the year with the benefit of procurement and other commercial initiatives. Revenue growth of almost a quarter over the past two years in a strengthening market together with the development of attractive market segments including heating products required additional manpower investment to maintain superior levels of customer service and provide capacity for further growth.

Residential property transactions, a key driver of demand in the residential RMI market, continued to trend upward in 2015 and were equivalent to 2.2 per cent of the housing stock. This was half the level of transactions anticipated in a normalised market. House price growth nationally eased in 2015 to 6.6 per cent following growth of 16.3 per cent in 2014 as the introduction of tighter rules on mortgage lending led to a cooling of the market.

There was a modest increase in house building as completions increased to an estimated 12,000 units from 11,000 units in 2014. This was less than half the level of estimated output required to meet demand on the basis of demographic trends. Forward looking indicators point to growth in house building but the level of supply is likely to continue to lag growth in household formation for some time.

The national network of merchanting branches used its instinctive knowledge of local markets and breadth of products distributed in Ireland to take advantage of improving economic and market conditions to increase profitability. The primary driver of growth was increased volumes in the residential RMI market. Infrastructure projects, refurbishment of commercial properties and the agricultural sector were other important end-use markets that showed the strongest gains in revenue. A subdued recovery in house building from a low base was focused on the construction of single dwellings in provincial locations and on small in-fill housing developments in Dublin.

Operating profit increased by 13.2 per cent to £18.58 million (2014: £16.42 million) and by 25.7 per cent to €25.60 million (2014: €20.37 million) in local currency.

CHADWICKS

Heiton Buckley
BUILDERS MERCHANTS

Netherlands Merchanting reported revenue was £8.54 million for the period from completion of the acquisition of Isero on 18 November 2015 and operating profit was £0.32 million before charging acquisition costs and amortisation. Local currency revenue was €11.76 million and operating profit before acquisition costs and amortisation was €0.45 million. This was in line with pre-acquisition expectations and ahead of the prior year.

Isero is a leading specialist distributor of tools and fixings trading from 38 branches in the Netherlands under the Gerritse, Breur Ceintuurbaan and Van der Winkel brands. It operates a small store format model with a strong focus on customer service and stock availability. The business trades in a fragmented segment of the merchanting market where there are opportunities to grow the branch network organically and by acquisition under an established management team that has a good track record.

Belgium Merchanting reported revenue declined by 9.6 per cent to £82.76 million (2014: £91.56 million) and was up by 0.4 per cent in local currency to €114.09 million (2014: €113.67 million). An operating loss of £1.81 million was reported for the year (2014: profit of £0.85 million).

The business was adversely affected by very challenging economic and market conditions which saw overall like-for-like revenue decline by 0.3 per cent and competitive pressure on gross margins in the YouBuild business. In the first quarter, the Group completed the appointment of a new senior management team to run the Belgian business. This experienced team devoted significant time to improving the operating and control environment in YouBuild and their focus in 2016 will be on a margin improvement programme.

The **MPRO** business, which accounts for almost half of Belgian revenue and trades from two branches in Brussels and four in the Walloon region, was resilient despite facing difficult trading conditions in the residential new build and RMI markets. While like-for-like revenue was broadly unchanged, operating profit was ahead of the prior year due to the benefit of procurement gains.

The 65 per cent owned **YouBuild** business, which is fully accounted for as a subsidiary undertaking with a non-controlling interest, experienced a significant decline in performance. The 11 branches located in Flanders faced very difficult trading conditions. Trading was intensely competitive and a decline in gross margin led to an underlying trading loss in the period.

The YouBuild back office functions were integrated into the MPRO shared services centre in Brussels. There was a non-recurring inventory asset impairment charge of £1.52 million reflected in the result for the year. The readymix operation, a small non-core business and the Group's only involvement in this market, was sold in June 2015.

ISERO
IJZERWARENGROEP

PRO

YouBuild
We Supply

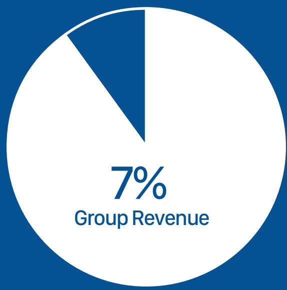
Chief Executive Officer's Review (continued)
Operating Review - Retailing

Retailing

The Group is the largest DIY retailer in Ireland trading from 37 stores nationally under the Woodie's brand and also operates a kitchens business that trades from five stores under The Panelling Centre brand.

Woodie's

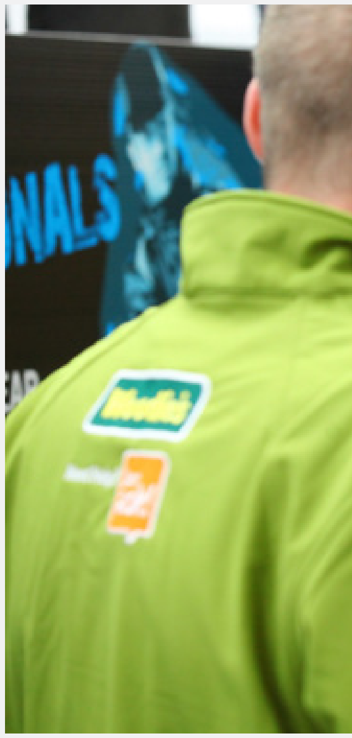
The Panelling Centre
Ireland's leading supplier of kitchens & wardrobes since 1973



Market Position

DIY Retailing	
Ireland	No. 1

Chief Executive Officer's Review (continued)
Operating Review - Retailing



Revenue declined by 6.1 per cent to £148.56 million (2014: £158.24 million) and was up 4.4 per cent in local currency to €205.10 million (2014: €196.52 million). Like-for-like revenue increased by 4.4 per cent. Operating profit increased to £3.48 million from £2.38 million in 2014. Operating profit in local currency increased by 62.2 per cent to €4.80 million (2014: €2.96 million).

The marked improvement in consumer sentiment in Ireland evident in recent years continued at a steady rate through 2015. Employment growth, rising earnings and reduced taxes, during a period of very low inflation, translated into growth of 5 per cent in retail sales. The pace and stage of the recovery was more advanced in the Greater Dublin Area and provincial cities than elsewhere in the country. Despite the strong economic recovery consumers remained cautious and discounting was a feature of the retail sales environment during the year.

Like-for-like revenue growth of 1.8 per cent in the first half was influenced by lower demand for seasonal products over the key trading periods of Easter and the public holiday weekends. Second half like-for-like revenue growth of 7.0 per cent benefitted from the recovery in retail sales extending into the DIY sector and promotional activity including discounting of seasonal products.

Improving the value proposition in certain product categories and promotional activity led to a marginal reduction in the gross margin. Overheads were tightly managed and were unchanged for the year. The reformatting of three Woodie's stores in the Dublin area and one in Cork city has been well received by customers and should accelerate revenue growth as the market recovers and improved returns are achieved.

The Panelling Centre kitchens business benefitted from the recovery in the housing RMI market and from increased volumes supplied to Selco and Woodie's and returned to profitability. In view of the increasingly trade nature of the customer base and change in reporting lines this business was transferred to the merchanting segment with effect from 1 January 2016.

The reformatting of three Woodie's stores in the Dublin area and one in Cork city has been well received by customers and should accelerate revenue growth as the market recovers and improved returns are achieved.

Strategic Report
Corporate Governance
Financial Statements
Shareholder Information

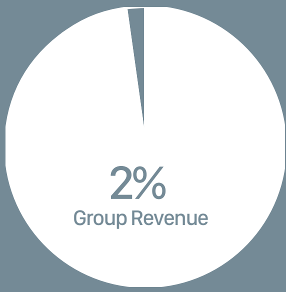
Chief Executive Officer's Review (continued)
Operating Review - Manufacturing

Manufacturing

Grafton operates from ten manufacturing plants in the United Kingdom. EuroMix, the largest manufacturer in Britain of silo-based mortar for use in new build residential and commercial construction projects, trades from nine plants that provide regional market coverage in England and Scotland. Carlton is a manufacturer of packaged concrete and mortar products based in Rotherham.

MFP is a manufacturer of drainage and roofline products from a facility based in Dublin.

EuroMix MFP



Market Position

Mortar Manufacturing	
UK	No. 1

Chief Executive Officer's Review (continued)
Operating Review - Manufacturing

Revenue increased by 8.5 per cent to £52.84 million (2014: £48.71 million) and by 9.2 per cent in local currency. Operating profit increased by 23.3 per cent to £9.75 million (2014: £7.91 million) and the operating profit margin increased by 2.3 percentage points to 18.5 per cent.

CPI EuroMix, the market leader in the supply of dry mortar from a network of eight manufacturing plants in England and one in Scotland, increased revenue by 9.8 per cent to £49.67 million (2014: £45.25 million). The business continued to benefit from growth in house building across the country.

Favourable market conditions were driven by strong consumer demand which saw the market for new homes strengthen. The availability of mortgages at low interest rates, as competition among lenders intensified, and the Help to Buy equity loan scheme enabled improved access to the housing market for first-time buyers and home movers.

A marginal decline in second half like-for-like revenue reflected a softening in the level of housing starts over the course of the year and a reduction in infrastructural concrete volumes supplied to Crossrail projects in London. Housing registrations, a lead indicator of activity in the new housing market, increased by 7 per cent in 2015, to a level last exceeded in 2007. Medium term demand for housing is also expected to be supported by UK Government policies to improve planning and the starter home scheme.

Volume growth, positive pricing trends, investment in plant operating efficiencies and cost control contributed increased profit and margin expansion.

Carlton Manufacturing Limited ("Carlton"), a leading manufacturer of concrete and mortar products produced in waterproof and recyclable packaging, was acquired in July. This acquisition expands the portfolio of packaged products, customer base and end-use markets and has a residential RMI focus. It also increased bagging capacity in the enlarged business from the Carlton plant in Rotherham.

MFP, a manufacturer of PVC drainage and roofline products based in Dublin, increased volumes supplied to the Group's merchanting businesses in Ireland in a strengthening market. Expansion of the Selco branch network in the UK contributed to an increase in the supply of roofline products.

Gavin Slark,
Chief Executive Officer

CPI EuroMix, the market leader in the supply of dry mortar from a network of eight manufacturing plants in England and one in Scotland, increased revenue by 9.8 per cent to £49.67 million (2014: £45.25 million).

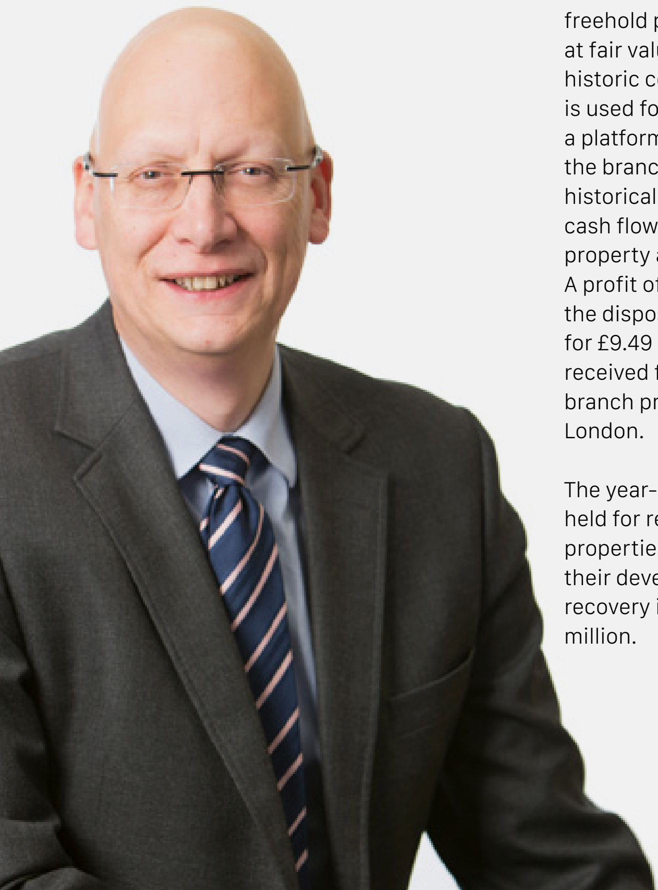

EuroMix
CPI
MAN
SB63 GWL


CPI
EuroMix

Group Financial Review

investment of £150 million on acquisitions and capital projects

Grafton used its strong cash flow from operations and its balance sheet capacity to fund a significant development and capital programme that limited the increase in net debt to £38.24 million, despite an investment of £150.22 million on acquisitions and capital projects.



Property

A particular strength of the Group's balance sheet is the asset backing of its freehold property most of which is carried at fair value at the time of acquisition or at historic cost. The majority of the portfolio is used for trading purposes and provides a platform to expand and develop the branch network. The Group has historically earned a stream of profits and cash flows from the disposal of surplus property and this trend continued in 2015. A profit of £6.69 million was realised on the disposal of a number of UK properties for £9.49 million, including £6.24 million received following the disposal of a small branch property in Stoke Newington, London.

The year-end carrying value of properties held for resale and actively marketed and properties held with a view to enhancing their development potential or pending a recovery in values in Ireland was £28.60 million.

Pensions

Defined contribution style funding arrangements apply to over 90 per cent of the Group's employees. Defined benefit pensions schemes have 800 current employees and 1,700 deferred members and pensioners.

The IAS 19 pre-tax deficit on the defined benefit pension schemes declined by £16.34 million to £16.62 million (31 December 2014: £32.96 million). This was primarily due to a fall in the present value of scheme liabilities as the rates used to discount scheme liabilities increased in line with movements in corporate bond yields. UK Scheme liabilities were discounted at 3.95 per cent, an increase of 35 basis points and Irish scheme liabilities were discounted at 2.35 per cent, an increase of 25 basis points. Experience gains related to a lower rate of inflation than anticipated and changes to life expectancy also contributed to the deficit decline. The income statement includes a past service credit of £2.95 million arising from the change in the basis for increasing pensions to CPI from RPI.

Net Finance Income and Expense

The net finance charge for the year was £7.88 million (2014: £8.86 million). This incorporated a reduction in net bank and loan note interest of £1.44 million to £5.91 million (2014: £7.35 million) due to the refinancing of bank debt completed in May 2014, lower average net debt for the year and a decline in money market interest rates. The net finance cost of defined benefit pension scheme obligations increased by £0.66 million to £0.90 million (2014: £0.24 million).

Taxation

The tax charge for the year of £23.83 million is equivalent to an effective rate of 19.8 per cent. This was lower than the underlying rate of 21 per cent due to the use of a previously unrecognised deferred tax asset to offset a taxable profit arising on the disposal of properties in the UK during the year. The underlying effective rate of 21 per cent reflected the blended rate of corporation tax on profits in the UK and Ireland and the disallowance of a tax deduction for certain overheads charged in arriving at profit before tax including depreciation on property. There was a reduction in the UK rate of corporation tax to 20 per cent with effect from 1 April 2015 and a further reduction in this rate takes effect in two stages, to 19 per cent from 1 April 2017 and 18 per cent from 1 April 2020. The forecast tax rate for 2016 is 20 per cent.

Capital Expenditure and Intangible Assets

Capital and development expenditure amounted to £51.58 million (2014: £46.86 million). The focus of development expenditure of £31.44 million (2014: £26.80 million) was on delivering organic performance improvements in existing businesses and on optimising benefits from growth opportunities in businesses that have a sustainable competitive advantage. Resources required to fund the long-term growth of the Selco business with the opening of five new branches, development of hire and the launch of Click & Collect and Selco Direct to support on-line as a growth channel, amounted to £11.54 million. An investment of £9.99 million was made as part of the multi-year programme to upgrade the Group's IT systems and infrastructure that supports a number of UK businesses including Buildbase. This expenditure recognises the role of information technology in trading efficiently and achieving commercial benefits.

Asset replacement expenditure of £20.14 million mainly related to the distribution fleet, refurbishment of branches and replacement of plant and equipment hired to customers.

Net Debt

Net debt at 31 December 2015 was £113.56 million, an increase of £38.24 million. The increase was attributable to a spend of £150.22 million on acquisitions and capital expenditure that was primarily funded from cashflow from operations.

Cash held on deposit and in current accounts was £211.57 million at the year-end (31 December 2014: £182.36 million). The year-end gearing ratio was 12 per cent (31 December 2014: 8 per cent). EBITDA interest cover was 27.3 times (2014: 19.4 times) and year end debt was 0.70 times EBITDA (2014: 0.53 times).

In October DBRS, the international credit rating agency, restored the Group's investment grade credit rating. This development recognised the improvement in operating performance and credit metrics achieved over recent years.

Financing

The level of undrawn facilities at the year-end was £115.70 million (31 December 2014: £207.50 million) which, together with the Group's cash deposits and balances, provide appropriate funding headroom and financing flexibility. In March 2016, the Group completed an amendment and extension of its loan facilities to improve terms and refresh the maturity date. Bilateral loan facilities for £434 million with five existing relationship banks now have an extended five year maturity of March 2021 plus two one-year extension options. The new arrangements were timed to take advantage of more favourable market conditions for pricing on drawn and undrawn facilities and will reduce finance costs. The Group also entered into a revolving loan facility for £58 million on similar terms with a new relationship bank. These arrangements provide certainty of finance over a longer period on competitive terms.

Shareholders' Equity

Shareholders' equity increased by £83.42 million to £985.67 million at 31 December 2015 (31 December 2014: £902.25 million). Profit after tax increased equity by £96.50 million and dividend payments reduced equity by £26.80 million. The after tax decline in the defined benefit pensions scheme deficit increased shareholders equity by £11.15 million. There was a currency loss of £6.24 million on conversion of euro denominated assets, net of related euro debt, into sterling at the year-end Euro/Sterling exchange rate of 73.40p (31 December 2014: 77.89p). Proceeds received from the issue of shares under the UK SAYE scheme were £3.31 million.

Return on Capital Employed and Asset Turn

Return on Capital Employed (ROCE) increased 1.1 percentage points to 12.2 per cent (2014: 11.1 per cent) and capital turn was 2.1 times (2014: 2.1 times). The Group is committed to achieving increased returns for shareholders as demonstrated by setting a new medium term target of 15 per cent for return on capital employed. This target is based on a combination of an improvement in operating performance and the more efficient deployment of capital including realising cash from surplus property that can be reinvested in the business to generate higher returns.

David Arnold,
Chief Financial Officer

Grafton Group plc Financial History - 1994 to 2015

	IFRS*										
Group Income Statements	**2015 £'m**	2014 £'m	2013 £'m	2012‡ £'m	2011 £'m	2010 £'m	2009 £'m	2008 £'m	2007 £'m	2006 £'m	2005 £'m
Revenue	**2,212.0**	2,081.7	1,899.8	1,760.8	1,782.5	1,719.4	1,763.8	2,128.5	2,193.3	2,000.0	1,798.1
Operating profit	**128.2**	110.1	77.2	59.1	47.5	41.5	21.3	92.7	180.4	165.4	146.2
Operating margin %	**5.8%**	5.3%	4.1%	3.4%	2.7%	2.4%	1.2%	4.4%	8.2%	8.3%	8.1%
Restructuring (costs)/credit	**-**	-	2.8	(21.2)	(27.8)	(13.2)	(17.0)	(13.7)	-	-	-
Property profit	**-**	-	-	-	-	-	-	-	5.0	25.9	6.6
Finance (expense)/income (net)	**(7.9)**	(8.9)	(12.3)	(12.9)	(10.8)	(6.4)	7.8	(28.0)	(24.0)	(21.4)	(21.4)
Profit before taxation	**120.3**	101.2	67.7	25.0	8.9	21.9	12.1	51.0	161.4	169.9	131.4
Taxation	**(23.8)**	(21.2)	(5.6)	6.6	(6.7)	33.0	(0.2)	(5.1)	(21.0)	(22.0)	(17.8)
Profit after taxation	**96.5**	80.0	62.1	31.6	2.2	54.9	11.9	45.9	140.4	147.9	113.6

Group Balance Sheets	**2015 £'m**	2014 £'m	2013 £'m	2012 £'m	2011 £'m	2010 £'m	2009 £'m	2008 £'m	2007 £'m	2006 £'m	2005 £'m
Capital employed											
Goodwill and intangibles	**554.2**	485.9	481.0	476.2	474.9	479.7	489.3	516.0	448.7	400.3	375.4
Property, plant and equipment	**430.1**	423.4	413.4	458.3	471.9	489.6	537.1	603.2	516.1	460.8	427.1
Financial assets	**0.1**	0.1	0.1	0.2	0.1	3.4	3.5	0.2	0.6	0.3	0.2
Net current assets**	**149.6**	112.8	136.5	133.7	121.2	122.2	122.6	193.0	256.9	225.4	207.8
Other net non-current liabilities	**(31.3)**	(40.6)	(23.0)	(85.9)	(58.4)	(22.8)	(56.4)	(69.9)	(35.7)	(35.8)	(52.4)
	1,102.7	981.6	1,008.0	982.5	1,009.7	1,072.1	1,096.1	1,242.5	1,186.6	1,051.0	958.1
Financed as follows:											
Shareholders' equity	**985.7**	902.3	870.3	813.5	821.0	852.5	809.7	827.6	783.0	681.1	557.7
Non-controlling interest	**3.4**	4.0	4.0	4.1	-	-	-	-	-	-	-
Net debt/(cash)	**113.6**	75.3	133.7	164.9	188.7	219.6	286.4	414.9	403.6	369.9	400.4
	1,102.7	981.6	1,008.0	982.5	1,009.7	1,072.1	1,096.1	1,242.5	1,186.6	1,051.0	958.1
Other Information											
Acquisitions & investments	**98.6**	33.1	5.9	17.6	11.1	2.1	6.1	22.4	61.0	59.4	326.7
Purchase of fixed assets / investment in intangible assets	**51.6**	46.9	24.7	23.0	30.6	8.2	11.0	62.6	71.7	84.8	68.8
	150.2	80.0	30.6	40.6	41.7	10.3	17.1	85.0	132.7	144.2	395.5
Depreciation and intangible amortisation	**33.1**	32.5	31.5	33.9	37.1	40.1	44.7	45.0	40.4	37.8	34.5

Financial Highlights	**2015**	2014	2013	2012‡	2011	2010	2009	2008	2007	2006	2005
Adjusted EPS*** (pence)	**41.0**	34.4	22.3	15.1	13.4	15.9	4.8	25.6	57.7	53.2	46.4
Dividend/share purchase per share (pence)	**12.5**	10.8	8.5	7.0	6.5	6.0	4.5	11.9	15.1	12.8	10.8
Cashflow per share (pence)#	**54.9**	48.4	39.5	29.9	24.9	44.8	26.6	39.6	74.1	68.4	60.4
Net assets per share (pence)	**419.0**	387.9	374.4	350.6	354.1	368.5	351.0	359.5	341.2	284.7	234.9
Underlying EBITDA interest cover (times)	**27.3**	19.4	11.0	8.6	6.4	10.0	5.6	4.5	8.2	10.2	9.4
Dividend/share purchase cover	**3.3**	3.2	2.6	2.2	2.1	2.6	1.1	2.1	3.8	4.2	4.3
Net debt to shareholders' funds	**12%**	8%	15%	20%	23%	26%	35%	50%	52%	54%	72%
ROCE	**12.2%**	11.1%	7.8%	6.1%	4.6%	3.8%	1.8%	7.6%	16.1%	16.5%	18.8%

*The summary financial information is stated under IFRS for 2004 to 2015 and under Irish GAAP for all years from 1994 to 2003.
** Excluding net debt/(cash)
*** Before pension credit and asset impairment in 2015. 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

	Irish GAAP*										
Group Income Statements	2004 £'m	2003 £'m	2002 £'m	2001 £'m	2000 £'m	1999 £'m	1998 £'m	1997 £'m	1996 £'m	1995 £'m	1994 £'m
Revenue	1,270.5	1,035.2	724.6	614.9	506.2	408.6	289.7	239.1	197.1	156.7	130.1
Operating profit	109.3	80.1	56.4	48.1	39.4	30.5	22.4	18.7	15.4	11.4	8.7
Operating margin %	8.6%	7.7%	7.8%	7.8%	7.8%	7.5%	7.7%	7.8%	7.8%	7.3%	6.7%
Restructuring (costs)/credit	-	-	-	-	-	-	-	-	-	-	-
Property profit	5.1	2.4	2.3	1.4	-	-	-	-	1.5	0.6	-
Finance (expense)/income (net)	(15.5)	(11.9)	(8.3)	(7.7)	(7.2)	(5.4)	(3.3)	(1.8)	(1.1)	(0.9)	(0.9)
Profit before taxation	98.9	70.6	50.4	41.8	32.2	25.1	19.1	16.9	15.8	11.1	7.8
Taxation	(13.5)	(10.6)	(7.5)	(5.4)	(4.2)	(3.0)	(2.7)	(2.5)	(2.3)	(2.0)	(1.6)
Profit after taxation	85.4	60.0	42.9	36.4	28.0	22.1	16.4	14.4	13.5	9.1	6.2

Group Balance Sheets	2004 £'m	2003 £'m	2002 £'m	2001 £'m	2000 £'m	1999 £'m	1998 £'m	1997 £'m	1996 £'m	1995 £'m	1994 £'m
Capital employed											
Goodwill and intangibles	174.2	148.6	65.3	38.0	32.3	19.7	6.9	-	-	-	-
Property, plant and equipment	286.4	244.4	196.6	153.0	130.8	109.4	99.2	42.1	37.8	35.1	31.3
Financial assets	33.2	23.7	21.9	20.5	11.7	11.8	0.1	8.5	0.1	-	0.9
Net current assets**	137.6	139.9	93.9	78.8	66.5	47.4	42.5	20.1	16.7	17.5	14.2
Other net non-current liabilities	(35.8)	(19.9)	(11.7)	(10.8)	(10.0)	(8.8)	(8.7)	(0.8)	(0.9)	(0.9)	(0.9)
	595.6	536.7	366.0	279.5	231.3	179.5	140.0	69.9	53.7	51.7	45.5
Financed as follows:											
Shareholders' equity	349.4	317.0	209.5	160.9	135.1	112.7	98.6	53.6	55.0	46.9	38.9
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	-
Net debt/(cash)	246.2	219.7	156.5	118.6	96.2	66.8	41.4	16.3	(1.3)	4.8	6.6
	595.6	536.7	366.0	279.5	231.3	179.5	140.0	69.9	53.7	51.7	45.5
Other Information											
Acquisitions & investments	60.2	152.3	55.8	38.4	34.5	41.9	36.2	21.7	6.5	1.1	4.5
Purchase of fixed assets / investment in intangible assets	60.3	48.0	42.8	26.1	26.3	19.4	14.0	10.7	6.1	6.2	4.4
	120.5	200.3	98.6	64.5	60.8	61.3	50.2	32.4	12.6	7.3	8.9
Depreciation and intangible amortisation	23.5	26.0	16.7	13.6	10.1	8.3	4.9	3.9	3.4	2.9	2.3

Financial Highlights	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Adjusted EPS*** (pence)	38.1	31.2	23.3	20.0	15.8	12.8	9.6	8.5	7.3	5.2	3.7
Dividend/share purchase per share (pence)	8.8	7.3	5.3	4.7	3.7	3.0	2.2	2.0	1.7	1.2	0.8
Cashflow per share (pence)#	49.1	40.6	32.7	27.9	22.1	18.1	13.1	11.5	9.9	7.2	5.4
Net assets per share (pence)	163.7	149.1	118.1	91.4	77.6	65.2	59.9	33.3	34.4	29.8	24.7
Underlying EBITDA interest cover (times)	9.9	9.1	9.1	8.2	6.9	7.2	8.3	12.9	20.2	17.1	12.4
Dividend/share purchase cover	4.3	4.3	4.4	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.8
Net debt to shareholders' funds	70%	69%	75%	74%	71%	59%	42%	30%	-	10%	17%
ROCE	19.3%	17.1%	16.5%	17.4%	17.4%	16.9%	18.2%	23.1%	22.2%	17.6%	14.4%

Based on profit after tax before depreciation, 2015 pension credit, 2013 pension credit, intangible amortisation, onerous lease provision, impairment and excluding material property profits in previous years.
‡ 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.

Key Performance Indicators

Revenue

£2.2bn

UP 6%

Adjusted Group operating profit*

£126.8m

UP 15%

Adjusted Group operating profit margin*

5.7%

increased by 40 basis points

Adjusted basic earnings per share*

41.0p

UP 19%

Return on capital employed

12.2%

increased by 110 basis points

Accident Incident Rate (AIR) measuring reportable incidents (RIDDOR) per 100,000 employees

25% reduction

to 940

Lost Time Accident Frequency Rate (LTAFR)

8.5% reduction

to 1.50 lost time incidents per 100,000 hours worked

*Before defined benefit pension scheme past service credit of £2.95 million and an asset impairment charge of £1.52 million in the Belgium business in 2015. There were no non-recurring items in 2014.

Corporate Social Responsibility

Grafton is committed to conducting its business in a socially responsible manner. This is demonstrated in the way it engages with its employees, customers, suppliers and with the communities in which it trades. The Group is committed to taking a balanced view on economic, social and environmental issues when making business decisions.

Environment and Sustainability

Grafton recognises the increasingly significant role that effective environmental management has to play in its business and acknowledges its corporate responsibilities in this field.

The UK merchanting and manufacturing operations continued to maintain accreditation to the ISO 14001 environmental management standard. This accreditation is seen as vital in helping to focus on environmental risk management initiatives.

In 2014 CPI Mortars achieved accreditation to the sustainability standard BES 6001 which was a significant development for the business and demonstrated the controls that it has in place over the environmental aspects of the mortar manufacturing supply chain.

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. These ranges include 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.

Waste Management

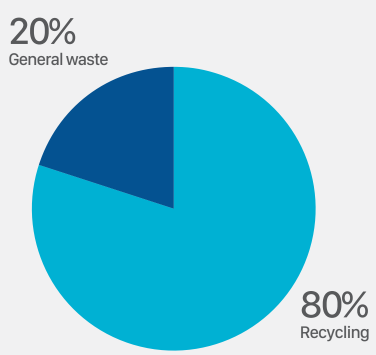
As a supplier of building materials and related products, Grafton strives to reduce the quantity of waste sent to landfill by implementing recycling measures across its businesses. The Group's Irish businesses are members of Repak and the UK businesses are members of Biffpack.

The Group has also focused on operational efficiencies and reductions in energy usage through on-going energy audit programmes and the replacement of old appliances. The Group's Irish merchanting businesses work closely with the Environmental Protection Agency to implement best practice solutions for the treatment and preservation of timber.

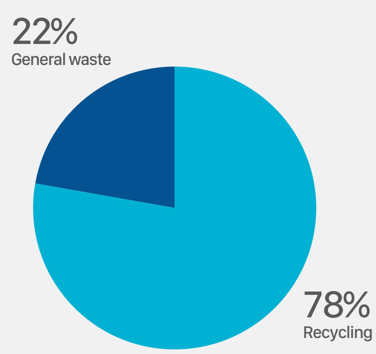
Efforts to improve waste recycling rates continue through a close working relationship with our UK national contractor, Biffa. Further changes to waste collection facilities have helped to improve average UK recycling rates from 78 per cent in 2014 to 80 per cent in 2015. Hazardous waste management procedures were strengthened during 2014 with improved collection facilities installed across UK builders' merchanting locations.

Grafton recognises the increasingly significant role that effective environmental management has to play in its business and acknowledges its corporate responsibilities in this field.

Average Recycling Rate UK Business 2015



Average Recycling Rate UK Business 2014



Corporate Social Responsibility
(continued)

Greenhouse Gas Emissions

CO_2e Emissions by Sector

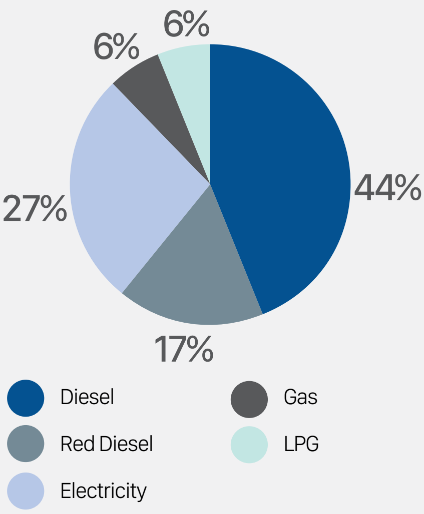
Merchanting and Retail

Tonnes of CO_2e

66,488

Total emissions are calculated from the following:
Buildings – electricity, gas and fuel oil
Transport – petrol, diesel and red diesel
Processing – fuel oil

Group Greenhouse Gas Emissions by Fuel Source 2015



LPG fuel use will rise significantly in 2016 due to the switch from gas oil for the sand-drying operation in the dry mortar manufacturing plants. The use of LPG will have beneficial impact on CO_2 emissions versus the existing fuel type.

Energy Efficiency

Grafton Merchanting GB is a Green Deal provider. Sponsored by the Department of Energy and Climate Change (DECC), The Green Deal is an initiative to encourage home and business owners to improve the energy efficiency of their properties. It provides a platform to enable customers to engage in this initiative which provides finance to property owners for the installation of energy efficient products.

Considerable work has been carried out in the Republic of Ireland operations to reduce energy consumption through changes to lighting; the most significant energy demand in this sector of the business. Over 6,000 lighting lamps have been replaced with LED units. Similar upgrades to a number of branches in the UK Merchanting business are planned for 2016.

The Irish merchanting businesses supply a range of energy efficient products including high efficiency condensing boilers, solar, thermal and PV panels and lights, ground source, air source and underfloor heating systems, rainwater harvesting, composting, and heat-recovery systems.

Transparent Timber Sourcing

Buildbase holds an internationally recognised environmental certificate for the PEFC (Programme for the Endorsement of Forest Certification) scheme. It is Buildbase policy that its natural timber products are FSC/PEFC accredited. The entire operation is independently audited. Buildbase has adopted the Timber Trades Federation 'Responsible Purchasing Policy'. This demonstrates that the business is committed to sourcing timber and timber products from legal and well-managed forests.

Health and Safety

The Group is committed to achieving the best practicable standard of health and safety for its employees, customers and visitors to trading locations. It considers health and safety to be an important element in the overall management of the businesses and is an agenda item for all Grafton Group plc board meetings. Effective health and safety management is driven by Directors and senior management. Management across the businesses continued to demonstrate their commitment, involvement and leadership through active monitoring of performance, challenging unacceptable standards and promoting effective safety management as a priority. The contribution of all colleagues across the Group is critical to preventing accidents and protecting staff, customers and visitors to Group locations.

The Group is committed to achieving the best practicable standard of health and safety for its employees, customers and visitors to trading locations.

Specialist health and safety teams were further strengthened during the year, both in number and professional capability reflecting the increased focus and activity across the Group. There was a continued focus on ensuring that the Group's health and safety specialists work closely with management teams to promote responsibility for health and safety and implement improved practices.

There was significant activity in a number of businesses to improve the quality, clarity and standard of safety management systems and procedures and to drive effective implementation of change. The ongoing objective is to ensure that all colleagues are aware of the Group's health and safety standards and understand their roles in observing these standards.

The Group's training programmes develop knowledge, understanding, capability and commitment among colleagues. Programmes of practical and specialist training continued with the objective of ensuring that colleagues have the requisite skills and competence to operate in areas that give rise to particular health and safety considerations. New E-Learning programmes were introduced in 2014 to provide safety-critical information to colleagues in an easily accessible format. This medium was used extensively through 2015 to deliver training. Manager health and safety training courses were further developed and also formed part of broader management training programmes.

There was a move to a more coordinated strategy for health and safety management across the whole of the Group with the aim of facilitating the transfer of best practice and the development of common standards. A feature of this strategy was the development of more effective communication and enabling key safety information and messages to be delivered in a clear, coordinated and structured way.

Performance was improved in both of the Group's principal health and safety measures. Lost Time Accident Frequency Rate (LTAFR) reduced by 8.5 per cent to 1.50 lost time incidents per 100,000 hours worked. The Accident Incident Rate, measuring reportable incidents (RIDDOR) per 100,000 employees reduced by a quarter to 940.

Performance monitoring continued to increase across the Group with an improved capacity to capture and analyse data. This allowed the Group to utilise past experience to inform its strategy and to drive further improvements.

Human Resources

The success of the Group is dependent on the contribution and commitment of its management and staff. The Group's decentralised structure, which is appropriately supported at Group level, gives management and staff the autonomy to maximise their experience, expertise and skills both for their own career development and for the success of the Group.

Grafton is committed to high standards of employment practice across its businesses and aims to reward management and staff fairly by reference to skills, performance, peers and market conditions. Where appropriate, the Group provide incentives to management and staff through remuneration policies that promote commitment and reward achievement.

It is Group policy that all employees receive fair and equal treatment regardless of gender, age, ethnic origin, nationality, religion or disability.

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. Training and development programmes are important to the business. Significant attention and resources are devoted to this area. Training programmes are organised internally by Group businesses and also in conjunction with external bodies, including the Builders Merchant Federation in the UK. These programmes cover sales development, customer service, product training, health and safety and leadership skills. They help to ensure that the Group can develop, retain and attract the best individuals at all levels in the business. The Group aims to fill vacancies through internal promotions and to complement internal appointments with recruitment from outside of the organisation.

The Irish Merchanting business established a Leadership Academy during the year with a view to develop and retain strong leadership talent. The programme comprises a 22-module "Development Road Map" based on key leadership competencies including emotional intelligence, decision making, conflict management, entrepreneurship and interpersonal skills. The programme was shortlisted for the Irish Institute of Training and Development award for Best Leadership Development Initiative.

The Isero business in the Netherlands operates an in-house business academy to train apprentice customer service representatives.

The Group operates a Revenue-approved Save As You Earn Scheme (SAYE) that enables eligible UK employees to share in the success of the overall Group. The 2012 scheme matured during 2015. Participating employees purchased Grafton Units at a discount to the market price of the shares at the time the options were granted. There was also a material gain to employees as a result of the increase in the share price over the three year savings period.

During the year the Group issued a Code of Business Conduct and Ethics setting out the basic standards of behaviour which all employees (including contractors, agents and business partners) of the Group are expected to follow. In conjunction with this, the Group also issued a number of policies for adoption by its businesses concerning ethics and regulatory compliance including equality and diversity, anti-bribery and corruption and competition law compliance. The Group developed

Corporate Social Responsibility
(continued)

and rolled out e-learning modules for completion by employees in order to improve awareness of these policies.

"Speak-Up", the group-wide confidential reporting service established during 2014, continued to provide 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. All reports are logged by the third party and passed to the Group Internal Audit team for investigation. The individual making the report is kept appropriately informed of the progress of the investigation and its outcome through the reporting service. All concerns raised through this channel and the outcomes of investigations are reported to the Audit and Risk Committee. While Group policy encourages employees to raise any concerns with their manager in the first instance, this service provides an alternative reporting route if required.

Community

The Group recognises its responsibility as a member of the communities where it conducts business and is committed to developing links to those communities through a range of community and charitable initiatives supported by local staff and management. In addition, the Group, through its branch networks, also supports a range of charitable causes mainly at a local level.

Woodie's DIY sponsored Make-A-Wish Ireland during 2015 with the 'Working on Wishes' or 'WOW!' campaign raising over €250,000. This involved in-store fundraising, a nationwide in-store bike challenge and a 5-day road cycling event.

The Irish merchanting business supported a number of charitable initiatives during the year involving the Simon Community, Barnardos, St. Vincent de Paul, the Irish Cancer Society, Goal and the Irish Hospice Foundation.

Grafton Merchanting GB supported Cancer Research UK with a number of fundraising events held throughout the year raising £77,000. Cyclists at Buildbase raised more than £3,000 from a 24-hour London to Paris bike ride in aid of the Alzheimer's Society. Plumbase held a charity day during the year raising £18,000 from a variety of fun events.

In July 2015, Grafton Group plc sponsored its fourth consecutive cycle challenge. The four day challenge covered over 320 miles from Brussels to Paris. A team of senior executives completed the challenge and raised over £18,000 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.

Selco continued its ongoing campaign to support MacMillan Cancer Support and, to date, have raised over £250,000.

The Isero business sponsors the 'Beursvloer Woerden', a trade fair which provides for sharing of information and skills between local businesses and social organisations. Other sponsorships included sports events to raise funds for the Dutch Cancer Society.

Woodie's DIY sponsored Make-A-Wish Ireland during 2015 with the 'Working on Wishes' or 'WOW!' campaign raising over €250,000.

Board of Directors and Secretary	42
Directors' Report on Corporate Governance	44
Executive Committee	50
Audit and Risk Committee Report	51
Principal Risks and Uncertainties	56
Report of the Remuneration Committee on Directors' Remuneration	59
- Chairman's Annual Statement	59
- Remuneration Policy Report	61
- Annual Report on Remuneration	69
Nomination Committee Report	79
Report of the Directors	81
Statement of Directors' Responsibilities	86

Corporate Governance

Board of Directors and Secretary

Michael Chadwick, (IRL), BA, MSc

Non-Executive Chairman

Michael Chadwick joined the Group in 1975 and became Executive Chairman in 1985. He retired as Executive Chairman on 1 July 2011 and continued to serve on the Board from that date as non-executive Chairman. He is a Director of other companies in which he has invested.

Board Length of Service: 36.3 years

Committees: Nomination

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. He is currently a Non-Executive Director of Galliford Try plc, a UK housebuilding and construction group. He was previously Group Chief Executive of BSS Group plc, a leading UK distributor to specialist trades including the plumbing, heating and construction sectors.

Board Length of Service: 5.0 years

Committees: Finance

David Arnold, (UK), BSc, FCMA, FCT

Chief Financial Officer

David Arnold joined the Group as Group Chief Financial Officer on 9 September 2013. He was Group Finance Director of Enterprise plc, the UK Maintenance and Support Services business, from 2010 to 2013 and 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.

Board Length of Service: 2.5 years

Committees: Finance

Roderick Ryan, (IRL), B.Comm, FCA, AITI

Non-Executive Director

Roderick Ryan joined the Board on 15 March 2006 and was appointed Senior Independent Director in May 2010. He is a Non-Executive Director of Glen Dimplex having previously served as an executive director of the company. Mr. Ryan is a former Managing Partner of Arthur Andersen in Ireland. He is a member of the Chartered Accountants Regulatory Board.

Board Length of Service: 10.0 years

Committees: Nomination

Board Committee Membership and Length of Service

Audit and Risk Committee

Membership	Length of Service
P. Hampden Smith (Chairman)	0.6 years
C. M. Fisher	0.3 years
F. van Zanten	2.6 years

Remuneration Committee

Membership	Length of Service
C. M. Fisher (Chairman)	5.8 years
F. van Zanten	0.3 years
P. Hampden Smith	0.3 years

Nomination Committee

Membership	Length of Service
R. Ryan (Chairman)	5.8 years
M. Chadwick	22.3 years
C. Fisher	5.8 years
F. van Zanten	0.7 years
P. Hampden Smith	0.6 years

Finance Committee

Membership	Length of Service
G. Slark (Chairman)	5.0 years
D. Arnold	2.5 years
C. Rinn	12.0 years

Charles M. Fisher, (UK), MA

Non-Executive Director

Charles Fisher was appointed to the Board on 1 May 2009. He is currently Chairman of Garden Centre Property Development Trading plc. He was Chairman and Chief Executive of Sharpe & Fisher plc, the UK builders merchanting company, from 1989 to 1999. He was formerly Chairman of Mowlem plc and previously served as a director of a number of other public companies including Travis Perkins plc, Baggeridge Brick plc, South Western Electricity plc and Delta plc.

Board Length of Service: 6.9 years
Committees: Audit & Risk, Remuneration, Nomination

Frank van Zanten, (NL), MBA

Non-Executive Director

Frank van Zanten joined the Board on 13 May 2013. He is Managing Director of the Continental Europe business area of Bunzl plc, the FTSE 100 UK international distribution and outsourcing Group with operations across the Americas, Europe and Australasia. He joined the Board of Bunzl plc on 1 February 2016 and will take up the position of Chief Executive of Bunzl plc on 20 April 2016. He was previously Chief Executive of PontMeyer N.V., the Dutch Builders Merchants.

Board Length of Service: 2.8 years
Committees: Audit & Risk, Remuneration, Nomination

Paul Hampden Smith, (UK), FCA

Non-Executive Director

Paul Hampden Smith was appointed to the Board on 27 August 2015. He 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 is currently a non-executive director, Chairman of the Audit Committee and a member of the Nomination and Remuneration Committees of Belway plc, Pendragon plc, and Clipper Logistics plc. He was previously a non-executive director and Chairman of the Audit Committee of Redrow plc and DX Services plc.

Board Length of Service: 0.6 years
Committees: Audit & Risk, Remuneration, Nomination

Charles Rinn, MBA, FCCA,

Group Financial Controller & Secretary

Committees: Finance

Directors' Report on Corporate Governance

Compliance with the 2014 UK Corporate Governance Code

Grafton Group plc is incorporated in Ireland and subject to Irish company law. Its Units (shares) are listed on the London Stock Exchange and the UK Corporate Governance Code ("the Code") sets out the standards for corporate governance to be applied by companies with a listing on the London Stock Exchange. The Code is publicly available from the Financial Reporting Council's (FRC) website, www.frc.org.uk. This report describes how the Company has applied the main and supporting principles of the Code.

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

LEADERSHIP

Role of the Board and Division of Responsibilities

The Board routinely meets seven times a year and additionally as required by time critical business needs. Accordingly, the Board met nine times in 2015. There is also contact with the Board between meetings as required in order to progress the Group's business. The Board takes the major decisions while allowing management sufficient scope to run the business within a centralised reporting framework. The Board has a formal schedule of matters specifically reserved for its decision. The matters reserved by the Board for its decision cover all strategic decisions, risk management, acquisitions, approval of interim and final dividends and share purchases, changes to the capital structure, tax and treasury management, major items of capital expenditure, approval of half-yearly and annual financial statements, budgets and material matters currently or prospectively affecting the Group and its performance. The Board's responsibilities also 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 roles of Chairman and Chief Executive Officer are split. There is a clear division of responsibility between the Chairman and the Chief Executive Officer. The Chief Executive Officer 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 Chief Executive Officer 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.

Non-Executive Directors act constructively to challenge management proposals and review the performance of the business and management. The Board has delegated some of its responsibilities to the Audit and Risk, Remuneration, Nomination and Finance Committees.

Senior Independent Director

Mr. Roderick Ryan is the Senior Independent Director. He 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.

Company Secretary

The Directors have access to the advice and services of the Company Secretary who advises the Board 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.

Attendance at Board and Board Committee Meetings During the Year Ended 31 December 2015

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. Chadwick	9	9	-	-	-	-	-	-	2	2
G. Slark	9	9	-	-	12	12	-	-	-	-
D. Arnold	9	9	-	-	12	12	-	-	-	-
F. van Zanten	9	9	4	4	-	-	-	-	1	1
R. Ryan	9	9	4	4	-	-	3	3	2	2
C. M. Fisher	9	9	-	-	-	-	3	3	-	-
P. Hampden Smith	3	-	1	-	-	-	-	-	1	1
A. Flynn	9	9	4	4	-	-	3	3	1	1

Mr. Paul Hampden Smith was unavailable to attend Board Meetings due to pre-existing commitments at the date of his appointment to the Board on 27 August 2015.

The Board is assisted by Committees of Board members that focus on specific aspects of its responsibilities. The terms of reference of the Audit and Risk Committee, Remuneration Committee and Nomination Committee, which were approved by the Board and comply with the Code, are available from the Company and can also be found on the Group's website at www.graftonplc.com. Membership of Board Committees is shown on page 42. The Company Secretary or Deputy Company Secretary is secretary to the Audit and Risk Committee. The Company Secretary is secretary to the Remuneration Committee.

Finance Committee

The Finance Committee comprises Mr. Gavin Slark, Chairman, Mr. David Arnold, Chief Financial Officer and Mr. Charles Rinn, Secretary and Group Financial Controller. The Committee deals with acquisition opportunities up to the Board approval stage of the process, capital expenditure under the limit reserved from time to time for the Board and Group management and finance issues.

EFFECTIVENESS

Board Composition

It is the Company's policy that the Board comprises a majority of Non-Executive Directors. At 31 December 2015, the Board of Directors was made up of seven members comprising the Non-Executive Chairman, two Executive Directors and four independent Non-Executive Directors. Mr. Roderick Ryan is the Senior Independent Director. Directors' biographical details are set out on pages 42 to 43. The Board considers that its current size and structure is appropriate to the scale, complexity and geographic spread of its operations.

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 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.

Directors' Report on Corporate Governance
(continued)

Directors' Independence and Board Balance

Four Non-Executive Directors, Mr. Roderick Ryan, Mr. Charles M. Fisher, Mr. Paul Hampden Smith and Mr. Frank van Zanten 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. Mr. Roderick Ryan has served for over nine years as a non-executive director.

Mr. Roderick Ryan was appointed to the Board in 2006 and, as the length of his service exceeds nine years, the Code provides that an explanation be made to shareholders concerning his continued independence. The Board believes that the integrity and independence of Mr. Ryan is beyond doubt. He is financially independent of the company and has other significant professional commitments. His professional experience and long-term perspective on the Group's business is important to the work of the Board. The Board believes that Mr. Ryan demonstrates independence in his role and that he continues to make a valuable contribution to the Board. It is Board policy that all Directors including Mr. Ryan will retire and seek re-election at the 2016 AGM.

The Company's Articles of Association provide that one third of the Directors retire by rotation each year and that each Director seek re-election at the Annual General Meeting every three years. New Directors are subject to election by shareholders at the next Annual General Meeting following their appointment. However, in accordance with the provisions of the Code, the Board has decided that all Directors should retire at the 2016 Annual General Meeting and offer themselves for re-election. It is Board Policy that Non-Executive Directors are normally appointed for an initial period of three years, which is then reviewed. Mr. Charles Fisher has two years of his third term of three years to serve, Mr. Frank van Zanten has completed his first term of three years and Mr. Roderick Ryan has agreed to remain on the Board for a period. Mr. Paul Hampden Smith was appointed during 2015 and will be subject to election by the shareholders at the 2016 AGM.

The Board undertakes a formal annual evaluation 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.

The overall composition and balance of the Board is kept under review as detailed in the programme of work undertaken by the Nomination Committee, set out in its report on pages 79 to 80. The Board will continue to manage the orderly succession of Non-Executive Directors.

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 policies 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.

Information and Support

Directors have full and timely access to all relevant information in a form appropriate to enable them to discharge their duties. Reports and papers are circulated to Directors in preparation for Board and Committee meetings. All Directors receive monthly management accounts and board reports covering the Group's performance, its strategy and other matters to enable them to review and oversee the performance of the Group on an ongoing basis.

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

The Board periodically holds meetings at Group locations and meets senior management in order to help Directors gain a deeper understanding of the Group's operations and markets.

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 where possible.

An externally facilitated evaluation of the Board was conducted during 2015 by the Institute of Directors in Ireland with whom the Group has no other connection. The Institute of Directors in Ireland has extensive experience as a facilitator of board evaluations for listed companies and it also conducted the previous external Board evaluation in 2012. The use of an external facilitator to conduct Board evaluations at least once every three years complements evaluations conducted by the Chairman and/or the Senior Independent Director. The evaluation concluded that the Board and its Committees are operating effectively and to a high standard of governance and in compliance with best practice. The performance of the Board improved over all aspects of its work compared to the 2012 review which itself concluded that the Board operated to a very high standard. The report noted that the Board functions very effectively with no concentration of power and no restrictions on Directors to contribute to the development of strategy, provide good oversight of performance and constructively challenge management. The evaluation also concluded that the Board comprises an appropriate mix of skills and a good balance of Non-Executive Director and Executive Director skills and experience and a Committee structure which is adding value to the work of the board.

The Board confirms that each Non-Executive and Executive Director 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 scale, geographic spread and complexity of the Group's operations.

The Nomination Committee takes account of the skills, knowledge and experience required by the Board, international business experience and diversity, including nationality and gender, 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.

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

ACCOUNTABILITY

The Board is committed to providing a fair, balanced and understandable assessment of the Company'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 & Risk Committee. Details of how these duties were discharged is set out in the Audit & Risk Committee Report on pages 51 to 55.

Following the updates to the UK Corporate Governance Code, in particular in relation to the risk management process and long term viability of the Group, an assessment of the viability of the Group over a three year period to December 2018 was carried out by the Board and details of this assessment are laid out on page 48.

Directors' Report on Corporate Governance
(continued)

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 2018, taking account of the Group's current position and prospects, the Group's strategy and the Group's principal risks and how they are managed as documented on pages 56 to 58. 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 2018.

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 but reasonable scenarios, and the effectiveness of any mitigating actions that could be taken to avoid or reduce the impact or occurrence of the underlying risks and that realistically would 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 determined that the three-year period to December 2018 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 12 per cent, its strong financial position and headroom on loan facilities in place over the period, its key potential mitigating actions of reducing the Group's cost base, capital expenditure or dividend payments and the Group's ability to generate positive cash inflows in a scenario of falling revenue as working capital is unwound. These mitigating actions were tested to the fullest extent during the downturn in the Group's businesses from 2008 to 2011 which highlighted the resilience of the Group's business model to a severe and protracted economic downturn.

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 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 2015 are contained in the Report of the Remuneration Committee on pages 59 to 78.

RELATIONS WITH SHAREHOLDERS

Communication with Shareholders
The Company recognises the importance of communication with shareholders. Presentations are made to both existing and prospective institutional shareholders principally after the release of half-yearly and annual results. Interim Management Statements are issued in compliance with the EU Transparency (Directive 2004/109/EC Regulations 2007, as amended). The Group also issues trading updates in January and July.

It is planned to hold a presentation for analysts in London on 8 March 2016 following the announcement of the Final Results for 2015. The presentation by the Chief Executive Officer and the Chief Financial Officer will be broadcast live on www.graftonplc.com/webcast and can be viewed/downloaded at www.graftonplc.com.

Any significant or noteworthy acquisitions are announced to the market and the Company's website www.graftonplc.com provides the full text of all announcements including the half-yearly and annual results and investor presentations.

The Group periodically holds a capital markets day for institutional investors and research analysts which provides an opportunity to update the market on the Group's performance and strategy and for Executive Directors and members of the Executive Committee to engage with the investment community and to hear the views of investors on the Group.

While the Chairman takes overall responsibility for ensuring that the views of our shareholders are communicated to the Board as a whole, contact with major shareholders is principally maintained by the Chief Executive and the Chief Financial Officer. The Chairman is available to meet with shareholders if they have concerns which have not been resolved through the normal channels of Chief Executive Officer or Chief Financial Officer or where such contacts are not appropriate. The Board receives reports on feedback from investors and also receives analysts' reports on the Group. Non-Executive Directors are offered an opportunity to attend meetings with major shareholders.

General Meetings

The Company's Annual General Meeting (AGM), which is held in Dublin, affords individual shareholders the opportunity to question the Chairman and the Board. 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.

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 record dates for general meetings, 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 a 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 5 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 3 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.

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

Executive Committee

The Executive Committee constitutes the Group's most senior executives who are responsible for implementing Board strategy and for the day-to-day operational management and performance of the Group.

The Committee met four times during the year under the Chairmanship of the Chief Executive Officer and dealt with the following matters:

- Updates on the performance of the Group and business environment;
- Chief Executive updates on the merchanting and retailing businesses;
- Updates from Group function heads on Finance, Property, Information Technology and Acquisitions;
- Significant business development projects;
- Improving operating standards and optimising procurement arrangements;
- Health and safety; and
- Succession planning, training and professional development.

The Board has not delegated any of its powers to the Executive Committee.

Committee Members:

Gavin Slark
Chief Executive Officer

David Arnold
Chief Financial Officer

Charles Rinn
Group Financial Controller & Company Secretary

Bert Bunschoten
Chief Executive, Isero

Chris Cunliffe
Chief Executive, Selco Builders Warehouse

Jolyon Ingham
Group IT Director

Jonathan Jennings
Group Property Director

Peter Kearney
Chief Executive, Grafton Merchanting Northern Ireland

Eddie Kelly
Chief Executive, Grafton Merchanting Republic of Ireland

Catherine de Miribel
Chief Executive, Grafton Belgium

Declan Ronayne
Chief Executive, Woodie's DIY

Jonathon Sowton
Group Strategic Development Director

Audit and Risk Committee Report

Membership

The Audit and Risk Committee ("the Committee") comprises three Non-Executive Directors:

Mr. Paul Hampden Smith, Chairman,
Mr. Charles M. Fisher and
Mr. Frank van Zanten.

Mr. Roderick Ryan retired from the Committee on 31 December 2015. Mr. Paul Hampden Smith was appointed to the Committee on 27 August 2015 and succeeded Mr. Ryan as Chairman of the Committee with effect from 1 January 2016. Mr. Charles Fisher was appointed to the Committee on 16 December 2015. Ms. Annette Flynn was a member of the Committee until she resigned from the Board on 11 December 2015.

All members of the Committee are determined by the Board to be independent Non-Executive Directors in accordance with provision B1.1 of the UK Corporate Governance Code. In accordance with the requirements of provision C.3.1 of the UK Corporate Governance Code, Mr. Hampden Smith is designated as the Committee member with recent and relevant financial experience. The biographical details on pages 42 to 43 demonstrate that members of the Committee have a wide range of financial, taxation, commercial and business experience.

Duties

Under its terms of reference, which are available on the company website, the Committee:

- Monitors the integrity of the Group's financial statements and announcements relating to the Group's performance;
- Advises the Board 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;
- Monitors the effectiveness of the external audit process and makes recommendations to the Board in relation to the appointment, reappointment and remuneration of the External Auditor;
- Oversees the relationship between the Group and the External Auditor including the terms of engagement and scope of audit;
- Reviews the effectiveness of the company's internal controls;
- Reviews the scope, resourcing, findings and effectiveness of the Internal Audit function;
- Oversees the effectiveness of the risk management procedures in place and the steps taken to mitigate the Group's risks; and
- Reports to the Board on how it has discharged its responsibilities.

The Committee is satisfied that its role and authority include those matters envisaged by the UK Corporate Governance 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. The Committee's terms of reference are available from the Company and are displayed on the Group's website www.graftonplc.com.

Meetings

The Committee met four times during the year. The Chairman of the Committee reports to the Board on the work of the Audit and Risk Committee and on its findings and recommendations. Meetings are attended by the members of the Committee and others being principally the Chief Executive Officer, the Chief Financial Officer, the Group Financial Controller and Company Secretary and the Group Internal Audit and Business Risk Director, who attend by invitation. Other members of executive management may be invited to attend to provide insight or expertise in relation to specific areas. The Audit Partner and Audit Director are invited to attend certain Audit and Risk Committee meetings. The Committee also meets privately with the External Auditor and the Group Internal Audit and Business Risk Director without executive management present. The Chairman of the Committee reports the outcome of the Audit and Risk Committee meetings to the Board.

Activities of the Committee During 2015

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 also reviewed the significant management letter points on internal controls in the Group's individual businesses prepared by KPMG as part of the audit process.

Audit and Risk Committee Report

(continued)

The significant issues in relation to the financial statements considered by the Committee and how these were addressed are summarised as follows:

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 inventory provisioning was appropriate, the Committee received half year and full year updates from management on stock ageing and provisioning at business unit level and also sought the views of the Auditors who had considered the appropriateness of the level of inventory provisioning at the year-end on the basis of a review of stock aging and stock turn analysis using computer aided audit techniques. The Committee reviewed the basis for calculating the valuation of rebate attributable to inventory and was satisfied that inventory was appropriately valued.

Rebate Income and Rebate Receivable

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 half year and full year reviews across all significant business units with the primary objective of providing independent assurance on the adequacy of the design and operating effectiveness of the controls in place over supplier rebate management. These reviews included re-performing calculations on a sample of rebate income for 2015 and rebate receivable at year end by reference to agreements with individual suppliers and reports of purchases made from suppliers. The Committee considered the work undertaken by KPMG on the completeness and accuracy of rebate income and rebates receivable at the year-end and its conclusion that rebate income recognised in the year and receivable at the year-end was materially correct. The Committee also reviewed the value of rebates received after the year end.

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 cash generating units. The review by management involved discounting the forecasted cash flows of each cash generating unit (group of units) based on the Group's pre-tax weighted average cost of capital and carrying out sensitivity analysis on the key assumptions used in the calculations including the revenue growth rate, the discount rate and the growth rate in perpetuity. The Committee also considered reports on the medium term macro-economic environment, analysts' forecasts for the Group, the budget for 2016 and forecasts for 2017 to 2019 inclusive prepared by management.

The Committee noted the significant 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. 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. The Committee considered the review of the impairment model carried out by KPMG during the audit and its conclusion that goodwill was not impaired.

Property Impairment

The Group continues to hold a number of properties that are currently not in use but which are being actively marketed and categorised as held for resale. A number of other properties are being held as investment properties pending a recovery in the property market or with a view to enhancing their development potential by securing alternative use planning. The Committee reviewed the property valuation papers prepared by management and considered the key assumptions supporting the valuations including third party market data and advice received by management concerning local market conditions where there was limited or no precedent transaction data available. The Committee concluded as a result of its review that investment properties and properties held for resale were appropriately recorded on the balance sheet in accordance with the Group's accounting policies. The Committee also considered the conclusions of the audit work undertaken by KPMG in relation to the assessment of fair value.

Internal Audit

The Committee considered reports and updates from the internal audit function which summarised the findings, recommendations and management responses to audits conducted during the year. These reports covered the work undertaken, findings, actions recommended and the response of executive management of the Group's businesses to recommendations made. The Committee considered and approved the programme of work to be undertaken by the Group's internal audit function in 2016. 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 scope, authority and responsibility of the Internal Audit function are set out in the Internal Audit Charter which has been approved by the Committee.

IT Systems

As part of its review of principal risks, the Committee considered the adequacy of the governance structures, and IT policies and procedures to support a programme of investment in systems and infrastructure planned over a number of years that will result in the upgrading and consolidation of systems that support a number of businesses including the rollout of the AX trading platform in Buildbase and noted that there was a full strategy, business case and risk analysis for each project. The Committee also assessed the AX Trading Platform project and the quality of the processes in place in relation to its development and implementation.

Whistleblowing and Fraud

As noted in the 2014 Annual Report, the Group have introduced "Speak-Up", a group wide confidential reporting service run by an independent company. It allows employees to report 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. The Committee also received reports of losses during the year related to fraud and the outcome of related investigations.

Anti-Bribery and Corruption

A Group Anti-Bribery and Corruption Policy was approved during 2015 setting out the main rules applicable to the Group, the core standards and procedures to be observed and 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 at higher risk of conflict of interest, including employees who have responsibility for contract negotiation with customers and suppliers.

External Auditor

The Committee reviewed the External Auditor's overall audit plan for the 2015 audit of the Group and approved the remuneration and terms of engagement. 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 Auditing Practices Board's Ethical Standards for Auditors. 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 Auditors judgement or independence.

As indicated previously, KPMG have been the Group's Auditors since 1993. Prior to 2015, the Group had not formally tendered the Audit since 1993. The Committee did however keep the effectiveness and independence of the audit process under regular review. KPMG's audit partner rotation rules require the lead audit partner responsible for the audit to be rotated every five years. Cliona Mullen, the current lead audit partner was first appointed to the role for the year ended 31 December 2011 and 2015 is her fifth and final year as lead audit partner. In October 2012 the UK Corporate Governance Code introduced a new provision, on a comply or explain basis, requiring FTSE 350 companies to put their audit out to tender every ten years. The Committee deferred a decision in 2013 to put the audit out to tender pending finalisation in 2014 of new regulations by the European Parliament on audit reform and audit tendering, which requires public interest entities to tender their audit after a period of 10 years, rotate the auditor after a maximum period of 20 years and prohibits the external auditor from providing certain non-audit services.

In view of the new regulations which impose an obligation on listed companies to rotate their auditor periodically and the rotation of the lead audit partner by KPMG following the 2015 audit of the Group, the Audit Committee agreed to put the external audit out to tender in 2015. In view of KPMG's length of tenure, the Board decided, following a recommendation from the Committee, to appoint a new firm to conduct the audit of the Group for the year ended 31 December 2016. As a result, KPMG were not invited to participate in the process.

An invitation to tender document was issued to audit firms which the Committee believed have the appropriate international expertise, experience and network to perform the audit of the Group. Each of the firms was given access to a data room and meetings were arranged with Group and Business Unit management prior to the firms submitting their audit tender documents. The Committee evaluated the audit tender documents using a prescribed criteria and oral presentations were made by each of the firms invited to tender. The Committee subsequently recommended that PwC be appointed as external auditors in succession to KPMG. The appointment will take effect for the financial year ending 31 December 2016. The Board would like to thank KPMG for their service as auditor to the Group over a long period.

KPMG have confirmed that there are no matters in connection with their resignation as auditors which need to be brought to the attention of shareholders.

Audit and Risk Committee Report
(continued)

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 auditors objectivity or conflict with the 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 monitors and reviews the nature of non-audit services provided by the Auditors. An analysis of non-audit services provided by KPMG for 2015 and 2014 is disclosed in Note 3 on page 113. The Committee has undertaken a review of non-audit services provided during 2015 and is satisfied that these services were efficiently provided by the External Auditor with the benefit of their knowledge of the business and did not prejudice their independence and objectivity. The non-audit services mainly included the provision of tax compliance services and submission of tax returns to the Revenue authorities in the UK, Ireland and Europe and advice on tax matters. KPMG is the Group Auditor and a substantial part of the non-audit services were provided by KPMG network firms in the UK and Europe.

In January 2016 the Committee approved a policy on 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.

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

A process for identifying, evaluating and managing significant risks faced by the Group, in accordance with the Guidance for Directors in the 2014 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 Committee and the Board. Executive management is responsible for implementing strategy and for the continued development of the Group's businesses within 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 very tight reporting of financial performance. Group and operating company management are responsible for internal control including the identification and evaluation of significant risks and for implementation of appropriate internal controls to manage such risks. Group management reports to the Board on key risks and internal control issues including the way in which these issues are managed.

The preparation and issue of financial reports, including the consolidated annual and interim accounts is managed by Group Finance with oversight from the Audit Committee. The Group's financial reporting process is controlled using accounting policies and reporting formats issued by Group Finance to all reporting entities (including subsidiaries) in advance of each reporting period end. Group Finance supports all reporting entities with guidance in the preparation of financial information. The process is supported by a network of finance professionals throughout the Group who have responsibility and accountability to provide information in keeping with agreed policies and procedures. The financial information for each entity is reviewed by the Group's senior management.

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 including a comparison of actual results with budget and the prior year on a monthly and cumulative basis, on operational issues and on financial performance incorporating results and cash flows, working capital management, return on capital employed and other relevant measures of performance;
- Written reports from the Chief Executive Officer and the Chief Financial Officer that form part of papers considered by the Board at every board meeting;
- Review and approval by the Board of budgets incorporating operating performance and cash flows;
- Board approval of major capital expenditure proposals and all acquisition proposals. Capital expenditure proposals below Board level are approved by the Finance Committee; and
- Review by senior management and the Audit and Risk Committee of the Internal Audit Report findings, recommendations and follow up actions.

The internal audit function focuses on areas of greatest risk to the Group. It monitors compliance and considers the effectiveness of internal control throughout the Group. The Audit and Risk Committee 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 KPMG Management Letter reports and meets with the KPMG Audit Partner 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 the Board's view, the ongoing information it receives is sufficient to enable it to review the effectiveness of the Company's system of internal control. The Directors confirm that they have reviewed the effectiveness of internal control. In particular, they have during the year considered the significant risks affecting the business and the way in which these risks are managed, controlled and monitored.

The 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 on pages 56 to 58 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 described in the Principal Risks and Uncertainties section on pages 56 to 58, cannot provide assurance that other risks will not materialise and adversely affect the operating results and financial position of the Group.

The Group has a framework in place to ensure the development, maintenance, operation and review of risk management controls that fulfil the Boards corporate governance obligations and support the Group's strategic objectives. The Board is responsible for establishing and maintaining risk management controls 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. The Group's Risk Management Committee (RMC), whose membership reflects a range of executive functions, skills, expertise, experience and levels, is responsible for the identification, reporting, mitigation and management of risk. The Risk Management Committee prepares an annual report of its activities and identifies areas for improvement and changes in the risk profile of the Group and presents it to the Audit and Risk Committee.

The Risk Management Committee meets four times a year and is chaired by the Group CFO and reports to the Audit and Risk Committee. The RMC is responsible for maintaining and monitoring the Corporate Risk Register, which records the Group's material risks and the actions and controls, both in place and required, to manage each to an acceptable level of risk consistent with the Group's risk appetite. Each of the Group's business units are required to maintain a register of key business risks and report them quarterly to the RMC. The RMC initiates Group-wide actions to manage risks. Recent initiatives include the development and implementation of a new Group Code of Business Conduct and Ethics, with associated policies and awareness training, and a programme to formalise Business Continuity Planning arrangements throughout the Group.

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 or 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 in the UK, the Netherlands and Belgium. Strategic projects are risk-assessed in conjunction with extensive commercial, financial and legal due diligence.

Paul Hampden Smith,
Chairman of the Audit and Risk Committee

7 March 2016

Principal Risks and Uncertainties

Macro-Economic Conditions in the UK, Ireland, the Netherlands and Belgium

Risk

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 products are distributed to mainly professional trades people 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 factors that include 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.

Mitigation

The Group took 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 expansion of the network of Selco stores particularly in the Greater London Area.

The merchanting branches in Ireland have been refocused on the RMI market. Branch showrooms have been upgraded and the product portfolio expanded to meet the needs of customers engaged in residential RMI projects which now account for a higher proportion of revenue.

A highly cost efficient branch implant route to market model has been used to increase revenues through the existing branch network supported by an enhanced service to customers. Buildbase provides a plant, tool and equipment hire service to its customers. Electricbase implants supply a range of electrical products. Plumb Centre implants provide a full range of plumbing and heating products in the Chadwicks and Heiton Buckley branches in Ireland.

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.

Competition in Merchanting, DIY and Mortar Markets

Risk

The Group 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. 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. 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 from 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.

Employee and Management Engagement, Retention and Skills

Risk

The Group has almost 11,000 employees engaged in the operations and management of its portfolio of businesses. Employees are fundamental to the long term success and development of the business. Attracting and retaining employees 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.

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.

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 throughout the business. 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.

IT Systems and Infrastructure

Risk

The Group's businesses are dependent on IT systems and supporting infrastructure to trade. The failure of key systems could have a serious impact on the business and 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 heritage systems. These changes have the potential to disrupt operations.

Increased levels of cybercrime also represent a threat to the Group's businesses and may lead to business disruption or loss of data.

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. A Programme Board has been established to review progress at significant project milestones and to control costs. The Programme Board is supported by subject matter experts to ensure that projects are managed to deliver technical, functional and business solutions within an appropriate cost and timeframe.

Health and Safety

Risk

The prevention of injury or loss of life to employees, 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 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 when appropriate to reduce or eliminate the risk of recurrence. The Group has recruited additional health and safety expertise to facilitate an improvement in the management of health and safety risks.

Principal Risks and Uncertainties
(continued)

Acquisition and Integration of New Businesses

Risk

Growth through acquisition was historically a key element to 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.

Defined Benefit Pension Schemes

Risk

Retirement benefits are principally provided under defined contribution style pension arrangements. The Group also operates a number of defined benefit pension schemes in the UK and Ireland. The assets and liabilities of these schemes may exhibit significant volatility attributable primarily to changes in asset valuations, changes in bond yields and longevity of scheme members. In addition to future service contributions, significant cash contributions may be required to eliminate past service deficits.

Mitigation

An investment strategy is in place under the stewardship of the pension scheme trustees, in consultation with the Group to protect scheme assets and optimise returns.

The Group's defined benefit pension schemes were restructured on a more sustainable long-term basis during 2013 following consultations between the Group, the Trustees and active members. The arrangements agreed were based on sharing the cost of funding the scheme deficits and providing for more sustainable future benefits at an affordable cost while also materially reducing the financial risks of the schemes to the businesses.

Credit Risk Relating to Customers

Risk

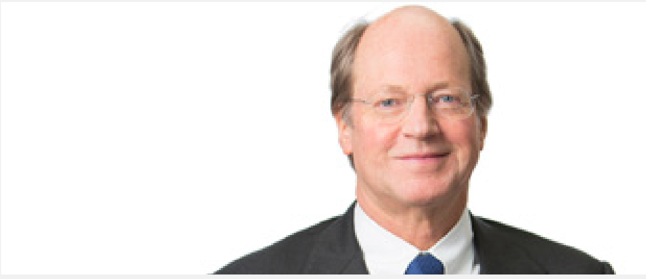
The Group is exposed to the risk of default by customers who purchase products on credit. One of the key features of customer service in merchanting is the provision of short-term credit to customers with the Group carrying the associated credit risk.

Mitigation

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 merchanting business. Past-due receivables are monitored and actively managed on an on-going basis and bad debt provisions are made as required.

Report of the Remuneration Committee on Directors' Remuneration

Chairman's Annual Statement



Dear Shareholder,
On behalf of the Board, I am pleased to present the Report of the Remuneration Committee (the Committee) on Directors' Remuneration.

Although not required under the Irish Companies Act, the Committee has continued to prepare the Remuneration Report in accordance with the revised UK regulations governing the disclosure and approval of remuneration of the Directors that came into force in recent years. Accordingly, this remuneration report has been split into three parts – (i) this Annual Statement, (ii) the Remuneration Policy Report which sets out the Group's policy for remunerating Executive Directors, and (iii) the Annual Report on Remuneration which sets out how Directors were remunerated in 2015 and how it is proposed to apply the policy in 2016.

The remuneration policy adopted by the Board is to reward its Executive Directors competitively having regard to comparable companies. In setting the remuneration policy for the Executive Directors, the Committee takes into account the need to attract, retain and motivate executives of high calibre and ensure that executive management is provided with appropriate incentives to encourage enhanced long-term performance with the objective of aligning the interests of Executive Directors and shareholders. In determining such policy, the Remuneration Committee takes into account all factors which it considers 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.

Performance Outcome for 2015

The key features of the good performance by the Group are summarised as follows:

- Revenue up 6% to a record £2.21 billion (8.9% in constant currency)
- Adjusted Group operating profit* up 15% to £126.8 million from £110.1 million
- Adjusted Group operating profit margin* increased by 40 basis points to 5.7% from 5.3%
- Adjusted Group profit before taxation* up 17% to £118.9 million from £101.2 million
- Adjusted basic earnings per share up 19% to 41.0p
- 16% dividend increase reflects strong improvement in profitability
- Strong cash generation from operations of £139.3 million and year-end gearing of 12%
- Return on capital employed increased by 110 basis points to 12.2%

**Before defined benefit pension scheme past service credit of £2.95 million and an asset impairment charge of £1.52 million in the Belgium business in 2015. There were no non-recurring items in 2014.*

Remuneration for 2015

The Committee agreed in December 2014 to award salary increases of 2.5 per cent to both the Chief Executive Officer and Chief Financial Officer, which took effect from 1 January 2015.

The annual bonus for 2015 was based on very demanding financial performance targets and on personal objectives. Financial performance targets accounted for three quarters of the overall bonus opportunity. Reflecting the performance set out above, a bonus of 63.17 per cent of basic salary, out of a maximum possible award of 120 per cent of basic salary, was made to the Chief Executive Officer. The bonus award made to the Chief Financial Officer was 57.65 per cent of basic salary out of a potential bonus opportunity of 100 per cent of basic salary.

The performance conditions for Long Term Incentive Plan (LTIP) awards granted in April 2013 and covering the performance period ending on 31 December 2015 were based on growth in Earnings Per Share (EPS) and Total Shareholder Return (TSR). Half of the award to the Chief Executive Officer was based on the relative TSR performance versus a peer group. As the Group's TSR was just outside the top quartile relative to the peer group, 73.3 per cent of this half of the award will vest. The other half of the award was based on the Group's EPS for the financial year ended 31 December 2015 being in the range of 24.68 pence to 29.03 pence (34 cent to 40 cent). As the adjusted earnings per share of 41.01 pence (56.50 cent) for 2015 exceeded the upper end of the range, this performance condition was met and this half of the award to the Chief Executive Officer will fully vest.

Report of the Remuneration Committee on Directors' Remuneration

(continued)

Chairman's Annual Statement (continued)

The Remuneration Committee is satisfied that the short and long-term elements of remuneration reflect the strong performance of the Group both in 2015 and over the three years to the end of 2015.

Remuneration Policy for 2016

The Remuneration Policy is set out on pages 61 to 68.

The salaries of Executive Directors are reviewed annually in January. When conducting its review in January 2016, the Committee considered a range of factors including the performance of the Group, market conditions, the prevailing market rates for similar positions in comparable companies and the level of salary increases across the Group. The Committee determined that no increases in basic salary would be awarded to the Chief Executive Officer or the Chief Financial Officer for 2016.

The maximum potential annual performance related pay award for 2015 was 120 per cent of basic pay for the Chief Executive Officer and 100 per cent of basic salary for the Chief Financial Officer and these limits will also apply for 2016.

It is intended that LTIP awards will be granted in 2016 equivalent to 150 per cent of salary to Mr. Slark which is in line with the award made in 2015. Mr. Arnold will be granted an award equivalent to 125 per cent of salary which is also consistent with the award made in 2015.

The Remuneration Committee encourages open and constructive dialogue with its shareholders and it pledges to consult with major shareholders ahead of any major future changes to the remuneration policy.

I recommend your support for the advisory resolution on Directors Remuneration at this year's Annual General Meeting.

Yours sincerely,

Charles M. Fisher,
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 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 Financial Conduct Authority. The policy has been developed taking into account the principles of the UK Corporate Governance Code and describes the policy to be applied from 2015 onwards. The Policy Report was put to a non-binding shareholder vote at the 2014 AGM and, following a revision to the limit on the total value of long term incentives that may be awarded to the Chief Financial Officer and Executive Directors (other than the Chief Executive Officer) it was presented to shareholders for a further advisory vote at the 2015 AGM and this was duly passed.

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 long term strategic objectives of the Group; and
- have a significant proportion of the potential remuneration package that is 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 such policy, the Remuneration Committee takes into account all factors which it considers 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. The Committee also takes on board any shareholder feedback received at the AGM each year. This feedback, together with any feedback received during meetings with shareholders from time to time, is then considered as part of the Group's annual review of the remuneration policy.

When any significant changes are made 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 engage with shareholders and give serious consideration to their views.

Details of votes cast for and against the resolution to approve last year's remuneration report and any matters discussed with shareholders during the year will be referred to in the Annual Report on Remuneration.

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.

Report of the Remuneration Committee on Directors' Remuneration

(continued)

Remuneration Policy Report (continued)

The Remuneration Policy for Directors

The table below summarises the key aspects of the Group's future remuneration policy for Executive Directors.

Element, purpose and link to strategy	Operation	Maximum opportunity/ limit	Performance targets
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; • 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, performance and experience of each Executive Director; and • the level of salary increases implemented across the Group.	Details of the outcome of the most recent salary review are provided in the Annual Remuneration Report. Generally, annual increases will be in line with employee increases but higher increases may be awarded on occasion where an individual is promoted or has been recruited on a below market rate or where there have been changes to individual responsibilities or in the size or complexity of the business.	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
Annual bonus			
To encourage and reward delivery of the Group's annual financial and/or strategic objectives	Bonus payments are determined by the Committee after the year end, based on performance against the targets set. Targets are reviewed annually. The bonus is payable in cash. An Executive Director is required to apply 30% of the annual bonus after statutory deductions for the purchase of shares in the Group until the shareholding is equivalent to at least 100 per cent of basic salary. Claw-back may be applied, at the discretion of the Committee, in the event of 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 based on the achievement of an appropriate mix of mainly financial objectives but may also include an element for personal objectives. Financial measures which account for the majority of the bonus opportunity may include measures such as earnings per share, return on capital employed, free cash flow and such other measures as determined from time to time by the Committee. Personal objectives that are relevant to an individual's specific areas of responsibility may be used. 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 and the bonus payable increases on a straight line basis thereafter with full bonus payable for achieving the upper point on the scale.

Report of the Remuneration Committee on Directors' Remuneration

(continued)

Remuneration Policy Report (continued)

Element, purpose and link to strategy	Operation	Maximum opportunity/ limit	Performance targets
Long-Term Incentives ('LTIP')			
To encourage and reward delivery of the Group's strategic objectives and provide alignment with shareholders through the use of shares	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 claw-back 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.	The total value of awards which may be granted under the LTIP rules in any financial year is 150% of basic salary. This may be increased to 200% of salary in exceptional circumstances. The Company's current policy is to award 150% of basic salary in the case of the CEO and 125% of basic salary in the case of the CFO and any Executive Directors (other than a CEO) appointed in the future.	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 EPS (as defined in the scheme rules) condition 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 vest on a straight line basis. If the Group's TSR equals the median TSR of the peer group 25% of this part of the award will vest, with full vesting for upper quartile performance or better. Awards vest on a straight line basis for performance between the median and upper quartile. Notwithstanding the achievement of the 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. The Remuneration Committee has the authority to set appropriate metrics (which may include metrics other than EPS and TSR) for each future award. The Committee believes that the share scheme should align management and shareholder interests and assist the Group in the recruitment and retention of senior executives.

Element, purpose and link to strategy	Operation	Maximum opportunity/ limit	Performance targets
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 on the same basis as other employees. The Group currently operates the 2011 Approved SAYE Plan for UK employees and in Ireland the Group has in the past operated a Share Participation Scheme for its Irish employees.	The limits are set by the UK tax authorities from time to time. Currently this limit is £500 per month.	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 the annual bonus after statutory deductions for the purchase of shares in the Group until his/her shareholding is equivalent to at least 100 per cent of basic salary.	Minimum 100% of basic salary 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	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. The Chairman's fee is set based on a recommendation from the Remuneration Committee. The level of fees paid seeks to recognise the time commitment, responsibility and skills required to contribute to the effectiveness of the Board.	Details of the outcome of the most recent fee review are provided in the Annual Remuneration Report.	Not applicable

Notes

1. For the annual bonus scheme, EPS is a measure of the Group's overall financial performance, return on capital employed ensures earnings are derived from the efficient use of capital and free cash flow ensures earnings are readily converted into cash.

2. EPS and TSR are measured based on the Group's performance and return to shareholders in terms of the value of their investment in the Group and dividends received.

Report of the Remuneration Committee on Directors' Remuneration

(continued)

Remuneration Policy Report (continued)

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. A copy of the LTIP rules is available on request from the Company Secretary. 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 plans;
- 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 treatment of delisted companies for the purposes of the 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 (in addition to any specified categories) for incentive plan purposes based on the rules of the plan and the appropriate treatment chosen;
- 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 disclosed previously 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 the value created for shareholders and the remuneration received by the Executive Directors and recognises that Executive Directors should have the greatest potential to influence the Group's value creation for shareholders.

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 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.

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. 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 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;
- 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.

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

Remuneration Policy Report (continued)

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 2016 for Executive Directors vary under three performance scenarios – Minimum, In line with Expectation and Maximum.

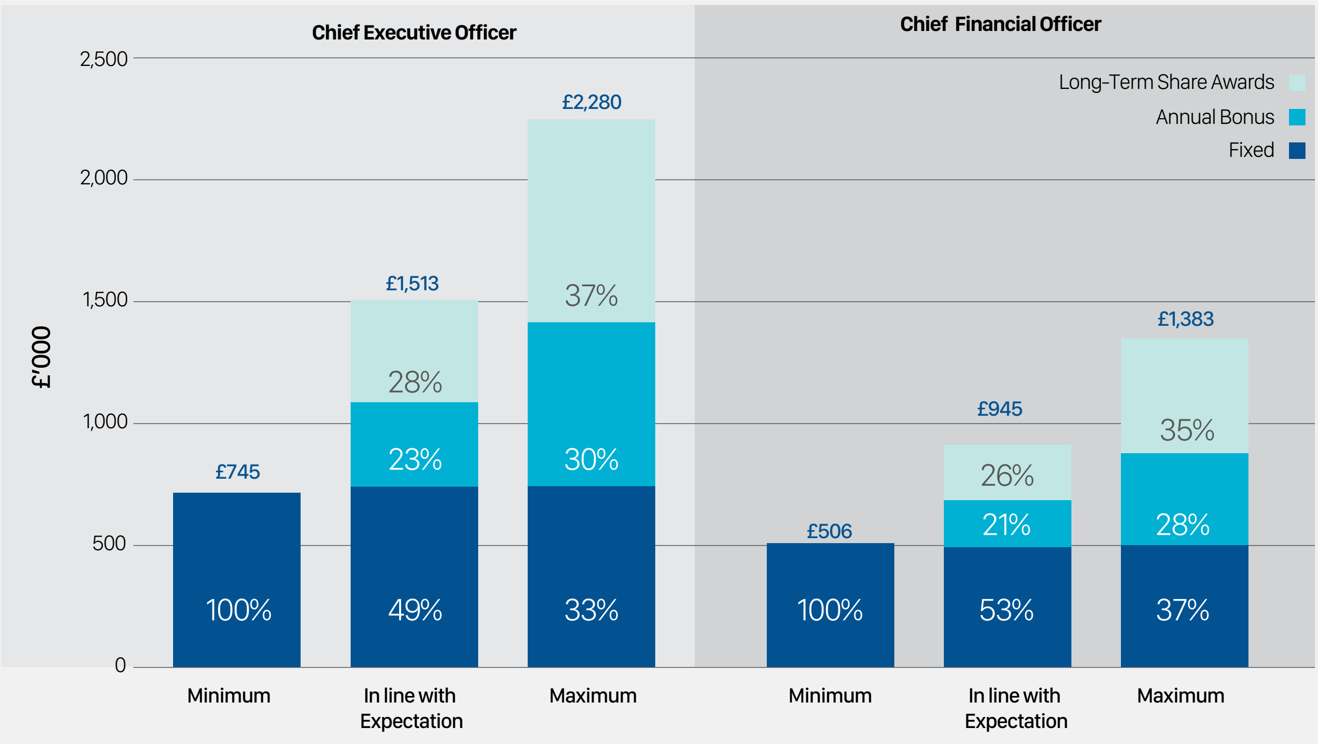


Chart labels show proportion of the total package comprised of each element

Assumptions:
Minimum = fixed pay only (salary + benefits + 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

No account has been taken of any share price increase.

Annual Report on Remuneration

Although not required under Irish Companies legislation, this report also 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

The Committee currently comprises Mr. Charles M. Fisher, who chairs the Committee, Mr. Frank van Zanten and Mr. Paul Hampden Smith, all of whom are Non-Executive Directors determined by the Board to be independent. Ms. Annette Flynn was a member of the Committee until she resigned from the Board on 11 December 2015. Mr. van Zanten and Mr. Hampden Smith were appointed to the Committee on 16 December 2015 and Mr. Roderick Ryan resigned from the Committee on the same date.

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 can be found on the company website.

The Chairman of the Board attends meetings of the Committee by invitation and participates in the deliberations of the Committee. The Committee also consults the CEO as appropriate. The Committee is also assisted in its work by the Company Secretary who also acts as secretary to the Committee. The Executive Directors and Company Secretary take no part in discussions relating to their own remuneration and benefits. New Bridge Street is the Committee's executive remuneration advisor and is a signatory to the Remuneration Consultants Group's Code of Conduct.

The Committee met three times during 2015 and its schedule of work covered the following matters that fall within the scope of its duties and responsibilities:

- Considered and determined bonus awards under the 2014 bonus scheme for the Executive Directors and Company Secretary;
- Approved the 2015 grant of LTIP awards and determined the EPS and TSR performance conditions;
- Reviewed and determined that 100 per cent of both the EPS and TSR components of the 2012 LTIP award was met and that in aggregate 100 per cent of the 2012 LTIP awards should vest; and
- Agreed the framework for measuring financial targets for the 2016 bonus scheme.

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

Annual Report on Remuneration (continued)

Single Total Remuneration Figure of Directors' Remuneration
The following table sets out the total remuneration for Directors for the year ending 31 December 2015 and the prior year.

	Salary/Fees (a)		Bonus (b)		Pension (c)		Other Benefits (d)		Long term Incentive Plan (e)		Total	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014* £'000	2015 £'000	2014* £'000
Executive Directors												
G. Slark	**569**	555	**359**	650	**128**	128	**48**	48	**1,166**	1,699	**2,270**	3,080
D. Arnold	**390**	380	**225**	371	**78**	76	**39**	38	**-**	-	**732**	865
	959	935	**584**	1,021	**206**	204	**87**	86	**1,166**	1,699	**3,002**	3,945
Non-Executive Directors												
M. Chadwick	**109**	121	**-**	-	**-**	-	**-**	-	**-**	-	**109**	121
C. M. Fisher	**51**	56	**-**	-	**-**	-	**-**	-	**-**	-	**51**	56
A. Flynn**	**48**	56	**-**	-	**-**	-	**-**	-	**-**	-	**48**	56
R. Ryan	**51**	56	**-**	-	**-**	-	**-**	-	**-**	-	**51**	56
P. Hampden Smith***	**18**	-	**-**	-	**-**	-	**-**	-	**-**	-	**18**	-
F. van Zanten	**51**	56	**-**	-	**-**	-	**-**	-	**-**	-	**51**	56
	328	345	**-**	-	**-**	-	**-**	-	**-**	-	**328**	345
Total Remuneration	**1,287**	1,280	**584**	1,021	**206**	204	**87**	86	**1,166**	1,699	**3,330**	4,290

** 2014 has been updated as set out in note (e) below.*
*** Ms. A. Flynn resigned from the Board and the Group on 11 December 2015.*
**** Mr. P. Hampden Smith joined the Board as a Non-Executive Director on 27 August 2015.*

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 (f) 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 £748,000 (2014: £584,000) 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.
(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 payment in lieu of pension made through the payroll.
(d) Benefits comprise permanent health and medical insurance, the provision of a company car (car allowance) and a rent allowance in the case of Mr. Slark.
(e) For the year ended 31 December 2015, this is the value of LTIP awards that will vest in April 2016. The value of the awards is based on the average share price for the three months to 31 December 2015. The vesting of these awards was subject to performance conditions over the period 1 January 2013 to 31 December 2015. For the year ended 31 December 2014, this is the value of LTIP awards that vested in May 2015. The value of this award has been updated from that disclosed last year to reflect the share price of £8.05 on the date of vesting.
(f) The Non-Executive Directors were paid in Euro. Fees paid to Non-Executive Directors during 2015 were at the same rate in constant currency (Euro) that applied in 2014.

Salary and Fees

Having taken account of both external market developments and internal Group considerations, the Committee agreed in January 2015 to award salary increases at the rate of 2.5% to the Chief Executive Officer and the Chief Financial Officer for the year 2015. Mr. Slark's salary was £568,711 for 2015 (2014: £554,840). Mr. Arnold's salary was £389,500 for 2015 (2014: £380,000).

Non-Executive Directors fees were paid at the rate of £51,000 per annum, the same level in constant currency (Euro) since 2005. No additional fees were paid for chairing Board Committees. The fee paid to the Chairman was £109,000, the same level in constant currency since his appointment as Non-Executive Chairman on 1 July 2011.

Annual Bonus

The maximum bonus opportunity for Mr. G. Slark and Mr. D. Arnold was 120 per cent and 100 per cent of salary respectively. The maximum bonus opportunity was divided equally between three financial measures and personal objectives.

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

	Percentage of Basic Salary				
	Adjusted EPS	Free Cash flow	Return on Capital	Personal Objectives	Bonus Payable
G. Slark	4.97%	30.00%	7.20%	21.00%	63.17%
D. Arnold	4.15%	25.00%	6.00%	22.50%	57.65%

The maximum bonus opportunity for each of the four components was 30 per cent of gross pay for Mr. Slark and 25 per cent of gross pay for Mr. Arnold.

Financial targets were set at the beginning of the year by reference to the Group's budget for 2015. No bonus was payable if the performance achieved was below 90 per cent of target and the bonus payable increased on a straight line basis thereafter with the full bonus opportunity payable on achieving 120 per cent of target for each financial performance measure. The actual targets have not been disclosed as they are considered by the Board to be commercially sensitive information.

As highlighted earlier in this report, the Group had a good performance in 2015 with significant progress made in a year of ongoing recovery. Adjusted earnings per share increased by 19.2 per cent to 41.0 pence (2014: 34.4 pence), cash generated from operations was £139.3 million (2014: £160.0 million) and return on capital employed increased by 1.1 percentage points from 11.1 per cent to 12.2 per cent.

Mr. Slark and Mr. Arnold were each given a number of personal and strategic objectives related to their personal areas of responsibility and the priorities of the overall Group. The nature of these objectives are considered by the Board to be commercially sensitive but included strategic planning to support the international development of the Group, health and safety, information technology, new trading platforms, pension schemes and other group projects. The Committee considered the extent to which these objectives were achieved and agreed a payment of 21.0 per cent of salary for Mr. Slark and 22.5 per cent of salary for Mr. Arnold out of a maximum bonus opportunity of 30 per cent and 25 per cent of salary respectively.

Pension

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

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 £128,000. The pension benefit for Mr. Arnold was based on an annual contribution rate of 20 per cent of his salary.

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 2015

The performance conditions for LTIP awards made in April 2013 were based on growth in earnings per share EPS (as defined in the scheme) and total shareholder return (TSR). Half of the awards to Executive Directors were based on relative TSR versus a peer group. The other half was based on the Group's EPS for the financial year ended 31 December 2015.

The relative TSR performance over the three year period was 150.1 per cent which ranked the Company just below the upper quartile of the comparator group. The proportion of this part of the award that will vest is 73.3 per cent as independently confirmed to the Remuneration Committee by New Bridge Street.

The other half of the awards were based on the Group's EPS for the financial year ended 31 December 2015 being in the range of 24.68 pence to 29.03 pence (34.0 cent to 40.0 cent). The adjusted EPS for 2015 of 41.0 pence (56.50 cent) exceeded the upper limit of the range. As this performance condition was met, 100 per cent of this part of the award will vest. In aggregate 86.7 per cent of the 2013 LTIP awards will vest. The number of Grafton Units granted to Mr. Slark on 16 April 2013 was 196,792 of which 170,520 will vest, made up of 98,396 units which will fully vest under the EPS performance condition and a partial vesting of 72,124 units under the TSR performance condition. The value of this award is £1.17 million on the basis of the average price of a Grafton Unit of £6.84 over the three months to 31 December 2015.

LTIP Awards Granted During the Year Ended 31 December 2015

The following awards were made during the year ended 31 December 2015:

	Number of Units	Share Price at Grant Date	Value of Award at Grant Date
Mr. G. Slark	104,314	£8.1775	£853,028
Mr. D. Arnold	59,534	£8.1775	£486,839

Mr. Slark was granted an award on 17 April 2015 valued at 150 per cent of his base salary in the form of nil cost Grafton Units. Mr. Arnold was granted an award on 17 April 2015 valued at 125 per cent of his base salary in the form of nil cost Grafton Units.

The 2015 award to Mr. Slark and Mr. Arnold will be subject to the achievement performance conditions. Half of these awards will vest depending on the company's TSR performance over a three-year period commencing on 1 January 2015, with no opportunity to re-test. TSR will be compared to a peer group of 18 companies. 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.

Where the Company's TSR performance equals the median TSR performance of the peer group, then 25 per cent of the shares which are subject to the TSR Performance Condition shall vest. 100 per cent of the shares which are subject to the TSR Performance Condition shall vest if the Company's TSR performance is equal to or greater than the 75th percentile in the peer group. For TSR performance between the 50th and the 75th percentiles, between 25 per cent and 100 per cent of the shares which are subject to the TSR Performance Condition shall vest on a straight-line basis based on the Company's notional ranking compared against the Comparator Group.

Under the EPS Performance Condition for the other half of awards granted on 17 April 2015, the Company's EPS for the financial year ending 31 December 2017 must be equal to 52 pence per share if the award is to vest. If this target is achieved, then 25 per cent of the shares which are subject to the EPS Performance Condition shall vest. Where the Company's EPS for the financial year ending 31 December 2017 is equal to or greater than 60 pence per share, then 100 per cent of the shares which are subject to the EPS Performance Condition shall vest. Where the Company's EPS for the financial year ending 31 December 2017 is between the thresholds of 52 pence and 60 pence per share, then between 25 per cent and 100 per cent of the shares which are subject to the EPS Performance Condition shall vest on a straight-line basis.

Claw back provisions will apply.

LTIP Awards that Vested During the Year Ended 31 December 2015

The performance conditions for LTIP awards made in April 2012 were based on growth in EPS (as defined in the scheme) and TSR. Half of the awards to Executive Directors were based on relative TSR versus a peer group. The other half was based on the Group's EPS for the financial year ended 31 December 2014.

The relative TSR performance over the three year period was at the 83rd percentile i.e. in the upper quartile performance. The proportion of this part of the award that vested in May 2015 was 100 per cent.

The other half of the awards were based on the Group's EPS for the financial year ended 31 December 2014 being in the range of 22.57 pence to 28.21 pence (28.0 cent to 35.0 cent). The EPS for 2014 of 34.4 pence (42.67 cent) was above the upper limit of this range and the committee determined that as this performance condition was met, 100 per cent of this part of the awards should vest. The committee determined that in aggregate 100 per cent of the 2012 LTIP awards should vest as both the EPS and TSR performance conditions were fully met.

Mr. Slark received 211,000 Grafton Units in 2015 valued at £1.32 million on the basis of the average price of a Grafton Unit of £6.26 over the three months to 31 December 2014. This award was originally granted in April 2012. The share price at the date of vesting was £8.05 and the table of Directors' remuneration for 2014, as set out on page 70, has been updated to reflect the actual share price on the date of vesting.

Non-Executive Directors Remuneration

Non-Executive Directors receive fees for their roles and are precluded from participating in performance related share or other incentive schemes.

Additional Information

Payments and Shares Vesting to Former Directors

54,891 Grafton Units vested to Mr. Colm Ó Nualláin in May 2015 under the April 2012 LTIP grant. The original award of 80,000 was pro-rated by reference to Mr. Ó Nualláin's period of employment with the Group.

Application of Remuneration Policy in 2016

Salaries

The salaries of Executive Directors were reviewed in January 2016. When conducting this review, the Committee considered a range of factors including the performance of the Group, market conditions, the prevailing market rates for similar positions in comparable companies and the level of salary increases across the Group. The Committee determined that no basic salary increases would be awarded to the Chief Executive Officer or the Chief Financial Officer for 2016.

Chairman and Non-Executive Directors' Fees

Fees are payable in Euro and will remain unchanged in Euro from the 2015 levels being the Euro equivalent of £109,000 for the Chairman and £51,000 for Non-Executive Directors.

Pension and Benefits

Mr. Slark and Mr. Arnold will receive 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 2015.

Report of the Remuneration Committee on Directors' Remuneration

(continued)

Annual Report on Remuneration (continued)

Annual Bonus

The maximum potential performance related bonus pay award for the Chief Executive Officer for 2016 is 120 per cent of basic salary and the maximum bonus opportunity for 2016 for Mr. Arnold is 100 per cent of salary. These limits also applied in respect of 2015.

The financial targets for 2016 are return on capital employed, free cash flow and adjusted earnings per share for the year. The targets were set out by reference to the Group's budget for 2016. The fourth component is a set of different personal objectives for Mr. Slark and Mr. Arnold. An equal weighting applies for each component. The maximum bonus opportunity for Mr. Slark is 30 per cent of gross pay for each component and 25 per cent of gross pay for Mr. Arnold. For financial measures, a sliding scale is set by the Committee. No bonus is payable if performance is below a minimum threshold. The bonus payable increases on a straight line basis thereafter with full bonus payable for achieving the upper point on the scale. The financial targets and personal objectives are deemed to be commercially sensitive and have not been disclosed.

The annual bonus is payable in cash subject to part investment in shares in accordance with the Group's share ownership guidelines as set out in the Policy Table.

Clawback provisions will operate as set out in the Policy Report.

Long-term Incentives

The maximum current annual award limit under the LTIP is 150 per cent of salary and it is intended that awards will be granted in 2016 at 150 per cent of salary to Mr. Slark and 125 per cent of salary to Mr. Arnold.

Clawback provisions will operate as set out in the Policy Report.

Consistent with the conditions applying to the 2015 awards, half of the 2016 awards will be subject to a relative TSR measure against a bespoke peer group of UK and Irish companies. The companies will be selected on the basis that their activities are similar to Grafton or that they operate in sectors that are related to the Group's activities. The other half will be subject to EPS growth targets within a range which will be determined by the Committee following the announcement of full year results for 2015. The Committee will set EPS targets in respect of this award that are sufficiently challenging following a review of brokers forecasts including any updated forecasts following the release of full year results for 2015, internal forecasts and other relevant information. The performance period for both tranches will cover the three financial years 1 January 2016 to 31 December 2018.

- **TSR** – No part of this award vests if performance is below median, 25% vests for achieving median, with 100 per cent vesting for upper quartile performance with straight line vesting in between. Notwithstanding the achievement of the 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.
- **EPS** – The extent to which the proposed award vests will depend on the EPS outcome in 2018. The performance condition will be between two thresholds. No part of this award will vest if adjusted EPS is less than the lower threshold, 25 per cent will vest at the lower threshold, with full vesting if the higher threshold or better is achieved. Vesting will be on a straight line basis between both thresholds.

Loss of Office Payments

No loss of office payments were made during the year.

Relative Importance of Spend on Pay

The following table sets out the percentage change in dividends and overall spend on employee pay in the 2015 financial year compared with the prior year.

	2015 £'000	2014 £'000	Percentage change
Dividends payable	**29,340**	24,999	+17.4%
Employee remuneration costs	**318,418**	295,795	+7.6%

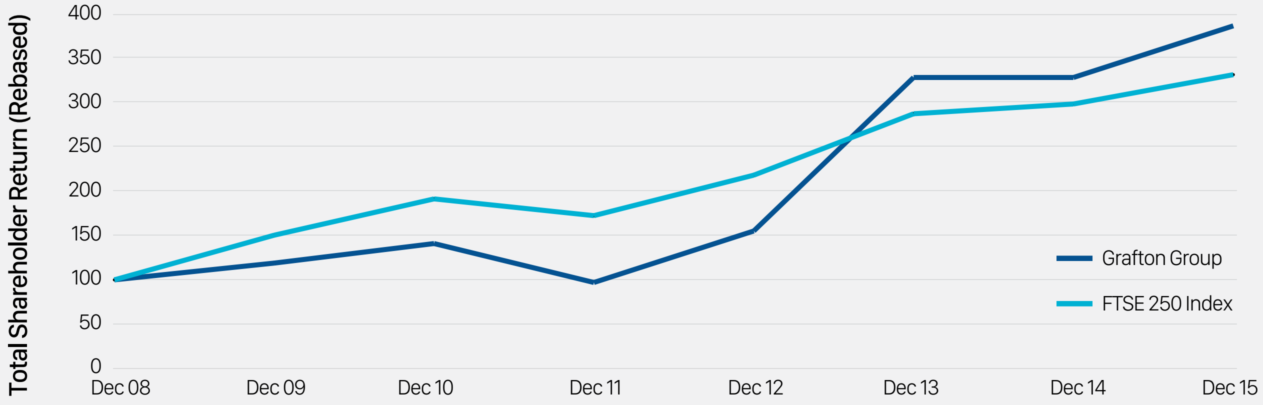
Percentage Change in CEO Pay

	2015 £'000	2014 £'000	Percentage change
Chief Executive Officer			
- Salary	**569**	555	2.5%
- Benefits	**48**	48	-
- Bonus	**359**	650	(44.8%)
Average employee			
- Salary, Benefits and Bonus (£)*	**26,697**	26,657	+0.2%

** The average salary increased by 2.9% in constant currency.*

The table above 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.

Performance Graph and Single Figure Table
Total Shareholder Return



Source: Datastream (Thompson Reuters)

This graph 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 2015.

The table below shows the total remuneration figure for the CEO position over the five years to 2015. The remuneration for 2014 has been updated as set out on page 70.

	2011	2012	2013	2014	2015
CEO single total figure of remuneration (£'000)	1,151	1,001	1,524	3,080	**2,270**
Annual bonus payout relative to maximum	16%	49%	49%	98%	**53%**
LTIP vesting	N/A	N/A	45%	100%	**87%**

Report of the Remuneration Committee on Directors' Remuneration

(continued)

Annual Report on Remuneration (continued)

Statement of Shareholder Voting at the 2015 AGM

The Directors' Remuneration Report received the following votes from shareholders:

	Total Number of Votes	% of Votes Cast
For	171,538,891	99.52
Against	822,901	0.48
Total	**172,361,792**	**100.00**

The number of votes withheld was 1,044,522*

The Remuneration Policy Report received the following votes from shareholders:

	Total Number of Votes	% of Votes Cast
For	170,914,129	99.19
Against	1,402,533	0.81
Total	**172,316,662**	**100.00**

The number of votes withheld was 1,089,652*

**A vote withheld is not a vote under Irish law and is not counted in the calculation of the percentage votes for and against a resolution.*

Directors' and Secretary's Interests

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

Director	31 December 2015 Grafton Units*	31 December 2014 Grafton Units*
M. Chadwick	**19,436,079**	19,436,079
G. Slark	**195,785**	88,716
D. Arnold	**15,600**	8,000
R. Ryan	**35,000**	35,000
C. M. Fisher	**30,000**	30,000
F. van Zanten	**3,000**	3,000
P. Hampden Smith	**-**	N/A

** At 31 December 2015 and at 31 December 2014, 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.*

On 31 December 2015 Mr. M. Chadwick held a non-beneficial interest in 2,490,330 (31 December 2014: 2,490,330) Grafton Units in his capacity as a Trustee of a Trust.

Mr. C. Rinn, Secretary, had a beneficial interest in 371,530 Grafton Units at 31 December 2015 (31 December 2014: 321,530).

There have been no changes in the interests of the Directors between 31 December 2015 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 accumulate a holding of ordinary shares in the Company to a minimum value of 100 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. G. Slark held shares at the year-end valued at 2.5 times his salary. Mr. D. Arnold held shares at the year-end valued at 0.3 times his salary which reflects his relatively recent appointment as a Director.

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 236,500 (31 December 2014: 316,500) Grafton Units at 31 December 2015 at prices ranging between €1.66 and €11.50 subject to the rules of the 1999 Grafton Group Share Scheme. An interest to acquire 80,000 Grafton Units lapsed during the year.

The closing price of a Grafton Unit on 31 December 2015 was 740p (31 December 2014: 638p) and the price range during the year was between 619.5p and 858.5p (2014: 538p and 679.5p).

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 (LTIP).

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.

Report of the Remuneration Committee on Directors' Remuneration

(continued)

Annual Report on Remuneration (continued)

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

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

		Number of Units							
	Grant Date	1 January 2015	Granted	Lapsed	Shares Received	31 Dec 2015	EPS Condition	TSR Condition	Vesting Date**
G. Slark	18 April 2012	211,000	-	-	(211,000)*	-	-	-	13 May 2015
	16 April 2013	196,792	-	-	-	196,792	98,396	98,396	16 April 2016
	16 April 2014	134,181	-	-	-	134,181	67,091	67,090	16 April 2017
	17 April 2015	-	104,314	-	-	104,314	52,157	52,157	17 April 2018
		541,973	104,314	-	(211,000)	435,287	217,644	217,643	
D. Arnold	16 April 2014	76,582	-	-	-	76,582	38,291	38,291	16 April 2017
	17 April 2015	-	59,534	-	-	59,534	29,767	29,767	17 April 2018
		76,582	59,534	-	-	136,116	68,058	68,058	
C. Rinn	18 April 2012	50,000	-	-	(50,000)*	-	-	-	13 May 2015
	16 April 2013	33,000	-	-	-	33,000	16,500	16,500	16 April 2016
	16 April 2014	21,616	-	-	-	21,616	10,808	10,808	16 April 2017
	17 April 2015	-	14,640	-	-	14,640	7,320	7,320	17 April 2018
		104,616	14,640	-	(50,000)	69,256	34,628	34,628	

** The market price at the date of vesting was £8.05.*
*** This is the earliest date for vesting except for the vesting in 2015 which is the actual date of vesting. The actual date is subject to approval by the Remuneration Committee.*

The Group's 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 2011 Annual General Meeting (AGM) held on 4 May 2011 for the introduction of a new Long-Term Incentive Plan (LTIP) 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 and 17 April 2015.

In the case of awards that were issued in 2011, 2012, 2013, 2014 and 2015 to the Company's Executive Directors and the Secretary, the Performance Conditions are dependent on the growth in the Company's EPS (earnings per share) and the Company's TSR (total shareholder return) performance (the "EPS Performance Condition" and the "TSR Performance Condition", respectively). The vesting of 50 per cent of the share awards granted to the Company's Executive Directors and Secretary are subject to the EPS Performance Condition and the remaining 50 per cent are subject to the TSR Performance Condition. EPS is the adjusted earnings per share figure shown in the Company's Annual Report. TSR represents the change in share price of a listed/quoted company over a period, plus dividends, expressed as a plus or minus percentage of the opening value. For this reason, both EPS and TSR are recognised as good measures of shareholder returns on the value of their investment in the Group when account is taken of the Group's share price, dividends paid and the Group's performance.

Charles M. Fisher,
Chairman of the Remuneration Committee

7 March 2016

Nomination Committee Report

Membership

The Nomination Committee ("the Committee") currently comprises the Group Chairman and all four Non-Executive Directors:

Mr. Roderick Ryan, Chairman,
Mr. Michael Chadwick,
Mr. Paul Hampden Smith,
Mr. Charles M. Fisher and
Mr. Frank van Zanten.

Ms. Annette Flynn and Mr. Frank van Zanten were appointed to the Committee on 25 June 2015. Mr. Paul Hampden Smith joined the Committee on his appointment to the Board on 27 August 2015. Ms. Annette Flynn was a member of the Committee until she resigned from the Board on 11 December 2015.

All members of the Committee are determined by the Board to be independent Non-Executive Directors in accordance with provision B1.1 of the UK Corporate Governance Code.

Duties

Under its terms of reference, which are available on the company website, www.graftonplc.com, the Committee, amongst other matters:

- Evaluates the balance of skills, knowledge, experience and diversity of the Board and Committees and makes recommendations to the Board with regard to any changes;
- Considers succession planning for Directors and other senior executives taking into account what skills and expertise are needed for the future;
- Regularly reviews the structure, size and composition (including the skills, knowledge and experience) required of the Board and its Committees;
- Identifies, and nominates for the approval of the Board, candidates for appointment as Directors and ensures there is a formal, rigorous and transparent procedure for the appointment of new Directors to the Board; and
- Considers the re-appointment of any Non-Executive Director at the conclusion of their specified term of office and make recommendations to the Board.

It is the policy of the Committee to consider candidates on merit and against objective criteria and with due regard for the benefits of diversity on the Board, including gender, taking care that appointees have enough time available to devote to the position.

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

Nomination Committee Report
(continued)

Activities of the Committee During 2015

The Nomination Committee met formally on two occasions during the year and had interaction between meetings as necessary. The Board appointed a new Non-Executive Director during 2015 on the recommendation of the Committee.

The Committee evaluated the Board to ensure that it has the right balance of experience, skills and diversity, including both nationality and gender, to support the future development of the Group. In the light of this evaluation, the Committee prepared a specification of the capabilities required of prospective candidates and an assessment of the anticipated time commitment. The Institute of Directors in Ireland, an external search consultancy that has no connection with the Group, was appointed to facilitate the search for a suitable candidate for nomination to the Board. In addition, Committee members are also aware from their own research and enquiries of potential candidates with the appropriate skills and experience. Mr. Paul Hampden Smith was identified by the Committee as a potential candidate for the role and on the recommendation of the Committee he was appointed Non-Executive Director by the Board on 27 August 2015.

During the year, the Committee also reviewed and recommended changes to the composition of the Audit & Risk, Remuneration and Nomination Committees. Details of the membership of the Board Committees is shown on page 42.

Board Composition

The Nomination Committee plans to initiate a search for a new Non-Executive Director. Directors are committed to ensuring that the Board is sufficiently diverse and appropriately balanced and, on the recommendation of the Nomination Committee, the Board has agreed that gender and nationality are factors that will be given careful attention in shortlisting candidates for this appointment.

Roderick Ryan,
Chairman of the Nomination Committee

7 March 2016

Report of the Directors

The Directors present their report to the shareholders together with the audited financial statements for the year ended 31 December 2015.

Group Results

Group revenue of £2.21 billion was 6.3 per cent higher than Group revenue of £2.08 billion in 2014. Adjusted operating profit increased 15 per cent to £126.8 million compared to £110.1 million in 2014.

The net finance expense was £7.88 million (2014: £8.86 million). Group statutory profit before taxation amounted to £120.3 million compared with £101.2 million in the previous year.

The headline rate of corporation tax of 19.8 per cent is lower than the underlying tax rate of 21 per cent (2014: 21 per cent) as a previously unrecognised deferred tax asset has been utilised against a UK taxable profit arising on the disposal of properties during the year. The tax charge was £23.8 million for 2015 (2014: £21.2 million).

Basic earnings per share were 41.6 pence compared with 34.4 pence in the previous year. Adjusted earnings per share (before pension credit and asset impairment charge) increased by 19.2 per cent to 41.0 pence from 34.4 pence in 2014.

The Group and Company financial statements for the year ended 31 December 2015 are set out in detail on pages 92 to 176.

Dividends

The payment in 2015 of a second interim dividend for 2014 of 7.0 pence on the 'C' Ordinary shares in Grafton Group (UK) plc from UK-sourced income amounted to £16.3 million. A 2015 interim dividend of 4.5 pence per share was paid on 9 October 2015 on the 'C' Ordinary shares in Grafton Group (UK) plc from UK-sourced income and amounted to £10.5 million.

A second interim dividend for 2015 of 8.0 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 18 March 2016 (the 'Record Date'). The dividend will be paid on 15 April 2016. A liability in respect of this second interim dividend has not been recognised at 31 December 2015 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 and Group Financial Review which contain a review of operations and the financial performance of the Group for 2015, the outlook for 2016 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 condition, 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. The Directors do not undertake 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.

Report of the Directors
(continued)

The risk factors included at pages 56 to 58 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
In line with the provisions contained in the UK Corporate Governance Code, all Directors retired at the Annual General Meeting of the Company on 12 May 2015 and being eligible offered themselves for re-election and all were re-elected to the Board on the same day.

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 the Directors are required to submit themselves for re-election at intervals of not more than three years. However, in accordance with the provisions of the UK Corporate Governance Code, the Board has decided that all Directors seeking re-election should retire at the 2016 Annual General Meeting and offer themselves for re-election.

Share Capital
At 31 December 2015, 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 10 May 2016 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:

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 27 per cent of the issued share capital of the Company at 7 March 2016. 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 €600,000, which is approximately 5 per cent of the nominal value of the issued share capital of the Company. Under the Articles of Association, shareholders are required to renew this power at each year's Annual General Meeting.

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

At the 2015 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 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, disapply 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 2017 or 15 months after the passing of these resolutions.

Report of the Remuneration Committee on Directors' Remuneration

A resolution to be proposed at the Annual General Meeting deals with the Chairman's Annual Statement and the Report of the Remuneration Committee on Directors' Remuneration which the Board has decided, in line with best practice, to present to shareholders as a non-binding resolution.

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.

Substantial Holdings

So far as the Company is aware, in addition to the Chairman, Mr. Michael Chadwick, whose holding of 21,926,409* Grafton Units represents 9.32 per cent of the Units in issue (excluding treasury shares), the following held shares representing 3 per cent or more of its ordinary share capital (excluding treasury shares) at 31 December 2015 and 7 March 2016:

Name	31 December 2015		7 March 2016	
	Holding	%	Holding	%
Investec Asset Management Limited**	25,574,182	10.87	25,552,886	10.86
The Capital Group Companies, Inc**	22,903,000	9.74	22,903,000	9.73
Franklin Templeton Institutional, LLC**	21,845,630	9.29	19,814,530	8.42
Blackrock, Inc.**	11,969,035	5.09	11,842,854	5.03

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

Report of the Directors
(continued)

Apart from these holdings, the Company has not been notified at 7 March 2016 or at 31 December 2015 of any interest of 3 per cent or more in its ordinary share capital.

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.

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 44 to 49 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. Details of the capital structure and employee share schemes are included in Notes 18 and 33 respectively.

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 56 to 58 and are deemed to be incorporated in this section of the Report of the Directors.

Transparency Regulations 2007
The report on Corporate Social Responsibility set out on pages 37 to 40, 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 pages 175 to 176.

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

Post Balance Sheet Events

There have been no material events subsequent to 31 December 2015 that would require adjustment to or disclosure in this report except for the acquisition of T Brewer & Co. Limited and Allsand Supplies Limited as described in Note 36 to the Group Financial Statements.

Auditor

In accordance with the requirements of the UK Corporate Governance Code and the EU Audit Regulation 2014, the Audit and Risk Committee undertook an audit tender process during 2015. Following this process, the Board approved a recommendation from the Audit and Risk Committee to appoint PricewaterhouseCoopers ("PwC") as the Company's new Auditor. This appointment will take effect for the year ending 31 December 2016.

On behalf of the Board

Gavin Slark,
David Arnold,
Directors

7 March 2016

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 IFRSs as adopted by the European Union, and as applied in accordance with the provisions of the Companies Act, 2014.

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 and of the Group's and Company's profit or loss for that 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 financial statements comply with IFRS as adopted by the European Union, and as regards the Company, as applied in accordance with the Companies Act 2014; 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, financial position and profit or loss of the Company, 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 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 42 to 43 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 IFRS as adopted by the European Union, 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 2015 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 56 to 58; 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
David Arnold

Independent Auditor's Report	88
Group Income Statement	92
Group Statement of Comprehensive Income	93
Group Balance Sheet	94
Group Cash Flow Statement	95
Group Statement of Changes in Equity	96
Notes to the Group Financial Statements	98
Company Balance Sheet	165
Company Cash Flow Statement	166
Company Statement of Changes in Equity	167
Notes to the Company Financial Statements	168

Financial Statements

Independent Auditor's Report to the Members of Grafton Group plc

Opinions and conclusions arising from our audit

Our opinion on the financial statements is unmodified

We have audited the financial statements of Grafton Group plc for the year ended 31 December 2015 as set out on pages 92 to 176, which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Cashflow Statements, the Group and Company Statements of Changes in Equity, the Group and Company accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is Irish Law and International Financial Reporting Standards (IFRS) as adopted by the European Union, and, as regards the Company financial statements as applied in accordance with the provisions of the Companies Act 2014. Our audit was conducted in accordance with International Standards on Auditing (ISAs) (UK and Ireland).

In our opinion:

- the Group financial statements give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2015 and of its profit for the year then ended;
- the Company Balance Sheet gives a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2015;
- The Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2014; and
- the Group financial statements and Company 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.

Our assessment of risks of material misstatement

The risks of material misstatement detailed in this section of this report are those risks that we have deemed, in our professional judgement, to have had the greatest effect on: the overall audit strategy; the allocation of resources in our audit; and directing the efforts of the engagement team. Our audit procedures relating to these risks were designed in the context of our audit of the financial statements as a whole. Our opinion on the financial statements is not modified with respect to any of these risks, and we do not express an opinion on these individual risks.

In arriving at our audit opinion above on the Group financial statements, the risks of material misstatement that had the greatest effect on our Group audit were as follows:

Valuation of inventory – 31 December 2015: £276.2 million (31 December 2014: £249.9 million)

Refer to page 52 (Audit and Risk Committee Report), page 104 (accounting policy) and page 127 (financial disclosures)

The risk

The Group has a significant investment in inventory at 31 December 2015. There is judgement involved in assessing the level of inventory provision required in respect of slow moving inventory, particularly in the Group's merchanting business in the UK, therefore there is a risk that slow moving inventory has not been adequately provided for.

Our response

In this area, our audit procedures included, among others, Computer Assisted Audit Techniques to analyse the level of stock turns in key business units including the Group's merchanting business in the UK, by reference to historical sales data. We also tested the accuracy of the ageing of inventory based on system generated reports when available and when we had confirmed through other audit procedures that these reports were reliable. We compared the analysis of stock turns and the aged inventory reports with stock provisions made by the Group in respect of slow moving inventory at 31 December 2015.

Valuation of goodwill – 31 December 2015: £521.5 million (31 December 2014: £480.2 million)

Refer to page 52 (Audit and Risk Committee Report), page 101 (accounting policy) and pages 119 and 120 (financial disclosures)

The risk

Goodwill accounts for 28% of the Group's total assets at 31 December 2015. There is a risk that the carrying value of the Group's goodwill balance may not be recovered from future cash flows. As detailed in the summary of significant accounting policies on page 101, an impairment review of goodwill is performed annually by the Group. In the current year, this review has indicated that an impairment of goodwill is not required. We focus on this area due to the significance of the goodwill balance and due to the inherent uncertainty involved in preparing forecasts and discounted future cash flow projections for the purpose of assessing goodwill for impairment. In addition, there is significant judgement involved in relation to the assumptions used in the Group's goodwill impairment model as set out in the goodwill note on pages 119 and 120.

Our response
In this area, our audit procedures included, among others, interrogating the Group's goodwill impairment model, evaluating the assumptions and methodologies used by the Group, in particular those relating to revenue growth, gross profit margins, overhead growth, the discount rate and the terminal growth rate applied to the forecasted cash flows in the model. We compared the Group's assumptions, where possible, to externally derived data as well as our own assessment in relation to key inputs into the model. We compared the market capitalisation of the Group and the book value of the Group's net assets which indicated that the market capitalisation exceeded the book value by £751m at 31 December 2015. We examined the sensitivity analysis performed by Group Finance management and performed our own sensitivity analysis around the key assumptions. We also assessed whether the disclosures in note 12 presented the Group's assumptions in relation to goodwill impairment and the sensitivities of the outcome of the impairment assessment appropriately and reflected the risks inherent in the valuation of goodwill.

Completeness and accuracy of rebate income and valuation of rebate receivables
Refer to page 52 (Audit and Risk Committee Report), page 100 (accounting policy), page 163 (financial disclosures)

The risk
Rebates are received from suppliers and included in operating costs as a significant adjustment to the price paid for goods purchased by the Group particularly in the Group's merchanting business. The nature of the arrangements in place means that a significant proportion of the rebates earned during the year by the Group are not received until after the year end. In addition, rebate arrangements with suppliers can be complex. As the calculation of rebate income in the year and the rebate receivable at year end involves the use of judgement, assumptions and estimates and is based on complex rebate arrangements, there is a risk that operating costs and the rebate receivable balance at year end may be misstated.

Our response
Our audit procedures included, among others, examining management's rebate income and rebate receivable calculations and recalculating the rebate income and rebate receivable on a sample basis by reference to purchase reports and supplier rebate agreements. Our procedures also included assessing the reasonableness of any assumptions and estimates made by management in the calculation of rebate income and rebate receivables. In addition, we obtained third party confirmations of rebate income and rebate receivable from key suppliers in certain business units within the Group's merchanting business. We tested, on a sample basis, the receipt of cash or rebate credit notes from suppliers during the year and post year end and also inspected the work performed by Internal Audit in relation to rebate income and receivable balances at year end. Our analytical review procedures in this area included a comparison of rebate income to purchases for the year in respect of certain business units.

Valuation of investment properties - 31 December 2015: £17.8 million (31 December 2014: £20.5 million) and properties held for sale – 31 December 2015: £10.8 million (31 December 2014: £9.6m)
Refer to page 52 (Audit and Risk Committee Report), page 103 (accounting policy) and pages 122 to 126 (financial disclosures)

The risk
The Group has a number of vacant properties classified as investment properties and carried at fair value where there is a risk that the carrying value may be higher than their market value due to the lack of demand for such properties and lack of liquidity in the commercial property market, particularly in the Republic of Ireland. The Group also has a number of properties classified as held for sale carried at the lower of cost and fair value less costs to sell, particularly in the United Kingdom. The fair value of the Group's vacant properties is largely determined based on internal valuations performed by the Group's Property Team where there is a risk that the carrying value may not reflect fair value.

Our response
Our audit procedures in this area included, among others, an assessment of the Group's strategy in relation to vacant properties and the Group's process for the valuation of such properties. We discussed and challenged the valuation process, significant assumptions and critical judgements with the Group Property Team and reviewed any third party valuation advice obtained by the Group. We also benchmarked the key assumptions made by the Group in relation to commercial property valuations and rental yields to external market data, when available. We performed audit procedures to assess the integrity and reliability of information provided to us by the Group in relation to rental income, comparable property transactions and offers from third parties.

We also considered the adequacy of the fair value disclosures relating to the Group's investment properties and properties held for sale carried at fair value in note 13.

Our application of materiality and an overview of the scope of our audit

The materiality for the Group financial statements as a whole was set at £5.9 million (2014: £5m). This has been calculated using a benchmark of Group profit before taxation (of which it represents 4.9% (2014: 4.9%), which we have determined, in our professional judgement, to be one of the principal benchmarks within the financial statements relevant to members of the company in assessing financial performance.

Independent Auditor's Report to the Members of Grafton Group plc
(continued)

We report to the Audit Committee all corrected and uncorrected misstatements we identified through our audit in excess of £200,000, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Of the Group's 17 reporting components, we subjected 16 to audits for Group reporting purposes and one to specified audit procedures. The latter was not individually financially significant enough to require an audit for Group reporting purposes. The components within the scope of our work accounted for the following percentages of the group's results: 99.95% of Group revenue, 98.2% of Group profit before tax and 99.13% of total Group assets (year ended 31 December 2014: 99.6% of Group revenue, 99.2% of Group profit before tax and 99.9% of total Group assets).

The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group audit team approved the component materialities, which ranged from £0.04m to £5m, having regard to the mix of size and risk profile of the Group across the components. With the exception of 4 components, all of the audit work was performed by KPMG Ireland.

Video and telephone conference meetings were held with these component auditors in order to assess the audit risk and strategy and work undertaken. In addition, a member of the Group audit team, including the lead engagement partner, attended each component audit closing meeting. At these meetings, the findings reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor.

We have nothing to report to you on the disclosures of the principal risks

Based on the knowledge we acquired during our audit, we have nothing material to add or draw attention in relation to:

- the Directors' Report on Corporate Governance on pages 44 to 49, concerning the principal risks, their management and, based on that, the Directors assessment and expectations of the Group's continuing in operation over the 3 years to 2018; or
- the disclosures in Note 1 of the financial statements concerning the use of the going concern basis of accounting.

We have nothing to report in respect of matters on which we are required to report by exception

ISAs (UK and Ireland) require that we report to you if, based on the knowledge we acquired during our audit, we have identified information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified any inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and provides information necessary for shareholders to assess the entity's performance, business model and strategy; or
- the Audit and Risk Committee Report does not appropriately disclose those matters that we communicated to the Audit Committee.

The Listing Rules of the UK Listing Authority require us to review:

- the Directors' Statement, set out on page 48, in relation to going concern;
- the part of the Directors' Report on Corporate Governance on page 44 relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of disclosures in the Report to shareholders by the Board of Directors' remuneration committee.

In addition, the Companies Act require us to report to you if, in our opinion, the disclosures of Directors' remuneration and transactions specified by law are not made.

Our conclusions on other matters on which we are required to report by the Companies Act 2014 are set out below

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 financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records.

In our opinion the information given in the Directors' Report is consistent with the financial statements and the description in the Audit and Risk Committee Report of the main features of the internal control and risk management systems in relation to the process for preparing the Group financial statements is consistent with the Group financial statements.

In addition we report, in relation to information given in the Directors' Report on Corporate Governance on pages 44 to 49, that:

- Based on the knowledge and understanding of the Company and its environment obtained in the course of our audit, no material misstatements in the information identified above have come to our attention.
- Based on the work undertaken in the course of our audit, in our opinion:
  - The description of the main features of the internal control and risk management systems in relation to the process for preparing the Group financial statements and information relating to voting rights and other matters required by the European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006 and specified by the Companies Act 2014 for our consideration, are consistent with the financial statements and have been prepared in accordance with the Companies Act 2014; and
  - The Directors' Report on Corporate Governance contains the information required by the Companies Act 2014.

Basis of our report, responsibilities and restrictions on use

As explained more fully in the Statement of Directors' Responsibilities set out on page 86, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group and Company financial statements in accordance with applicable law and International Standards on Auditing (ISAs) (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

An audit undertaken in accordance with ISAs (UK and Ireland) involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Whilst an audit conducted in accordance with ISAs (UK and Ireland) is designed to provide reasonable assurance of identifying material misstatements or omissions it is not guaranteed to do so. Rather the auditor plans the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole. This testing requires us to conduct significant audit work on a broad range of assets, liabilities, income and expense as well as devoting significant time of the most experienced members of the audit team, in particular the engagement partner responsible for the audit, to subjective areas of the accounting and reporting.

Our report is made solely to the Company's members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Cliona Mullen, for and on behalf of

KPMG

Chartered Accountants, Statutory Audit Firm
1 Stokes Place
St. Stephen's Green
Dublin 2
Ireland

7 March 2016

Group Income Statement

For the year ended 31 December 2015

	Notes	2015 £'000	2014 £'000
Revenue	2	**2,211,990**	2,081,686
Operating costs	3	**(2,083,779)**	(1,971,581)
Operating profit		**128,211**	110,105
Finance expense	7	**(8,932)**	(9,857)
Finance income	7	**1,050**	997
Profit before tax		**120,329**	101,245
Income tax charge	9	**(23,827)**	(21,223)
Profit after tax for the financial year		**96,502**	80,022
Profit attributable to:			
Owners of the Company		**97,179**	80,046
Non-controlling interests		**(677)**	(24)
Profit after tax for the financial year		**96,502**	80,022
Earnings per ordinary share - basic	11	**41.62p**	34.42p
Earnings per ordinary share - diluted	11	**41.30p**	33.99p

On behalf of the Board

Gavin Slark,
David Arnold,
Directors

7 March 2016

Group Statement of Comprehensive Income

For the year ended 31 December 2015

	Notes	2015 £'000	2014 £'000
Profit after tax for the financial year		**96,502**	80,022
Other comprehensive income			
Items that are or may be reclassified subsequently to the income statement			
Currency translation effects:			
- on foreign currency net investments		**(5,362)**	(6,707)
- on foreign currency borrowings designated as net investment hedges		**(879)**	(1,634)
Fair value movement on cash flow hedges:			
- Effective portion of changes in fair value of cash flow hedges		**(442)**	(241)
- Net change in fair value of cash flow hedges transferred from equity		**82**	109
Deferred tax on cash flow hedges	26	**42**	(2)
		(6,559)	(8,475)
Items that will not be reclassified to the income statement			
Remeasurement gain/(loss) on Group defined benefit pension schemes	32	**13,142**	(28,054)
Deferred tax on Group defined benefit pension schemes	26	**(1,992)**	4,728
		11,150	(23,326)
Total other comprehensive income		**4,591**	(31,801)
Total comprehensive income for the financial year		**101,093**	48,221
Total comprehensive income attributable to:			
Owners of the Company		**101,770**	48,245
Non-controlling interests		**(677)**	(24)
Total comprehensive income for the financial year		**101,093**	48,221

On behalf of the Board

Gavin Slark,
David Arnold,
Directors

7 March 2016

Group Balance Sheet

As at 31 December 2015

	Notes	2015 £'000	2014 £'000
ASSETS			
Non-current assets			
Goodwill	12	**521,521**	480,157
Intangible assets	15	**32,640**	5,757
Property, plant and equipment	13	**430,116**	423,411
Investment properties	13	**17,797**	20,473
Deferred tax assets	26	**17,905**	23,452
Retirement benefit assets	32	**744**	125
Other financial assets	14	**122**	123
Total non-current assets		**1,020,845**	953,498
Current assets			
Properties held for sale	13	**10,805**	9,581
Inventories	16	**276,229**	249,906
Trade and other receivables	17	**355,752**	302,871
Derivative financial instruments	22	**-**	1,095
Cash and cash equivalents	20	**211,565**	182,360
Total current assets		**854,351**	745,813
Total assets		**1,875,196**	1,699,311
EQUITY			
Equity share capital	18	**8,405**	8,309
Share premium account	18	**209,810**	206,597
Capital redemption reserve	19	**621**	621
Revaluation reserve	19	**13,674**	13,822
Shares to be issued reserve	19	**9,168**	7,834
Cash flow hedge reserve	19	**(354)**	(36)
Foreign currency translation reserve	19	**51,764**	58,005
Retained earnings		**696,479**	610,998
Treasury shares held	18	**(3,897)**	(3,897)
Equity attributable to owners of the Company		**985,670**	902,253
Non-controlling interests	19	**3,350**	4,027
Total equity		**989,020**	906,280
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	20	**323,393**	244,305
Provisions	23	**17,875**	20,855
Retirement benefit obligations	32	**17,367**	33,085
Derivative financial instruments	22	**404**	44
Deferred tax liabilities	26	**32,670**	30,758
Total non-current liabilities		**391,709**	329,047
Current liabilities			
Interest-bearing loans and borrowings	20	**1,326**	14,422
Trade and other payables	24	**465,914**	425,696
Current income tax liabilities		**19,640**	17,334
Provisions	23	**7,587**	6,532
Total current liabilities		**494,467**	463,984
Total liabilities		**886,176**	793,031
Total equity and liabilities		**1,875,196**	1,699,311

On behalf of the Board

Gavin Slark,
David Arnold,
Directors

7 March 2016

Group Cash Flow Statement

For the year ended 31 December 2015

	Notes	2015 £'000	2014 £'000
Profit before taxation		**120,329**	101,245
Finance income	7	**(1,050)**	(997)
Finance expense	7	**8,932**	9,857
Operating profit		**128,211**	110,105
Depreciation	13	**32,211**	32,392
Amortisation of intangible assets	15	**911**	124
Share-based payments charge		**4,461**	3,679
Non-cash movement in operating provisions	23	**2,224**	2,670
Claims paid on insurance and other provisions	23	**(3,772)**	(6,774)
Non-cash movement on asset impairment/revaluation	13	**-**	246
Profit on sale of property, plant and equipment		**(6,912)**	(2,345)
Profit on sale of Group businesses		**(785)**	-
Contributions to pension schemes in excess of IAS 19 charge		**(3,408)**	(1,862)
(Increase)/decrease in working capital	27	**(13,828)**	21,804
Cash generated from operations		**139,313**	160,039
Interest paid		**(7,463)**	(8,963)
Income taxes paid		**(19,305)**	(10,445)
Cash flows from operating activities		**112,545**	140,631
Investing activities			
Inflows			
Proceeds from sale of property, plant and equipment		**11,322**	5,155
Proceeds from sale of group businesses (net)		**2,617**	-
Interest received		**1,025**	699
		14,964	5,854
Outflows			
Acquisition of subsidiary undertakings and businesses	28	**(85,139)**	(34,835)
Net cash acquired with subsidiary undertakings	28	**7,619**	1,728
Net (debt) acquired with subsidiary undertakings	28	**(21,121)**	-
Investment in intangible assets – computer software	15	**(9,988)**	(5,881)
Purchase of property, plant and equipment	13	**(41,592)**	(40,974)
		(150,221)	(79,962)
Cash flows from investing activities		**(135,257)**	(74,108)
Financing activities			
Inflows			
Proceeds from the issue of share capital		**3,309**	50
Proceeds from borrowings		**95,097**	56,454
		98,406	56,504
Outflows			
Repayments of borrowings		**(2,917)**	(57,316)
Dividends paid	10	**(26,797)**	(21,501)
Movement on finance lease liabilities		**(565)**	(721)
Redemption of loan notes payable net of derivatives		**(11,649)**	(11,408)
		(41,928)	(90,946)
Cash flows from financing activities		**56,478**	(34,442)
Net increase in cash and cash equivalents		**33,766**	32,081
Cash and cash equivalents at 1 January		**182,360**	151,099
Effect of exchange rate fluctuations on cash held		**(4,561)**	(820)
Cash and cash equivalents at 31 December		**211,565**	182,360
Cash and cash equivalents are broken down as follows:			
Cash at bank and short-term deposits		**211,565**	182,360

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 £'000	Non-controlling interests £'000	Total equity £'000
Year to 31 December 2015												
At 1 January 2015	8,309	206,597	621	13,822	7,834	(36)	58,005	610,998	(3,897)	902,253	4,027	906,280
Profit after tax for the financial year	-	-	-	-	-	-	-	97,179	-	97,179	(677)	96,502
Total other comprehensive income												
Remeasurement gain on pensions (net of tax)	-	-	-	-	-	-	-	11,150	-	11,150	-	11,150
Movement in cash flow hedge reserve (net of tax)	-	-	-	-	-	(318)	-	-	-	(318)	-	(318)
Currency translation effect on foreign currency net investments	-	-	-	-	-	-	(5,362)	-	-	(5,362)	-	(5,362)
Currency translation effect on foreign currency borrowings designated as net investment hedges	-	-	-	-	-	-	(879)	-	-	(879)	-	(879)
Total other comprehensive income	-	-	-	-	-	(318)	(6,241)	11,150	-	4,591	-	4,591
Total comprehensive income	-	-	-	-	-	(318)	(6,241)	108,329	-	101,770	(677)	101,093
Transactions with owners of the Company recognised directly in equity												
Dividends paid (Note 10)	-	-	-	-	-	-	-	(26,797)	-	(26,797)	-	(26,797)
Issue of Grafton Units (net of issue expenses)	96	3,213	-	-	-	-	-	-	-	3,309	-	3,309
Share based payments charge	-	-	-	-	4,461	-	-	-	-	4,461	-	4,461
Deferred tax on share based payments	-	-	-	-	674	-	-	-	-	674	-	674
Transfer from shares to be issued reserve	-	-	-	-	(3,801)	-	-	3,801	-	-	-	-
Transfer from revaluation reserve	-	-	-	(148)	-	-	-	148	-	-	-	-
	96	3,213	-	(148)	1,334	-	-	(22,848)	-	(18,353)	-	(18,353)
At 31 December 2015	8,405	209,810	621	13,674	9,168	(354)	51,764	696,479	(3,897)	985,670	3,350	989,020

	Equity share capital	Share premium account	Capital redemption reserve	Revaluation reserve	Shares to be issued reserve	Cash flow hedge reserve	Foreign currency translation reserve	Retained earnings	Treasury shares	Total	Non-controlling interests	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Year to 31 December 2014												
At 1 January 2014	8,302	206,554	621	13,978	2,875	98	66,346	575,419	(3,897)	870,296	4,051	874,347
Profit after tax for the financial year	-	-	-	-	-	-	-	80,046	-	80,046	(24)	80,022
Total other comprehensive income												
Remeasurement (loss) on pensions (net of tax)	-	-	-	-	-	-	-	(23,326)	-	(23,326)	-	(23,326)
Movement in cash flow hedge reserve (net of tax)	-	-	-	-	-	(134)	-	-	-	(134)	-	(134)
Currency translation effect on foreign currency net investments	-	-	-	-	-	-	(6,707)	-	-	(6,707)	-	(6,707)
Currency translation effect on foreign currency borrowings designated as net investment hedges	-	-	-	-	-	-	(1,634)	-	-	(1,634)	-	(1,634)
Total other comprehensive income	-	-	-	-	-	(134)	(8,341)	(23,326)	-	(31,801)	-	(31,801)
Total comprehensive income	-	-	-	-	-	(134)	(8,341)	56,720	-	48,245	(24)	48,221
Transactions with owners of the Company recognised directly in equity												
Dividends paid (Note 10)	-	-	-	-	-	-	-	(21,501)	-	(21,501)	-	(21,501)
Issue of Grafton Units (net of issue expenses)	7	43	-	-	-	-	-	-	-	50	-	50
Share based payments charge	-	-	-	-	3,679	-	-	-	-	3,679	-	3,679
Deferred tax on share based payments	-	-	-	-	1,484	-	-	-	-	1,484	-	1,484
Transfer from shares to be issued reserve	-	-	-	-	(204)	-	-	204	-	-	-	-
Transfer from revaluation reserve	-	-	-	(156)	-	-	-	156	-	-	-	-
	7	43	-	(156)	4,959	-	-	(21,141)	-	(16,288)	-	(16,288)
At 31 December 2014	8,309	206,597	621	13,822	7,834	(36)	58,005	610,998	(3,897)	902,253	4,027	906,280

Notes to the Group Financial Statements

1. Summary of Significant Accounting Policies

Statement of Compliance

The consolidated and Company 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 Company Financial Statements have been prepared in accordance with IFRSs as adopted by the European Union (EU) and as applied in accordance with the Companies Act, 2014. The Company has taken advantage of the exemption in Section 304(2) of the Companies Act 2014 from presenting to its members the Company Statement of Comprehensive Income and related notes as the Company publishes Company and Group Financial Statements together.

The IFRSs applied in these financial statements were those effective for accounting periods ending on 31 December 2015.

The accounting policies adopted are consistent with those of the previous year except for (i) a new accounting policy on Intangible Assets (Other than Goodwill and Computer Software) set out in these Accounting Policies and (ii) the following new and amended IFRSs and International Financial Reporting Interpretations Committee (IFRIC) interpretations adopted by the Group as of 1 January 2015 that are effective for the Group's financial year ending on 31 December 2015 and that had no significant impact on the results or financial position of the Group for the year ended 31 December 2015 other than as set out below:

Annual Improvements to IFRS 2011-2013 Cycle:

The Annual Improvements to IFRSs include a number of minor changes to standards as noted below:

- IFRS 1 First-time adoption of IFRS: meaning of 'effective IFRSs'.

- IFRS 3 Business Combinations: scope exceptions for joint ventures.

  This amendment to IFRS 3 excludes the formation of all types of joint arrangements from its scope and clarifies that the scope exclusion is the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. This standard has not had any significant impact on the Group's financial statements.

- IFRS 13 Fair Value Measurement: scope of paragraph 52 (portfolio exception).

  This amendment to IFRS 13 confirms that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis (the 'portfolio exception') includes all contracts within the scope of, and accounted for, in accordance with IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32. This standard has not had any significant impact on the Group's financial statements.

- IAS 40 Investment Property: clarifying the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

  The amendment to IAS 40 confirms that an entity that acquires investment property has to determine whether the acquisition meets both the definition of a business combination as well as investment property. This standard has not had any significant impact on the Group's financial statements.

The Directors are considering the potential impact of a number of standards that will be effective in the future.

Basis of Preparation

The consolidated Financial Statements, which are presented in sterling and rounded to the nearest thousand are prepared on a going concern basis. The Company Financial Statements continue to be presented in euro and 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.

1. Summary of Significant Accounting Policies (continued)

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, accounting for defined benefit pension schemes, asset impairment provisions, 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 together with the Group's interest in joint ventures.

The financial year-end of the Group's subsidiaries and joint venture are coterminous.

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 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.

Joint Ventures

Joint ventures are included in the financial statements using the equity method of accounting.

Investment in Associates

Associates are those entities in which the Group has a participating interest and over which the Group has significant influence, but not control, of the financial and operating policies. The equity method is used to account for associates. This is a method of accounting whereby the investment is initially recognised at cost and adjusted for post-acquisition changes in the Group's share of net assets, less any impairment in value. The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the carrying amount is reduced to nil and the Group does not recognise further losses, except to the extent that the Group has incurred obligations in respect of its associates.

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. Transactions with joint ventures and associates are similarly eliminated to the extent of the Group's interest in the equity. 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 it is subject to reliable measurement, that it 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 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.

Notes to the Group Financial Statements
(continued)

1. Summary of Significant Accounting Policies (continued)

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.

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 and any fair value adjustments 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.

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

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.

Property profit is not disclosed as a separate line item on the face of the Income Statement. Where a material profit arises on the disposal of property, this will be identified in the financial statements.

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.

1. Summary of Significant Accounting Policies (continued)

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 funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale 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.

For acquisitions made on or after 1 January 2010, 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.

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 cash generating units expected to benefit from synergies related to the acquisition. Goodwill is measured at cost less accumulated impairment losses. The cash generating units 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.

Notes to the Group Financial Statements
(continued)

1. Summary of Significant Accounting Policies (continued)

Intangible Assets (Computer Software)
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 purchase price and any other directly attributable costs.

Computer software is recognised if it meets the following criteria:
1. an asset can be separately identified;
2. it is probable that the asset created will generate future economic benefits;
3. the development cost of the asset can be measured reliably;
4. it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
5. 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 8 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. Intangible assets with indefinite lives are not amortised but are reviewed annually for impairment.

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. Freehold property acquired is subject to a fair value adjustment at the date of acquisition.

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 years
Plant hire equipment	4-8 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 the replaced item can be measured reliably. 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. All other investments are classified as available for sale with changes in fair value recognised directly in other comprehensive income until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is brought into the income statement for the period. All items recognised in the income statement relating to investments, other than investments in joint ventures and associates, 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.

Notes to the Group Financial Statements
(continued)

1. Summary of Significant Accounting Policies (continued)

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.

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 when there is objective evidence that the Group will not be in a position to collect all of its receivables when they fall due. Bad debts are written-off in the income statement on identification.

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, 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 amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The fair value of interest rate and currency swaps 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 its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

1. Summary of Significant Accounting Policies (continued)

(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.

(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.

Notes to the Group Financial Statements

(continued)

1. Summary of Significant Accounting Policies (continued)

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 present value of the lower of the expected cost of terminating the contract and 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.

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 an expense in the income statement over the remaining average period until the benefits vest. 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.

1. Summary of Significant Accounting Policies (continued)

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 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.

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.

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 and 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.

Notes to the Group Financial Statements
(continued)

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 operating 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 615 branches in Britain, Ireland, the Netherlands and Belgium.

The **Retailing** segment operates Ireland's largest DIY and home improvement business from a network of 37 stores that supply mainly retail customers with a wide range of products for the home and garden, and a kitchen retail business that trades from five stores.

The **Manufacturing** segment comprises the largest manufacturer of dry mortar in Britain operating from 10 plants and a plastics manufacturing business in Ireland.

Information regarding the results of each reportable 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	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Segment revenue	**2,010,598**	1,874,739	**148,558**	158,238	**63,059**	58,119	**2,222,215**	2,091,096
Less: Inter-segment revenue-manufacturing	**-**	-	**-**	-	**(10,225)**	(9,410)	**(10,225)**	(9,410)
	2,010,598	1,874,739	**148,558**	158,238	**52,834**	48,709	**2,211,990**	2,081,686
Segment operating profit	**124,196**	110,041	**3,481**	2,383	**9,749**	7,906	**137,426**	120,330
Non-recurring pension credit (Note 4)	**2,945**	-	**-**	-	**-**	-	**2,945**	-
Non-recurring asset impairment (Note 4)	**(1,520)**	-	**-**	-	**-**	-	**(1,520)**	-
Segment operating profit after non-recurring items	**125,621**	110,041	**3,481**	2,383	**9,749**	7,906	**138,851**	120,330

	Group	
	2015 £'000	2014 £'000
Reconciliation to consolidated operating profit		
Segment operating profit after non-recurring items	**138,851**	120,330
Central activities	**(10,640)**	(10,225)
Operating profit	**128,211**	110,105
Finance expense	**(8,932)**	(9,857)
Finance income	**1,050**	997
Profit before tax	**120,329**	101,245
Income tax	**(23,827)**	(21,223)
Profit after tax for the financial year	**96,502**	80,022

Notes to the Group Financial Statements
(continued)

2. Segment Information (continued)

Group Balance Sheet

	Continuing operations – as at 31 December							
	Merchanting		Retailing		Manufacturing		Group	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Segment assets	**1,551,155**	1,399,331	**57,045**	52,882	**36,660**	39,943	**1,644,860**	1,492,156
Reconciliation of total assets								
Deferred tax assets							**17,905**	23,452
Retirement benefit assets							**744**	125
Other financial assets							**122**	123
Derivative financial instruments							**-**	1,095
Cash and cash equivalents							**211,565**	182,360
Total assets in the Group balance sheet							**1,875,196**	1,699,311
Segment liabilities	**443,707**	404,381	**36,425**	38,854	**11,244**	9,848	**491,376**	453,083
Reconciliation of total liabilities								
Interest bearing loans and borrowings (current and non-current)							**324,719**	258,727
Retirement benefit obligations							**17,367**	33,085
Deferred tax liabilities							**32,670**	30,758
Current tax liabilities							**19,640**	17,334
Derivative financial instruments (current and non-current)							**404**	44
Total liabilities in the Group balance sheet							**886,176**	793,031

2. Segment Information (continued)

Other Segment Information

	Continuing operations – year ended 31 December							
	Merchanting		Retailing		Manufacturing		Total Group	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Capital expenditure	**37,545**	39,210	**1,328**	971	**2,719**	793	**41,592**	40,974
Investment in intangible assets	**9,988**	5,881	**-**	-	**-**	-	**9,988**	5,881
Intangible assets acquired	**17,276**	-	**-**	-	**-**	-	**17,276**	-
Depreciation	**27,305**	26,827	**2,677**	3,239	**2,229**	2,326	**32,211**	32,392
Impairment/revaluation of property, plant and equipment	**-**	246	**-**	-	**-**	-	**-**	246
Intangible amortisation	**911**	124	**-**	-	**-**	-	**911**	124

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	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Segment revenue (continuing operations)	**82,762**	91,564	**409,040**	419,247	**8,538**	-	**1,711,650**	1,570,875	**2,211,990**	2,081,686
Capital expenditure	**1,158**	730	**4,199**	3,172	**151**	-	**36,084**	37,072	**41,592**	40,974
Investment in intangible assets	**-**	-	**-**	-	**-**	-	**9,988**	5,881	**9,988**	5,881
Intangible assets acquired	**-**	-	**-**	-	**11,326**	-	**5,950**	-	**17,276**	-
Segment assets	**38,576**	46,944	**218,470**	226,047	**43,434**	-	**822,859**	739,008	**1,123,339**	1,011,999
Goodwill									**521,521**	480,157
									1,644,860	1,492,156
Segment liabilities	**12,460**	16,539	**134,980**	138,910	**5,906**	-	**338,030**	297,634	**491,376**	453,083

**Includes Poland which is immaterial*

Notes to the Group Financial Statements

(continued)

3. Operating Costs and Income

The following have been charged/(credited) in arriving at operating profit:

Non-recurring items (Note 4):	2015 £'000	2014 £'000
Pension scheme		
Defined benefit pension scheme past service credit	**(2,945)**	-
Asset impairment		
Asset impairment charge in Belgian business	**1,520**	-
Total non-recurring items (Note 4)	**(1,425)**	-
(Increase) in inventories	**(13,220)**	(857)
Purchases and consumables	**1,521,720**	1,416,927
Staff costs before non-recurring items (Note 6)	**318,418**	295,795
Auditor's remuneration - Group and subsidiaries	**659**	725
Depreciation	**32,211**	32,392
Lease rentals and other hire charges	**54,302**	54,784
Intangible amortisation	**911**	124
Profit on disposal of property, plant and equipment	**(6,912)**	(2,345)
Profit on disposal of Group businesses	**(785)**	-
Asset impairment/revaluation	**-**	246
Selling, distribution and administrative expenses	**177,900**	173,790
	2,083,779	1,971,581

3. Operating Costs and Income (continued)

The following services were provided by KPMG, the Group's Auditor:

	2015 £'000	2014 £'000
Audit services (i)		
- Group Auditor - KPMG Ireland	**399**	417
- Other network firm - KPMG	**95**	125
	494	542
Other assurance services (ii)		
- Group Auditor - KPMG Ireland	**141**	149
- Other network firm - KPMG	**24**	34
	165	183
Auditor's remuneration - Group and subsidiaries (i) & (ii)	**659**	725
Other non-audit services		
- Group Auditor - KPMG Ireland	**-**	-
- Other network firm - KPMG	**68**	114
	68	114
Tax advisory services		
- Group Auditor - KPMG Ireland	**192**	174
- Other network firm - KPMG	**241**	297
	433	471
Total		
- Group Auditor - KPMG Ireland	**732**	740
- Other network firm - KPMG	**428**	570
	1,160	1,310

Other assurance services relate to the statutory audits of subsidiary companies in the UK, Ireland and Europe except for £15,000 in 2015 (2014: £16,000) that relates to the audit of pension funds.

4. Non-Recurring Operating Income and Operating Costs

	2015 £'000	2014 £'000
Pension scheme		
Defined benefit pension scheme past service credit	**(2,945)**	-
Asset impairment		
Asset impairment charge in Belgian business	**1,520**	-
Total	**(1,425)**	-

Pension scheme credit

The 2015 past service credit of £2.95 million arose from the change in the basis for increasing pensions to CPI from RPI (Note 32).

Asset impairment

In 2015 a review of the inventory provisioning in Belgium resulted in a non-recurring inventory asset impairment charge of £1.52 million to the income statement.

Notes to the Group Financial Statements
(continued)

5. Directors' Remuneration, Pension Entitlements and Interests

Directors' remuneration, pension entitlements and interests in shares and share entitlements are presented in the Report of the Remuneration Committee on Directors' Remuneration on pages 59 to 78.

6. Employment

The average number of persons employed during the year by segment was as follows:

	2015	2014
Merchanting	**9,022**	8,388
Retailing	**1,208**	1,152
Manufacturing	**179**	163
Holding company	**25**	24
	10,434	9,727

The aggregate remuneration costs of employees were:	£'000	£'000
Wages and salaries	**278,556**	259,291
Social welfare costs	**28,224**	27,104
Share based payments charge	**4,461**	3,679
Defined benefit pension (Note 32)	**2,360**	1,161
Defined contribution pension and related costs	**4,817**	4,560
Staff costs before non-recurring items	**318,418**	295,795
Past service credit - non-recurring (Note 32)	**(2,945)**	-
Charged to operating profit	**315,473**	295,795
Net finance cost on pension scheme obligations (Note 32)	**897**	244
Charged to income statement	**316,370**	296,039
Remeasurement (gain)/loss on pension schemes (Note 32)	**(13,142)**	28,054
Total employee benefit cost	**303,228**	324,093

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 and non-market performance vesting conditions, 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.

Key Management

The cost of key management including Directors is set out in the table below:

	2015	2014
Number of Individuals	**8**	8

	2015 £'000	2014 £'000
Short-term employee benefits	**2,317**	2,871
Share-based payment charge	**839**	678
Retirement benefits expense	**257**	260
Charged to operating profit	**3,413**	3,809

7. Finance Expense and Finance Income

	2015 £'000	2014 £'000
Finance expense:		
Interest on bank loans and overdrafts	**6,839***	7,809*
Interest on loan notes	**95***	239*
Net change in fair value of cash flow hedges transferred from equity	**82**	109
Interest on finance leases	**207**	246
Net finance cost on pension scheme obligations	**897**	244
Foreign exchange loss	**812**	1,210
	8,932	9,857
Finance income:		
Fair value movement on derivatives (cross-currency interest rate swaps not in hedging relationship)	**(25)**	(298)
Interest income on bank deposits	**(1,025)***	(699)*
	(1,050)	(997)
Net finance expense recognised in income statement	**7,882**	8,860

**Net bank/loan note interest of £5.9 million (2014: £7.3 million)*

Amounts relating to items not at fair value through income statement		
- Total finance expense on financial liabilities	**8,850**	9,748
- Total finance income on financial assets	**(1,025)**	(699)

Recognised directly in other comprehensive income		
Currency translation effects on foreign currency net investments	**(5,362)**	(6,707)
Currency translation effects on foreign currency borrowings designated as net investment hedges	**(879)**	(1,634)
Effective portion of changes in fair value of cash flow hedges	**(442)**	(241)
Net change in fair value of cash flow hedges transferred to income statement	**82**	109
	(6,601)	(8,473)

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 2015 was Stg72.59 pence (Year ended 31 December 2014: Stg80.61 pence). The sterling/euro exchange rate at 31 December 2015 was Stg74.30 pence (31 December 2014: Stg77.89 pence).

Notes to the Group Financial Statements
(continued)

9. Income Tax

	2015	2014
(a) Income tax recognised in income statement	**£'000**	£'000
Current tax expense		
Irish corporation tax	**1,060**	669
UK and other corporation tax	**20,017**	19,009
	21,077	19,678
Deferred tax expense		
Irish deferred tax expense relating to the origination and reversal of temporary differences	**1,240**	1,049
Recognition of previously unrecognised tax losses	**-**	(357)
Deferred tax resulting from change in tax rates	**(881)**	-
UK and other deferred tax expense relating to the origination and reversal of temporary differences	**2,391**	853
	2,750	1,545
Total income tax expense in income statement	**23,827**	21,223

Taxation
The effective rate of tax on profit of 19.8 per cent is lower than the underlying tax rate of 21 per cent as a previously unrecognised deferred tax asset has been utilised against a UK taxable profit arising on the disposal of properties during the year. This underlying tax rate reflects the cash tax payable and a non-cash charge due to the unwinding of deferred tax assets. The underlying tax rate of 21 per cent (2014: 21 per cent) also reflects the mix of profits between the UK, Ireland, the Netherlands and Belgium and the disallowance of a tax deduction for certain items of expenditure including depreciation on buildings.

Taxation paid in 2015 of £19.3 million (2013: £10.4 million) reflected the availability of tax allowances and various reliefs carried forward from prior years.

The amount shown for current taxation includes a liability for tax uncertainties and is based on the Directors' best probability weighted 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.

9. Income Tax (continued)

(b) Reconciliation of effective tax rate	2015 £'000	2014 £'000
Profit before tax	**120,329**	101,245
Profit before tax multiplied by the standard rate of tax of 12.5% (2014: 12.5%)	**15,041**	12,656
Effects of:		
Expenses not deductible for tax purposes	**2,140**	2,078
Differences in effective tax rates on overseas earnings	**7,787**	6,977
Effect of change in tax rates	**(881)**	-
Deferred tax recognised on prior year benefits/losses	**-**	(357)
Benefit of prior year items not recognised for deferred tax	**(2,582)**	(1,088)
Other differences	**2,322**	957
Total income tax expense in income statement	**23,827**	21,223

(c) Deferred tax recognised directly in equity/other comprehensive income	2015 £'000	2014 £'000
Actuarial movement on pension schemes	**1,992**	(4,728)
Employee share schemes	**(674)**	(1,484)
Financing – cash flow hedge	**(42)**	2
	1,276	(6,210)

At 31 December 2015 the Group recognised deferred tax assets on tax losses of £8.2 million (2014: £8.9 million). The tax losses arose in the Irish and Belgium tax jurisdiction and their utilisation is dependent on future profits. The Directors have concluded that a forecast period of up to eight 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 the 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

	2015 £'000	2014 £'000
Group		
Interim dividend of 7.0p per Grafton Unit – paid 17 April 2015	**16,282**	-
Interim dividend of 4.5p per Grafton Unit – paid 9 October 2015	**10,515**	-
Interim dividend of 5.5p per Grafton Unit – paid 11 April 2014	**-**	12,784
Interim dividend of 3.75p per Grafton Unit – paid 3 October 2014	**-**	8,717
	26,797	21,501

The payment in 2015 of a second interim dividend for 2014 of 7.0 pence on the 'C' Ordinary shares in Grafton Group (UK) plc from UK-sourced income amounted to £16.3 million. A 2015 interim dividend of 4.5 pence per share was paid on 9 October 2015 on the 'C' Ordinary shares in Grafton Group (UK) plc from UK-sourced income and amounted to £10.5 million.

Notes to the Group Financial Statements

(continued)

10. Dividends (continued)

The Board has agreed to pay a second interim dividend of 8.0 pence 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 18 March 2016 (the 'Record Date') and the cash consideration will be paid on 15 April 2016. A liability in respect of this second interim dividend has not been recognised at 31 December 2015, as there was no present obligation to pay the dividend at the year-end. The dividend payable on 15 April 2016 will be recognised in 2016.

11. Earnings per Share - Group

The computation of basic, diluted and adjusted earnings per share is set out below:

	2015 £'000	2014 £'000
Numerator for basic, adjusted and diluted earnings per share:		
Profit after tax for the financial year	**96,502**	80,022
Non-controlling interest	**677**	24
Numerator for basic and diluted earnings per share	**97,179**	80,046
Non-recurring defined benefit pension credit (Note 4)	**(2,945)**	-
Tax relating to non-recurring defined benefit pension credit	**530**	-
Non-recurring costs incurred in Belgium business (Note 4)	**1,520**	-
Tax relating to non-recurring costs incurred in Belgium business	**(532)**	-
Numerator for adjusted earnings per share	**95,752**	80,046

Denominator for basic and adjusted earnings per share:	**Number of Grafton Units**	Number of Grafton Units
Weighted average number of Grafton Units in issue	**233,477,908**	232,522,970
Effect of potential dilutive Grafton Units	**1,824,338**	2,973,005
Denominator for diluted earnings per share	**235,302,246**	235,495,975
Earnings per share (pence)		
- Basic	**41.62**	34.42
- Diluted	**41.30**	33.99
Adjusted earnings per share (pence)		
- Basic	**41.01**	34.42
- Diluted	**40.69**	33.99

The weighted average potential employee share entitlements over 1,845,500 Grafton Units (2014: 3,369,310) 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

	2015 £'000	2014 £'000
Cost		
At 1 January	**480,157**	481,020
Arising on acquisitions (Note 28)	**53,254**	14,695
Disposal of group businesses	**(641)**	-
Translation adjustment	**(11,249)**	(15,558)
At 31 December	**521,521**	480,157

Goodwill Acquired During the Year
Goodwill acquired during the year in the amount of £53.3 million (2014: £14.7 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.

Goodwill Disposed During the Year
In June 2015, the Group disposed of a non-core scaffolding business in Northern Ireland and a non-core readymix business in Belgium. Goodwill on these disposals amounted to £0.6 million.

Cash-Generating Units
The Board has determined, for the purposes of IFRS 8 Operating Segments, that three operating segments exist, Merchanting, Retailing and Manufacturing. Goodwill is allocated to cash generating units, or groups of cash generating units, that represent the lowest level within the entity that goodwill is monitored for internal management purposes, which is at Operating Segment level.

	2015 £'000	2014 £'000
Merchanting	**518,365**	476,808
Retailing	**3,156**	3,349
	521,521	480,157

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. No impairment charge was recognised by the Group in 2015 (2014: £Nil).

Impairment Testing Methodology
The recoverable amount of each cash generating unit (group of units) is determined based on value in use calculations. The carrying value of each cash generating unit was compared to its estimated value in use. Value in use is calculated on the basis of estimated future cash flows discounted to present value.

Estimated future cashflows were determined by reference to the budget for 2016 and management reviewed forecasts for each of the following years from 2017 to 2021 inclusive. A long-term perpetuity growth rate was applied in respect of the years after 2021. The estimates of future cash flows were based on consideration of past experience together with an assessment of the future prospects for the Group's Merchanting and Retailing businesses. This involved making assumptions concerning revenue trends, gross profit margins, overheads and operating profit margins.

The key assumptions used in the value in use calculations are the revenue growth rate, the discount rate and the perpetuity growth rate. The discount rate used was based on the Group's weighted average cost of capital adjusted to reflect a risk premium. The weighted average cost of capital reflects an assumed equity return, based on the risk free rate for ten year Government bonds adjusted for an equity risk premium and the after-tax cost of debt. The discount rate applied was 8.00 per cent (2014: 8.75 per cent).

In determining a terminal value, it was assumed that cash flows after the first five years will increase at a nominal growth rate in perpetuity of 3 per cent (2014: 3 per cent). The rate assumed was based on an assessment of the likely long term growth prospects for the Merchanting and Retailing segments.

Notes to the Group Financial Statements
(continued)

12. Goodwill (continued)

Significant Goodwill Amounts

The most significant cash generating unit (group of units) accounting for the majority of the carrying amount of goodwill is Merchanting.

	2015 £'000	2014 £'000
Carrying amount of goodwill	**518,365**	476,808
Basis on which recoverable amount assessed	**Value in use**	Value in use
Discount rate	**8.00%**	8.75%

Sensitivity Analysis

The value in use calculations are sensitive to changes in assumptions, particularly relating to revenue growth, the discount rate and the nominal growth rate in perpetuity. Sensitivity analysis was performed based on changes in each of these factors. A reduction in the revenue growth rate by 2 percentage points would not give rise to impairment. Similarly, an increase in the discount rate from 8 per cent to 10 per cent would not give rise to impairment. A reduction in the nominal growth rate in perpetuity from 3 per cent to 2 per cent would not give rise to impairment.

Expected future cash flows are subject to known and unknown risks, uncertainties and other factors and are not a guarantee of future performance. Actual cash flows may therefore differ materially from estimated future cash flows. Similarly, if lower estimates of projected future cash flows were made, a higher discount rate was used, or a lower nominal growth rate in perpetuity was used, these changes would materially alter the present value of future cash flows.

Management identified the discount rate as a key assumption that could cause the carrying amount to exceed the recoverable amount. If the discount rate was changed to 21.75 per cent, the estimated recoverable amount would be equal to the carrying amount.

Allowing for reasonable possible change in any of the other key assumptions would not give rise to an impairment.

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 machinery and motor vehicles £'000	Total £'000
Cost				
At 1 January 2014	326,842	78,973	265,640	671,455
Additions	1,679	2,474	36,821	40,974
Acquisitions (Note 28)	9,197	1,755	1,430	12,382
Disposals	(507)	(243)	(10,810)	(11,560)
Reclassifications	(12,740)	352	12,388	-
Reclassification to properties held for sale	(982)	-	-	(982)
Reclassification to investment properties	(3,683)	-	-	(3,683)
Reclassification from properties held for sale	850	-	-	850
Reclassification from investment properties	2,191	-	-	2,191
Exchange adjustment	(10,073)	(1,945)	(8,978)	(20,996)
At 1 January 2015	**312,774**	**81,366**	**296,491**	**690,631**
Additions	**998**	**6,090**	**34,504**	**41,592**
Acquisitions (Note 28)	**4,649**	**630**	**3,208**	**8,487**
Disposals	**(1,701)**	**(155)**	**(19,620)**	**(21,476)**
Disposal of Group businesses	**-**	**-**	**(3,439)**	**(3,439)**
Reclassifications	**130**	**(1,002)**	**872**	**-**
Reclassification to properties held for sale	**(1,772)**	**-**	**-**	**(1,772)**
Exchange adjustment	**(8,273)**	**(1,596)**	**(6,996)**	**(16,865)**
At 31 December 2015	**306,805**	**85,333**	**305,020**	**697,158**
Depreciation				
At 1 January 2014	42,658	34,441	180,955	258,054
Charge for year	4,510	3,079	24,803	32,392
Disposals	(93)	(70)	(10,207)	(10,370)
Reclassifications	(10,217)	55	10,162	-
Reclassification to properties held for sale	(230)	-	-	(230)
Reclassification to investment properties	(714)	-	-	(714)
Reclassification from properties held for sale	501	-	-	501
Reclassification from investment properties	710	-	-	710
Exchange adjustment	(3,917)	(1,006)	(8,200)	(13,123)
At 1 January 2015	**33,208**	**36,499**	**197,513**	**267,220**
Charge for year	**3,999**	**3,232**	**24,980**	**32,211**
Disposals	**(234)**	**(16)**	**(18,385)**	**(18,635)**
Disposal of Group businesses	**-**	**-**	**(2,721)**	**(2,721)**
Reclassifications	**417**	**(714)**	**297**	**-**
Reclassification to properties held for sale	**(716)**	**-**	**-**	**(716)**
Exchange adjustment	**(3,191)**	**(853)**	**(6,273)**	**(10,317)**
At 31 December 2015	**33,483**	**38,148**	**195,411**	**267,042**
Net book amount				
At 31 December 2015	**273,322**	**47,185**	**109,609**	**430,116**
At 31 December 2014	279,566	44,867	98,978	423,411

Notes to the Group Financial Statements
(continued)

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 and Belgium, are included at cost less depreciation.

Property, plant and equipment included leased assets as follows:

	Plant, machinery & motor vehicles		Leasehold properties	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
Cost	**170**	180	**5,831**	6,117
Accumulated depreciation	**(152)**	(116)	**(2,898)**	(2,914)
Net book amount	**18**	64	**2,933**	3,203
Depreciation charge for year	**33**	37	**244**	272

The Group repaid finance leases amounting to £0.6m million (2014: £0.7 million) and entered new leases during the year of £Nil (2014: £Nil).

13. (b) Properties Held for Sale

	Cost £'000	Accumulated Depreciation £'000	Net Book Value £'000
At 1 January 2014	16,758	(5,406)	11,352
Transfers from property, plant and equipment	982	(230)	752
Transfers to property, plant and equipment	(850)	501	(349)
Impairment charge	-	(666)	(666)
Transfers to investment properties	(616)	191	(425)
Disposals	(1,226)	338	(888)
Translation adjustment	(216)	21	(195)
At 31 December 2014	**14,832**	**(5,251)**	**9,581**
Transfers from property, plant and equipment	**1,772**	**(716)**	**1,056**
Transfers from investment properties	**2,866**	**(1,008)**	**1,858**
Disposals	**(3,008)**	**1,439**	**(1,569)**
Translation adjustment	**(177)**	**56**	**(121)**
At 31 December 2015	**16,285**	**(5,480)**	**10,805**

During the year there were four disposals of UK properties held for sale. There were four transfers in of properties from property, plant and equipment during the year and three additional properties were transferred in from investment properties. The total number of properties held for sale at 31 December 2015 is 26 (2014: 23), of which 23 (2014: 22) are located in the UK, two (2014: one) in Ireland and one (2014: Nil) in Belgium. These properties are shown in the balance sheet at the lower of their carrying amount and fair value less any disposal costs. Eight properties are included at a fair value of £4.9 million (2014: Eight properties at £3.2 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.

13. Property, Plant and Equipment, Properties Held for Sale and Investment Properties (continued)

13. (c) Investment Properties

	Cost £'000	Accumulated Depreciation £'000	Net Book Value £'000
At 1 January 2014	48,943	(29,082)	19,861
Transfers from property, plant and equipment	3,683	(714)	2,969
Transfers to property, plant and equipment	(2,191)	710	(1,481)
Transfers from properties held for sale	616	(191)	425
Disposals	(5,290)	4,558	(732)
Revaluations	-	420	420
Translation adjustment	(2,887)	1,898	(989)
At 31 December 2014	**42,874**	**(22,401)**	**20,473**
Transfers to properties held for sale	**(2,866)**	**1,008**	**(1,858)**
Translation adjustment	**(2,087)**	**1,269**	**(818)**
At 31 December 2015	**37,921**	**(20,124)**	**17,797**

Following completion of a review of its estate in 2015, five Irish investment properties were revalued with a net revaluation of £Nil. Two properties in the UK and one property in Ireland were transferred out of investment properties to properties held for sale. The total number of investment properties at 31 December 2015 is 19 (2014: 22) of which four (2014: six) are located in the UK and 15 (2014: 16) are located in Ireland. These properties are being held pending a recovery in the property market or with a view to enhancing their development potential by securing alternative use planning.

Investment properties of £17.8 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 recently completed or on the market. In cases where there are no recent precedent transactions, valuations were based on estimated rental yields 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 103, properties held for sale are held at the lower of cost and fair value and 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, Ireland and Belgium. Investment property, comprising land and buildings located in the UK and Ireland, is held for capital appreciation and or rental income and is not occupied by the Group. This also includes parts of properties owned by the Group which are sublet to third parties. Properties held for sale comprise properties that are held at a cost of £5.9 million (2014: £6.4 million) and properties held at a fair value of £4.9 million (2014: £3.2 million). Investment properties are held at a fair value of £17.8 million (2014: £20.5 million).

In general, valuations have been undertaken having regard to comparable market transactions between informed market participants. Due to the reduced or very limited activity levels for 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.

The property valuations are derived from data which is not widely publicly available and involves a degree of judgement. For these reasons, the valuations of the Group's property portfolio are classified as level 3 as defined by IFRS 13.

Notes to the Group Financial Statements
(continued)

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 properties held for sale and investment properties which are carried at fair value:

At 31 December 2015

Properties Held for Sale	Comparable market transactions £'000	Offers from third parties £'000	Total 2015 £'000
Merchanting segment	**3,681**	**1,245**	**4,926**

Investment Properties	Comparable market transactions £'000	Other methods £'000	Total 2015 £'000
Merchanting segment	**14,323**	**-**	**14,323**
Manufacturing segment	**2,451**	**1,023**	**3,474**
Total	**16,774**	**1,023**	**17,797**

At 31 December 2014

Properties Held for Sale	Comparable market transactions £'000	Offers from third parties £'000	Total 2014 £'000
Merchanting segment	2,123	1,070	3,193

Investment Properties	Comparable market transactions £'000	Other methods £'000	Total 2014 £'000
Merchanting segment	16,672	-	16,672
Manufacturing segment	2,715	1,086	3,801
Total	19,387	1,086	20,473

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 balance for level 3 fair values:

	Properties held for sale 2015 £'000	Investment properties 2015 £'000
Balance at beginning of year	9,581	20,473
Transfers from property, plant and equipment	1,056	-
Transfers from investment properties	1,858	-
Transfers to properties held for sale	-	(1,858)
Disposals in year	(1,569)	-
Foreign exchange movement	(121)	(818)
Balance at end of year	**10,805**	**17,797**
Recorded at fair value	4,926	17,797
Recorded at cost	5,879	-
Total	**10,805**	**17,797**

During 2015, five Irish investment properties were revalued with a net revaluation of £Nil. There was no impairment charge or revaluation gain recognised during 2015 in relation to held for sale properties. During 2014 the estimated fair value of certain properties in Ireland fell below cost resulting in an impairment charge of £0.7 million relating to properties held for sale. A gain of £0.4 million was recognised in investment properties in Ireland during 2014.

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.

Notes to the Group Financial Statements
(continued)

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 other information sources.	***UK - Regional (excluding major cities)*** • Comparable warehouse market prices of £259 - £363 per square metre. • Comparable industrial development land prices of £76,000 - £600,000 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.	***Ireland – Urban*** • Conditional offer price for single redevelopment site £2.155m per acre. ***Ireland – Regional*** • Conditional offer price for single redevelopment site £1.065m per acre. ***UK - Regional (excluding major cities)*** • Single offer figure for warehouse property of £375 per square metre. • Offer price range for land and sites of between £160,000 and £651,000 per acre. ***UK - Urban (major cities)*** • A single redevelopment site with a development land value of £1.200m per acre.	***The estimated fair value would increase/(decrease) if:*** • Final offer price increased/ (decreased).

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 other information sources.	***Ireland - Urban*** • Comparable minimum office market prices of £395 per square metre. • Comparable minimum warehouse market prices of £184 per square metre. • Comparable agricultural land market prices of £11,000 per acre. • Comparable industrial or development land prices of £73,000 - £228,000 per acre. ***Ireland - Regional*** • Comparable warehouse market prices of £26 - £482 per square metre. • Comparable market prices of development land £37,000 - £367,000 per acre. ***UK - Regional (excluding major cities)*** • Comparable warehouse market price of £251 - £336 per square metre. • Comparable development sites priced at £325,000 - £1.0m 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 2014	124
Translation adjustment	(1)
At 31 December 2014	**123**
Translation adjustment	**(1)**
At 31 December 2015	**122**

Other investments represent sundry equity investments at cost which approximates fair value.

15. Intangible Assets

	Computer Software £'000	Trade Names £'000	Customer Relationships £'000	Total £'000
Cost				
At 1 January 2014	-	-	-	-
Additions	5,881	-	-	5,881
At 1 January 2015	**5,881**	**-**	**-**	**5,881**
Additions	**9,988**	**-**	**-**	**9,988**
Acquisitions (Note 28)	**-**	**2,274**	**15,002**	**17,276**
Translation adjustment	**-**	**69**	**466**	**535**
At 31 December 2015	**15,869**	**2,343**	**15,468**	**33,680**
Amortisation				
At 1 January 2014	-	-	-	-
Charge for the year	124	-	-	124
At 1 January 2015	**124**	**-**	**-**	**124**
Charge for the year	**446**	**66**	**399**	**911**
Translation adjustment	**-**	**-**	**5**	**5**
At 31 December 2015	**570**	**66**	**404**	**1,040**
Net book amount				
At 31 December 2015	**15,299**	**2,277**	**15,064**	**32,640**
At 31 December 2014	5,757	-	-	5,757

The computer software of £15.3 million at 31 December 2015 (2014: £5.8 million) reflects the cost of the Group's investment on upgrading 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 in use in the business and are therefore not amortised. This balance includes cumulative capitalised payroll costs of £4.8m (2014: £2.3m).

Customer relationships and trade names arise from business combinations (Note 28) and are amortised over their estimated useful lives.

16. Inventories

	2015 £'000	2014 £'000
Raw materials	**1,165**	1,183
Finished goods	**13,638**	14,248
Goods purchased for resale	**261,426**	234,475
	276,229	249,906

The inventory provision at 31 December 2015 was £20.7 million (31 December 2014: £15.1 million).

Notes to the Group Financial Statements
(continued)

17. Trade and Other Receivables

	2015 £'000	2014 £'000
Amounts falling due within one year:		
Trade receivables	**244,798**	215,903
Other receivables	**110,954**	86,968
	355,752	302,871

The carrying amount of trade and other receivables represents the maximum credit exposure.

The maximum exposure to credit risk for trade debtors and other receivables at the reporting date by geographic region was as follows:

	Carrying Amount 2015 £'000	Carrying Amount 2014 £'000
Belgium	**13,657**	17,435
Ireland	**52,546**	49,529
Netherlands	**12,641**	-
United Kingdom	**276,908**	235,907
	355,752	302,871

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.

The ageing of trade and other receivables at 31 December was:

	Gross Value 2015 £'000	Impairment 2015 £'000	Carrying Amount 2015 £'000	Gross Value 2014 £'000	Impairment 2014 £'000	Carrying Amount 2014 £'000
Not Past Due	**291,855**	**-**	**291,855**	241,997	-	241,997
Past Due						
0-30 days	**43,915**	**(1,168)**	**42,747**	41,320	(877)	40,443
30-60 days	**24,209**	**(4,129)**	**20,080**	24,578	(5,026)	19,552
+60 days	**3,716**	**(2,646)**	**1,070**	4,331	(3,452)	879
	71,840	**(7,943)**	**63,897**	70,229	(9,355)	60,874
	363,695	**(7,943)**	**355,752**	312,226	(9,355)	302,871

Movement in Impairment Provision

	2015 £'000	2014 £'000
At 1 January	**9,355**	10,254
Written-off during year	**(1,951)**	(2,375)
Additional provision	**792**	1,810
Translation adjustment	**(253)**	(334)
At 31 December	**7,943**	9,355

18. Share Capital and Share Premium

Group and Company

	2015 €'000	2014 €'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

	Issue Price	Number of Shares	2015 Nominal Value £'000	2014 Nominal Value £'000
Issued and fully paid:				
Ordinary shares				
At 1 January		**233,090,638**	**8,287**	8,280
Issued under UK SAYE scheme (i)		**1,578,367**	**58**	1
Grafton Group Share Scheme				
Date options and entitlements to acquire shares granted				
April 2012 LTIP	Nil	**1,052,430**	**38**	-
May 2011 LTIP	Nil	**-**	**-**	6
At 31 December		**235,721,435**	**8,383**	8,287
'A' ordinary shares				
At 1 January		**3,962,540,846**	**22**	22
'A' ordinary shares issued in year		**44,723,549**	**-**	-
At 31 December		**4,007,264,395**	**22**	22
Total nominal share capital issued			**8,405**	8,309

(i) Refer to Note 33 which outlines the issue price of both the 2014 and 2012 SAYE Schemes.

Share Premium

Group	2015 £'000	2014 £'000
At 1 January	**206,597**	206,554
Premium on issue of shares under UK SAYE scheme	**3,213**	43
At 31 December	**209,810**	206,597

Grafton Units Issued During 2015

The number of Grafton Units issued during the year under the Group's Executive Share Schemes and the UK SAYE scheme was 2,630,797 (2014: 157,031) and the total consideration received amounted to £3,309,000 (2014: £50,000). Costs relating to the issues were £Nil (2014: £Nil).

Grafton Units

At 31 December 2015 and at 31 December 2014, 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.

Notes to the Group Financial Statements
(continued)

18. Share Capital and Share Premium (continued)

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 2015, there were seventeen 'A' Ordinary shares per Grafton Unit.

All 'A' ordinary shares purchased from 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 (2014: 500,000) Grafton Units at a cost of £3,897,000 (2014: £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
The Group acquired a controlling interest in YouBuild NV (formerly BMC Groep NV), a Belgian builders merchanting business on 31 October 2012. This company is accounted for as a subsidiary undertaking with a non-controlling interest.

20. Interest-Bearing Loans and Borrowings

	2015 £'000	2014 £'000
Non-current liabilities		
Sterling bank loans	**51,274**	26,469
Euro bank loans	**269,540**	214,739
Finance leases	**2,579**	3,097
	323,393	244,305

	2015 £'000	2014 £'000
Current liabilities		
Sterling bank loans	**189**	181
Euro bank loans	**788**	1,009
2005 unsecured senior US dollar loan notes	**-**	6,982
2005 unsecured senior US dollar loan notes (Stg)	**-**	5,879
Finance leases	**349**	371
	1,326	14,422

The increase in non-current interest bearing loans and borrowings largely reflects new loans drawn to fund acquisitions made during the year. The decrease in current interest bearing loans and borrowings reflects the final repayment in June 2015 of the 2005 unsecured senior US dollar loan notes.

2005 Unsecured Senior US Dollar Loan Notes

In June 2005, the Group completed a US$325.0 million debt financing at fixed interest rates ranging from 4.68 per cent to 4.88 per cent in the US Private Placement Market and issued unsecured senior loan notes maturing between 2008 and 2015. The balance of these US loan notes at 31 December 2014 was repaid in full in June 2015.

Notes to the Group Financial Statements
(continued)

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 2015 £'000	Loan notes 2015 £'000	Finance leases 2015 £'000	Total 2015 £'000	Bank loans 2014 £'000	Loan notes 2014 £'000	Finance leases 2014 £'000	Total 2014 £'000
Due within one year	**977**	**-**	**349**	**1,326**	1,190	12,861	371	14,422
Between one and two years	**505**	**-**	**349**	**854**	715	-	371	1,086
Between two and three years	**221**	**-**	**349**	**570**	531	-	371	902
Between three and four years	**320,088**	**-**	**349**	**320,437**	227	-	371	598
Between four and five years	**-**	**-**	**349**	**349**	239,735	-	371	240,106
After five years	**-**	**-**	**1,183**	**1,183**	-	-	1,613	1,613
	321,791	**-**	**2,928**	**324,719**	242,398	12,861	3,468	258,727
Derivatives				**404**				(1,051)
Gross Debt				**325,123**				257,676
Cash and short term deposits				**(211,565)**				(182,360)
Net debt				**113,558**				75,316
Shareholders' equity				**985,670**				902,253
Gearing				**12%**				8%

The following table indicates the effective interest rates at 31 December 2015 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
Sterling deposits	**0.40%**	**32,316**	**32,316**	**-**	**-**	**-**	**-**
Euro deposits	**0.00%**	**10,529**	**10,529**	**-**	**-**	**-**	**-**
US dollar deposits	**0.00%**	**1,251**	**1,251**				
Cash at bank	**0-0.4%**	**167,469**	**167,469**	**-**	**-**	**-**	**-**
Cash and cash equivalents		**211,565**	**211,565**	**-**	**-**	**-**	**-**
Floating rate debt:							
Euro loans	**1.51%**	**(218,948)**	**(218,948)**	**-**	**-**	**-**	**-**
Sterling loans	**2.07%**	**(51,463)**	**(51,463)**	**-**	**-**	**-**	**-**
Total floating rate debt		**(270,411)**	**(270,411)**	**-**	**-**	**-**	**-**
Fixed rate debt:							
Euro loans	**1.77%**	**(51,380)**	**(51,380)**	**-**	**-**	**-**	**-**
Finance leases	**6.00%**	**(2,928)**	**(175)**	**(174)**	**(349)**	**(1,047)**	**(1,183)**
Total fixed rate debt		**(54,308)**	**(51,555)**	**(174)**	**(349)**	**(1,047)**	**(1,183)**
Derivatives		**(404)**	**(404)**	**-**	**-**	**-**	**-**
Total Net Debt		**(113,558)**	**(110,805)**	**(174)**	**(349)**	**(1,047)**	**(1,183)**

20. Interest-Bearing Loans and Borrowings (continued)

Borrowing Facilities

The Group had an undrawn committed borrowing facility at 31 December 2015 of £115.7 million (2014: £207.5 million) in respect of which all conditions precedent were met. In March 2016 the Group completed an amendment and extension of its loan facilities to improve terms and to extend the maturity date to March 2021 plus two one-year extension options. In addition, the Group also entered into a revolving loan facility for €75 million (£58 million) on similar terms with a new relationship bank.

The following table indicates the effective interest rates at 31 December 2014 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
Sterling deposits	0.50%	18,622	18,622	-	-	-	-
Euro deposits	0.25%	17,877	17,877	-	-	-	-
Cash at bank	0-0.7%	145,861	145,861	-	-	-	-
Cash and cash equivalents		182,360	182,360	-	-	-	-
Floating rate debt:							
Euro loans	1.62%	(200,170)	(200,170)	-	-	-	-
Sterling loans	2.10%	(26,650)	(26,650)	-	-	-	-
Total floating rate debt		(226,820)	(226,820)	-	-	-	-
Fixed rate debt:							
Euro loans	2.00%	(15,578)	(15,578)	-	-	-	-
Finance leases	6.00%	(3,468)	(186)	(185)	(371)	(1,113)	(1,613)
Total fixed rate debt		(19,046)	(15,764)	(185)	(371)	(1,113)	(1,613)
Floating rate loan notes:							
US dollar loan notes 2005	1.24%	(6,982)	(6,982)	-	-	-	-
US dollar loan notes 2005 (Stg)	1.11%	(5,879)	(5,879)	-	-	-	-
Total loan notes		(12,861)	(12,861)	-	-	-	-
Derivatives		1,051	1,051	-	-	-	-
Total Net Debt		(75,316)	(72,034)	(185)	(371)	(1,113)	(1,613)

Notes to the Group Financial Statements
(continued)

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 2015	Available for sale	Cashflow hedge	Fair value through profit and loss	Loans and receivables	Liabilities at amortised cost	Total carrying value	Fair value
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Other financial assets*	**122**	**-**	**-**	**-**	**-**	**122**	**-**
Trade and other receivables*	**-**	**-**	**-**	**355,752**	**-**	**355,752**	**-**
Cash and cash equivalents*	**-**	**-**	**-**	**211,565**	**-**	**211,565**	**-**
	122	**-**	**-**	**567,317**	**-**	**567,439**	**-**
Interest rate swaps	**-**	**(404)**	**-**	**-**	**-**	**(404)**	**(404)**
Euro bank loans	**-**	**-**	**-**	**-**	**(270,328)**	**(270,328)**	**(270,328)**
Sterling bank loans	**-**	**-**	**-**	**-**	**(51,463)**	**(51,463)**	**(51,463)**
Finance leases	**-**	**-**	**-**	**-**	**(2,928)**	**(2,928)**	**(2,928)**
Trade and other payables*	**-**	**-**	**-**	**-**	**(465,914)**	**(465,914)**	**-**
	-	**(404)**	**-**	**-**	**(790,633)**	**(791,037)**	**(325,123)**

At 31 December 2014	Available for sale	Cashflow hedge	Fair value through profit and loss	Loans and receivables	Liabilities at amortised cost	Total carrying value	Fair value
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Other financial assets*	123	-	-	-	-	123	-
Trade and other receivables*	-	-	-	302,871	-	302,871	-
Cash and cash equivalents*	-	-	-	182,360	-	182,360	-
Cross-currency interest rate swaps	-	-	1,095	-	-	1,095	1,095
	123	-	1,095	485,231	-	486,449	1,095
Interest rate swaps	-	(44)	-	-	-	(44)	(44)
Euro bank loans	-	-	-	-	(215,748)	(215,748)	(215,748)
Sterling bank loans	-	-	-	-	(26,650)	(26,650)	(26,650)
Finance leases	-	-	-	-	(3,468)	(3,468)	(3,468)
Trade and other payables*	-	-	-	-	(425,696)	(425,696)	-
2005 unsecured senior US dollar loan notes	-	-	-	-	(12,861)	(12,861)	(12,714)
	-	(44)	-	-	(684,423)	(684,467)	(258,624)

**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.*

21. Financial Instruments and Financial Risk (continued)

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 three 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 (Cross currency interest rate swaps and interest rate swaps)***
  The fair values of cross currency interest rate swaps and 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.

- ***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.

Notes to the Group Financial Statements
(continued)

21. Financial Instruments and Financial Risk (continued)

Fair Value (continued)

The following table shows the fair values of financial assets and liabilities including their level in the fair value hierarchy. 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.

	2015 Total £'000	2015 Level 1 £'000	2015 Level 2 £'000	2015 Level 3 £'000
Liabilities measured at fair value				
Designated as hedging instruments				
Interest rate swaps	**(404)**	**-**	**(404)**	**-**
Liabilities not measured at fair value				
Liabilities at amortised cost				
Euro bank loans	**(270,328)**	**-**	**(270,328)**	**-**
Sterling bank loans	**(51,463)**	**-**	**(51,463)**	**-**
Finance leases	**(2,928)**	**-**	**(2,928)**	**-**
	(324,719)	**-**	**(324,719)**	**-**

	2014 Total £'000	2014 Level 1 £'000	2014 Level 2 £'000	2014 Level 3 £'000
Assets measured at fair value				
At fair value through profit or loss				
Cross currency interest rate swaps	1,095	-	1,095	-
Liabilities measured at fair value				
Designated as hedging instruments				
Interest rate swaps	(44)	-	(44)	-
Liabilities not measured at fair value				
Liabilities at amortised cost				
Euro bank loans	(215,748)	-	(215,748)	-
Sterling bank loans	(26,650)	-	(26,650)	-
Finance leases	(3,468)	-	(3,468)	-
2005 unsecured senior US dollar Loan Notes	(12,714)	-	(12,714)	-
	(258,580)	-	(258,580)	-

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			
Cross currency interest swaps and interest rate swaps	The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments	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, Sterling bank loans 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 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.

Notes to the Group Financial Statements
(continued)

21. Financial Instruments and Financial Risk (continued)

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 merchanting business. Credit evaluations are performed regularly. New customers are subject to initial credit checks that include trade and bank references. New customers 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.

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 3 months at 31 December 2015.

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 2015 and 31 December 2014 was:

	2015	2014
	£'000	£'000
Trade and other receivables	**355,752**	302,871
Cash and cash equivalents	**211,565**	182,360
Cross currency interest rate swaps	**-**	1,095
	567,317	486,326

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 at the reporting date was:

	Carrying Amount	
	2015	2014
	£'000	£'000
United Kingdom banks	**171,089**	131,730
Domestic banks	**35,878**	46,792
Netherlands banks	**3,123**	-
Belgian banks	**1,475**	3,838
	211,565	182,360

The cash on deposit is primarily held with Bank of Ireland, HSBC, Ulster Bank, Barclays and Lloyds Bank. The Group has netting arrangements in place with Bank of Ireland and Lloyds Bank plc with cash balances and overdrawn positions being netted as a legal right of set-off exists with each bank. At 31 December 2015 total overdrawn positions of £51.6 million (2014: £20.6 million) are offset against cash balances.

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 the functional currency. 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 portion of the Group's net worth is denominated in euro reflecting 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 2015		
10% strengthening of sterling currency against the euro	**(11,370)**	**(650)**
31 December 2014		
10% strengthening of sterling currency against the euro	(11,400)	(500)

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 £51,380,000 (2014: £15,578,000) and the period hedged was from December 2014 to May 2019 (2014: 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 2015 was a liability of £0.4 million (31 December 2014: a liability of £0.04 million). A net charge of £360,000 (31 December 2014: £132,000) was recorded in the cash flow hedge reserve in other comprehensive income and a balance of £Nil (31 December 2014: £Nil), being the ineffective portion of the hedge, was taken to the Group Income Statement (Note 7).

Up until June 2015 the Group had exposure to fair value risk and US dollar fluctuations through its fixed rate US dollar Private Placement loan notes. The Group's policy is to hedge this exposure to currency and fair value movements. This was initially achieved by entering into a number of cross currency interest rate swaps that swapped the debt into floating rate sterling.

The Group originally designated its cross currency interest rate swaps (CCIRS) as both a hedge of its fair value exposure to interest rate fair value and currency risk associated with its fixed rate firm commitment in its US$ Senior Notes and a hedge of the Group's exposure to foreign currency risk arising on its net investment hedge in operations in the UK. Certain CCIRS fell out of hedge accounting at 30 June 2011 as noted below. The Group's US loan notes have now been fully repaid with the final repayment made in June 2015. The related CCIRS also expired at the same time. The fair value of these swaps at 31 December 2015 was £Nil (31 December 2014: £1,095,000 reflected in current assets).

Notes to the Group Financial Statements
(continued)

21. Financial Instruments and Financial Risk (continued)

Hedging (continued)

Movements in fair value have been recognised in the income statement as set out in Note 7.

Effectiveness testing performed on the Group's hedging relationships at 31 December 2011 revealed that two of the Group's cross currency interest rate swaps were ineffective. As a result, hedge accounting ceased with effect from 30 June 2011, the last reporting date on which the hedges were proven to be effective.

The effect of ceasing to hedge account in respect of these two cross currency interest rate swaps is that all fair value movements on the two swaps from 30 June 2011 were reflected in the income statement while the associated US dollar loans are now accounted for at spot rate on the balance sheet with the impact of the movement in the spot rate taken to the income statement. The cumulative fair value adjustment recognised on the loans at 30 June 2011 is amortised to the income statement over the remaining term of the borrowings. The net income statement impact in the current year, being the difference between the amounts recorded and the amounts that would have been recorded had the hedge remained effective, was a charge of £0.5 million (2014: £0.7 million) to finance income and expense.

Interest Rate Risk

The majority of the Group's ongoing operations are financed from a mixture of cash generated from operations and borrowings. 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.

Cash Flow Sensitivity Analysis for Variable Rate Instruments

A reduction of 100 basis points in interest rates at the reporting date would have increased profit before tax and equity by £1.1 million (2014: £0.8 million) on the basis of the Group's net debt of £113.6 million. An increase of 100 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 £0.7 billion at 31 December 2015.

At 31 December 2015 the net debt to equity ratio was 12 per cent and shareholders' equity was £1.0 billion. EBITDA for the year was £161.3 million and underlying EBITDA interest cover for 2015 was 27.3 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 £211.6 million (31 December 2014: £182.4 million) which together with undrawn bank facilities of £115.7 million (2014: £207.5 million) and cash-flow from operations should provide flexibility in financing its operations.

The following are the undiscounted contractual maturities of financial liabilities, including interest payments.

31 December 2015	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	**321,791**	**342,170**	**6,272**	**5,787**	**330,111**	**-**
Finance lease liabilities	**2,928**	**10,230**	**649**	**649**	**1,946**	**6,986**
Trade and other payables	**465,914**	**465,914**	**465,914**	**-**	**-**	**-**
Derivative Financial Instruments						
Interest rate swaps used for hedging	**404**	**395**	**185**	**158**	**52**	**-**
	791,037	**818,709**	**473,020**	**6,594**	**332,109**	**6,986**

**Includes interest based on the rates in place at 31 December 2015.*

31 December 2014	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	242,398	263,725	5,468	4,811	253,446	-
US dollar loan notes	12,861	12,946	12,946	-	-	-
Finance lease liabilities	3,468	11,609	631	631	1,896	8,451
Trade and other payables	425,696	425,696	425,696	-	-	-
Derivative Financial Instruments						
Cross-currency swaps not in hedge relationship						
- Outflow	-	5,936	5,936	-	-	-
- Inflow	(1,095)	(7,036)	(7,036)	-	-	-
Interest rate swaps used for hedging	44	44	28	28	(12)	-
	683,372	712,920	443,669	5,470	255,330	8,451

**Includes interest based on the rates in place at 31 December 2014.*

Notes to the Group Financial Statements

(continued)

21. Financial Instruments and Financial Risk (continued)

The following table indicates the periods in which cash flows associated with derivatives that are cash flow hedges are expected to occur.

31 December 2015	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	**(404)**	**(395)**	**(90)**	**(95)**	**(158)**	**(68)**	**16**	**-**

31 December 2014	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	(44)	(44)	(13)	(15)	(28)	(13)	12	13

22. Derivatives

	2015 £'000	2014 £'000
Included in non-current liabilities:		
Fair value of interest rate swaps	**(404)**	(44)
Included in current assets:		
Fair value of cross currency swaps	**-**	1,095

The increase in derivatives (non-current) at 31 December 2015 is due to movements in the fair values of the interest rate swaps. The final two cross currency swaps expired in 2015 on the repayment of the US loan notes.

Nature of derivative instruments as at 31 December 2015

	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**	**-**	**(404)**

Nature of derivative instruments as at 31 December 2014

	Contract Period	Nature of instrument	Notional payable amount of contracts outstanding	Notional receivable amount of contracts outstanding	Fair value asset £'000	Fair value liability £'000
Cross currency Swap*	June 2005 to June 2015	Fixed Rate USD $ to floating Stg £	USD$10,714,289	STG£5,899,937	1,095	-
	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	€20,000,000	€20,000,000	-	(44)

**Not in hedge relationship*

23. Provisions

	2015 £'000	2014 £'000
Non-current liabilities		
Insurance provision	**7,658**	7,582
Onerous lease provision	**5,867**	8,819
Dilapidations provision	**4,350**	4,454
	17,875	20,855
Current liabilities		
Insurance provision	**4,284**	3,931
Onerous lease provision	**2,113**	562
Pension settlement contributions	**69**	1,272
Deferred acquisition consideration	**937**	572
WEEE provision	**184**	195
	7,587	6,532

	Insurance		Onerous leases		Dilapidations		Pension settlement contribution	
Provisions	**2015 £'000**	2014 £'000	**2015 £'000**	2014 £'000	**2015 £'000**	2014 £'000	**2015 £'000**	2014 £'000
At 1 January	**11,513**	10,786	**9,381**	11,176	**4,454**	4,370	**1,272**	5,002
Charge in year	**5,682**	7,111	**598**	373	**307**	302	**-**	-
Utilised / released	**(1,863)**	(2,266)	**(2,034)**	(1,545)	**(349)**	(138)	**(88)**	-
Paid during the year	**(2,733)**	(3,362)	**-**	-	**-**	-	**(1,039)**	(3,412)
Acquisitions (Note 28)	**-**	-	**523**	-	**-**	-	**-**	-
Foreign exchange	**(657)**	(756)	**(488)**	(623)	**(62)**	(80)	**(76)**	(318)
At 31 December	**11,942**	11,513	**7,980**	9,381	**4,350**	4,454	**69**	1,272
Non-current	**7,658**	7,582	**5,867**	8,819	**4,350**	4,454	**-**	-
Current	**4,284**	3,931	**2,113**	562	**-**	-	**69**	1,272

Notes to the Group Financial Statements

(continued)

23. Provisions (continued)

Provisions	Deferred Consideration 2015 £'000	Deferred Consideration 2014 £'000	WEEE 2015 £'000	WEEE 2014 £'000	Total 2015 £'000	Total 2014 £'000
At 1 January	**572**	1,760	**195**	208	**27,387**	33,302
Charge in year	**-**	-	**-**	-	**6,587**	7,786
Utilised / released	**(29)**	(1,167)	**-**	-	**(4,363)**	(5,116)
Paid during the year	**-**	-	**-**	-	**(3,772)**	(6,774)
Acquisitions (Note 28)	**400**	-	**-**	-	**923**	-
Foreign exchange	**(6)**	(21)	**(11)**	(13)	**(1,300)**	(1,811)
At 31 December	**937**	572	**184**	195	**25,462**	27,387
Non-current	**-**	-	**-**	-	**17,875**	20,855
Current	**937**	572	**184**	195	**7,587**	6,532

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 individual 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 the next year is expected to be at a similar level to the previous year. Based on historical experience, it is the Directors best estimate that the balance of claims which are provided for at 31 December 2015 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 that 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.

On-going 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 the Group expects to settle it within 12 months.

Onerous Lease Provision
The onerous lease provision covers the expected cost to the Group of onerous property leases based on the net present value of the relevant branch's budgeted and forecast cashflows. The timing of 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.

23. Provisions (continued)

Dilapidations Provision

The dilapidations provision covers the cost of reinstating certain Group properties at the end of the lease term based on the terms of the lease which sets out the conditions and work required to be undertaken on the return of the property. The timing of the outflows will match the ending of the relevant leases which ranges from 2 to 20 years.

Pension Settlement Contribution

An amount of £0.1 million will be payable in 2016 as a result of the settlement of transfer values with the deferred members of the Chadwicks and Heiton Buckley defined benefit pension schemes which were closed in 2013.

Deferred Consideration

The deferred acquisition consideration is payable over the period from January to December 2016.

WEEE

The WEEE provision covers the estimated cost of disposing of the Group's computer and electronic equipment at the end of their useful life.

24. Trade and Other Payables

	2015 £'000	2014 £'000
Trade payables	**367,772**	331,051
Accruals	**68,088**	67,640
Social welfare	**3,901**	2,966
Employee income tax	**4,656**	5,007
Value added tax	**21,497**	19,032
	465,914	425,696

25. Obligations under Finance Leases

	2015			2014		
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	**649**	**300**	**349**	631	260	371
Between one and five years	**2,595**	**1,199**	**1,396**	2,527	1,043	1,484
Later than five years	**6,986**	**5,803**	**1,183**	8,451	6,838	1,613
	10,230	**7,302**	**2,928**	11,609	8,141	3,468

Under the terms of the leases, no contingent rents are payable.

Notes to the Group Financial Statements
(continued)

26. Deferred Taxation

Recognised deferred tax assets and liabilities

	Assets 2015 £'000	Liabilities 2015 £'000	Net (assets)/ liabilities 2015 £'000	Assets 2014 £'000	Liabilities 2014 £'000	Net (assets)/ liabilities 2014 £'000
Property, plant and equipment	**(4,903)**	**27,052**	**22,149**	(5,797)	28,767	22,970
Employee share schemes	**(1,192)**	**-**	**(1,192)**	(2,317)	-	(2,317)
Financing	**(50)**	**-**	**(50)**	(6)	-	(6)
Other items	**(1,011)**	**1,676**	**665**	(1,065)	1,991	926
Intangibles	**-**	**3,942**	**3,942**	-	-	-
Tax value of losses forward	**(8,150)**	**-**	**(8,150)**	(8,922)	-	(8,922)
Pension	**(2,599)**	**-**	**(2,599)**	(5,345)	-	(5,345)
(Assets)/liabilities	**(17,905)**	**32,670**	**14,765**	(23,452)	30,758	7,306

The decrease in the deferred tax asset reflects the utilisation of tax allowances and reliefs for which deferred tax assets were previously recognised, the movement on deferred tax assets in respect of employee share schemes and a decrease in the deferred tax asset on the pension schemes deficit.

At 31 December 2015, there were unrecognised deferred tax assets in relation to capital losses of £1.6 million (31 December 2014: £3.4 million), trading losses of £0.9 million (31 December 2014: £1.1 million) and deductible temporary differences of £3.8 million (31 December 2014: £4.5 million). Deferred tax assets were not recognised in respect of certain capital losses as they can only be recovered against certain classes of taxable profits and the Directors cannot foresee such profits arising in the foreseeable future with reasonable certainty. The trading losses and deductible temporary differences arose in entities that have incurred losses in recent years and the Directors have no certainty as to when there will be sufficient taxable profits in the relevant entities against which they can be utilised.

Analysis of Net Deferred Tax (asset)/liability

	Balance 1 Jan 15 £'000	Recognised in profit or loss £'000	Recognised in other comprehensive income £'000	Foreign exchange retranslation £'000	Arising on acquisitions £'000	Balance 31 Dec 15 £'000
Property, plant and equipment	**22,970**	**76**	**-**	**(1,029)**	**132**	**22,149**
Employee share schemes	**(2,317)**	**1,799**	**(674)**	**-**	**-**	**(1,192)**
Financing	**(6)**	**-**	**(42)**	**(2)**	**-**	**(50)**
Other items	**926**	**97**	**-**	**(8)**	**(350)**	**665**
Intangibles	**-**	**(94)**	**-**	**134**	**3,902**	**3,942**
Tax value of losses carried forward	**(8,922)**	**255**	**-**	**517**	**-**	**(8,150)**
Pension	**(5,345)**	**617**	**1,992**	**137**	**-**	**(2,599)**
	7,306	**2,750**	**1,276**	**(251)**	**3,684**	**14,765**

26. Deferred Taxation (continued)

Analysis of Net Deferred Tax (asset)/liability (continued)

	Balance 1 Jan 14 £'000	Recognised in profit or loss £'000	Recognised in other comprehensive income £'000	Foreign exchange retranslation £'000	Arising on acquisitions £'000	Balance 31 Dec 14 £'000
Property, plant and equipment	21,939	1,182	-	(1,610)	1,459	22,970
Employee share schemes	-	(833)	(1,484)	-	-	(2,317)
Financing	(6)	-	2	(2)	-	(6)
Other items	746	45	-	135	-	926
Tax value of losses carried forward	(8,763)	1,036	-	653	(1,848)	(8,922)
Pension	(836)	115	(4,728)	104	-	(5,345)
	13,080	1,545	(6,210)	(720)	(389)	7,306

27. Movement in Working Capital

	Inventory £'000	**Trade and other receivables £'000**	**Trade and other payables £'000**	**Total £'000**
At 1 January 2014	246,220	307,822	(410,011)	144,031
Translation adjustment	(5,129)	(4,322)	8,859	(592)
Interest accruals and other movements	-	(328)	(489)	(817)
Acquisitions (Note 28)	7,958	9,285	(10,980)	6,263
Movement in 2014	857	(9,586)	(13,075)	(21,804)
At 1 January 2015	**249,906**	**302,871**	**(425,696)**	**127,081**
Translation adjustment	**(3,399)**	**(3,165)**	**7,291**	**727**
Interest accruals and other movements	**-**	**387**	**(437)**	**(50)**
Acquisitions (Note 28)	**16,742**	**24,986**	**(16,247)**	**25,481**
Disposal of Group businesses	**(240)**	**(2,287)**	**1,527**	**(1,000)**
Movement in 2015	**13,220**	**32,960**	**(32,352)**	**13,828**
At 31 December 2015	**276,229**	**355,752**	**(465,914)**	**166,067**

Notes to the Group Financial Statements
(continued)

28. Acquisition of Subsidiary Undertakings and Businesses

The Group completed a number of acquisitions during the year ended 31 December 2015. On 27 February 2015 the Group acquired TG Lynes Limited, a leading distributor of mechanical engineering products for use in commercial and public sector buildings, apartments and industrial processes. The Group acquired Carlton Manufacturing Limited on 17 July 2015, a Rotherham based manufacturer of a range of concrete and mortar products. On 10 August 2015 the Group acquired Parkes Services Limited, a supplier of pipeline and mechanical engineering products to contractors operating in the heating and plumbing industries. The Group acquired Wollens Limited on 6 November 2015, a general merchanting business trading from two branches in Glastonbury and Cannington. On 18 November 2015 Grafton acquired Isero BV, the leading specialist distributor of tools and fixings in the Netherlands.

Acquisitions would have contributed £114.9 million to revenue in the year ended 31 December 2015 on the assumption that they had been acquired on 1 January.

Acquisitions would have contributed an operating profit of £12.7 million in the year ended 31 December 2015 if they had been acquired on 1 January.

Acquisitions completed in 2015 contributed revenues of £32.2 million and operating profit of £3.3 million for the period from the date of acquisition until the year end.

	Other £'000	Isero BV £'000	Total £'000
The fair values of assets and liabilities acquired in 2015 are set out below:			
Property, plant and equipment (Note 13)	**6,415**	**2,072**	**8,487**
Intangible assets – trade names (Note 15)	**814**	**1,460**	**2,274**
Intangible assets – customer relationships (Note 15)	**5,136**	**9,866**	**15,002**
Inventories (Note 27)	**4,783**	**11,959**	**16,742**
Trade and other receivables (Note 27)	**11,769**	**13,217**	**24,986**
Trade and other payables (Note 27)	**(7,924)**	**(8,323)**	**(16,247)**
Provisions (Note 23)	**-**	**(523)**	**(523)**
Retirement benefit obligations (Note 32)	**-**	**(397)**	**(397)**
Corporation tax	**(700)**	**(153)**	**(853)**
Deferred tax asset (Note 26)	**-**	**350**	**350**
Deferred tax liability (Note 26)	**(1,203)**	**(2,831)**	**(4,034)**
Cash acquired	**5,629**	**1,990**	**7,619**
Debt acquired	**-**	**(21,121)**	**(21,121)**
Net assets acquired	**24,719**	**7,566**	**32,285**
Goodwill (Note 12)	**18,825**	**34,429**	**53,254**
Consideration	**43,544**	**41,995**	**85,539**
Satisfied by:			
Cash paid	**43,144**	**41,995**	**85,139**
Net cash outflow	**43,144**	**41,995**	**85,139**
Deferred acquisition consideration (Note 23)	**400**	**-**	**400**
	43,544	**41,995**	**85,539**

28. Acquisition of Subsidiary Undertakings and Businesses (continued)

The Group completed a number of acquisitions in 2014. On 4 February 2014 the Group acquired Binje Ackermans S.A. (MPRO), a six branch merchanting business based in Brussels. On 30 June 2014 the Group acquired Beaumont Forest Products, a specialist timber merchant trading from three branches in the Greater London Area. The Group completed the acquisition of Direct Builders Merchants Limited a general merchanting business trading from three branches located in Sittingbourne, Whitstable and Ashford in Kent on 29 August 2014. On 29 September 2014 the Group acquired Gedimat-Ginion S.A., a single branch merchanting business located in Brussels. On 1 December 2014 the Group completed the acquisition of Crescent Building Supplies (Ruislip) Limited, a general merchanting business trading from three branches in West London and one in Berkshire.

Acquisitions would have contributed £70.0 million to revenue in the year ended 31 December 2014 on the assumption that they had been acquired on 1 January.

Acquisitions would have contributed an operating profit of £2.9 million in the year ended 31 December 2014 if they had been acquired on 1 January.

Acquisitions completed in 2014 contributed revenues of £44.5 million and a profit of £0.8 million for the period from the date of acquisition until the year end.

	2014 £'000
The fair values of assets and liabilities acquired in 2014 are set out below:	
Property, plant and equipment (Note 13)	12,382
Inventories (Note 27)	7,958
Trade and other receivables (Note 27)	9,285
Trade and other payables (Note 27)	(10,980)
Retirement benefit obligations (Note 32)	(267)
Corporation tax	(355)
Deferred tax asset (Note 26)	1,848
Deferred tax liability (Note 26)	(1,459)
Cash acquired	1,728
Net assets acquired	20,140
Goodwill (Note 12)	14,695
Consideration	34,835
Satisfied by:	
Cash paid	34,835
Net cash outflow	34,835

Notes to the Group Financial Statements
(continued)

28. Acquisition of Subsidiary Undertakings and Businesses (continued)

The fair value of identifiable net assets acquired in 2015 was £32.3 million.

	Fair Value	Consideration	Goodwill
	£'000	£'000	£'000
Total acquisitions	**32,285**	**85,539**	**53,254**

The fair values were calculated as follows:	Book Values	Fair Value Adjustment	Fair Values
	£'000	£'000	£'000
Property, plant and equipment	**8,487**	**-**	**8,487**
Intangible assets – trade names	**-**	**2,274**	**2,274**
Intangible assets – customer relationships	**-**	**15,002**	**15,002**
Working capital	**26,860**	**(1,379)**	**25,481**
Provisions	**(173)**	**(350)**	**(523)**
Retirement benefit obligations	**(397)**	**-**	**(397)**
Corporation tax	**(678)**	**(175)**	**(853)**
Deferred tax asset	**-**	**350**	**350**
Deferred tax liability	**(132)**	**(3,902)**	**(4,034)**
Cash acquired	**7,619**	**-**	**7,619**
Debt acquired	**(21,121)**	**-**	**(21,121)**
	20,465	**11,820**	**32,285**

The provisional fair value adjustments noted above have arisen under IFRS 3 Business Combinations. Inventories have been valued at selling price adjusted for the cost of disposal and a reasonable profit allowance to cover selling costs. Deferred tax has also arisen on the intangible assets acquired. Any adjustments to these fair values within the twelve month timeframe from the date of acquisition will be disclosable in the 2016 Annual Report as stipulated by IFRS3.

The fair value of identifiable net assets acquired in 2014 was £20.1 million.

	Fair Value	Consideration	Goodwill
	£'000	£'000	£'000
Total acquisitions	20,140	34,835	14,695

The fair values were calculated as follows:	Book Values	Fair Value Adjustment	Fair Values
	£'000	£'000	£'000
Property, plant and equipment	12,382	-	12,382
Working capital	6,178	85	6,263
Retirement benefit obligations	(267)	-	(267)
Corporation tax	(355)	-	(355)
Deferred tax asset	1,848	-	1,848
Deferred tax liability	(35)	(1,424)	(1,459)
Cash acquired	1,728	-	1,728
	21,479	(1,339)	20,140

The provisional fair value adjustments noted above have arisen under IFRS 3 Business Combinations. Inventories have been valued at selling price adjusted for the cost of disposal and a reasonable profit allowance to cover selling costs. Deferred tax has also arisen on the difference between the fair value of the properties acquired and their tax base.

There were no adjustments processed during the year to the fair value of business combinations completed during the year ended 31 December 2014.

29. Reconciliation of Net Cash Flow to Movement in Net Debt

	2015 £'000	2014 £'000
Net increase in cash and cash equivalents	**33,766**	32,081
Net movement in derivative financial instruments	**(245)**	309
Loans disposed with group businesses	**130**	-
Cash flow from movement in debt and lease financing	**(79,966)**	12,991
Change in net debt resulting from cash flows	**(46,315)**	45,381
Translation adjustment	**8,073**	13,040
Movement in net debt in the year	**(38,242)**	58,421
Net debt at 1 January	**(75,316)**	(133,737)
Net debt at 31 December	**(113,558)**	(75,316)

30. Capital Expenditure Commitments

At the year end the following commitments authorised by the Board had not been provided for in the financial statements:

	2015 £'000	2014 £'000
Contracted for	**4,098**	500
Not contracted for	**55,085**	49,890
	59,183	50,390

	2015 £'000	2014 £'000
UK	**56,302**	47,495
Ireland	**1,125**	2,695
Belgium	**1,756**	200
	59,183	50,390

Amounts relating to intangibles	**7,199**	17,800

Notes to the Group Financial Statements
(continued)

31. Operating Leases

Total commitments payable under non-cancellable operating leases are as follows:

	Land and buildings 2015 £'000	Other 2015 £'000	Land and buildings 2014 £'000	Other 2014 £'000
Operating lease payments due:				
Within one year	**52,109**	**4,318**	49,839	4,312
Between two and five years	**199,529**	**7,375**	179,511	5,267
Over five years	**521,662**	**1,296**	393,024	11
	773,300	**12,989**	622,374	9,590

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 2015 £54.3 million (2014: £54.8 million) was recognised as an expense in the income statement in respect of operating leases.

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 company operates four defined benefit schemes in Ireland, two defined benefit schemes in the UK and one scheme 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 company. 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 with regard to the assets of the DB 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.

The company operates a newly acquired scheme in the Netherlands for qualifying 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 significant impact on the liability amount.

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 the pensioning of 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 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 2015 Irish schemes	**At 31 Dec 2015 UK schemes**	At 31 Dec 2014 Irish schemes	At 31 Dec 2014 UK schemes
Valuation method	**Projected Unit**	**Projected Unit**	Projected Unit	Projected Unit
Rate of increase in salaries	**2.60%***	**0.00%****	2.50%*	0.00%**
Rate of increase of pensions in payment	**-**	**3.35%**	-	3.30%
Discount rate	**2.35%**	**3.95%**	2.10%	3.60%
Inflation rate increase	**1.40%**	**2.50%*****	1.30%	3.30%***

**2.6% applies from 2 January 2019 (31 December 2014: 2.5% 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) in 2015 and the Retail Price Index (RPI) in 2014.*

The future life expectancy at age 65 for males and females (currently aged 55 and 65), inherent in the mortality tables used for the 2015 and 2014 year end IAS 19 disclosures are as follows:

2015 Mortality (years)		Ireland	UK	2014 Mortality (years)		Ireland	UK
Future Pensioner aged 65:	**Male**	**22.3**	**22.6**	Future Pensioner aged 65:	Male	22.2	22.5
	Female	**24.6**	**24.9**		Female	24.5	25.2
Current Pensioner aged 65:	**Male**	**20.9**	**21.8**	Current Pensioner aged 65:	Male	20.8	21.7
	Female	**23.5**	**24.0**		Female	23.4	24.2

Notes to the Group Financial Statements
(continued)

32. Pension Commitments (continued)

Scheme Assets

The assets in these schemes are analysed below:

	2015		2014	
	%	**£'000**	%	£'000
UK equities	**24**	**45,093**	32	59,706
Overseas (non- UK) equities	**46**	**86,214**	39	73,119
Government bonds	**10**	**17,788**	6	12,521
Corporate bonds	**7**	**13,730**	10	18,639
Property	**6**	**11,919**	6	12,400
Other	**3**	**4,672**	1	1,566
Cash	**4**	**7,391**	6	11,252
	100	**186,807**	100	189,203
Actuarial value of liabilities		**(203,430)**		(222,163)
Deficit in the schemes		**(16,623)**		(32,960)
Represented by:				
Retirement benefit assets		**744**		125
Retirement benefit obligations		**(17,367)**		(33,085)
		(16,623)		(32,960)

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 £34,000 at 31 December 2015 (31 December 2014: £34,000).

The net pension scheme deficit of £16,623,000 is shown in the Group balance sheet as retirement benefit obligations (non-current liabilities) of £17,367,000 of which £10,125,000 relates to the Euro schemes and £7,242,000 relates to one UK scheme and retirement benefit assets (non-current assets) of £744,000 relating to a second UK scheme (£528,000) and one Euro scheme (£216,000). Changes in the rates used to discount liabilities, in line with changes in corporate bond rates, decreased scheme liabilities by £12.0 million.

32. Pension Commitments (continued)

History of Scheme Assets, Liabilities and Deficit in the Schemes

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Historical information					
Assets at bid value	**186,807**	189,203	180,663	176,729	159,587
Actuarial value of liabilities	**(203,430)**	(222,163)	(187,785)	(228,120)	(187,620)
Deficit in the schemes	**(16,623)**	(32,960)	(7,122)	(51,391)	(28,033)

Historical information	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Experience adjustment on scheme liabilities	**(2,491)**	86	55	2,180	(439)
As % of scheme liabilities	**1.2%**	0.0%	0.0%	1.0%	0.2%
Experience adjustment on scheme assets	**(310)**	7,620	15,264	8,497	(14,453)
As % of scheme assets	**0.0%**	4.0%	8.4%	4.8%	9.1%

The actual return on plan assets is set out below:

	2015 £'000	2014 £'000
Actual return on plan assets	**5,084**	15,123

Sensitivity of Pension Liability to Judgemental Assumptions

Assumption	Change in Assumptions	Impact on Scheme Liabilities
Discount rate	Increase by 0.25%	Reduce by 4.4%
Rate of salary growth	Increase by 0.25%	Increase by 0.6%
Rate of inflation*	Increase by 0.25%	Increase by 2.2%
Life expectancy	Increase by 1 year	Increase by 3.3%

**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 the individual assumption while holding all other assumptions constant.

Notes to the Group Financial Statements
(continued)

32. Pension Commitments (continued)

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)	
	2015	2014	2015	2014	2015	2014
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January	**189,203**	180,663	**(222,163)**	(187,785)	**(32,960)**	(7,122)
Acquired in year (Note 28)	**-**	223	**(397)**	(490)	**(397)**	(267)
Interest income on plan assets	**5,394**	7,503	**-**	-	**5,394**	7,503
Contributions by employer	**2,787**	3,023	**-**	-	**2,787**	3,023
Contributions by members	**1,074**	1,199	**(1,074)**	(1,199)	**-**	-
Benefit payments	**(6,603)**	(5,549)	**6,603**	5,549	**-**	-
Current service cost	**-**	-	**(2,488)**	(1,703)	**(2,488)**	(1,703)
Past service credit – non-recurring	**-**	-	**2,945**	-	**2,945**	-
Past service credit	**-**	-	**128**	542	**128**	542
Interest cost on scheme liabilities	**-**	-	**(6,291)**	(7,747)	**(6,291)**	(7,747)
Remeasurements						
Actuarial gain/(loss) arising from:						
- experience variations	**-**	-	**2,491**	(86)	**2,491**	(86)
- financial assumptions	**-**	-	**10,041**	(38,859)	**10,041**	(38,859)
- demographic assumptions	**-**	-	**920**	3,271	**920**	3,271
Return on plan assets excluding interest income	**(310)**	7,620	**-**	-	**(310)**	7,620
Translation adjustment	**(4,738)**	(5,479)	**5,855**	6,344	**1,117**	865
At 31 December	**186,807**	189,203	**(203,430)**	(222,163)	**(16,623)**	(32,960)
Related deferred tax asset (net)					**2,599**	5,345
Net pension liability					**(14,024)**	(27,615)

32. Pension Commitments (continued)

Expense Recognised in Operating Costs

	2015 £'000	2014 £'000
Past service credit (i) - non-recurring (Note 4)	**(2,945)**	-
	(2,945)	-
Current service cost	**2,488**	1,703
Past service credit (ii)	**(128)**	(542)
Total operating (credit) / charge	**(585)**	1,161

(i) In 2015, the past service credit of £2,945,000 arose from the change in the basis for increasing pensions to CPI from RPI.
(ii) The past service credit of £128,000 (2014: £542,000) arose from the 0.15% (2014: 0.6%) pension levy imposed by the Irish Government on the Group's Irish plan assets.

Recognised Directly in Other Comprehensive Income

	2015 £'000	2014 £'000
Remeasurement gain/(loss) on pensions	**13,142**	(28,054)
Deferred tax on pensions	**(1,992)**	4,728
	11,150	(23,326)

The (credit)/expense is recognised in the following lines in the income statement:

	2015 £'000	2014 £'000
Operating (income)/costs	**(585)**	1,161
Net finance costs on pension scheme obligations	**897**	244
Total operating charge	**312**	1,405

Cumulative net actuarial losses reported in the Group statement of comprehensive income since 1 January 2004, the transition date to IFRS, to 31 December 2015 is £80.3 million (2014: £93.4 million).

Notes to the Group Financial Statements
(continued)

32. Pension Commitments (continued)

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 company's contribution rate required under the schemes.

In Ireland, the DB Schemes are also assessed annually 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 or are currently being put in place to address any Funding Standard deficits. The funding proposals are agreed between the company and the trustees of the relevant schemes and are designed to restore the Funding Standard positions by 2023.

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 company 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 contributions expected to be paid to the Group's defined benefit schemes in 2016 total approximately £2.8 million (2014: £2.8 million).

Average duration and scheme composition

	Ireland		UK	
	2015	2014	**2015**	2014
Average duration of defined benefit obligation (years)	**18.00**	18.50	**18.90**	19.00

Allocation of total defined benefit obligation by participant

	2015	2014
Active plan participants	**36%**	40%
Deferred plan participants	**25%**	26%
Retirees	**39%**	34%
	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 £4,461,000 (2014: £3,679,000), analysed as follows;

	2015	2014
	£'000	£'000
LTIP	**3,934**	3,183
UK SAYE Scheme	**527**	496
	4,461	3,679

33. Share Based Payments (continued)

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 59 to 78. Awards over 707,588 Grafton Units were granted under the plan on 17 April 2015 (2014: 869,027).

A summary of the award granted on 17 April 2015 is set out below:

	Grafton Group LTIP 2015	Grafton Group LTIP 2014
Grant date	**17 April 2015**	16 April 2014
Share price at date of award	**£8.10**	£6.20
Exercise price	**N/A**	N/A
Number of employees	**207**	188
Number of share awards	**707,588**	869,027
Vesting period	**3 years**	3 years
Expected volatility	**29.0%**	36.2%
Award life	**3 years**	3 years
Expected life	**3 years**	3 years
Risk free rate	**0.71%**	1.12%
Expected dividends expressed as dividend yield	**1.47%**	2.13%
Possibility of ceasing employment before vesting	**0.0%**	0.0%
Valuation model	**Binomial model**	Binomial model
Fair value of share award – EPS component	**£7.75**	£5.82
Fair value of share award – TSR component	**£4.75**	£3.23

This expected volatility is based on historic 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 European Central Bank of a term consistent with the life of the award at the grant date.

A reconciliation of all share awards granted under the LTIP is as follows:

	2015 Number	2014 Number
Outstanding at 1 January	**3,035,869**	3,325,842
Granted in year	**707,588**	869,027
Expired unvested	**(127,870)**	(1,021,182)
Exercised	**(1,052,430)**	(137,818)
Outstanding at 31 December	**2,563,157**	3,035,869

At 31 December 2015 and 31 December 2014 none of the LTIPs were exercisable.

Notes to the Group Financial Statements

(continued)

33. Share Based Payments (continued)

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 (2014: Nil). Entitlements outstanding at 31 December 2015 amounted to 3,524,501 (2014: 5,082,501). Grafton Units may be acquired, in accordance with the terms of the scheme, at prices ranging between €1.66 and €11.50 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:

	2015		2014	
	Number	**Weighted average exercise price €**	Number	Weighted average exercise price €
Outstanding at 1 January	**5,082,501**	**6.50**	7,099,301	6.57
Forfeited#	**(579,000)**	**7.76**	(1,057,500)	7.24
Expired*	**(979,000)**	**8.11**	(959,300)	6.20
Outstanding at 31 December	**3,524,501**	**5.94**	5,082,501	6.50

#Share entitlements forfeited by employees who have left the Group and have no further entitlements under the scheme.
**Performance conditions not met.*

The weighted average share price at the date of exercise was €Nil (2014: €Nil).

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 2.2 years (2014: 2.7 years).

At 31 December 2015 none of the share entitlements were exercisable as the conditions for exercise were not fulfilled before the year-end.

33. Share Based Payments (continued)

UK SAYE Scheme

Options over 936,083 (2014: 2,643,630) Grafton Units were outstanding at 31 December 2015, pursuant to the 2014 and 2012 three year saving contracts under the Grafton Group (UK) plc Savings Related Share Option Scheme at a price of £5.97 and €2.85 respectively. These options are normally exercisable within a period of six months after the third anniversary of the savings contract, being April 2018 for the 2014 SAYE scheme and March 2016 for the 2012 SAYE scheme.

The number of Grafton Units issued during the year under the Company's 2012 SAYE Scheme was 1,577,781 (2014: 19,213) and the total consideration received amounted to £3,267,000 (2014: £44,000). Options forfeited in the year were 49,811 (2014: 141,147).

The number of Grafton Units issued during the year under the Company's 2014 SAYE Scheme to good leavers was 586 (2014: Nil) and the total consideration received amounted to £4,000 (2014: £Nil). Options forfeited in the year were 79,369 (2014: 5,635).

A summary of the 2014 SAYE grant on 16 October 2014 and the 2012 SAYE grant on 25 September 2012 is set out below:

	UK SAYE Scheme 2014	UK SAYE Scheme 2012
Grant Date	16 October 2014	25 September 2012
Share price at date of grant	**£6.63**	**€3.17**
Exercise price	**£5.97**	**€2.85**
Number of employees	**1,132**	**1,161**
Shares under option	**811,565**	**2,154,235**
Vesting period	**3 years**	**3 years**
Expected volatility	**32.90%**	**38.70%**
Option life	**3.5 years**	**3.5 years**
Expected life	**3.5 years**	**3.5 years**
Risk free rate	**1.11%**	**0.32%**
Expected dividends expressed as a dividend yield	**1.99%**	**2.62%**
Possibility of ceasing employment before vesting	**5%**	**5%**
Valuation model	**Binomial model**	**Binomial model**
Fair value of option	**£1.25**	**€0.97**

The expected volatility is based on historic volatility over the last 3 years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on bonds from the European Central Bank of a term consistent with the life of the option.

A reconciliation of options granted under the 2012 Grafton Group (UK) plc Savings Related Share Option Scheme is as follows:

	2015 Number	2015 Option price €	2014 Number	2014 Option price €
Outstanding at 1 January	**1,837,700**	**2.85**	1,998,060	2.85
Forfeited	**(49,811)**	**2.85**	(141,147)	2.85
Exercised	**(1,577,781)**	**2.85**	(19,213)	2.85
Outstanding at 31 December	**210,108**		1,837,700	

Notes to the Group Financial Statements
(continued)

33. Share Based Payments (continued)

UK SAYE Scheme (continued)

A reconciliation of options granted under the 2014 Grafton Group (UK) plc Savings Related Share Option Scheme is as follows:

	2015 Number	2015 Option price £	2014 Number	2014 Option price £
Outstanding at 1 January	**805,930**	**5.97**	-	-
Granted	**-**	**-**	811,565	5.97
Forfeited	**(79,369)**	**5.97**	(5,635)	5.97
Exercised	**(586)**	**5.97**	-	-
Outstanding at 31 December	**725,975**		805,930	

At 31 December 2015 and 31 December 2014 none of the 2014 UK SAYE shares were exercisable. The 2012 SAYE scheme matured on 1 November 2015.

34. Accounting Estimates and Judgements

The Group's main accounting policies affecting its results and financial condition are set out on pages 98 to 107. Judgements and assumptions have been made by management by applying the Group's accounting policies in certain areas. Actual results may differ from estimates calculated using these judgements and assumptions. Key sources of estimation uncertainty and critical accounting judgements are as follows:

Goodwill

The Group has capitalised goodwill of £521.5 million at 31 December 2015 (2014: £480.2 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 judgement is required in forecasting cash flows of the segments and in selecting an appropriate discount rate and nominal growth rate in perpetuity. No goodwill impairment charge was recognised by the Group in 2015 (2014: £Nil).

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 £203.4 million at 31 December 2015 (2014: £222.2 million). Plan assets at 31 December 2015 amounted to £186.8 million (2014: £189.2 million) giving a net scheme deficit of £16.6 million (2014: £33.0 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.

Insurance Provisions

Insurance provisions of £11.9 million (2014: £11.5 million) shown in Note 23 were based on a review of self-insured claims undertaken by an independent firm of actuaries and consultants. Claims in excess of specified limits are covered by external insurers.

Onerous Lease Provisions

Onerous lease provisions of £8.0 million (2014: £9.4 million) shown in Note 23 relate to the expected cost to the Group of onerous property leases and are based on the net present value of the relevant branch's budgeted and forecast cashflows. Changes in trading patterns from year to year may impact on forecast cashflows and alter the amount and timing of outflows.

34. Accounting Estimates and Judgements (continued)

Taxation

Management is required to make judgements and estimates in relation to taxation provisions and exposures. In the ordinary course of business, the Group is party to transactions for which the ultimate tax determination may be uncertain. As the Group is subject to taxation in a number of jurisdictions, an open dialogue is maintained with Revenue Authorities with a view to the timely agreement of tax returns. The amounts provided/recognised for tax are based on management's estimate having taken appropriate professional advice. If the final determination of these matters is different from the amounts that were initially recorded such differences will impact the income tax and deferred tax provisions and assets in the period in which the determination was made.

The amount shown for current taxation includes a liability for tax uncertainties and is based on the Directors' best probability weighted 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.

Investment Properties and Properties Held for Sale

The Group holds investment properties of £17.8 million (2014: £20.5 million) and properties held for sale of £10.8 million (2014: £9.6 million). Details on the fair value of the investment properties and a number of the properties held for sale is set out and explained in Note 13.

Rebate Income

Rebates from suppliers represent a significant source of income for the Group each year. The nature of the arrangements in place means that a large proportion of the rebates due to the Group are not collected until after the year end. The calculation of rebate income in the year and the rebate receivable at year end is based on the agreements in place with suppliers. Rebate is accrued in the year as it is earned. Due to the supplier specific nature of each arrangement the calculations can be complex and requires management to make estimates in the absence of supplier confirmations.

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

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 the subsidiaries of £8.1 million (2014: £10.8 million) for the year ended 31 December 2015; and
- Loans were granted to and by the Company to its subsidiaries.

Key Management Personnel

The term key management personnel for 2015 comprise 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 59 to 78 provides detailed disclosure for 2015 and 2014 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.

Notes to the Group Financial Statements
(continued)

36. Events after the Balance Sheet Date

There have been no material events subsequent to 31 December 2015 that require adjustment to or disclosure in this report except that on 5 January 2016, the Group acquired T Brewer & Co. Limited ("T Brewer"), a London based specialist timber business that trades from 3 branches in Clapham, Enfield and Amersham. T Brewer, which generated revenue of approximately £14.0 million in the year to 31 December 2015, extends coverage of the merchanting market in the London area. The net consideration which was payable in cash on completion amounted to £8.8 million.

The Group also acquired Allsand Supplies Limited ("Allsands") on 1 February 2016. Allsands is a single branch general builders merchanting business located in Larkfield, Kent. Allsands reported revenue of £6.0 million in the year to 31 March 2015. This bolt-on acquisition enhances market coverage and complements the existing branch network in the South East of England. The net consideration which was payable in cash on completion amounted to £3.5 million.

37. Approval of Financial Statements

The Board of Directors approved the Group Financial Statements on pages 92 to 164 on 7 March 2016.

Company Balance Sheet

As at 31 December 2015

	Notes	2015 €'000	2014 €'000
ASSETS			
Non-current assets			
Intangible assets	3	**105**	-
Property, plant and equipment	3	**774**	839
Deferred tax asset	9	**511**	639
Investments in subsidiary undertakings	4	**373,768**	369,145
Financial assets	4	**13**	13
Receivables from Group companies	5	**17,820**	25,202
Total non-current assets		**392,991**	395,838
Current assets			
Receivables from Group companies	5	**680,140**	593,356
Other receivables	5	**6,305**	4,660
Cash and cash equivalents		**8,351**	3,923
Total current assets		**694,796**	601,939
Total assets		**1,087,787**	997,777
EQUITY			
Capital and reserves			
Equity share capital	6	**11,826**	11,694
Share premium account	6	**299,782**	295,360
Capital redemption reserve		**905**	905
Shares to be issued reserve		**10,964**	9,846
Retained earnings		**349,954**	334,514
Treasury shares held		**(5,746)**	(5,746)
Total equity		**667,685**	646,573
LIABILITIES			
Current liabilities			
Payables to Group companies	8	**408,956**	340,759
Other payables	8	**11,075**	10,441
Deferred tax liabilities	9	**71**	-
Current income tax liabilities		**-**	4
Total current liabilities		**420,102**	351,204
Total liabilities		**420,102**	351,204
Total equity and liabilities		**1,087,787**	997,777

On behalf of the Board

Gavin Slark,
David Arnold,
Directors

7 March 2016

Company Cash Flow Statement

For the year ended 31 December 2015

	Notes	2015 €'000	2014 €'000
Profit before tax		**10,617**	14,012
Finance income		**(41)**	(114)
Finance expense		**165**	164
Operating profit		**10,741**	14,062
Depreciation	3	**196**	104
Share-based payments charge		**1,523**	1,144
Contributions to pension schemes in excess of IAS 19 charge	13	**(2)**	(10)
(Decrease) in working capital	10	**(1,011)**	(143)
Cash generated from operations		**11,447**	15,157
Interest paid		**(165)**	(164)
Income taxes paid		**(8)**	(3)
Cash flows from operating activities		**11,274**	14,990
Investing activities			
Inflows			
Interest received		**41**	114
Outflows			
Purchase of property, plant and equipment	3	**(131)**	(881)
Purchase of intangible assets	3	**(105)**	-
		(236)	(881)
Cash flows from investing activities		**(195)**	(767)
Financing activities			
Inflows			
Proceeds from the issue of share capital		**4,554**	62
Movement on Group payables		**68,197**	-
		72,751	62
Outflows			
Movement on Group payables		**-**	(10,916)
Movement on Group receivables		**(79,402)**	(19,851)
		(79,402)	(30,767)
Cash flows from financing activities		**(6,651)**	(30,705)
Net increase/(decrease) in cash and cash equivalents		**4,428**	(16,482)
Cash and cash equivalents at 1 January		**3,923**	20,405
Cash and cash equivalents at 31 December		**8,351**	3,923
Cash and cash equivalents are broken down as follows:			
Cash at bank and short-term deposits		**8,351**	3,923

Company Statement of Changes in Equity

	Equity share capital	Share premium account	Capital redemption reserve	Shares to be issued reserve	Retained earnings	Treasury shares	Total equity
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Year to 31 December 2015							
At 1 January 2015	**11,694**	**295,360**	**905**	**9,846**	**334,514**	**(5,746)**	**646,573**
Profit after tax for the financial year	**-**	**-**	**-**	**-**	**10,414**	**-**	**10,414**
Total other comprehensive income							
Remeasurement loss on pensions (net of tax)	**-**	**-**	**-**	**-**	**(2)**	**-**	**(2)**
Total comprehensive income	**-**	**-**	**-**	**-**	**10,412**	**-**	**10,412**
Transactions with owners of the Company recognised directly in equity							
Issue of Grafton Units (net of issue expenses)	**132**	**4,422**	**-**	**-**	**-**	**-**	**4,554**
Share based payments charge	**-**	**-**	**-**	**6,146**	**-**	**-**	**6,146**
Transfer from shares to be issued reserve	**-**	**-**	**-**	**(5,028)**	**5,028**	**-**	**-**
	132	**4,422**	**-**	**1,118**	**5,028**	**-**	**10,700**
At 31 December 2015	**11,826**	**299,782**	**905**	**10,964**	**349,954**	**(5,746)**	**667,685**
Year to 31 December 2014							
At 1 January 2014	11,686	295,306	905	5,283	319,881	(5,746)	627,315
Profit after tax for the financial year	-	-	-	-	14,643	-	14,643
Total other comprehensive income							
Remeasurement loss on pensions (net of tax)	-	-	-	-	(10)	-	(10)
Total comprehensive income	-	-	-	-	14,633	-	14,633
Transactions with owners of the Company recognised directly in equity							
Issue of Grafton Units (net of issue expenses)	8	54	-	-	-	-	62
Share based payments charge	-	-	-	4,563	-	-	4,563
	8	54	-	4,563	-	-	4,625
At 31 December 2014	11,694	295,360	905	9,846	334,514	(5,746)	646,573

Notes to the Company Financial Statements

1. Income Statement

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. There was a profit after tax of €10.4 million (2014: profit of €14.6 million) attributable to the parent undertaking for the financial year.

2. Statutory and Other Information

The following items have been charged to the company income statement:

	2015 €'000	2014 €'000
Statutory audit (refer to Note 3 of Group Financial Statements)	**60**	60
Depreciation	**196**	104
Operating lease costs	**114**	114
Directors' remuneration	**4,012**	3,939

The Directors' remuneration is set out in detail in the Report of the Remuneration Committee on Directors' Remuneration on pages 59 to 78.

The average number of persons employed by the Company during the year was 25 (2014: 24).

	2015 €'000	2014 €'000
The aggregate remuneration costs of employees were:		
Wages and salaries	**5,160**	4,157
Social welfare costs	**288**	323
Share-based payments charge	**1,523**	1,144
Defined contribution and pension related costs	**521**	761
Charged to operating profit	**7,492**	6,385
Net finance cost on pension scheme obligations	**-**	-
Charged to income statement	**7,492**	6,385
Actuarial loss on pension scheme	**2**	10
Total employee benefit cost	**7,494**	6,395

Key Management

The cost of key management including Directors is set out in the table below:

	2015	2014
Number of Individuals	**8**	8

	2015 €'000	2014 €'000
Short-term employee benefits	**3,193**	3,561
Share-based payment charge	**1,156**	841
Retirement benefits expense	**354**	322
Charged to operating profit	**4,703**	4,724

3. Property, Plant and Equipment & Intangible Assets

Plant and Equipment & Intangible Assets in the Company are stated as follows:

	Plant and Equipment		Intangible Assets*	
	2015	2014	**2015**	2014
	€'000	€'000	**€'000**	€'000
Company				
Cost				
At 1 January	**2,879**	1,998	**-**	-
Additions	**131**	881	**105**	-
At 31 December	**3,010**	2,879	**105**	-
Depreciation				
At 1 January	**2,040**	1,936	**-**	-
Charge for year	**196**	104	**-**	-
At 31 December	**2,236**	2,040	**-**	-
Net book amount				
At 31 December	**774**	839	**105**	-
At 1 January	**839**	62	**-**	-

**The computer software additions of £0.1 million at 31 December 2015 (2014: £Nil) reflects the cost of the Company's investment on upgrading the IT systems and infrastructure. This system is not yet in use in the business and is therefore not amortised.*

4. Financial Assets

	Other investments	Investments in subsidiary undertakings	Total
	€'000	**€'000**	**€'000**
At 1 January 2014	13	365,726	365,739
Capital contribution – share-based payments	-	3,419	3,419
At 31 December 2014	**13**	**369,145**	**369,158**
Capital contribution – share-based payments	**-**	**4,623**	**4,623**
At 31 December 2015	**13**	**373,768**	**373,781**

Other investments represent sundry equity investments at fair value.

Notes to the Company Financial Statements
(continued)

5. Trade and Other Receivables

	2015 €'000	2014 €'000
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	**680,140**	593,356
Other receivables	**6,305**	4,660
	686,445	598,016
Amounts falling due after one year:		
Amounts owed by subsidiary undertakings	**17,820**	25,202

None of the amounts owed from subsidiary undertakings of €698.0 million (2014: €618.6 million) is considered overdue for payment or is believed not to be recoverable.

6. 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	2015 Nominal Value €'000	2014 Nominal Value €'000
Issued and fully paid:				
Ordinary shares				
At 1 January		**233,090,638**	**11,655**	11,647
Issued under UK SAYE scheme (i)		**1,578,367**	**79**	1
Grafton Group Share Schemes				
Date options and entitlements to acquire shares granted				
April 2012 LTIP	Nil	**1,052,430**	**53**	-
May 2011 LTIP	Nil	**-**	**-**	7
At 31 December		**235,721,435**	**11,787**	11,655
'A' ordinary shares				
At 1 January		**3,962,540,846**	**39**	39
'A' ordinary shares issued in year		**44,723,549**	**-**	-
At 31 December		**4,007,264,395**	**39**	39
Total nominal share capital issued			**11,826**	11,694

(i) Refer to Note 33 to the Group Financial Statements which outlines the issue price of both the 2014 and 2012 SAYE Schemes.

Share Premium

Company	2015 €'000	2014 €'000
At 1 January	**295,360**	295,306
Premium on issue of shares under UK SAYE scheme	**4,422**	54
At 31 December	**299,782**	295,360

7. Financial Instruments and Financial Risk

There is no difference between the fair value and carrying value of the financial assets and financial liabilities for the Company.

The maximum credit risk is represented by the carrying amount of the asset. The cash held at the year end is primarily held with Bank of Ireland and Lloyds Bank plc.

The majority of foreign exchange exposure in the Company relates to inter-group balances and transactions.

There is no significant cashflow sensitivity for variable rate instruments in the Company.

31 December 2015	**Carrying amount €'000**	**Contractual cash flow €'000**	**Within 1 Year €'000**
Non-Derivative Financial Liabilities			
Payable to Group companies	**408,956**	**408,956**	**408,956**
	408,956	**408,956**	**408,956**

31 December 2014	Carrying amount €'000	Contractual cash flow €'000	Within 1 Year €'000
Non-Derivative Financial Liabilities			
Payable to Group companies	340,759	340,759	340,759
	340,759	340,759	340,759

8. Trade and Other Payables

	2015 €'000	2014 €'000
Trade and other payables		
Accruals	**11,075**	10,441
Amounts owed to subsidiary undertakings	**408,956**	340,759
	420,031	351,200

Notes to the Company Financial Statements
(continued)

9. Deferred Taxation

Recognised deferred tax (assets) and liabilities	Assets 2015 €'000	Liabilities 2015 €'000	Net (assets)/ liabilities 2015 €'000	Assets 2014 €'000	Liabilities 2014 €'000	Net (assets)/ liabilities 2014 €'000
Other items	**(511)**	**71**	**(440)**	(639)	-	(639)

2015	Balance 1 Jan 15 €'000	Recognised in income €'000	Recognised in other comprehensive income €'000	Foreign exchange retranslation €'000	Arising on acquisitions €'000	Balance 31 Dec 15 €'000
Other items	**(639)**	**199**	**-**	**-**	**-**	**(440)**

2014	Balance 1 Jan 14 €'000	Recognised in income €'000	Recognised in other comprehensive income €'000	Foreign exchange retranslation €'000	Arising on acquisitions €'000	Balance 31 Dec 14 €'000
Other items	(2)	(637)	-	-	-	(639)

10. Movement in Working Capital

	Trade and other receivables €'000	Trade and other payables €'000	Total €'000
At 1 January 2014	8,352	(14,276)	(5,924)
Movement in 2014	(3,692)	3,835	143
At 1 January 2015	**4,660**	**(10,441)**	**(5,781)**
Movement in 2015	**1,645**	**(634)**	**1,011**
At 31 December 2015	**6,305**	**(11,075)**	**(4,770)**

11. Reconciliation of Net Cash Flow to Movement in Net Debt

	2015 €'000	2014 €'000
Net increase/(decrease) in cash and cash equivalents	**4,428**	(16,482)
Change in net debt resulting from cash flows	**4,428**	(16,482)
Net cash at 1 January	**3,923**	20,405
Net cash at 31 December	**8,351**	3,923

12. Operating Leases

Total commitments payable under non-cancellable operating leases are as follows:

	Land and Buildings 2015 €'000	Land and Buildings 2014 €'000
Operating lease payments due:		
Within one year	**114**	114
Between two and five years	**331**	342
Over five years	**-**	-
	445	456

13. 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 2015 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 2015 Company scheme	At 31 Dec 2014 Company scheme
Valuation Method	**Projected Unit**	Projected Unit
Rate of increase of pensions in payment	**-**	-
Discount rate	**2.35%**	2.10%
Inflation rate increase	**1.40%**	1.30%

The Company's obligations to the scheme at the end of 2015 and 2014 were limited to providing a pension to an executive who retired in 2009 on a fixed pension.

Notes to the Company Financial Statements
(continued)

13. Pension Commitments (continued)

	Year ended 31 December					
	Assets		Liabilities		Net asset/(deficit)	
	2015 €'000	2014 €'000	2015 €'000	2014 €'000	2015 €'000	2014 €'000
At 1 January	**1,382**	1,232	**(1,382)**	(1,232)	**-**	-
Interest income on plan assets	**28**	44	**-**	-	**28**	44
Contributions by employer	**-**	-	**-**	-	**-**	-
Contributions by members	**-**	-	**-**	-	**-**	-
Benefit payments	**(76)**	(76)	**76**	76	**-**	-
Current service cost	**-**	-	**-**	-	**-**	-
Past service credit	**-**	-	**2**	10	**2**	10
Settlement loss	**-**	-	**-**	-	**-**	-
Interest cost on scheme liabilities	**-**	-	**(28)**	(44)	**(28)**	(44)
Remeasurement (losses)/gains	**(28)**	182	**26**	(192)	**(2)**	(10)
At 31 December	**1,306**	1,382	**(1,306)**	(1,382)	**-**	-
Related deferred tax asset (net)					**-**	-
Net pension liability					**-**	-

Expense recognised in operating costs

	2015 €'000	2014 €'000
Past service credit	**2**	10
Total operating credit	**2**	10

Recognised directly in other comprehensive income

	2015 €'000	2014 €'000
Remeasurement loss on pensions	**(2)**	(10)
	(2)	(10)

The credit is recognised in the following lines in the income statement:

	2015 €'000	2014 €'000
Operating credit	**(2)**	(10)
Net finance cost on pensions scheme obligations	**-**	-
Total operating credit	**(2)**	(10)

No contributions are expected to be paid to the Company's defined benefit scheme in 2016 (2015: €Nil).

14. Share-Based Payments

Please refer to the Group Share-Based Payments Note (Note 33) set out on pages 158 to 162.

15. 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 the subsidiaries of €11.2 million (2014: €13.5 million) for the year ended 31 December 2015; and
- Loans were granted to and by the Company to its subsidiaries.

Key Management Personnel

The term key management personnel comprise the Board of Grafton Group plc and the Company Secretary/Group Financial Controller. The cost of key management personnel is analysed in Note 2 to the Company Financial Statements and in Note 6 to the Group Financial Statements. The Report of the Remuneration Committee on Directors' Remuneration on pages 59 to 78 provides detailed disclosure for 2015 and 2014 salaries, fees, performance-related pay, pension allowance, other benefits and entitlements to acquire Grafton Units in accordance with the rules of the Grafton Group Share Scheme, and awards granted under the 2011 LTIP.

Post Employment Benefit Plans

Pension commitments to existing and former employees under defined benefit pension scheme arrangements are disclosed in Note 13 to the Company Financial Statements.

16. 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
Panelling Centre Limited	Kitchen/Bedroom Panel Products

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
CPI Mortars Limited	Mortar manufacturers

Notes to the Company Financial Statements
(continued)

16. Principal Operating Subsidiaries (continued)

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 PO Box 1586, Gemini One, John Smith Drive, Oxford Business Park South, Oxford, OX4 9JF. 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 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 YouBuild NV (formerly BMC Groep NV) (Builders merchants) and Binje Ackermans S.A. (trading as MPRO). The registered office of YouBuild NV is Ropswalle 26, 8930 Menen, Belgium. The Company owns 65 per cent of the share capital of YouBuild NV. The registered office of Binje Ackermans S.A. is Avenue du Port 25, 1000 Brussels, Belgium.

The principal operating subsidiaries in the Netherlands are Isero IJzerwarengroep B.V. and Pijnenburg Bouw en Industrie B.V. 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.

17. Section 357 Guarantees

Pursuant to the provisions of Section 357, Companies Act, 2014, the Company has guaranteed the liabilities of certain wholly owned subsidiaries in the Republic of Ireland for the financial year ended 31 December 2015 and, as a result, such subsidiary undertakings have been exempted from the filing provisions of Section 347, Companies Act, 2014 and Regulation 20 of the European Communities (Accounts Regulations), 1993.

This guarantee applies to the following wholly owned subsidiaries, whose registered office is c/o Grafton Group plc, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18: Absolute Bathrooms Limited, 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, 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 Holdings Limited, Grafton Group Investments Limited, Grafton Group Investment Holdings Limited, Grafton Group Management Services Limited, Grafton Group Secretarial Services 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, Grafton Group Treasury Limited (formerly Raftor Limited), Resadale Properties Limited, Sam Hire Holdings Limited, Sam Hire Limited, Sandtex Ireland 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.

18. Other Guarantees

The Company has given guarantees in respect of the bank borrowings of subsidiary undertakings which amounted to €439.9 million at the balance sheet date. The Company has also guaranteed certain property lease obligations of subsidiary undertakings.

19. Approval of Financial Statements

The Board of Directors approved the Company Financial Statements in respect of the year ended 31 December 2015 on 7 March 2016.

Corporate Information	178
Financial Calendar	178
Location of Annual General Meeting	179

Shareholder Information

Corporate Information

Auditor	KPMG
Bankers	Bank of Ireland HSBC Bank plc Ulster Bank Barclays Bank plc Lloyds Bank plc ABN AMRO Bank N.V.
Solicitors	Arthur Cox, Dublin A&L Goodbody, Dublin Squire Patton Boggs, London Allen & Overy, Amsterdam Norton Rose, London Lyons Davidson, Bristol
Stockbrokers	Goodbody Stockbrokers, 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	Capita Asset Services Shareholders Solutions (Ireland) 2 Grand Canal Square, Dublin 2, D02 A342 Phone: 00353-1-553 0050 Email: enquiries@capita.ie www.capitaassetservices.com

Financial Calendar

Results

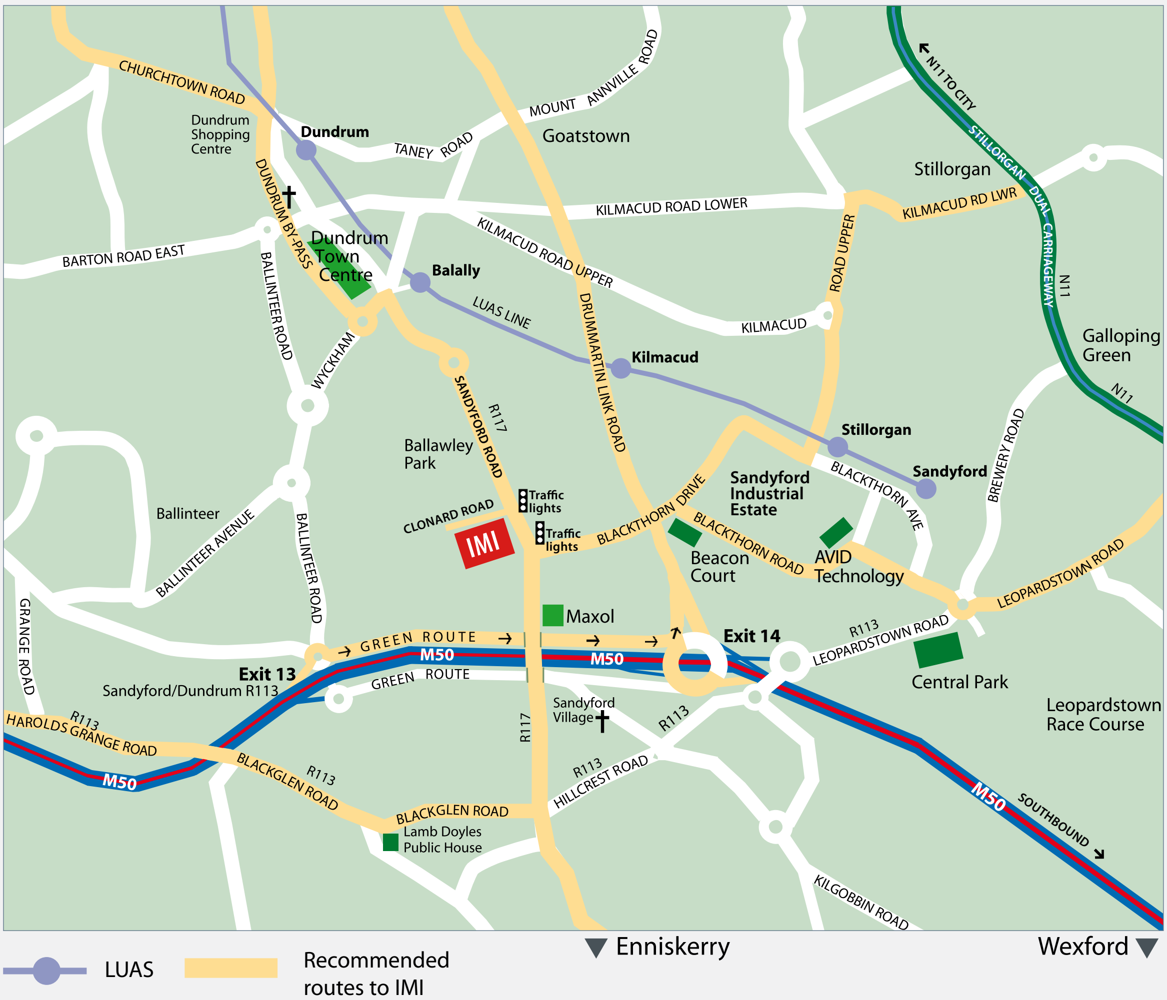
Half-yearly results	27 August 2015
Full year results	8 March 2016
Annual general meeting	10 May 2016
2016 half-yearly results	31 August 2016

Interim Dividends

Record date	11 September 2015
Record date	18 March 2016

Location of Annual General Meeting

The Annual General Meeting of the Company will be held on Tuesday 10 May 2016 at 10.30 am in the **IMI Conference Centre, Sandyford Road, Dublin 16. Telephone: (01) 207 8400**



Should you require any assistance, or have any queries on the day of the AGM, please call 087 971 0851.

Notes

Grafton Group plc

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