Grafton Group plc
Final Results for the Year Ended 31 December 2013

GRAFTON GROUP PLC

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

Grafton Group plc ("the Group"), the builders merchanting and DIY Group with operations in the UK, Ireland and Belgium, announces its final results for the year ended 31 December 2013. Following its listing on the London Stock Exchange during 2013, the Group now reports its results in sterling.

Financial Highlights

- Revenue up 8% to £1.9 billion
- Underlying operating profit up 27% to £77.2 million from £61.0 million
- Group operating profit margin increased by 60 basis points to 4.1% from 3.5%
- Underlying profit before taxation up 35% to £64.9 million from £48.1 million
- Adjusted basic earnings per share up 48% to 22.3p
- 21% dividend increase reflects continuing improvement in trading performance
- Strong cash generation from operations of £95.3 million and year-end gearing of 15%

Operating Highlights

- Strong UK merchanting performance benefited from self-help measures adopted over recent years and expansion of the branch network
- The merchanting business in Ireland returned to growth in the second half
- DIY market in Ireland stabilised
- Tight management of gross margins in competitive markets and disciplined control of costs

	2013	2012*	
	£'m	£'m	% change
Revenue	**1,900**	1,761	+8%
Underlying			
(Before pension credit and property impairment in 2013			
and before restructuring costs and amortisation in 2012)			
Operating profit	**77.2**	61.0	+27%
Profit before tax	**64.9**	48.1	+35%
Profit after tax	**51.7**	35.0	+48%
Adjusted earnings per share – basic	**22.3p**	15.1p	+48%
Statutory			
Operating profit	**80.0**	37.9	+111%
Profit before tax	**67.7**	25.1	+170%
Profit after tax	**62.1**	31.6	+96%
Earnings per share – basic	**26.8p**	13.6p	+97%
Dividend	**8.5p**	7.0p	+21%
Net debt	**133.7**	164.9	-19%
Total equity	**874.3**	817.6	+7%

*Restated as required by IFRS following the adoption of IAS 19 (Revised) 'Employee Benefits'.

Gavin Slark, Chief Executive Officer commented:

*"*The Group recovery is making good progress in markets that are still challenging. We are maintaining the disciplined approach to costs and margins demonstrated by these results. Grafton continues to develop a balanced growth strategy combining both organic growth and acquisitive growth where appropriate. Trading in the current year has been encouraging and, while we expect recovery in our markets to be gradual, the Group is confident of building on its strong 2013 performance in 2014."

Webcast details

A results presentation hosted by Gavin Slark and David Arnold for analysts and investors will be held today 5 March 2014 at 10am (Irish Time).
The web address to access the live webcast is as follows;
www.graftonplc.com/webcast/

Replay
The webcast will be available to watch later in the day.

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

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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.

Final Results

For the Year Ended 31 December 2013

Group Results

The Group made solid progress during the year and delivered a strong set of results against the backdrop of improving trading conditions in the UK and Irish merchanting markets and stabilisation of the DIY market in Ireland. Strong growth was achieved in profits and earnings.

The overall increase in Group revenue of 7.9 per cent was driven by an increase of 3.4 per cent in the like-for-like business, new branches and acquisitions. There was a strong benefit to profit from the increase in revenue due to tight control of costs and focus on margin.

The highlight of these results was the performance of the merchanting business in the UK which increased operating profit by 19.8 per cent to £75.9 million (2012: £63.4 million) and grew its operating profit margin by 60 basis points to 5.5 per cent (2012: 4.9 per cent).

Trading conditions in the merchanting business in Ireland stabilised in the first half and in the second half showed a return to growth and a significantly improved result was achieved from a low base following the restructuring and self-help measures implemented in 2012.

The Group continued to be strongly cash generative and ended the year with net debt of £133.7 million, its lowest year-end net debt since 2001. The gearing ratio fell to 15 per cent (December 2012: 20 per cent) and, in addition to strong cash flow from operations, significant cash resources and undrawn facilities were retained to fund operating activities and investment in the business.

Non-recurring Income and Expenditure

The defined benefit pension schemes in the UK and Ireland were restructured to provide for more sustainable future benefits at an affordable cost resulting in a once-off credit of £30.0 million (£25.2 million after tax). A strategic review of freehold properties gave rise to a non-cash impairment charge of £27.2 million (£23.4 million after tax) to the Income Statement. The impairment charge related mainly to properties located in the Republic of Ireland.

Listing Arrangements and Reporting Currency

As previously announced, following a review of listing arrangements Grafton now has a sole listing of its Units on the London Stock Exchange. Grafton Group plc was admitted to the FTSE UK Index Series on 23 December 2013 where its Units trade in sterling.

The Group is presenting its results in sterling for the first time having previously reported in euro. This change should help to provide a clearer understanding of the Group's financial performance as three quarters of its revenue has for some time been generated in sterling.

Dividend

The second interim dividend approved has been increased by 22 per cent to 5.5p from 4.5p (5.5 cent) giving a total dividend for the year of 8.5p, an increase of 21 per cent from 7.0p (8.5 cent) in 2012. The dividend cover increased to 2.6 times from 2.2 times. The increase in dividend is in line with the Board's progressive dividend policy which is based on increasing dividends as underlying earnings recover and reflects the improvement in results for the year and strong cash flow from operations.

Outlook

There are signs that the relatively recent recovery underway in the UK economy has gained momentum as growth has strengthened in recent quarters. House price increases, improved access to finance and an increase in housing transactions should continue to support a recovery in the housing and Repair, Maintenance and Improvement (RMI) markets.

In Ireland, the economy is expected to improve moderately in 2014. A very gradual pick-up in house building in Dublin and the regional cities is expected in response to the shortage of family homes due to the very low level of house building over the past five years. The volume of expenditure on residential RMI is expected to return to growth in 2014 following the sharp declines experienced in recent years. Growth in employment and consumer confidence should have a positive effect on consumer spending but demand in retail markets generally including DIY is likely to be tempered by weak growth in disposable incomes with households continuing to pay down debt.

Trading in the seasonally quieter months of January and February 2014 reflected more favourable weather conditions than the freezing temperatures experienced last year together with improving trends in the merchanting and mortar manufacturing businesses. Daily like-for-like revenue in the UK merchanting business increased by 9.8 per cent and by 7.1 per cent in the merchanting business in Ireland. Like-for-like revenue growth of 1.6 per cent was reported by the DIY business in Ireland.

The overall outlook is more favourable than it has been for some time and, as the UK's third largest merchanting business and the market leader in the Irish merchanting and DIY markets, the Group is well placed to capitalise on an improvement in trading conditions while recognising that the recovery is likely to be gradual and involve its own challenges.

Operating Review

Merchanting Segment (89% of Group Revenue)

Merchanting revenue increased by 8.3 per cent to £1.69 billion (2012: £1.56 billion). Operating profit was up by 22.5 per cent to £81.8 million (2012: £66.7 million) and the operating profit margin increased by 56 basis points to 4.8 per cent (4.3 per cent).

UK Merchanting revenue increased by 6.7 per cent to £1.39 billion (2012: £1.3 billion) and operating profit grew by 19.8 per cent to £75.9 million (2012: £63.4 million).

The operating profit margin increased by 60 basis points to 5.5 per cent. The operating profit margin grew by 15 basis points in the first half to 5.0 per cent and by 1.0 percentage point in the second half to 5.9 per cent. The gross profit margin was slightly lower in the year as turnover growth in higher margin businesses almost offset competitive pricing pressure.

The increase in revenue of 6.7 per cent comprised growth in average daily like-for-like revenues of 3.2 per cent, 0.4 per cent growth due to an additional trading day and growth of 3.1 per cent from new branches, acquisitions and branch consolidations. Average daily like-for-like revenue increased by 1.7 per cent in the first half and by 4.7 per cent in the second half as spending on residential construction and RMI increased over the course of the year. Price inflation over the year was estimated at 1.8 per cent and merchanting volumes increased by 1.4 per cent.

The resumption of volume growth in the merchanting market follows five years of flat or declining volumes. The improvement in market conditions was driven by the recovery in the wider economy that took hold during the year. The economy grew at its strongest rate since 2007 supported by increased employment, a decline in the savings ratio and increased availability of credit. Activity in the housing market also picked up. Housing transactions, a lead indicator of demand in the merchanting market, increased by 15.0 per cent with growth concentrated in the second half of the year. The number of home loans approved increased by 20 per cent with the rate of growth accelerating towards the end of the year in what was the most positive lending environment for six years.

The **Buildbase** business benefited from generally improved economic conditions and increased activity in the new housing and RMI markets. Against this backdrop and with a disciplined focus on pricing and cost control, Buildbase grew revenues and delivered a significant increase in operating profit and the operating margin. Buildbase continued to implement its strategy of developing its market position acquiring Thompsons, a five branch merchanting business that extended market coverage into the North East of England. It also acquired a single branch merchanting business in Oban on the West Coast of Scotland. The Buildbase Civils & Lintels branches benefited from strong activity in the house building market but tough competition in the sector exerted downward pressure on prices. The specialist drywall and insulation products branches increased revenue and operating profit. These branches were successfully repositioned to focus on low volume new build residential projects.

As outlined at the Capital Markets Day in November the Group is developing an efficient route to market implant model to drive revenue growth in its UK merchanting branches. Hirebase implants were opened in 15 branches prior to the year-end taking the number of Hirebase implants in Buildbase branches to 93. Electricbase implants were opened in 20 Buildbase branches following a successful trial of the concept.

Plumbase increased operating profit from a low base due to growing demand in the plumbing and heating market and good returns from restructuring initiatives. The principal focus during the year was on positioning the business for further profit improvement under a new management team. The specialist bathroom products distribution business had a good year increasing revenue and profit strongly due to a number of product range, marketing and customer service initiatives.

Towards the end of the financial year, the Group launched a new format, Plumbase Industrial, aimed at the commercial building and industrial process markets. The first branch was opened on an existing Group property at Hayes, West London supplying pipeline and mechanical engineering products. Since the year end, a second branch servicing East London was opened in Barking which is complemented by an Electricbase implant serving a similar customer base.

Selco Builders Warehouse, a trade only business that operates a retail style self-select format, made good progress during the year from its continued focus on the residential RMI market. Revenue increased due to organic growth in the established branches and development of new branches. With the benefit of increased revenue and tight control over gross margins and costs, the business achieved a significant increase in operating profit.

The Selco brand, which is differentiated from competitors by its trading format, competitive pricing, product ranges and service, continued to improve its position in the London market. Revenue growth was driven by a very strong performance in the first full year of trading in the Hanworth and Tottenham stores. Significant market penetration was quickly achieved in the South London market following the very successful opening of stores at Old Kent Road and Wimbledon. Selco ended the year trading from 34 branches including 18 in the London area.

Macnaughton Blair, the Northern Ireland merchanting business reported growth in revenue and profit for the year. The business benefited from a modest recovery in the local economy which got underway in the summer months. There were also signs of a recovery in the housing market. House prices, housing transactions and mortgage approvals increased from a very low base. Demand for new houses was partly met by builders completing developments that were started prior to the downturn. Turnover growth was broadly based across the new housing, RMI and infrastructure markets. Competitive gains were made by a number of the provincial branches. Revenue was lower in the Belfast area due to a decline in public sector and commercial new build projects.

Irish Merchanting revenue increased by 6.7 per cent to £243.0 million (£227.7 million). The increase in like-for-like revenue was 3.6 per cent. Operating profit almost doubled to £5.2 million.

The Irish housing market showed signs of improvement during 2013. Housing transactions rose by 15 per cent to almost 29,000 and prices rose nationally by 6.5 per cent driven by the Dublin market where a shortage of supply contributed to the increase in values. Mortgage approvals rose by 4.1 per

cent to 18,000. Actual house building is estimated at 4,500 houses compared to potential demand of 20,000 to 25,000 units per year based on demographic trends. Lead indicators pointed to a pick-up in house building activity in the second half of the year. This was the first period of growth in almost six years and an early indication that a recovery in the new housing markets was starting to take hold.

The merchanting branches in Ireland grew like-for-like revenue by 1.0 per cent in the first half and by 6.2 per cent in the second half which reflected a strong finish to the year with fourth quarter growth of 6.6 per cent. This was the first year since 2006 for the merchanting business in Ireland to report growth in like-for-like revenue. The business has emerged from the Irish recession, which saw its revenue contract by two thirds, having strengthened its leadership position in the builders and plumbers merchanting markets through its national branch network.

The market recovery was initially concentrated in Dublin City but extended into the greater Dublin area and surrounding counties as the year progressed. There was also evidence of a recovery in the key urban centres of Cork and Limerick. Competitive gains and branch upgrades contributed to revenue growth in the North West and Mid-West regions. Market conditions were challenging in the Midlands region where revenue was lower for the year.

The improvement in market conditions, growth in plumbing and heating revenues and cost saving benefits from consolidating a number of branches in the second half of 2012 contributed to the increase in profitability for the year.

Belgium

The business was consolidated as a subsidiary with effect from October 2012 having been previously accounted for as a joint venture. The change of accounting treatment and the acquisition of Holvoet, a two branch merchanting business, in October 2012 accounted for an increase in revenue to £58.8 million from £30.8 million.

While the Belgium economy was more resilient than neighbouring economies, revenue was lower in the like-for-like business due to a softening of demand in a weak residential construction and renovation market and disruption to trading in the early months of the year caused by prolonged winter weather conditions. Operating profit was marginally lower than the prior year at £0.6 million.

The Group completed the acquisitions of Binje Ackermans SA, a six branch merchanting business based in Brussels, on 3 February 2014 following approval of the transaction by the Belgium Competition Authority. The acquired branches are a very good geographic fit with the 11 existing branches that are located in the west of Belgium.

Ms. Catherine de Miribel has been appointed Chief Executive Officer of Grafton Belgium. She was previously Chief Financial Officer of Saint-Gobain Distribution Belgium.

Retail Segment (9% of Group Revenue)

Revenue increased by 3.8 per cent to £167.9 million (2012: £161.8 million). Turnover was down by 0.9 per cent in constant currency following the closure of two stores in the second half of 2012 and up by 1.5 per cent in the like-for-like business. Operating profit increased to £1.2 million from £0.2 million including the benefit of a property credit of £0.9 million.

Irish retail sales recovered in the second half of 2013 and rose by 3 per cent in the year following declines in each of the previous five years. Consumer confidence rose steadily over the year to its highest level in over six years. While concerns eased following a very deep recession, consumers remained relatively cautious about their personal finances.

Trading conditions in the DIY market were affected by severe weather conditions in March and April which impacted footfall and reduced revenue from outdoor products. Prolonged periods of good weather in May, June and July stimulated strong demand for seasonal products including barbeques,

lawnmowers and garden furniture which increased average transaction values. Revenue showed more modest growth in the latter months of the year with the benefit of promotional activity.

The result for the year benefited from revenue growth in the Glasnevin and Blanchardstown stores in West Dublin that were extended and upgraded during 2012 and from the restructuring during 2012 that involved the closure of two stores and the realignment of rents to current open market levels in ten stores. There were also market share gains in a number of towns due to store closures by competitors.

Like-for-like transactions were unchanged at over eight million in 38 stores and average transaction values increased by 2.4 per cent due to increased sales of high value outdoor products and the successful trial of a range of kitchens in three stores. Three stores were upgraded during the year. Woodie's launched a refreshed web site which increased product availability on-line. The site provides for improved navigation, mobile functionality and a reserve and collect facility.

As previously announced, Declan Ronayne was appointed Chief Executive of Woodie's DIY in August 2013. The customer proposition will be focused during 2014 on the core strengths of the business in the DIY, Home and Garden product categories. Driving operational efficiencies and improving the stock turn will also be priorities for the new management team.

Revenue was lower in the seven store In-House kitchens business in a very competitive environment for kitchen retailers. The business offset lower revenues in Ireland by establishing an assembly facility on a Group property in Milton Keynes to supply a range of kitchens to Selco stores.

Manufacturing Segment (2% of Group Revenue)

Revenue increased by 7.1 per cent to £37.0 million (2012: £34.5 million) and operating profit more than doubled to £3.9 million (2012: £1.7 million). The segment operating profit margin increased to 10.7 per cent from 4.8 per cent.

CPI EuroMix, the market leader in the supply of silo based mortar from eight manufacturing plants in England and one in Scotland increased revenue by 16.4 per cent to £33.9 million (2012: £29.1 million). Trading was impacted by adverse weather conditions in the early months of the year and revenue was flat in the first half. Trading conditions were very favourable in the second half due to the recovery in the new housing market and revenue increased by 35 per cent. Growth in volumes and improved plant and transport utilisation contributed to strong growth in profit.

Activity in the new housing market, which accounted for three quarters of revenue, rose to its highest level since 2007 with housing registrations, a lead indicator of housing starts, up 28 per cent from a low base to almost 134,000. Increased demand for new houses was driven by the recovery in the economy, wider access to mortgage finance stimulated by Government funding initiatives, low interest rates and an improvement in consumer confidence.

Revenue in the Irish Manufacturing business declined to £3.1 million (2012: £5.4 million) due to rationalisation of the division in 2012. MFP, the PVC drainage and roofline products business, improved its performance from the supply of increased volumes of its roofline facia and soffit system through the Selco branch network. The business was returned to profit having traded at breakeven in 2012.

Financial Review

The Group made further progress during the year as the individual businesses were well positioned to increase profitability, cash flow and returns on capital as markets started to recover. Like-for-like revenue growth of 3.4 per cent across the business accounted for the strong growth in operating profit with the benefit of tight management of gross margins in competitive markets and a disciplined focus on controlling costs. Acquisitions, new branches and branch consolidations also contributed to profit growth.

The focus on cash generation over the past five years has strengthened the quality of the balance sheet and enabled investment in the business during the year. Return on capital employed increased to 7.8 per cent from 6.1 per cent and capital turn to 1.9 times from 1.8 times.

Pensions

As previously announced, new arrangements were agreed, following consultations with the trustees and active members of the defined benefit pension schemes in Ireland and the UK. The changes are based on sharing the costs of funding the deficit and provide for more sustainable future benefits at an affordable cost while reducing the financial risks of the schemes to the Group.

The Group agreed to make additional cash contributions over a period of eleven years as part of the arrangements agreed. A payment of £5.0 million will be made over the next three years. A non-cash reduction in pension liabilities of £30.0 million related to the new arrangements is recognised in the income statement.

The IAS 19 pre-tax deficit on the defined benefit pension schemes reduced to £7.1 million from £51.4 million. The return on scheme assets was £22.4 million and contributions of £7.4 million were made to the scheme during the year. Benefits paid during the year of £27.9 million formed part of the new arrangements.

Property

Following completion of restructuring and cost saving measures which were implemented across the Group during 2011 and 2012, the Group focused on maximising return on capital employed through a number of initiatives during 2013, including a review of its estate. The Group Property Director, who was appointed in 2012, completed a review of the Group's properties. A number of these properties have become vacant and are being held pending a recovery in the property market or with a view to enhancing their development potential by securing alternative use planning and are classified as investment properties while others are being actively marketed and classified as held for sale.

Valuations were reassessed on the basis of future cash flows expected to be generated by individual properties. A non-cash impairment charge of £27.2 million has been recognised in the income statement.

Net Finance Income and Expense

The net finance charge for the year was £12.3 million (2012: £12.9 million). The net bank and loan note interest charge declined to £9.8 million from £10.9 million due to the benefit of low short-term interest rates, the maturity of an interest rate swap and lower net debt.

Adoption of amendments to IAS 19 required the return on defined benefit pension scheme assets to be based on the discount rate that is used to discount scheme liabilities. The charge for 2012 has been restated on a comparable basis in accordance with IFRS. The net finance expense charge includes £1.4 million (2012: £1.4 million) in respect of pension scheme obligations.

There was a net charge of £0.8 million (2012: £0.3 million) due to movements on hedges and foreign exchange.

Taxation

The effective rate of tax on underlying profit, which excludes the pension scheme credit and property impairment charge, was 20.4 per cent (2012: 27.5 per cent). This reflects the mix of profits between the UK, Ireland and Belgium and the disallowance of a tax deduction for certain items of expenditure including depreciation on buildings and incorporates the impact on deferred tax assets and liabilities of a reduction in the UK rate of corporation tax by 3 per cent to 20 per cent over the period to 1 April

2015. The effective rate of 20.4 per cent excludes a once-off credit of £8.5 million due to the recognition of a deferred tax asset for trading losses carried forward in the Irish business (2012: Nil).

Cash Flow

The strength of the Group's cash generative businesses continued to be demonstrated with cash flow from operations of £95.3 million (2012: £85.7 million).

Capital and Development Expenditure

Net capital expenditure of £22.5 million (2012: £21.0 million) was incurred on replacing distribution vehicles, branch upgrades and on developments that should provide a platform for the future profitable growth of the business including new Selco stores and Hire and Electrical branch implants.

A strategic review of IT systems across the Group was completed and a programme of investment in systems and infrastructure is planned over a number of years that will result in the upgrading and consolidation of the systems that support a number of businesses.

An investment of £5.9 million was made in acquiring the five branch Thompsons business in the North East of England, the acquisition of a single branch business in Oban, Scotland and the payment of deferred consideration on a prior year acquisition made by the Belgium merchanting business.

Net Debt and Financing

Net debt declined by £31.2 million to £133.7 million (31 December 2012: £164.9 million) with the benefit of seasonally lower investment in working capital in December. The gearing ratio declined to 15 per cent from 20 per cent. Net debt declined by two thirds (£281.2 million) over the five years since 2008 due to a sustained focus on cash generation. The Group continued to retain good liquidity through the holding at the year-end of deposits and cash balances of £151.1 million (31 December 2012: £128.0 million) and undrawn bank loans of £112 million.

A new three year revolving term loan facility for €50.0 million (£41.7 million) was put in place with Barclays Bank Ireland plc and the maturity profile of a facility for €85.0 million (£70.9 million) with Ulster Bank was extended until October 2016.

The Group continued to pursue policies consistent with a view to recovering its investment grade credit rating and it will seek to manage it future financing requirements by diversifying its sources of funding and considering alternative funding sources.

Underlying EBITDA interest cover for 2013 was 10.7 times (2012: 8.6 times) and year end debt was 1.23 times EBITDA (2012: 1.77 times).

Shareholders' Equity

Shareholders' equity increased to £870.3 million at 31 December 2013 (31 December 2012: £813.5 million). Profit after tax increased equity by £62.1 million. There was an actuarial gain of £6.4 million on the defined benefit pension schemes, a currency gain of £2.1 million on translation of net euro assets to sterling at the year-end sterling/euro rate of exchange and £2.0 million was raised from the issue of shares under the Group employees share schemes. Shareholder equity was reduced by dividend payments of £17.7 million.

Grafton Group plc

Group Condensed Income Statement
For the year ended 31 December 2013

Continuing activities	Notes	2013 £'000	Restated* 2012 £'000
Revenue	**2**	**1,899,768**	1,760,779
Operating costs	**3**	**(1,849,717)**	(1,722,856)
Operating income	**3**	**29,964**	-
Operating profit		**80,015**	37,923
Finance expense	**4**	**(13,660)**	(14,664)
Finance income	**4**	**1,366**	1,801
Profit before tax		**67,721**	25,060
Income tax	**16**	**(5,622)**	6,583
Profit after tax for the financial year		**62,099**	31,643
Profit attributable to:			
Owners of the Company		**62,179**	31,643
Non-controlling interests	**8**	**(80)**	-
Profit after tax for the financial year		**62,099**	31,643
Earnings per ordinary share - basic	**5**	**26.79p**	13.64p
Earnings per ordinary share - diluted	**5**	**26.67p**	13.64p

*IAS 19 (Revised) 'Employee Benefits' has been adopted as required by IFRS for the year ended 31 December 2013. The comparatives for the year ended 31 December 2012 have been restated (refer to note 20).

Grafton Group plc

Group Condensed Statement of Comprehensive Income

For the year ended 31 December 2013

	Notes	2013 £'000	Restated* 2012 £'000
Profit after tax for the financial year		**62,099**	31,643
Other comprehensive income			
Items that may be reclassified subsequently to the income statement			
Currency translation effects			
- on foreign currency net investments		**1,176**	(2,053)
- on foreign currency borrowings and derivatives designated as net investment hedges		**908**	220
Fair value movement on cash flow hedges:			
- Effective portion of changes in fair value of cash flow hedges		**(66)**	(185)
- Net change in fair value of cash flow hedges transferred from equity		**577**	635
Deferred tax on cash flow hedges		**(63)**	(54)
		2,532	(1,437)
Items that will not be reclassified to the income statement			
Actuarial gain/(loss) on Group defined benefit pension schemes	**13**	**7,442**	(27,458)
Deferred tax on Group defined benefit pension schemes	**13**	**(1,032)**	3,961
Deferred tax on capital gains tax rate increase		**-**	(459)
		6,410	(23,956)
Total other comprehensive income		**8,942**	(25,393)
Total comprehensive income for the financial year		**71,041**	6,250
Total comprehensive income attributable to:			
Owners of the Company		**71,121**	6,250
Non-controlling interests	**8**	**(80)**	-
Total comprehensive income for the financial year		**71,041**	6,250

*IAS 19 (Revised) 'Employee Benefits' has been adopted as required by IFRS for the year ended 31 December 2013. The comparatives for the year ended 31 December 2012 have been restated (refer to note 20).

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Group Condensed Balance Sheet as at 31 December 2013

	Notes	31 Dec 2013 (Audited) £'000	31 Dec 2012 (Audited) £'000
ASSETS			
Non-current assets			
Goodwill	15	**481,020**	476,166
Property, plant and equipment	9	**413,401**	458,335
Investment properties	9	**19,861**	-
Deferred tax assets		**17,666**	26,877
Retirement benefit assets	13	**718**	-
Derivative financial instruments	11	**835**	2,196
Other financial assets		**124**	144
Total non-current assets		**933,625**	963,718
Current assets			
Inventories	10	**246,220**	249,332
Trade and other receivables	10	**307,822**	271,303
Derivative financial instruments	11	**835**	1,097
Cash and cash equivalents	11	**151,099**	128,027
Properties held for sale	9	**11,352**	14,452
Total current assets		**717,328**	664,211
Total assets		**1,650,953**	1,627,929
EQUITY			
Equity share capital		**8,302**	8,283
Share premium account		**206,554**	204,614
Capital redemption reserve		**621**	621
Revaluation reserve		**13,978**	20,660
Shares to be issued reserve		**2,875**	2,072
Cash flow hedge reserve		**98**	(350)
Foreign currency translation reserve		**66,346**	64,262
Retained earnings		**575,419**	517,239
Treasury shares held		**(3,897)**	(3,897)
Equity attributable to owners of the Company		**870,296**	813,504
Non-controlling interests	8	**4,051**	4,131
Total equity		**874,347**	817,635
LIABILITIES			
Non-current liabilities			
Interest-bearing loans and borrowings	11	**272,610**	272,991
Provisions		**22,663**	25,285
Retirement benefit obligations	13	**7,840**	51,391
Derivative financial instruments	11	**-**	32
Deferred tax liabilities	16	**30,746**	36,056
Total non-current liabilities		**333,859**	385,755
Current liabilities			
Interest-bearing loans and borrowings	11	**13,863**	22,700
Trade and other payables	10	**410,011**	383,160
Current income tax liabilities	16	**8,201**	11,056
Derivative financial instruments	11	**33**	481
Provisions		**10,639**	7,142
Total current liabilities		**442,747**	424,539
Total liabilities		**776,606**	810,294
Total equity and liabilities		**1,650,953**	1,627,929

Grafton Group plc
Group Condensed Cash Flow Statement
For the year ended 31 December 2013

	Notes	**Twelve Months to 31 Dec 2013 (Audited) £'000**	Restated* Twelve Months to 31 Dec 2012 (Audited) £'000
Profit before taxation		**67,721**	25,060
Finance income		**(1,366)**	(1,801)
Finance expense		**13,660**	14,664
Operating profit		**80,015**	37,923
Depreciation	**9**	**31,463**	32,048
Intangible amortisation		**-**	1,817
Share-based payments charge		**1,396**	618
Non-cash movement in operating provisions		**1,717**	761
Claims paid on insurance and other provisions		**(4,875)**	(2,462)
Non-cash movement on asset impairment		**27,160**	1,980
Profit on sale of property, plant and equipment	**9**	**(718)**	(433)
Non-cash decrease in pension liabilities (net of pension provision)		**(29,964)**	-
Contributions to pension schemes in excess of IAS 19 charge	**13**	**(4,320)**	(5,054)
(Increase)/decrease in working capital	**10**	**(6,607)**	18,540
Cash generated from operations		**95,267**	85,738
Interest paid		**(12,025)**	(13,367)
Income taxes paid		**(6,321)**	(3,279)
Cash flows from operating activities		**76,921**	69,092
Investing activities			
Inflows			
Proceeds from sale of property, plant and equipment	**9**	**2,184**	1,976
Sale of financial assets		**20**	-
Interest received		**753**	1,664
		2,957	3,640
Outflows			
Acquisition of subsidiary undertakings and businesses	**14**	**(4,032)**	(14,760)
Net cash acquired with subsidiary undertakings		**-**	4,204
Deferred acquisition consideration paid		**(1,889)**	(1,646)
Purchase of financial assets		**-**	(7)
Purchase of property, plant and equipment	**9**	**(24,670)**	(22,974)
		(30,591)	(35,183)
Cash flows from investing activities		**(27,634)**	(31,543)
Financing activities			
Inflows			
Proceeds from the issue of share capital		**1,959**	383
Proceeds from borrowings		**34,407**	20,887
		36,366	21,270
Outflows			
Repayment of borrowings		**(34,282)**	-
Dividends paid	**6**	**(17,684)**	(14,698)
Movement on finance lease liabilities		**(570)**	(521)
Redemption of loan notes payable net of derivatives		**(11,124)**	(28,262)
		(63,660)	(43,481)
Cash flows from financing activities		**(27,294)**	(22,211)
Net increase in cash and cash equivalents		**21,993**	15,338
Cash and cash equivalents at 1 January		**128,027**	112,431
Effect of exchange rate fluctuations on cash held		**1,079**	258
Cash and cash equivalents at the end of the year		**151,099**	128,027

*IAS 19 (Revised) 'Employee Benefits' has been adopted as required by IFRS for the year ended 31 Dec 2013. The comparatives for the year ended 31 December 2012 have been restated (refer to note 20).

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 2013 (Audited)												
At 1 January 2013	**8,283**	**204,614**	**621**	**20,660**	**2,072**	**(350)**	**64,262**	**517,239**	**(3,897)**	**813,504**	**4,131**	**817,635**
Profit after tax for the financial year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**62,179**	**-**	**62,179**	**(80)**	**62,099**
Total other comprehensive income												
Actuarial gain on pensions (net of tax)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6,410**	**-**	**6,410**	**-**	**6,410**
Movement in cash flow hedge reserve (net of tax)	**-**	**-**	**-**	**-**	**-**	**448**	**-**	**-**	**-**	**448**	**-**	**448**
Currency translation effect on foreign currency net investments	**-**	**-**	**-**	**-**	**-**	**-**	**1,176**	**-**	**-**	**1,176**	**-**	**1,176**
Currency translation effect on foreign currency borrowings and derivatives designated as net investment hedges	**-**	**-**	**-**	**-**	**-**	**-**	**908**	**-**	**-**	**908**	**-**	**908**
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**	**448**	**2,084**	**6,410**	**-**	**8,942**	**-**	**8,942**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**448**	**2,084**	**68,589**		**71,121**	**(80)**	**71,041**
Transactions with owners of the Company recognised directly in equity												
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(17,684)**	**-**	**(17,684)**	**-**	**(17,684)**
Issue of Grafton Units (net of issue expenses)	**19**	**1,940**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,959**	**-**	**1,959**
Share based payments charge	**-**	**-**	**-**	**-**	**1,396**	**-**	**-**	**-**	**-**	**1,396**	**-**	**1,396**
Transfer from shares to be issued reserve	**-**	**-**	**-**	**-**	**(593)**	**-**	**-**	**593**	**-**	**-**	**-**	**-**
Transfer from revaluation reserve	**-**	**-**	**-**	**(6,682)**	**-**	**-**	**-**	**6,682**	**-**	**-**	**-**	**-**
	19	**1,940**	**-**	**(6,682)**	**803**	**-**	**-**	**(10,409)**	**-**	**(14,329)**	**-**	**(14,329)**
At 31 December 2013	**8,302**	**206,554**	**621**	**13,978**	**2,875**	**98**	**66,346**	**575,419**	**(3,897)**	**870,296**	**4,051**	**874,347**
Year to 31 December 2012 (Audited)												
At 1 January 2012	8,277	204,238	621	21,285	2,275	(746)	66,095	522,804	(3,897)	820,952	-	820,952
Profit after tax for the financial year	-	-	-	-	-	-	-	31,643	-	31,643	-	31,643
Total other comprehensive income												
Actuarial loss on pensions (net of tax)	-	-	-	-	-	-	-	(23,497)	-	(23,497)	-	(23,497)
Deferred tax due to capital gains tax rate increase	-	-	-	(459)	-	-	-	-	-	(459)	-	(459)
Movement in cash flow hedge reserve (net of tax)	-	-	-	-	-	396	-	-	-	396	-	396
Currency translation effect on foreign currency net investments	-	-	-	-	-	-	(2,053)	-	-	(2,053)	-	(2,053)
Currency translation effect on foreign currency borrowings and derivatives designated as net investment hedges	-	-	-	-	-	-	220	-	-	220	-	220
Total other comprehensive income	-	-	-	(459)	-	396	(1,833)	(23,497)	-	(25,393)	-	(25,393)
Total comprehensive income	-	-	-	(459)	-	396	(1,833)	8,146	-	6,250	-	6,250
Transactions with owners of the Company recognised directly in equity												
Dividends paid	-	-	-	-	-	-	-	(14,698)	-	(14,698)	-	(14,698)
Issue of Grafton Units (net of issue expenses)	6	376	-	-	-	-	-	-	-	382	-	382
Share based payments charge	-	-	-	-	618	-	-	-	-	618	-	618
Transfer from shares to be issued reserve	-	-	-	-	(821)	-	-	821	-	-	-	-
Transfer from revaluation reserve	-	-	-	(166)	-	-	-	166	-	-	-	-
	6	376	-	(166)	(203)	-	-	(13,711)	-	(13,698)	-	(13,698)
Acquisition of subsidiary with non-controlling interest	-	-	-	-	-	-	-	-	-	-	4,131	4,131
At 31 December 2012	8,283	204,614	621	20,660	2,072	(350)	64,262	517,239	(3,897)	813,504	4,131	817,635

*IAS 19 (Revised) 'Employee Benefits' has been adopted as required by IFRS for the year ended 31 December 2013. The comparatives for the year ended 31 December 2012 have been restated (refer to note 20).

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 2012 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 2013 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 2012 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 Group is presenting its results in sterling for the first time having previously reported in Euro. This change should help to provide a clearer understanding of the Group's financial performance as three quarters of its revenue has for some time been generated in sterling.

The accounting policies applied by the Group in these condensed financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2012 with the exception of (i) a new accounting policy on Investment Property shown below and (ii) Retirement Benefits Obligations the impact of which is disclosed below. Certain comparative information has been presented in line with IAS 19 (Amendment) and IAS 1 (Amendment).

The adoption of other new standards and interpretations (as set out in the 2012 Annual Report) that became effective for the Group's financial statements for the year ended 31 December 2013 did not have any significant impact on the results or financial position of the Group.

Accounting Policy - Investment Property
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.

IAS 19 (Amendment) - Employee Benefits (2011)
IAS 19 (Amendment) - Employee Benefits (2011) was effective for the Group from 1 January 2013 and has had an impact on the results and financial position of the Group.

Amended IAS19 - Employee Benefits (endorsed by the EU in June 2012) changes a number of disclosure requirements for post-employment benefits and restricts the options currently available on how to account for defined benefit pension plans. This standard is effective for annual periods beginning on or after 1 January 2013 with retrospective application required. Under the amended IAS19, the expected return on assets and interest cost on scheme liabilities will be replaced by a single net finance income/expense figure which is required to be calculated using the liability discount rate rather than using an assumed long term expected rate of return for calculating the expected return on assets element. In addition all past service costs and credits are required to be recognised immediately. Note 20 discloses the impact of these changes on the condensed financial statements.

1. General Information (continued)

Basis of Preparation, Accounting Policies and Estimates (continued)

The following standards were effective for the Group and only affect the presentation of the condensed consolidated financial statements of the Group:

		Effective Date
IAS 1 (Amendment)	Presentation of Financial Statements The amendment to IAS 1 has revised the layout of the Group Condensed Statement of Comprehensive Income but has no impact on the results or financial position of the Group	1 January 2013

The following standards and interpretations were effective for the Group from 1 January 2013 but did not have a material effect on the results or financial position of the Group.

IFRS 7 (Amendment)	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments
IFRS 13	Fair Value Measurement
IAS 1 (Amendment)	Presentation of Financial Statements
IAS 16 (Amendment)	Property, Plant & Equipment
IAS 28 (Amendment)	Investments in Associates and Joint Ventures
IAS 32 (Amendment)	Financial Instruments: Presentation
IAS 12 (Amendment)	Income Tax

(b) Estimates

The preparation of the Final Results 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 the Final Results, 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 2012 with the exception of the assessment of the fair value of investment properties which are now separately classified in non-current assets on the balance sheet.

2. Segmental Analysis

The amount of revenue and operating profit/(loss) under the Group's operating segments of Merchanting, Retailing and Manufacturing is as follows:

	Twelve months to 31 Dec 2013 (Audited) £'000	Restated* Twelve months to 31 Dec 2012 (Audited) £'000
Revenue		
Merchanting	**1,694,881**	1,564,458
Retailing	**167,889**	161,783
Manufacturing	**44,698**	40,676
Less: Inter-segment revenue - manufacturing	**(7,700)**	(6,138)
	1,899,768	1,760,779
Segment operating profit before non-recurring income/(costs)		
Merchanting	**81,750**	66,723
Retailing	**1,165**	208
Manufacturing	**3,945**	1,658
	86,860	68,589
Non-recurring income/(costs)		
Merchanting	**5,215**	(10,819)
Retailing	**-**	(8,515)
Manufacturing	**(2,411)**	(1,887)
	2,804	(21,221)
Segment operating profit/(loss) after non-recurring income/(costs)		
Merchanting	**86,965**	55,904
Retailing	**1,165**	(8,307)
Manufacturing	**1,534**	(229)
	89,664	47,368
Reconciliation to consolidated operating profit		
Central activities	**(9,649)**	(7,628)
Intangible amortisation	**-**	(1,817)
Operating profit	**80,015**	37,923
Finance expense	**(13,660)**	(14,664)
Finance income	**1,366**	1,801
Profit before tax	**67,721**	25,060
Income tax	**(5,622)**	6,583
Profit after tax for the financial year	**62,099**	31,643

*IAS 19 (Revised) 'Employee Benefits' has been adopted as required by IFRS for the year ended 31 December 2013. The comparatives for the year ended 31 December 2012 have been restated (refer to note 20).

2. Segmental Analysis (continued)

Operating segment assets are analysed below:

	31 Dec 2013 (Audited) £'000	31 Dec 2012 (Audited) £'000
Segment assets		
Merchanting	**1,375,099**	1,353,922
Retailing	**64,545**	73,264
Manufacturing	**40,032**	42,402
	1,479,676	1,469,588
Unallocated assets		
Deferred tax assets	**17,666**	26,877
Retirement benefit assets	**718**	-
Other financial assets	**124**	144
Derivative financial instruments	**1,670**	3,293
Cash and cash equivalents	**151,099**	128,027
Total assets	**1,650,953**	1,627,929

The amount of revenue by geographic area is as follows:

	Twelve months to 31 Dec 2013 (Audited) £'000	Twelve months to 31 Dec 2012 (Audited) £'000
Revenue		
United Kingdom	**1,426,888**	1,335,056
Ireland	**414,031**	394,925
Belgium	**58,849**	30,798
	1,899,768	1,760,779

3. Operating Costs and Operating Income

Included within operating income and operating costs are a non-recurring pension credit and property impairments in 2013 and restructuring costs in 2012 as analysed below:

	Year to 31 Dec 2013 (Audited) £'000	Year to 31 Dec 2012 (Audited) £'000
Pension scheme		
Past service credit	**18,534**	-
Settlement gain	**16,932**	-
Settlement contribution liability	**(5,014)**	-
Net settlement gain	**11,918**	-
Professional fees	**(488)**	-
Pension scheme credit	**29,964**	-
Property impairment – UK and Ireland		
Impairment - Irish properties	**(23,180)**	-
Impairment - UK properties	**(3,980)**	-
	(27,160)	-
Restructuring costs:		
Redundancy costs	**-**	(8,904)
Other restructuring costs	**-**	(1,134)
Impairment of plant and equipment	**-**	(1,559)
	-	(11,597)
Onerous lease provision	**-**	(1,764)
Current asset impairments	**-**	(1,630)
Cost of Atlantic Home Care Limited examinership	**-**	(8,767)
Release of onerous lease provision relating to Atlantic Home Care Limited	**-**	2,537
	2,804	(21,221)

Pension scheme credit

The past service credit of £18.5 million arose due to the implementation of a permanent pensionable salary freeze in the United Kingdom and a pensionable salary freeze in Ireland for five years, together with an alignment of the normal retirement age and the State pension age in Ireland. The net settlement gain of £11.9 million arose due to the settlement of transfer values with the deferred members.

Property impairment

A strategic review of freehold properties gave rise to a non-cash impairment charge of £27.2 million to the Income Statement. The impairment charge related mainly to properties located in the Republic of Ireland.

Restructuring costs

The 2012 restructuring costs of £21.2 million relate primarily to (i) redundancy costs in the merchanting and manufacturing segments, (ii) costs related to the Atlantic Home Care Limited examinership, (iii) fixed asset and other asset impairments in the merchanting and DIY retailing businesses. The cost of the Atlantic Home Care Limited examinership comprises landlord compensation on termination of leases, examinership fees, redundancies and asset impairment relating to the two stores that closed.

4. Finance Expense and Finance Income

	Twelve months to 31 Dec 2013 (Audited) £'000		Restated # Twelve months to 31 Dec 2012 (Audited) £'000	
Finance expense				
Interest on bank loans and overdrafts	**(10,256)**	*	(10,831)	*
Interest on loan notes	**(413)**	*	(1,151)	*
Net change in fair value of cash flow hedges transferred from equity	**(577)**		(635)	
Interest on finance leases	**(278)**		(287)	
Net finance cost on pension scheme obligations	**(1,403)**	#	(1,359)	#
Fair value movement on hedged financial liabilities	**-**		(294)	
Fair value movement on fair value hedges	**-**		128	
Fair value movement on derivatives (Cross Currency Interest Rate Swaps (CCIRS) not in hedging relationships)	**(1)**		(217)	
Ineffectiveness on cash flow hedges	**(10)**		(18)	
Foreign exchange loss	**(722)**		-	
	(13,660)		(14,664)	
Finance income				
Foreign exchange gain	**537**		688	
Interest income on bank deposits	**829**	*	1,113	*
	1,366		1,801	
Net finance expense	**(12,294)**		(12,863)	

* Net bank/loan note interest of £9.8 million (2012: £10.9 million).

\# IAS 19 (Revised) 'Employee Benefits' has been adopted as required by IFRS for year ended 31 December 2013. The comparatives for the year ended 31 December 2012 have been restated (refer to note 20).

5. Earnings per Share

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

	Year Ended 31 Dec 2013 (Audited) £'000	Restated* Year Ended 31 Dec 2012 (Audited) £'000
Numerator for basic, adjusted and diluted earnings per share:		
Profit after tax for the financial year	**62,099**	31,643
Non-controlling interest	**80**	-
Numerator for basic and diluted earnings per share	**62,179**	31,643
Intangible amortisation	**-**	1,817
Deferred tax relating to intangible amortisation	**-**	(227)
Non-recurring pension credit	**(29,964)**	-
Tax relating to non-recurring pension credit	**4,729**	-
Property impairment	**27,160**	-
Deferred tax relating to property impairment	**(3,774)**	-
Recognition of deferred tax asset	**(8,546)**	-
Taxation credit	**-**	(18,651)
Non-recurring restructuring costs	**-**	21,221
Tax relating to non-recurring restructuring costs		(805)
Numerator for adjusted earnings per share	**51,784**	34,998

	Number of Grafton Units	Number of Grafton Units
Denominator for basic and adjusted earnings per share:		
Weighted average number of Grafton Units in issue	**232,112,552**	231,951,127
Effect of potential dilutive Grafton Units	**987,480**	-
Denominator for diluted earnings per share	**233,100,032**	231,951,127
Earnings per share (pence)		
- Basic	**26.79**	13.64
- Diluted	**26.67**	13.64
Adjusted earnings per share (pence)		
- Basic	**22.31**	15.09
- Diluted	**22.22**	15.09

*IAS 19 (Revised) 'Employee Benefits' has been adopted as required by IFRS for the year ended 31 December 2013. The comparatives for the year ended 31 December 2012 have been restated (refer to note 20).

6. Dividends

The payment in 2013 of a second interim dividend for 2012 of 4.5 pence (5.50 cent) on the 'C' Ordinary shares in Grafton Group (UK) plc from UK-sourced income amounted to £10.8 million. A 2013 interim dividend of 3.0 pence (3.5 cent) per share was paid on 4 October 2013 on the 'C' Ordinary shares in Grafton Group (UK) plc from UK-sourced income and amounted to £6.9 million.

A second interim dividend for 2013 of 5.5 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 14 March 2014 (the 'Record Date'). The dividend will be paid on 11 April 2014. A liability in respect of this second interim dividend has not been recognised at 31 December 2013, as there was no present obligation to pay the dividend at the year-end.

7. Exchange Rates

The results and cash flows of 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 2013 was Stg84.93p (year to 31 December 2012: Stg81.09p). The sterling/euro exchange rate at 31 December 2013 was Stg83.37p (31 December 2012: Stg81.61p).

8. Non-Controlling Interests

The Group acquired a controlling interest in YouBuild NV (formerly BMC Groep NV) on 31 October 2012. This company is now accounted for as a subsidiary undertaking with a non-controlling interest.

9. Property, Plant and Equipment

	Property, plant and equipment £'000	Properties held for sale £'000	Investment properties £'000
Net Book Value			
As at 1 January 2013	**458,335**	**14,452**	**-**
Additions	**24,670**	**-**	**-**
Acquisitions	**3,660**	**-**	**-**
Depreciation	**(31,463)**	**-**	**-**
Disposals	**(990)**	**(476)**	**-**
Transfer to properties held for sale	**(4,249)**	**4,249**	**-**
Transfer to investment properties	**(14,649)**	**(5,212)**	**19,861**
Impairment of properties	**(25,448)**	**(1,712)**	**-**
Foreign exchange	**3,535**	**51**	**-**
As at 31 December 2013	**413,401**	**11,352**	**19,861**

10. Movement in Working Capital

	Inventory £'000	Trade and other receivables £'000	Trade and other payables £'000	Total £'000
At 1 January 2013	**249,332**	**271,303**	**(383,160)**	**137,475**
Translation adjustment	1,746	1,289	(2,629)	406
Interest accrual and other movements	-	(195)	(635)	(830)
Acquisitions through business combinations	373	-	-	373
Movement in 2013	(5,231)	35,425	(23,587)	6,607
At 31 December 2013	**246,220**	**307,822**	**(410,011)**	**144,031**

11. Interest-Bearing Loans, Borrowings and Net debt

	31 Dec 2013 £'000	31 Dec 2012 £'000
Non-current liabilities		
Bank loans	**256,335**	243,235
Loan notes	**12,546**	25,625
Finance leases	**3,729**	4,131
Total non-current interest-bearing loans and borrowings	**272,610**	272,991
Current liabilities		
Bank loans	**812**	9,224
Loan notes	**12,615**	12,879
Finance leases	**436**	597
Total current interest-bearing loans and borrowings	**13,863**	22,700
Derivatives-non current		
Included in non-current assets	**(835)**	(2,196)
Included in non-current liabilities	**-**	32
Derivatives-current		
Included in current assets	**(835)**	(1,097)
Included in current liabilities	**33**	481
Total derivatives	**(1,637)**	(2,780)
Cash and cash equivalents	**(151,099)**	(128,027)
Net debt	**133,737**	164,884

The fair value of financial assets and liabilities together with the carrying amounts shown in the balance sheet are as follows:

At 31 December 2013	**Cashflow hedge**	**Fair value hedges**	**Other assets at fair value**	**Liabilities at amortised cost**	**Total carrying value**	**Fair value**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Other financial assets	-	-	124	-	124	124
Cross-currency interest rate swaps	-	-	1,670	-	1,670	1,670
Interest rate swap	(33)	-	-	-	(33)	(33)
2005 unsecured senior US dollar loan notes	-	-	-	(25,161)	(25,161)	(24,761)

Financial assets and liabilities recognised at amortised cost

Except as detailed above, it is considered that the carrying amounts of financial assets and liabilities including trade payables, trade receivables, net debt and deferred consideration which are recognised at amortised cost in the condensed consolidated financial statements approximate their fair values.

11. Interest-Bearing Loans, Borrowings and Net debt (continued)

Financial assets and liabilities carried at fair value

These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The different levels are defined in the 2012 Annual Report together with the method for determining the fair value of the financial assets and liabilities. All of the Group's financial assets and liabilities which are carried at fair value are classified as Level 2 in the fair value hierarchy. There have been no transfers between levels in the current year.

Investment properties and properties held for sale

Investment properties of £19.9 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.

The carrying value of properties held for sale of £11.4 million are shown in the balance sheet at the lower of their carrying amount and fair value less any disposal costs. Six properties are included at a fair value of £2.8 million and have been valued as outlined in the paragraph above.

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

	31 Dec 2013 £'000	31 Dec 2012 £'000
Net increase in cash and cash equivalents	**21,993**	15,338
Net movement in derivative financial instruments	**1,091**	804
Cash-flow from movement in debt and lease financing	**11,569**	7,896
Change in net debt resulting from cash flows	**34,653**	24,038
Finance leases acquired with subsidiary undertakings	**-**	(100)
Bank loans and loan notes acquired with subsidiary undertakings	**-**	(5,292)
Translation adjustment	**(3,506)**	5,202
Movement in net debt in the year	**31,147**	23,848
Net debt at 1 January	**(164,884)**	(188,732)
Net debt at end of the year	**(133,737)**	(164,884)
Gearing	**15%**	20%

13. 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:

	Irish Schemes		UK Schemes	
	At 31 Dec 2013	At 31 Dec 2012	**At 31 Dec 2013**	At 31 Dec 2012
	%	%	**%**	%
Rate of increase in salaries	**3.00%***	3.00%*	**0.0%**	2.50%
Rate of increase of pensions in payment	**-**	-	**3.70%**	2.90%
Discount rate	**3.65%**	3.75%	**4.65%**	4.50%
Inflation	**2.00%**	2.00%	**3.70%****	2.90%**

*3% applies from 2 January 2019 (31 December 2012: from January 2014)

** The inflation assumption shown for the UK is based on the Retail Price Index (RPI)

The following table provides a reconciliation of the scheme assets (at bid value) and the actuarial value of scheme liabilities:

	Assets		Liabilities		Net asset/(deficit)	
	Year to 31 Dec 2013	Year to 31 Dec 2012	**Year to 31 Dec 2013**	Year to 31 Dec 2012	**Year to 31 Dec 2013**	Year to 31 Dec 2012
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
At 1 January	**176,729**	159,587	**(228,120)**	(187,620)	**(51,391)**	(28,033)
Interest income on plan assets	**7,128**	7,967*	**-**	-	**7,128**	7,967
Contributions by employer	**6,029**	6,207	**-**	-	**6,029**	6,207
Contributions by members	**1,329**	1,419	**(1,329)**	(1,419)	**-**	-
Benefit payments	**(27,852)**	(5,279)	**27,852**	5,279	**-**	-
Current service cost	**-**	-	**(2,253)**	(1,876)	**(2,253)**	(1,876)
Past service credit - non-recurring	**-**	-	**18,534**	-	**18,534**	-
Past service credit	**-**	-	**552**	723	**552**	723
Settlement gain - non-recurring	**-**	-	**16,932**	-	**16,932**	-
Settlement gain - other	**-**	-	**84**	-	**84**	-
Curtailment loss	**-**	-	**(92)**	-	**(92)**	-
Interest cost on scheme liabilities	**-**	-	**(8,531)**	(9,326)	**(8,531)**	(9,326)
Actuarial gains/(losses)	**15,264**	8,497*	**(7,822)**	(35,955)	**7,442**	(27,458)
Translation adjustment	**2,036**	(1,669)	**(3,592)**	2,074	**(1,556)**	405
At 31 December	**180,663**	176,729	**(187,785)**	(228,120)	**(7,122)**	(51,391)
Related deferred tax asset (net)					**836**	7,422
Net pension liability					**(6,286)**	(43,969)

*IAS 19 (Revised) 'Employee Benefits' has been adopted as required by IFRS for the year ended 31 December 2013. The comparatives for the year ended 31 December 2012 have been restated (refer to note 20).

13. Retirement Benefits (continued)

The pension scheme deficit of £7,122,000 is shown in the Group balance sheet as retirement benefit obligations (non-current liabilities) of £7,840,000 relating to the Irish schemes and retirement benefit assets (non-current assets) of £718,000 relating to the UK schemes.

14. Acquisitions

The Group acquired the trade and selected assets of Thompson Building Centres and Thompson Associated Plumbing Supplies (acquired: 27 March 2013) and the trade and assets of a single branch merchanting business in Oban, Scotland (acquired: 29 November 2013).

The total acquisition consideration was cash of £4.0 million and the fair value of the net assets acquired was £4.0 million consisting largely of property, plant and equipment. The income statement impact of these transactions in the year was not material. Goodwill acquired in the amount of £1,000 was allocated to the merchanting cash generating unit.

Details of the acquisitions made in 2012 are disclosed in the Group's 2012 Annual Report.

15. 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 period reflects a currency translation movement.

16. Taxation

The effective rate of tax on profit, excluding the non-recurring pension scheme credit, property impairment and recognition of a deferred tax asset for trading losses carried forward in the Irish businesses, was 20.4 per cent (2012: 27.5 per cent). This reflects the mix of profits between the UK, Ireland and Belgium and the disallowance of a tax deduction for certain items of expenditure including depreciation on buildings. The underlying charge of £13.2 million also incorporates the unwinding of deferred tax assets and provisions recognised in prior years and the impact on deferred tax assets and liabilities of a reduction in the UK rate of corporation tax by 3 per cent to 20 per cent over the period to 1 April 2015.

The tax charge includes a once-off credit of £8.5 million due to the recognition of a deferred tax asset for trading losses carried forward in the Irish businesses.

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.

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.

16. Taxation (continued)

Deferred tax
At 31 December 2013, there were unrecognised deferred tax assets in relation to capital losses of £4.7 million (31 December 2012: £4.1 million), trading losses of £0.9 million (31 December 2012: £9.3 million) and deductible temporary differences of £5.0 million (31 December 2012: £4.1 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 as to when there will be sufficient taxable profits in the relevant entities against which they can be utilised.

17. Related Party Transactions

There have been no related party transactions or changes in related parties from those described in the 2012 Annual Report that materially affected the financial position or the performance of the Group during the year to 31 December 2013.

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

Share awards over 986,542 Grafton Units were made under the LTIP on 16 April 2013. The total fair value of the awards is £3.7 million and this will be charged to the income statement over the vesting period of three years. The 2012 Annual Report discloses details of the LTIP scheme.

19. Issue of Shares

During the year 426,300 Grafton Units were issued under the Grafton Group Share Option Scheme and a further 8,694 Grafton Units were issued under the Group's Savings Related Share Option Scheme (SAYE) to eligible UK employees.

20. Change in Accounting Policy

IAS 19 (Revised) 'Employee Benefits' has been adopted for the year ended 31 December 2013. The comparatives for the year ended 31 December 2012 have been restated. The effect of the change in accounting policy was to reduce the expected return on pension plan assets in the prior year income statement by £2.1 million (£1.7 million after tax) and to reduce the actuarial loss on the defined benefit pension scheme by £2.1 million (£1.7 million after tax).

The finance cost on pension scheme liabilities and the expected return on pension plan assets are now shown as a net pension cost in the income statement.

The impact of IAS 19 (Revised) on earnings per share was as follows:

	Year to 31 Dec 2012 Reported	Year to 31 Dec 2012 Restated
Earnings per share (pence)		
- Basic	14.38p	**13.64p**
- Diluted	14.38p	**13.64p**
Underlying earnings per share (pence)		
- Basic	15.82p	**15.09p**
- Diluted	15.82p	**15.09p**

21. Events after the Balance Sheet Date

There have been no material events subsequent to 31 December 2013 that require adjustment to or disclosure in this report except that the Group completed the acquisition of Binje Ackermans SA, a six branch merchanting business based in Brussels, on 3 February 2014 following approval of the transaction by the Belgium Competition Authority. The total consideration amounted to €20.0 million.

22. Board Approval

This announcement was approved by the Board of Grafton Group plc on 4 March 2014.