Grafton Group plc
2012 Preliminary Statement

7 March 2013

GRAFTON GROUP PLC

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

7 March 2013 – Grafton Group plc, the builders merchanting and DIY Group with operations in the UK, Ireland and Belgium announces its results for the year ended 31 December 2012

Financial Highlights

- Revenue up 6% to €2.2 billion and by 0.6% in constant currency
- Underlying operating profit up 33% to €72.9 million from €54.7 million (€75.2 million before amortisation from €56.9 million)
- Group operating profit margin increased by 70 basis points to 3.5% from 2.8%
- Underlying profit before taxation up 41% to €59.7 million from €42.3 million (€61.9 million before amortisation from €44.5 million)
- Underlying adjusted basic earnings per share up 27% to 19.5 cent
- Dividend up by 13% for the year to 8.5 cent including second interim dividend of 5.5 cent
- Strong cash generation from operations of €106 million
- Shareholders' equity of €1 billion and year end gearing of 20%

Operating Highlights

- Profit increase driven by UK merchanting outperformance in weak market
- UK merchanting operating profit margin increased by 75 basis points to 4.85%
- Cost reductions offset impact of Ireland merchanting revenue decline
- Second half profit recovery in retailing business in Ireland
- Manufacturing business returned to profit following restructuring
- All three divisions of Group profitable

	2012	2011
	€'m	€'m
Revenue	**2,171**	2,054
Underlying (before exceptional items):		
Operating profit*	**72.9**	54.7
EBITDA	**114.7**	97.4
Profit before tax*	**59.7**	42.3
Profit after tax*	**43.3**	33.7
Adjusted basic earnings per share	**19.5c**	15.4c
Statutory:		
Operating profit	**46.8**	22.7
Profit before tax	**33.5**	10.3
Profit after tax	**41.1**	2.5
Earnings per share – basic	**17.7c**	1.1c
Dividend for year	**8.5c**	7.5c

* Includes an intangible amortisation charge of €2.24 million (2011: €2.2 million).

Gavin Slark, Chief Executive Officer commented:

"The self-help measures implemented over the last two years have enabled Grafton to make significant progress in very challenging conditions. We remain cautious on the near term outlook due to the uncertainties in the economies and markets in which we operate. We expect to make further progress in the year ahead by focusing on a new phase of measures to improve profitability."

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Conference Call

A results presentation for analysts and investors will be held today 7 March 2013 at 8am (Irish Time). The dial-in numbers are:

Ireland:	+ 353	1 436 4265
UK:	+ 44	208 817 9301
US:	+1 718	354 1226
Other Countries:	+353	1 436 4265

The results presentation can be viewed/downloaded at http://www.graftonplc.com

Cautionary Statement
Certain statements made in this announcement 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 announcement 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, strategies and the businesses operated by the Group. 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.

Results for the Year Ended 31 December 2012

Group Results

The Group delivered good profit growth despite challenging trading conditions in its markets. The positive outcome for the year demonstrates the benefits of the restructuring and self-help measures implemented over the past eighteen months.

Group revenues increased by 5.7 per cent to €2.17 billion in 2012 from €2.05 billion in 2011 and by 0.6 per cent in constant currency. The increase in revenue includes €105 million of a currency gain on translation of UK revenue at a more favourable average sterling/euro exchange rate. The Belgian joint venture contributed increased revenue of €17.1 million to €38.0 million (2011: €20.9 million).

Underlying operating profit (before exceptional items and amortisation) increased by 32 per cent to €75.2 million (2011: €56.9 million). This comprised growth of 19 per cent to €31.3 million in the first half and growth of 43 per cent to €43.9 million in the second half. Underlying profit before taxation (before exceptional items and amortisation) increased by 39 per cent to €61.9 million (2011: €44.5 million).

Statutory profit before tax increased to €33.5 million from €10.3 million and statutory profit after tax increased to €41.1 million from €2.5 million.

The UK merchanting business increased sterling turnover by 3.1 per cent and improved its competitive position in a weak RMI market that experienced a small decline in volumes. Operating profit increased by 21.9 per cent in constant currency as a result of better cost control, improved margin management and integration benefits. UK merchanting accounted for 74 per cent of Group revenue. Despite a significant decline in turnover in the Irish merchanting branches, due to weak residential new build and RMI markets, operating profit was only moderately lower due to costs savings.

Profitability in the retailing business in Ireland was impacted by weak retail spending and adverse weather in the first half but recovered in the second half with the benefit of an easing in the pace of decline in revenue and lower overheads. The manufacturing business was restructured and returned to profitability.

The Group operating profit margin increased by 70 basis points to 3.5 per cent from 2.8 per cent.

The Group continued to implement essential restructuring and cost saving measures principally in response to the decline in volumes and excess capacity in the merchanting branches in the UK and Ireland and in the retailing business in Ireland. The costs of restructuring measures implemented amounted to €26.2 million. Management believes that the major cost of restructuring is now complete.

The Group generated cashflow of €105.7 million (2011: €96.9 million) from operations and ended the year with shareholders' equity of €1.0 billion and a gearing ratio of 20 per cent.

Dividend

The second interim dividend has been increased by 16 per cent to 5.5 cent (2011: 4.75 cent). This gives a total dividend for the year of 8.5 cent, an increase of 13 per cent from 7.5 cent for 2011. The decision to increase the dividend is based on the Boards progressive dividend policy driven by growth in underlying profit, cash flow generated from operations and balance sheet strength.

Operations Review

Merchanting Segment

Revenue in the merchanting segment increased by 8.0 per cent to €1.93 billion (2011: €1.79 billion). Operating profit (before restructuring costs) was €82.3 million (2011: €64.9 million), an increase of 26.7 per cent.

Merchanting revenue in the UK merchanting business increased by 10.4 per cent to €1.61 billion (2011: €1.46 billion). Sterling turnover increased by 3.1 per cent. UK merchanting operating profit (before restructuring costs) was up by 30.5 per cent to €78.1 million (2011: €59.9 million) and by 21.9 per cent in constant currency. The operating margin increased by 75 basis points to 4.85 per cent (2011: 4.10 per cent). The gross margin increased by 76 basis points.

UK merchanting revenue growth of 3.1 per cent incorporated growth in average daily like-for-like turnover of 1.7 per cent and growth of 1.4 per cent from new branches, acquisitions and branch consolidations. Average daily like for like turnover growth reflected a recovery of price increases estimated at circa 1.5 per cent and the business increased its share of a market that declined.

The UK economy has been broadly flat over the past two years and consumer spending was weak as real take home pay declined due to inflation and tax increases. Pressure on incomes together with households paying down mortgage debt and subdued consumer confidence led consumers to defer discretionary spending on housing renovation and refurbishment projects. Spending on public housing RMI was lower due to cuts in central government and local authority budgets. These developments reduced merchanting volumes for the fifth consecutive year. Housing transactions, a forward indicator of demand in the merchanting market, increased by 5 per cent but remained 44 per cent below the pre-recession level.

Buildbase revenues were unchanged in a general merchanting market that operated at historically low levels of activity. The benefit of the restructuring programme implemented at the end of 2011, improved margin management, better utilisation of the distribution fleet and a strong focus on more efficient operating of branches contributed a significant increase in operating profit. The operating margin improved in response to the range of self-help measures implemented as part of a multi-year plan to improve performance. In August 2012, Buildbase acquired Electricbase, a supplier of a wide range of products to electrical contractors. Electricbase implants have been added in a number of Buildbase branches.

Selco Builders Warehouse reported strong turnover and profit growth. Selco is a trade-only business that operates a retail style self-select format supported by competitive pricing, product availability and service. The business has developed a unique brand identity that differentiates it from competitors. Selco has gained a strong position in the Greater London market and in other regional markets supplying a wide range of building materials from modern facilities to customers engaged in residential RMI projects. Increased turnover was driven by a strong performance in the established branches and growth, in line with plan, in the Catford, South London and Slough, Berkshire stores that opened in 2011. Selco improved its market coverage in London with the successful opening of branches in Hanworth, South London and Tottenham, North London. The scheduled opening later this year of branches in South London at Old Kent Road and Wimbledon will increase the network of Selco branches to 34 including 18 in London.

The domestic plumbing and heating market was affected by weak demand. Boiler volumes, an indicator of market activity in Britain, declined by 2 per cent following a decline of 10 per cent in 2011. Despite the difficult market, **Plumbase** increased turnover and improved its competitive position. Increased turnover and an improved gross margin contributed a higher level of operating profit and an improvement in the operating margin from a low base.

The 37 boiler and heating spares branches were integrated into a division of Plumbase and rebranded as Sparesbase.

Weakness in the East Midlands market led to a small decline in revenue in the **Jacksons** branches. A number of initiatives taken in the second half of the year including closure of the regional distribution centre together with more effective margin and overhead management increased operating profit for the year. The operational efficiency of the business improved and the operating profit margin was higher. A new branch was opened in Worksop, six branches were upgraded and Hirebase centres were added in five branches. Electricbase implants are planned for 2013.

In Northern Ireland, the economy contracted modestly, construction activity fell and housing output was lower at 40 per cent of the pre-recession level. **Macnaughton Blair** grew turnover and operating profit in a weak market. Turnover growth was achieved by an increased exposure to public sector civils projects in the areas of health, education and infrastructure and also due to a number of provincial branches outperforming local markets. These gains were partly offset by lower turnover in the architectural ironmongery division following the completion of a number of significant contracts in the prior year. Market coverage increased with the acquisition of a branch in Downpatrick.

Buildbase Civils & Lintels, a nationwide distributor of civils and drainage products trading from 20 branches, increased revenue and operating profit strongly. The business, which supplies customers engaged in house building, civil engineering, groundworks and infrastructure new build projects, benefitted from a reduction in capacity in the sector and improved its market position with the acquisition of two branches.

Three businesses engaged in the supply of drywall, insulation and ceiling materials trading from 7 branches were combined to form **NDI** "Nationwide Drywall & Insulation". Turnover was unchanged for the year as growth in the first half was offset by a decline in the second half due to the fall in housing starts. Operating profit increased due to integration synergies.

Frontline, a distributor of bathroom products, increased revenue and operating profit and achieved a strong operating margin.

www.plumbworld.co.uk, one of the UK's largest specialist online retailers of bathroom products, improved the functionality of its web site and increased revenues as more consumers chose to shop online.

The overall gross margin in the UK merchanting branches increased by 0.76 per cent due to lower delivery costs, increased revenues in businesses with above average gross margins, procurement gains, a reduction in stock losses and reviews of customer profitability. Overheads in the like for like UK merchanting business were marginally down despite inflation related pricing pressure.

Revenue in the merchanting branches in Ireland declined by 8.5 per cent to €280.8 million (2011: €306.8 million). Operating profit (before restructuring costs) was €3.3 million (2011: €4.1 million). Volumes in the Irish Merchanting market declined for the fifth consecutive year.

The gradual stabilisation of the Irish economy continued through 2012 with a modest increase in output for the second successive year. The domestic economy remained weak as high unemployment, tax increases and deleveraging contributed to a further decline in consumer spending. 2012 was the fifth successive year to show a marked fall in investment in the housing sector with the decline for the year estimated at 16 per cent. The volume of new houses constructed fell to what is expected to be a trough in the current cycle of circa 4,500 units and investment in housing repairs, maintenance and improvement projects was also lower. Some evidence of the Irish housing market stabilising started to emerge during the year. There was a marked slowdown in the pace of decline in residential property prices, housing transactions returned to growth from a very low base and mortgage lending increased.

The merchanting branches in Ireland encountered challenging trading conditions in the seasonally quieter months of January/February 2012 with average daily turnover down by 13 per cent. The rate of decline eased as the year progressed to 5 per cent in the September to December period. The business focused on trading profitability and continued to respond to the unprecedented downturn by reducing costs. Branch consolidations in Dublin, Cork and Limerick in 2011 and 2012 generated significant cost savings and efficiencies offsetting much of the impact of the decline in revenue. The **Heiton Buckley** and **Chadwicks** branch networks and the **Cork Builders Providers**, **Telfords** and **Davies** branches that have strong regional market positions responded well to challenging market conditions and increased market share.

The closure of branches by competitors enabled a number of city based and provincial branches to increase turnover in a declining market. The two year programme to upgrade the showroom and self-select areas in all branches was completed. Product ranges located at the point of purchase were expanded to meet the needs of customers engaged in residential refurbishment and RMI projects that now account for a high proportion of revenue. An initiative to expand turnover of plumbing and heating products was successfully implemented. A full range of plumbing and heating products was extended to all branches using an efficient “branch implant” route to market model supported by an enhanced service to customers. A Plumb Centre branch was opened in Glasnevin, North Dublin City and the Gorey, County Wexford general merchanting branch was successfully relocated and captured significant growth in market share in the region.

Gross margins were in line with the prior year in a competitive market place. Optimising the cost base of the business in response to market declines created savings of €7.8 million taking cumulative savings since 2009 to €57.8 million.

Revenue in the Belgian merchanting business increased to €38.0 million from €20.9 million and operating profit of €0.9 million was in line with 2011. The joint venture, which is now 65 per cent controlled by the Group, was consolidated as a subsidiary with effect from the end of October 2012 in accordance with IFRS. Turnover of the joint venture was €59 million for the year and following the acquisition of Holvoet, a two branch merchanting business, annualised turnover increased to circa €75 million. The business now trades from 11 branches located in South West Belgium. Net debt in the joint venture at the year-end of €21.4 million was fully consolidated in the Group balance sheet. The total investment including net debt in the joint venture was €30.0 million to date.

Retailing Segment

Revenue declined by 9.2 per cent to €199.5 million from €219.7 million and operating profit (before restructuring costs) declined to €0.3 million from €2.1 million.

The downward trend in consumer spending continued in 2012 due to a decline in real disposable incomes, a weak labour market and a high savings rate. Retail sales were weak in the first half of the year but showed a modest recovery in the second half helped by an improvement in consumer sentiment.

Turnover declined by 12.4 per cent in the first half and by 5.9 per cent in the second half. First half turnover in the **Woodie’s DIY** business fell sharply due to the combined effects of weaker retail spending and adverse weather conditions in the second quarter which led to a significant fall in demand for outdoor gardening and maintenance products which normally account for a high proportion of second quarter turnover.

In June 2012 an Examiner was appointed to Atlantic Home Care Ltd. The Examiner was successful in formulating a scheme of arrangement that was approved by the High Court in

September 2012. The scheme of arrangement involved the closure of two stores and consensual agreements with landlords to reduce rents to current open market levels. No trade or other creditors were impacted by the examinership. The restructuring enabled the business to trade profitably in the second half of the year.

The particularly difficult trading conditions in the first half resulted in an operating loss of €3.5 million. The pace of decline in the market moderated as the year progressed. Higher second half turnover, relative to the first half, and benefits from the Atlantic Home Care examinership more than offset the first half loss and the business reported an operating profit of €0.3 million for the year (2011: €2.1 million).

Demand for outdoor maintenance and gardening products was impacted by the unseasonably wet weather in the second quarter. These declines were partially offset by stronger demand for interior decorating and home remodelling products. New ranges of power tools, timber flooring, tiles and lighting performed well.

Store footfall was affected by the weak economic backdrop. Transactions declined by 6.2 per cent in the like-for-like stores and average transaction values softened by 2.1 per cent due to a fall in sales of higher value products including BBQs, lawnmowers and furniture.

The Glasnevin and Blanchardstown stores in West Dublin were extended and upgraded to offer additional product ranges and to broaden their appeal and improve the shopping experience for customers. The Tallaght store in Dublin was also upgraded.

Despite difficult market conditions, the DIY business made competitive gains and, through a continuous focus on self-help, put the cost base of the Atlantic Home Care Ltd stores on a more sustainable footing.

Revenue was marginally lower in the seven store In-House kitchens business. The three Dublin stores that account for two thirds of revenue made good profit contributions and consolidation of one of the provincial branches prior to the year-end will generate cost savings in a competitive environment for kitchen retailers.

Manufacturing Segment

Turnover declined by 10.4 per cent to €42.6 million (2011: €47.5 million) and following the completion of a restructuring programme the business was returned to profitability. Operating profit (before restructuring costs) for the year was €2.0 million following a loss of €0.5 million in 2011.

CPI EuroMix, which is the market leader in the supply of Silo based mortar trading from nine plants in Britain, experienced a marginal decline in turnover. Residential construction activity, the primary end-use market, was lower and continued to trend at less than half the level of household formations. Mortgage availability remained a key constraint on housing starts in the private sector and social housing volumes declined sharply due to the fall in public sector capital spending. Volumes supplied to educational projects were also hit by capital spending cuts. The business responded to weaker demand in its core markets through the supply of sprayed concrete to infrastructure projects. Despite weaker market conditions, the business improved its competitive position and increased operating profits by tight cost control.

Turnover in the Irish manufacturing business declined to €6.7 million from €13.1 million. CPI, the loss making concrete products business, was closed and the Wrights Windows Systems business was sold to its senior management team. **MFP**, the PVC drainage and roofline products business, increased its presence in the UK market through the supply of its roofline Facia and Soffit system through the Selco branch network. Increased volumes and a substantial reduction in operating costs related to changes in processes and logistics arrangements enabled MFP to operate at breakeven for the year.

Financial Review

The Group ended the year with a strong balance sheet that incorporated shareholders' equity of €1 billion, a significant estate of freehold property, a low level of gearing, net debt refinanced out to 2016 and good liquidity.

Operating Profit

Underlying operating profit (before exceptional items and amortisation) increased by 32 per cent to €75.2 million (2011: €56.9 million).

Cashflow

The strength of the Group's cash generating business model was again demonstrated with cashflow from operations of €105.7 million (2011: €96.9 million). Capital expenditure net of asset disposals was €25.9 million (2011: €26.6 million) reflecting asset replacement to support group transport, branch upgrades and the development of new branches to support the long-term growth of the UK merchanting business.

The cash outflow on acquisitions amounted to €19.7 million of which €16.7 million related to the Belgian business. The Group increased its shareholding in the Belgian joint venture to 65 per cent from 53 per cent and the joint venture, which is now accounted for as a subsidiary with a non-controlling interest, acquired a merchanting business that trades from two branches. Three small acquisitions were completed by the UK merchanting business at a cost of €3.0 million.

Taxation

The taxation credit in the income statement of €7.6 million comprises a taxation charge for the year of €16.4 million and a taxation credit of €24.0 million. The charge for the year of €16.4 million represents an effective tax rate of 27.5 per cent on underlying profit before tax. The charge of €16.4 million arose primarily from unwinding deferred tax assets recognised in prior years in accordance with IFRS. The taxation credit of €24.0 million includes €23.0 million for the release of a provision no longer required following confirmation by the UK Revenue of the Group's entitlement to previously claimed tax deductions. The provision was originally created as the ultimate tax outcome could not be determined with certainty. A taxation credit of €1.0 million arose on exceptional items.

Pensions

The market value of defined benefit pension scheme assets increased by €25.5 million to €216.6 million (31 December 2011: €191.1 million) due to an improved asset performance and company contributions. The present value of scheme liabilities increased by €54.9 million to €279.5 million (31 December 2011: €224.6 million) due primarily to the significant fall in the yield on high quality AA rated corporate bonds, the rate that is used to discount scheme liabilities. The increase in scheme liabilities also reflects changes in assumptions concerning increased life expectancy. The IAS19 deficit after tax on defined benefit pension schemes increased to €53.9 million (31 December 2011: €28.6 million). The company is currently in negotiations with the trustees, unions and employees in Ireland with a view to mitigating the deficit.

Shareholders' Equity

Shareholders' equity was €996.8 million at 31 December 2012 (31 December 2011: €982.8 million). Shareholders' equity increased by the profit after tax (before exceptionals) of €43.3 million. Exceptional items comprising a charge of €26.2 million for restructuring costs and a taxation credit of €24.0 million reduced shareholders' equity by €2.2 million. There was a currency gain of €20.7 million on translation of net sterling assets in the UK business at the year-end sterling/euro rate of exchange. Significant movements that reduced shareholders' equity were dividend payments of €18.0 million and an actuarial loss after tax of €31.1 million in the defined benefit pension schemes.

Net Finance Income and Expense

The net finance charge for the year was €13.2 million (2011: €12.4 million). Net bank and loan note interest fell to €13.4 million from €15.3 million. The lower charge was due to the Group's exposure to mainly floating rate debt during a period of declining inter-bank interest rates and lower average debt. The net finance expense for 2011 included a net credit of €2.9 million due to movements on hedges, foreign exchange and pension.

Net Debt

Strong liquidity from operations enabled net debt to be reduced for the fifth consecutive year. Net debt declined by €23.9 million to €202.0 million (31 December 2011: €225.9 million) at the year-end including debt of €21.4 million in the Belgian business and the benefit of seasonally lower investment in working capital in December. The gearing ratio declined to 20 per cent from 23 per cent.

Good flexibility in managing on-going liquidity in the business was maintained through a combination of deposits and cash balances and undrawn committed term bank facilities. Deposits and cash balance were €156.9 million at 31 December 2012 (31 December 2011: €134.6 million) and there were undrawn bank loans of €97.7 million. The average maturity of gross debt at 31 December 2012 was almost three years.

Capital Structure

The sustained focus on cash generation enabled the Group to reduce net debt in each of the past five years. Net debt declined by €348.4 million (63%) from €550.4 million at the end of 2007 to €202.0 million at the end of 2012. The Group's financial flexibility improved over this period as the level of external funding declined and profitability recovered. The principal sources of funding are cashflow from operations and borrowings from banks. During 2011 the Group put new five year loans for €75 million in place and extended the maturity dates of existing facilities of €195 million to late 2016.

The Group will seek to manage its future financing by diversifying funding sources and continuing to pursue policies that are consistent with a recovery of its long term investment grade credit rating while also taking advantage of appropriate development opportunities. Underlying EBITDA (before exceptional items) interest cover for 2012 was 8.6 times (2011: 7.2 times) and year end net debt was 1.76 times (2011: 2.32 times) underlying EBITDA (before exceptional items).

Outlook

The UK economy has been broadly flat for the past two years and a slow sustained recovery is forecast with near term growth expected to remain weak. The prospects for the residential RMI market are closely aligned with the performance of the wider economy. Household spending is likely to remain under pressure as the rate of inflation exceeds subdued growth in incomes. The increase in housing transactions and some evidence of an easing in credit conditions are, if sustained, supportive of increased RMI spending.

In Ireland, the overall economy grew at a modest rate over the past two years and while significant challenges and risks remain there are indications, for the first time in five years, that the domestic economy is starting to stabilise. A small decline in consumer spending is forecast for 2013 and the pace of decline in spending in the merchanting and DIY markets is expected to continue to moderate. The property market in Ireland is expected to show further signs of improvement during 2013 as price stabilisation becomes more broadly based geographically and housing transactions and mortgage lending increase from the current low base.

Average daily like for like revenue was marginally higher in the UK merchanting business in January and February 2013 and was flat in the Irish merchanting business against a weak performance in the comparative period. Revenue in the Irish retailing business declined by 5.0 per cent during the same period.

The Group is cautious about the near term prospects for its markets but expects to make further progress in the year ahead by focusing on a new phase of measures to increase profitability following the successful completion of the major restructuring programmes in recent years. Grafton's strategically important market positions, strongly cash generative businesses and efficient cost base leave it well placed to benefit from a recovery in markets from current cyclical lows.

Grafton Group plc

Group Condensed Income Statement
For the year ended 31 December 2012

	Notes	**Pre-Exceptional items 2012 €'000**	**Exceptional items 2012 €'000**	**Total 2012 €'000**	Pre-Exceptional items 2011 €'000	Exceptional items 2011 €'000	Total 2011 €'000
Revenue	**2**	**2,171,388**	**-**	**2,171,388**	2,053,833	-	2,053,833
Operating costs and income	**3**	**(2,098,452)**	**(26,170)**	**(2,124,622)**	(1,999,114)	(32,055)	(2,031,169)
Operating profit		**72,936**	**(26,170)**	**46,766**	54,719	(32,055)	22,664
Finance expense	**4**	**(27,909)**	**-**	**(27,909)**	(32,377)	-	(32,377)
Finance income	**4**	**14,666**	**-**	**14,666**	19,977	-	19,977
Profit before tax		**59,693**	**(26,170)**	**33,523**	42,319	(32,055)	10,264
Income tax	**15**	**(16,396)**	**23,993**	**7,597**	(8,583)	864	(7,719)
Profit after tax for the financial year		**43,297**	**(2,177)**	**41,120**	33,736	(31,191)	2,545
Profit attributable to: Owners of the Company				**41,120**			2,545
Non-controlling interests				**-**			-
Profit after tax for the financial year				**41,120**			2,545
Earnings per ordinary share - basic	**5**			**17.73c**			1.10c
Earnings per ordinary share - diluted	**5**			**17.73c**			1.09c

Grafton Group plc

Group Condensed Balance Sheet as at 31 December 2012

	31 Dec 2012 (Audited) €'000	31 Dec 2011 (Audited) €'000
ASSETS		
Non-current assets		
Goodwill	**583,466**	566,336
Intangible assets	**-**	2,241
Property, plant and equipment	**561,616**	564,884
Deferred tax assets	**32,933**	36,331
Derivative financial instruments	**2,691**	5,331
Financial assets	**176**	152
Total non-current assets	**1,180,882**	1,175,275
Current assets		
Inventories	**305,516**	271,217
Trade and other receivables	**332,439**	323,044
Derivative financial instruments	**1,345**	5,625
Cash and cash equivalents	**156,876**	134,600
Properties held for sale	**17,709**	16,231
Total current assets	**813,885**	750,717
Total assets	**1,994,767**	1,925,992
EQUITY		
Equity share capital	**11,664**	11,656
Share premium account	**293,009**	292,545
Capital redemption reserve	**905**	905
Revaluation reserve	**29,795**	30,566
Share to be issued reserve	**4,337**	4,588
Cash flow hedge reserve	**(343)**	(831)
Foreign currency translation reserve	**(90,059)**	(110,767)
Retained earnings	**753,197**	759,908
Treasury shares held	**(5,746)**	(5,746)
Equity attributable to owners of the Company	**996,759**	982,824
Non-controlling interests	**5,122**	-
Total equity	**1,001,881**	982,824
LIABILITIES		
Non-current liabilities		
Interest-bearing loans and borrowings	**334,507**	325,230
Provisions	**30,983**	32,805
Retirement benefit obligations	**62,971**	33,560
Derivative financial instruments	**39**	422
Deferred tax liabilities	**44,181**	39,872
Total non-current liabilities	**472,681**	431,889
Current liabilities		
Interest-bearing loans and borrowings	**27,815**	45,110
Trade and other payables	**469,501**	421,658
Current income tax liabilities	**13,548**	34,289
Derivative financial instruments	**590**	739
Provisions	**8,751**	9,483
Total current liabilities	**520,205**	511,279
Total liabilities	**992,886**	943,168
Total equity and liabilities	**1,994,767**	1,925,992

Grafton Group plc
Group Condensed Cash Flow Statement
For the year ended 31 December 2012

	Twelve months to 31 Dec 2012 (Audited) €'000	Twelve months to 31 Dec 2011 (Audited) €'000
Profit before taxation	**33,523**	10,264
Finance income	**(14,666)**	(19,977)
Finance expense	**27,909**	32,377
Operating profit	**46,766**	22,664
Depreciation	**39,521**	40,448
Intangible amortisation	**2,241**	2,212
Share-based payments charge/(credit)	**762**	(670)
Non cash movement in operating provisions	**939**	20,337
Claims paid on insurance provisions	**(3,036)**	(3,927)
Non-cash movement on asset impairment	**2,442**	4,588
Profit on sale of property, plant and equipment	**(534)**	(1,457)
Contributions to pension schemes in excess of IAS 19 charge	**(6,232)**	(5,594)
Decrease in working capital	**22,864**	18,333
Cash generated from operations	**105,733**	96,934
Interest paid	**(16,484)**	(16,610)
Income taxes paid	**(4,044)**	(3,131)
Cash flows from operating activities	**85,205**	77,193
Investing activities		
Inflows		
Proceeds from sale of property, plant and equipment	**2,437**	8,732
Interest received	**2,052**	3,979
Sale of financial assets	**-**	36
	4,489	12,747
Outflows		
Acquisition of subsidiary undertakings and businesses	**(18,202)**	(3,945)
Net cash acquired with subsidiary undertakings	**5,184**	-
Share of acquisition of subsidiaries and businesses by J.V.	**-**	(8,736)
Share of cash acquired through acquisitions made by J.V.	**-**	873
Net overdraft assumed with joint venture	**-**	(106)
Deferred acquisition consideration paid	**(2,030)**	-
Purchase of financial assets	**(9)**	-
Purchase of property, plant and equipment	**(28,332)**	(35,327)
	(43,389)	(47,241)
Cash flows from investing activities	**(38,900)**	(34,494)
Financing activities		
Inflows		
Proceeds from the issue of share capital	**472**	1,353
Proceeds from borrowings	**25,758**	65,313
	26,230	66,666
Outflows		
Repayments of borrowings	**-**	(161,411)
Dividends paid	**(17,975)**	(16,797)
Movement on finance lease liabilities	**(642)**	22
Redemption of loan notes payable net of derivatives	**(34,853)**	(32,195)
	(53,470)	(210,381)
Cash flows from financing activities	**(27,240)**	(143,715)
Net increase/(decrease) in cash and cash equivalents	**19,065**	(101,016)
Cash and cash equivalents at 1 January	**134,600**	234,275
Effect of exchange rate fluctuations on cash held	**3,211**	1,341
Cash and cash equivalents at 31 December	**156,876**	134,600
Cash and cash equivalents are broken down as follows:		
Cash at bank and short-term deposits	**156,876**	134,600
	156,876	134,600

Group Condensed Statement of Comprehensive Income

For the year ended 31 December 2012

	Twelve months to 31 Dec 2012 €'000	Twelve months to 31 Dec 2011 €'000
Profit after tax for the financial year	**41,120**	2,545
Other comprehensive income:		
Currency translation effects		
- on foreign currency net investments	**21,025**	28,871
- on foreign currency borrowings and derivatives designated as net investment hedges	**(317)**	(2,257)
Recycling of exchange gain on net investment hedge	**-**	(1,071)
Actuarial loss on Group defined benefit pension schemes	**(36,481)**	(23,211)
Deferred tax on Group defined benefit pension schemes	**5,407**	4,088
Deferred tax on capital gains tax rate increase	**(566)**	(976)
Fair value movement in cash flow hedges:		
- Effective portion of changes in fair value of cash flow hedges	**(229)**	(457)
- Net change in fair value of cash flow hedges transferred from equity	**783**	1,146
Deferred tax on cash flow hedge	**(66)**	(80)
Total other comprehensive income	**(10,444)**	6,053
Total comprehensive income for the financial year	**30,676**	8,598
Total comprehensive income attributable to:		
Owners of the Company	**30,676**	8,598
Non-controlling interests	**-**	-
Total comprehensive income for the financial year	**30,676**	8,598

Grafton Group plc- Group Condensed 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 2012												
At 1 January 2012	11,656	292,545	905	30,566	4,588	(831)	(110,767)	759,908	(5,746)	982,824	-	982,824
Profit after tax for the financial year	-	-	-	-	-	-	-	41,120	-	41,120	-	41,120
Total other comprehensive income												
Actuarial loss on pensions (net of tax)	-	-	-	-	-	-	-	(31,074)	-	(31,074)	-	(31,074)
Deferred tax on capital gains tax rate increase	-	-	-	(566)	-	-	-	-	-	(566)	-	(566)
Movement in cash flow hedge reserve (net of tax)	-	-	-	-	-	488	-	-	-	488	-	488
Currency translation effect on foreign currency net investments	-	-	-	-	-	-	21,025	-	-	21,025	-	21,025
Currency translation effect on foreign currency borrowings and derivatives designated as net investment hedges	-	-	-	-	-	-	(317)	-	-	(317)	-	(317)
Total other comprehensive income	-	-	-	(566)	-	488	20,708	(31,074)	-	(10,444)	-	(10,444)
Total comprehensive income	-	-	-	(566)	-	488	20,708	10,046	-	30,676	-	30,676
Transactions with owners of the Company recognised directly in equity												
Dividends paid	-	-	-	-	-	-	-	(17,975)	-	(17,975)	-	(17,975)
Issue of Grafton Units (net of issue expenses)	8	464	-	-	-	-	-	-	-	472	-	472
Share based payments charge	-	-	-	-	762	-	-	-	-	762	-	762
Transfer from shares to be issued reserve	-	-	-	-	(1,013)	-	-	1,013	-	-	-	-
Transfer from revaluation reserve	-	-	-	(205)	-	-	-	205	-	-	-	-
	8	464	-	(205)	(251)	-	-	(16,757)	-	(16,741)	-	(16,741)
Non-controlling interest	-	-	-	-	-	-	-	-	-	-	5,122	5,122
At 31 December 2012	11,664	293,009	905	29,795	4,337	(343)	(90,059)	753,197	(5,746)	996,759	5,122	1,001,881
Year to 31 December 2011												
At 1 January 2011	11,632	291,216	905	31,747	5,258	(1,440)	(136,310)	793,078	(5,746)	990,340	-	990,340
Profit after tax for the financial year	-	-	-	-	-	-	-	2,545	-	2,545	-	2,545
Total other comprehensive income												
Actuarial loss on pensions (net of tax)	-	-	-	-	-	-	-	(19,123)	-	(19,123)	-	(19,123)
Deferred tax on capital gains tax rate increase	-	-	-	(976)	-	-	-	-	-	(976)	-	(976)
Movement in cash flow hedge reserve (net of tax)	-	-	-	-	-	609	-	-	-	609	-	609
Currency translation effect on foreign currency net investments	-	-	-	-	-	-	28,871	-	-	28,871	-	28,871
Currency translation effect on foreign currency borrowings and derivatives designated as net investment hedges	-	-	-	-	-	-	(2,257)	-	-	(2,257)	-	(2,257)
Recycling of exchange gain on net investment hedge	-	-	-	-	-	-	(1,071)	-	-	(1,071)	-	(1,071)
Total other comprehensive income	-	-	-	(976)	-	609	25,543	(19,123)	-	6,053	-	6,053
Total comprehensive income	-	-	-	(976)	-	609	25,543	(16,578)	-	8,598	-	8,598
Transactions with owners of the Company recognised directly in equity												
Dividends paid	-	-	-	-	-	-	-	(16,797)	-	(16,797)	-	(16,797)
Issue of Grafton Units (net of issue expenses)	24	1,329	-	-	-	-	-	-	-	1,353	-	1,353
Share based payments credit	-	-	-	-	(670)	-	-	-	-	(670)	-	(670)
Transfer from revaluation reserve	-	-	-	(205)	-	-	-	205	-	-	-	-
	24	1,329	-	(205)	(670)	-	-	(16,592)	-	(16,114)	-	(16,114)
At 31 December 2011	11,656	292,545	905	30,566	4,588	(831)	(110,767)	759,908	(5,746)	982,824	-	982,824

1. General Information

The financial information presented in this report has been prepared using accounting policies consistent with International Financial Reporting Standards (IFRS) as adopted by the European Union and as set out in the Group's annual financial statements in respect of the year ended 31 December 2011 except as noted below. The financial information does not include all the information and disclosures required in the annual financial statements. The Annual Report will be distributed to shareholders and made available on the Company's website www.graftonplc.com in due course. It will also be filed with the Company's Annual Return in the Companies Registration Office. The auditors have reported on the financial statements for the year ended 31 December 2012 and their report was unqualified and did not contain any matters to which attention was drawn by way of emphasis. The financial information for the year ended 31 December 2011 represents an abbreviated version of the Group's statutory financial statements on which an unqualified audit report was issued and which have been filed with the Companies Registration Office.

Basis of Preparation, Accounting Policies and Estimates

(a) Basis of Preparation and Accounting Policies

The adoption of other new standards and interpretations (as set out in the 2011 Annual Report) that became effective for the Group's financial statements for the year ended 31 December 2012 did not have any significant impact on the results or financial position of the Group.

(b) Estimates

The preparation of this Preliminary Statement requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this Preliminary Statement, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2011.

2. Segmental Analysis

The amount of revenue and operating profit/(loss) under the Group's operating segments of merchanting, retail and manufacturing is as follows:

	Twelve months to 31 Dec 2012 (Audited) €'000	Twelve months to 31 Dec 2011 (Audited) €'000
Revenue		
Merchanting	**1,929,286**	1,786,601
Retail	**199,510**	219,709
Manufacturing	**50,161**	53,488
Less: Inter-segment revenue - manufacturing	**(7,569)**	(5,965)
	2,171,388	2,053,833
Segment operating profit/(loss) before exceptional items		
Merchanting	**82,283**	64,924
Retail	**256**	2,120
Manufacturing	**2,045**	(535)
	84,584	66,509
Exceptional items		
Merchanting	**(13,342)**	(11,217)
Retail	**(10,501)**	(19,636)
Manufacturing	**(2,327)**	(1,202)
	(26,170)	(32,055)
Segment operating profit/(loss) after exceptional items		
Merchanting	**68,941**	53,707
Retail	**(10,245)**	(17,516)
Manufacturing	**(282)**	(1,737)
	58,414	34,454
Reconciliation to consolidated operating profit		
Central activities	**(9,407)**	(9,578)
Intangible amortisation	**(2,241)**	(2,212)
Operating profit	**46,766**	22,664
Finance expense	**(27,909)**	(32,377)
Finance income	**14,666**	19,977
Profit before tax	**33,523**	10,264
Income tax	**7,597**	(7,719)
Profit after tax for the financial year	**41,120**	2,545

2. Segmental Analysis (continued)

Operating segment assets are analysed below:

	31 Dec 2012 (Audited) €'000	31 Dec 2011 (Audited) €'000
Segment assets		
Merchanting	**1,659,016**	1,586,681
Retail	**89,773**	101,857
Manufacturing	**51,957**	55,415
	1,800,746	1,743,953
Unallocated assets		
Deferred tax assets	**32,933**	36,331
Financial assets	**176**	152
Derivatives financial instruments	**4,036**	10,956
Cash and cash equivalents	**156,876**	134,600
Total assets	**1,994,767**	1,925,992

The amount of revenue by geographic area is as follows:

	Twelve months to 31 Dec 2012 (Audited) €'000	Twelve months to 31 Dec 2011 (Audited) €'000
Revenue		
United Kingdom	**1,646,388**	1,493,212
Ireland	**487,020**	539,695
Belgium	**37,980**	20,926
	2,171,388	2,053,833

3. Exceptional Items

	Twelve months to 31 Dec 2012 (Audited) €'000	Twelve months to 31 Dec 2011 (Audited) €'000
Restructuring costs		
Redundancy costs	**10,981**	10,230
Other restructuring costs	**1,399**	429
Impairment of property, plant and equipment	**1,922**	2,003
	14,302	12,662
Onerous lease provision	**2,175**	16,808
Impairment of property, plant and equipment relating to onerous leases	**-**	2,585
Current asset impairments	**2,010**	-
Cost of Atlantic Home Care Ltd examinership	**10,812**	-
Release of onerous lease provision relating to Atlantic Home Care Ltd	**(3,129)**	-
	26,170	32,055

Restructuring costs of €26.2 million (2011: €32.1 million) relate primarily to (i) redundancy costs in the merchanting and manufacturing segments, (ii) costs related to the Atlantic Home Care Ltd examinership, (iii) fixed asset and other asset impairments in the merchanting and DIY retailing businesses. The cost of the Atlantic Home Care Ltd examinership comprises landlord compensation on termination of leases, examinership fees, redundancies and asset impairment relating to the two stores that closed. Total impairment of property, plant and equipment was €2,442,000 including €520,000 arising from the Atlantic Home Care Ltd examinership. The costs of the Atlantic Home Care Ltd examinership include €563,000 of redundancy costs to give total redundancy costs of €11,544,000 in the year.

4. Finance Expense and Finance Income

	Twelve months to 31 Dec 2012 (Audited) €'000		Twelve months to 31 Dec 2011 (Audited) €'000
Finance expense			
Bank loans and overdrafts	**(13,359)**	*	(14,126)
Net changes in fair value of cash flow hedges transferred from equity	**(783)**		(1,146)
Interest on finance leases	**(354)**		(378)
Finance cost on pension scheme liabilities	**(11,501)**	#	(11,187)
Interest on loan notes	**(1,419)**	*	(3,149)
Fair value movement on hedged financial liabilities	**(362)**		5,749
Fair value movement on fair value hedges	**158**		(4,217)
Fair value movement on derivatives (cross-currency interest rate swaps (CCIRS) not in hedging relationships)	**(267)**		-
Ineffective portion of changes in fair value of cash flow hedges	**(22)**		(60)
Foreign exchange loss	**-**		(3,863)
	(27,909)		(32,377)
Finance income			
Foreign exchange gain	**849**		-
Interest income on bank deposits	**1,372**	*	1,964
Expected return on pension plan assets	**12,445**	#	13,038
Recycling of exchange gain on net investment hedge	**-**		1,071
Fair value movement on derivatives (cross-currency interest rate swaps (CCIRS) not in hedging relationships)	**-**		2,032
Ineffectiveness on net investment hedge	**-**		896
Settlement gain on loan repayment	**-**		976
	14,666		19,977
Net finance expense	**(13,243)**		(12,400)

* Net bank/loan note interest of €13.4 million (2011: €15.3 million).
\# Net expected pension return of €0.9 million (2011: return of €1.9 million).

5. Earnings per Share

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

	Year Ended 31 Dec 2012 (Audited) €'000	Year Ended 31 Dec 2011 (Audited) €'000
Numerator for basic, adjusted and diluted earnings per share:		
Profit after tax for the financial year	**41,120**	2,545
Numerator for basic and diluted earnings per share	**41,120**	2,545
Intangible amortisation after tax	**1,961**	1,936
Taxation credit	**(23,000)**	-
Exceptional costs after tax	**25,177**	31,191
Numerator for adjusted earnings per share	**45,258**	35,672

	Number of Grafton Units	Number of Grafton Units
Denominator for basic and adjusted earnings per share:		
Weighted average number of Grafton Units in issue	**231,951,127**	231,751,122
Effect of potential dilutive Grafton Units	**-**	1,291,453
Denominator for diluted earnings per share	**231,951,127**	233,042,575
Earnings per share (cent)		
- Basic	**17.73**	1.10
- Diluted	**17.73**	1.09
Adjusted earnings per share (cent)		
- Basic	**19.51**	15.39
- Diluted	**19.51**	15.31

6. Dividend

The payment in 2012 of a second interim dividend for 2011 of 4.75 cent on the 'C' Ordinary shares in Grafton Group (UK) plc from UK-sourced income amounted to €11.02 million. A 2012 interim dividend of 3.0 cent per share was paid on 5 October 2012 on the 'C' Ordinary shares in Grafton Group (UK) plc from UK-sourced income and amounted to €6.96 million.

A second interim dividend for 2012 of 5.5 cent per share will be paid on the 'C' Ordinary Share 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 15 March 2013 (the 'Record Date'). The cash consideration will be paid on 12 April 2013. A liability in respect of this second interim dividend has not been recognised at 31 December 2012, as there was no obligation to pay the dividend at the year-end.

7. Exchange Rates

The results and cash flows of the Group's United Kingdom subsidiaries have been translated into euro using the average exchange rate. The related balance sheets of the Group's United Kingdom subsidiaries at 31 December 2012 and 31 December 2011 have been translated at the rate of exchange ruling at the balance sheet date. The average euro/sterling rate of exchange for the year ended 31 December 2012 was Stg81.09p (year to 31 December 2011: Stg86.79p). The euro/ sterling exchange rate at 31 December 2012 was Stg81.61p (31 December 2011: Stg83.53p).

8. Interest in Joint Venture

The Group acquired a controlling interest in BMC Groep NV (BMC), the Belgian joint venture, on 31 October 2012 and now accounts for BMC as a subsidiary undertaking with a non-controlling interest. It is included in the Acquisition of Subsidiary Undertakings in Note 13. Prior to 31 October 2012 the Group's interest in BMC was proportionally consolidated. The Group's shareholding increased from 53 per cent to 58 per cent in May 2012 and to 65 per cent on 31 October 2012 when a controlling interest was acquired and BMC was accounted for as a subsidiary with a non-controlling interest.

The Group's share of the income and expense and assets and liabilities of its Belgian joint venture proportionally consolidated in 2011 is disclosed in the Group's 2011 Annual Report.

9. Movement in Working Capital

	Inventory €'000	Trade and other receivables €'000	Trade and other payables €'000	Total €'000
At 1 January 2012	**271,217**	**323,044**	**(421,658)**	**172,603**
Translation adjustment	3,989	6,004	(6,603)	3,390
Interest accrual and other movements	-	1,050	567	1,617
Acquisitions through business combinations	14,564	21,093	(11,272)	24,385
Disposal of BMC net assets previously held	(6,426)	(9,446)	5,195	(10,677)
Movement in 2012	22,172	(9,306)	(35,730)	(22,864)
At 31 December 2012	**305,516**	**332,439**	**(469,501)**	**168,454**

10. Interest-Bearing Loans and Borrowings and Net Debt

	31 Dec 2012 €'000	31 Dec 2011 €'000
Non-current liabilities		
Bank loans	**298,046**	271,990
Loan notes	**31,400**	47,540
Finance leases	**5,061**	5,700
Total non-current interest-bearing loans and borrowings	**334,507**	325,230
Current liabilities		
Bank loans	**11,302**	5,006
Loan notes	**15,781**	39,507
Finance leases	**732**	597
Total current interest-bearing loans and borrowings	**27,815**	45,110
Derivatives-non current		
Included in non-current assets	**(2,691)**	(5,331)
Included in non-current liabilities	**39**	422
Derivatives-current		
Included in current assets	**(1,345)**	(5,625)
Included in current liabilities	**590**	739
Total derivatives	**(3,407)**	(9,795)
Cash and cash equivalents	**(156,876)**	(134,600)
Net debt	**202,039**	225,945

The increase in non-current interest bearing loans and borrowings and the decrease in current interest bearing loans and borrowings reflects changes in the maturity profile of the Group's debt at 31 December 2012 and net debt repaid during the year.

The decrease in derivatives (current and non-current) at 31 December 2012 is mainly due to three cross currency interest rates swaps (CCIRS) and one interest rate swap ending during the year and movements in the fair values of the remaining cross-currency and interest rate swaps.

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

	31 Dec 2012 €'000	31 Dec 2011 €'000
Net increase/(decrease) in cash and cash equivalents	**19,065**	(101,016)
Net movement in derivative financial instruments	**991**	639
Movement in financial liabilities from cessation of hedge accounting	**-**	515
Cash flow from movement in debt and lease financing	**9,737**	128,271
Change in net debt resulting from cash flows	**29,793**	28,409
Non-cash movement on finance lease liability extinguished	**-**	706
Finance leases acquired with subsidiary undertakings	**(123)**	-
Bank loans and loan notes acquired with subsidiary undertakings	**(6,526)**	-
Bank loans and loan notes assumed with joint venture	**-**	(883)
Translation adjustment	**762**	933
Movement in net debt in the year	**23,906**	29,165
Net debt at 1 January	**(225,945)**	(255,110)
Net debt at 31 December	**(202,039)**	(225,945)
Gearing	**20%**	23%

12. Retirement Benefits

The principal financial assumptions employed in the valuation of the Group's defined benefit scheme liabilities for the current and prior year were as follows:

	Year ended 31 December			
	Irish Schemes		UK Schemes	
	2012 %	2011 %	**2012 %**	2011 %
Rate of increase in salaries	**3.00***	3.00*	**2.50**	2.30
Discount rate	**3.75**	5.10	**4.50**	5.00
Inflation	**2.00**	2.00	**2.90**	2.90

* 3% is assumed to apply from January 2014

12. Retirement Benefits (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)**	
	2012	2011	**2012**	2011	**2012**	2011
	€'000	€'000	**€'000**	€'000	**€'000**	€'000
At 1 January	**191,054**	190,943	**(224,614)**	(208,502)	**(33,560)**	(17,559)
Expected return on plan assets	**12,445**	13,038	**-**	-	**12,445**	13,038
Contributions by employer	**7,655**	7,496	**-**	-	**7,655**	7,496
Contributions by members	**1,750**	1,827	**(1,750)**	(1,827)	**-**	-
Benefit payments	**(6,510)**	(8,566)	**6,510**	8,566	**-**	-
Current service cost	**-**	-	**(2,314)**	(2,280)	**(2,314)**	(2,280)
Past service credit	**-**	-	**558**	462	**558**	462
Settlement loss	**-**	-	**-**	(378)	**-**	(378)
Curtailment gain	**-**	-	**333**	294	**333**	294
Interest cost on scheme liabilities	**-**	-	**(11,501)**	(11,187)	**(11,501)**	(11,187)
Actuarial gains/(losses)	**7,859**	(16,653)	**(44,340)**	(6,558)	**(36,481)**	(23,211)
Translation adjustment	**2,300**	2,969	**(2,406)**	(3,204)	**(106)**	(235)
At 31 December	**216,553**	191,054	**(279,524)**	(224,614)	**(62,971)**	(33,560)
Related deferred tax asset					**9,094**	4,947
Net pension liability					**(53,877)**	(28,613)

The pension scheme deficit of €62,971,000 is shown in the Group balance sheet as retirement benefit obligations (non-current liabilities) with €11,653,000 relating to the two UK schemes and €51,318,000 relating to the five Irish schemes. Changes in the rates used to discount liabilities, in line with changes in corporate bond rates, increased scheme liabilities by €44.2 million.

13. Acquisition of Subsidiary Undertakings

In the twelve months to 31 December 2012, the Group acquired two merchanting branches in Northern Ireland previously owned by the Brooks Group (acquired: 5 April 2012); Electricbase, a single branch merchanting business in Cleveland, (acquired: 31 August 2012) and two merchanting branches in England previously owned by Burdens (acquired: 19 December 2012).

The Group also acquired a controlling interest in BMC Groep NV (BMC), the Belgian joint venture, on 31 October 2012 and now accounts for BMC as a subsidiary undertaking with a non-controlling interest. Under IFRS 3 *Business Combinations* the Group is deemed to have made a disposal of its equity interest of 65 per cent and re-acquired 100 per cent of BMC at this date with a non-controlling interest. The fair value of assets and liabilities acquired reflects this accounting treatment. BMC acquired Holvoet, a two branch merchanting business, located in South West Belgium on 1 November 2012.

Details of the acquisitions made in 2011 are disclosed in the Group's 2011 Annual Report.

Acquisitions would have contributed €48.0 million and €15.8 million to revenue in the years ended 31 December 2012 and 31 December 2011 respectively on the assumption that they had been acquired on 1 January in both years.

Acquisitions would have contributed an operating profit of €2.6 million and an operating loss of €0.4 million in the years ended 31 December 2012 and 31 December 2011 respectively if they had been acquired on 1 January in both years.

Acquisitions completed in 2012 contributed revenues of €7.0 million (2011 acquisitions: €12.4 million) and a loss of €0.4 million (2011 acquisitions: loss of €0.3 million) for the period from the date of acquisition until the year end.

	2012 **€'000**	2011 €'000
The fair value of assets and liabilities acquired are set out below:		
Property, plant and equipment	**10,003**	1,254
Financial assets	**31**	-
Inventories	**14,564**	1,871
Trade and other receivables	**21,093**	319
Trade and other payables	**(11,272)**	(107)
Dilapidation provision	**-**	(324)
Corporation tax	**(1,491)**	-
Deferred tax liability	**(2,381)**	(4)
Finance leases acquired	**(305)**	-
Bank debt acquired	**(17,142)**	-
Cash acquired	**6,816**	-
Net assets acquired	**19,916**	3,009
Goodwill	**14,453**	936
Consideration	**34,369**	3,945
Satisfied by:		
Cash paid	**18,202**	3,945
Cash outflow	**18,202**	3,945
Fair value of the Group's portion of BMC's net assets before becoming a subsidiary	**9,625**	-
Deferred acquisition consideration	**1,420**	-
Non-controlling interest	**5,122**	-
	34,369	3,945

13. Acquisition of Subsidiary Undertakings (continued)

The fair value of identifiable net assets acquired was €19,916,000.

	Fair Values	Consideration	Goodwill
	€'000	**€'000**	**€'000**
Total acquisitions	**19,916**	**34,369**	**14,453**

The fair values were calculated as follows:

	Book Value	Fair Value Adjustments	Fair Values
	€'000	**€'000**	**€'000**
Property, plant and equipment	**10,003**	**-**	**10,003**
Financial assets	**31**	**-**	**31**
Working capital	**24,309**	**76**	**24,385**
Corporation tax	**(1,491)**	**-**	**(1,491)**
Deferred tax liability	**(2,358)**	**(23)**	**(2,381)**
Finance leases acquired	**(305)**	**-**	**(305)**
Bank debt acquired	**(17,142)**	**-**	**(17,142)**
Cash acquired	**6,816**	**-**	**6,816**
	19,863	**53**	**19,916**

The fair value of the net assets of BMC Groep NV were assessed at 31 October 2012 and it was determined that there was no material difference between the carrying value of the Group's existing interest in the net assets of BMC and their fair values.

The provisional fair value adjustments noted above have arisen under IFRS 3 Business Combinations. Inventories have been valued at selling price adjusted for cost of disposal and a reasonable profit allowance to cover selling costs.

Deferred tax has been provided on the difference between the fair value of the properties acquired and their tax base.

Goodwill on these acquisitions reflects the anticipated purchasing and operational synergies for the businesses acquired as part of the enlarged Group. No intangible assets were acquired.

The fair value of identifiable net assets acquired in 2011 was €3,009,000.

	Fair Values	Consideration	Goodwill
	€'000	€'000	€'000
Total acquisitions	3,009	3,945	936

13. Acquisition of Subsidiary Undertakings (continued)

The fair values were calculated as follows:

	Book Value	Fair Value Adjustments	Fair Values
	€'000	€'000	€'000
Property, plant and equipment	1,254	-	1,254
Working capital	2,068	15	2,083
Provisions	(324)	-	(324)
Corporation tax	-	-	-
Deferred tax liability	-	(4)	(4)
	2,998	11	3,009

14. Goodwill

Goodwill is subject to impairment testing on an annual basis and more frequently if an indicator of impairment is considered to exist. The Group, having performed impairment testing, is satisfied that the carrying value of goodwill has not been impaired. The increase in goodwill in the year principally reflects goodwill on acquisitions made in the year and a currency translation movement.

15. Taxation

The taxation credit of €7.6 million includes an exceptional credit of €24.0 million mainly arising from the UK Revenue agreeing the Group's entitlement to tax deductions against which a corporation tax provision of €23.0 million was prudently retained, due to the uncertainty concerning the outcome. This was released to the Income Statement during the year.

The underlying taxation charge of €16.4 million is primarily a non-cash charge due to the unwinding of deferred tax assets and provisions recognised in prior years. The charge also reflects a reduction in UK deferred tax assets due to a fall in the UK rate of corporation tax and an increase in Irish deferred tax liabilities due to an increase in the rate of capital gains tax. Taxation paid in 2012 of €4.0 million reflected the availability of tax allowances and various reliefs carried forward from prior years.

Accounting estimates and judgements
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.

Deferred tax
At 31 December 2012, there were unrecognised deferred tax assets in relation to capital losses of €5.0 million (2011: €3.7 million), trading losses of €11.4 million (2011: €9.4 million) and deductible temporary differences of €5.0 million (2011: €3.7 million). Deferred tax assets were not recognised in respect of 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. The trading losses and deductible temporary differences arose in entities that have incurred losses in recent years and the Directors have no certainty concerning when there will be sufficient taxable profits in the relevant entities against which they can be utilised.

16. Related Party Transactions

There have been no related party transactions or changes in related parties that materially affected the financial position or the performance of the Group during the year to 31 December 2012 other than the Group increasing its shareholding in BMC Groep NV, the Belgian joint venture, as referred to in Notes 8 and 13.

17. Grafton Group plc Long Term Incentive Plan (LTIP)

Share awards over 1,180,300 Grafton Units were granted under the LTIP on 18 April 2012. The total fair value of the awards was €3.3 million and this will be charged to the Income Statement over the three year vesting period. Awards over 1,159,000 Grafton Units were granted under the plan on 25 May 2011.

18. Issue of Shares and SAYE Scheme

During the year 159,429 Grafton Units were issued under the Group's Savings Related Share Option Scheme (SAYE) to eligible UK employees.

Options over 2,154,235 Grafton units were issued on the 25 September 2012 pursuant to a new 2012 three year saving contract under the Grafton Group (UK) plc Savings Related Share Option Scheme at a price of €2.85. The total fair value of the options was €2.1 million and this will be charged to the Income Statement over the three year vesting period.

19. Events after the Balance Sheet Date

There have been no material events subsequent to 31 December 2012 that would require adjustment to or disclosure in this report.

20. Board Approval

This announcement was approved by the Board of Grafton Group plc on 6 March 2013.