

# Notes to the Financial Statements

Year ended 31 December 2003

## 1 Turnover

	2003 €'000	2002 €'000
<i>The amount of turnover by class of activity is as follows:</i>		
Irish merchandising and wholesaling	239,829	215,037
DIY retailing	110,308	98,117
Irish manufacturing and related activities	<u>34,391</u>	<u>30,665</u>
Total turnover from Irish activities	<u>384,528</u>	<u>343,819</u>
UK merchandising and other activities	<u>1,111,490</u>	<u>808,539</u>
	<u><u>1,496,018</u></u>	<u><u>1,152,358</u></u>

## 2 Operating Profit and Trading Profit

	2003 €'000	2002 €'000
Republic of Ireland	44,768	38,596
Great Britain and Northern Ireland	<u>78,555</u>	<u>53,715</u>
Operating profit before goodwill amortisation	123,323	92,311
Goodwill amortised	<u>(9,358)</u>	<u>(4,195)</u>
Operating profit	113,965	88,116
Profit on disposal of property	<u>3,437</u>	<u>3,711</u>
Trading profit	117,402	91,827
Income from financial assets	<u>1,788</u>	<u>1,611</u>
	<u><u>119,190</u></u>	<u><u>93,438</u></u>

In the opinion of the Directors, it would be seriously prejudicial to the interests of the Group to disclose further segmental information for its separate classes of business.

The operating profit of €113,965,000 comprises of €102,047,000 relating to continuing operations and €11,918,000 for 2003 acquisitions.

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

	2003 €'000	2002 €'000
Increase in stocks	4,682	(11,162)
Purchases and consumables	997,816	782,097
Staff costs (note 5)	201,344	153,518
Auditors' remuneration	699	854
Depreciation	28,212	22,439
Lease rentals and other hire charges	16,017	13,698
Goodwill amortisation	9,358	4,195
Profit on disposal of non-property fixed assets	(1,615)	(1,839)
Other operating charges	<u>125,540</u>	<u>100,442</u>
	<u><u>1,382,053</u></u>	<u><u>1,064,242</u></u>

During 2003 acquisitions accounted for €203.7 million of the above costs and expenses.

# Notes to the Financial Statements

Year ended 31 December 2003

## 3 Profit on Disposal of Property

The Group realised a profit of €3,437,000 (2002: €3,711,000) principally on the sale of property at Stanford-le-Hope, Essex, which had been originally acquired with the British Dredging plc acquisition in 1998. The estimated taxation payable on the property profit amounts to €515,000 (2002: €416,000)

## 4 Directors' Remuneration, Pension Entitlements and Interests

Directors' remuneration, pension entitlements and interests in shares and share options are presented in the Report of the Remuneration Committee on pages 27 to 30.

## 5 Employment

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

	2003	2002
Merchanting and DIY retailing	5,874	4,364
Manufacturing	405	340
	<u>6,279</u>	<u>4,704</u>

	2003	2002
	€'000	€'000
<i>The aggregate remuneration costs of employees were:</i>		
Wages and salaries	178,353	137,600
Social welfare	15,700	11,445
Pensions	7,291	4,473
	<u>201,344</u>	<u>153,518</u>

## 6 Interest Payable (net)

	2003	2002
	€'000	€'000
<i>Interest payable and similar charges:</i>		
Bank overdrafts and loans repayable within five years	11,341	8,626
Bank loans repayable by instalments within five years	2,593	1,433
Bank loans repayable by instalments after five years	2,828	2,487
Interest on finance leases	77	65
Interest on loan notes	3,319	3,131
	<u>20,158</u>	<u>15,742</u>
Interest receivable	(2,989)	(2,523)
	<u>17,169</u>	<u>13,219</u>

## 7 Foreign Currencies

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 2003 and 31 December 2002 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 2003 was Stg69.20p (2002: Stg62.88p). The euro/sterling exchange rate at 31 December 2003 was Stg70.48p (2002: Stg65.05p).

## Notes to the Financial Statements

Year ended 31 December 2003

### 8 Tax on Profit on Ordinary Activities

#### (a) Analysis of charge for the year

	2003 €'000	2002 €'000
Based on the profit on ordinary activities:		
Irish corporation tax	1,305	1,281
UK corporation tax	<u>11,219</u>	<u>8,993</u>
	12,524	10,274
Deferred tax:		
- Irish	1,230	111
- UK	<u>1,566</u>	<u>1,663</u>
	<u>15,320</u>	<u>12,048</u>

The charge for Irish corporation tax has been reduced by manufacturing relief in the amount of €103,000 (2002: €231,000), timing differences on Group financing arrangements, capital allowances and other reliefs.

#### (b) Group tax reconciliation

	2003 €'000	2002 €'000
Profit on ordinary activities before taxation	<u>102,021</u>	<u>80,219</u>
Profit on ordinary activities at standard corporation tax rate in Ireland of 12.5% (2002: 16%)	12,753	12,835
Effects of:		
Expenses not deductible for tax purposes	512	127
Adjustment for earnings taxed at higher rates	6,565	4,909
Adjustment for earnings taxed at lower rates including manufacturing relief	(4,596)	(5,383)
Profits on disposals of fixed assets	86	(440)
Capital allowances for year in excess of depreciation	(1,555)	1,159
Other timing differences	<u>(1,241)</u>	<u>(2,933)</u>
<b>Corporation tax charge for the year</b>	<u>12,524</u>	<u>10,274</u>

#### (c) Factors that may affect future tax rates

No provision has been made for deferred tax on gains recognised on revaluing property to its market value or on the sale of the properties where taxable gains have been rolled over into replacement assets. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The total amount unprovided is €8.1 million (2002: €8.1 million). No amount has been recognised as there is no binding agreement to sell any property at the year end.

Rollover relief claimed in respect of property disposals in 2003 was nil (2002: €2.16 million). Relief previously claimed will be withdrawn if assets into which the gains were rolled over are sold without further re-investment, into qualifying assets, but this is not anticipated.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries. No remittance of profit is expected to arise in such a way that an incremental tax charge will arise.

Manufacturing relief is due to expire by 31 December 2010. The standard rate of corporation tax reduced to 12.5% with effect from 1 January 2003.

The tax effect of the implementation of FRS 17 on pensions is included in note 37.

# Notes to the Financial Statements

Year ended 31 December 2003

## 9 Redemption of Redeemable Shares

	2003	2002
	€'000	€'000
Redemption of one redeemable share for 4.5c (2002: 3.75c)	9,556	6,610
Redemption of one redeemable share for 6.0c (2002: 5.25c)	<u>12,759</u>	<u>9,260</u>
<b>Total redemptions</b>	<b><u>22,315</u></b>	<b><u>15,870</u></b>

The Board has decided to redeem one redeemable share for a cash consideration of 6.0 cent payable on 19 March 2004. Accordingly, no final dividend will be declared in respect of the year ended 31 December 2003. This follows the redemption of one redeemable share per Grafton Unit for a cash consideration of 4.5 cent per share on 3 October 2003 to give total redemption payments for the year of 10.5 cent. This represents an increase of 23.8 per cent on redemptions of 8.48 cent (adjusted for the bonus element of the rights issue) paid for 2002.

The Board has also decided to redeem the remaining six redeemable shares per Grafton Unit for a total cash consideration of 5 cent payable on 19 March 2004. As a result of the final redemption of all remaining redeemable shares in issue, the Board does not expect that an interim dividend will be paid in 2004. The redemptions on 19 March 2004 are chargeable to reserves in 2004.

## 10 Earnings per Share

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

	2003	2002
Profit on ordinary activities after taxation (€'000)	<u>86,701</u>	<u>68,171</u>
Weighted average Grafton Units outstanding during the year	<u>206,659,076</u>	<u>186,717,006</u>
<b>Earnings per share</b>	<b><u>41.95c</u></b>	<b><u>36.51c</u></b>
Number of dilutive Grafton Units under option	9,588,723	10,290,794
Number of Grafton Units that would have been issued at fair value	<u>(5,543,126)</u>	<u>(6,099,116)</u>
Dilutive potential Grafton Units	<u>4,045,597</u>	<u>4,191,678</u>
Number of Grafton Units for calculating diluted earnings per share and adjusted diluted earnings per share	<u>210,704,673</u>	<u>190,908,684</u>
<b>Diluted earnings per share</b>	<b><u>41.15c</u></b>	<b><u>35.71c</u></b>

## Notes to the Financial Statements

Year ended 31 December 2003

### 10 Earnings per Share (continued)

Earnings per share of 41.95c (2002: 36.51c) have been calculated on profits after taxation of €86,701,000 (2002: €68,171,000) and the weighted average number of Grafton Units of 206,659,076 (2002: 186,717,006 which has been adjusted for the bonus element of the rights issue).

The calculation of adjusted earnings per share of 45.07c (2002: 36.99c) is arrived at after eliminating goodwill of €9,358,000 (2002: €4,195,000) and property profit after taxation of €2,922,000 (2002: €3,295,000) from profit after taxation of €86,701,000 (2002: €68,171,000). Adjusted earnings per share was increased by 4.53c (2002: 2.24c) due to the elimination of goodwill from earnings and reduced by 1.41c (2002: 1.76c) due to the elimination of property profit from earnings.

Diluted earnings per share of 41.15c (2002: 35.71c) have been calculated on profits after taxation of €86,701,000 (2002: €68,171,000) and the weighted average number of Grafton Units in issue during the year adjusted for the dilutive effect of outstanding share options.

The calculation of adjusted diluted earnings per share of 44.20c (2002: 36.18c) uses the same earnings figure as for adjusted earnings per share and the weighted average number of Grafton Units as adjusted to reflect the dilutive effect of outstanding share options.

#### Earnings per Share – Adjusted for Bonus Element of Rights Issue (Previous Year)

	2002 Actual	2002 Adjusted for Rights Issue
Earnings per share (EPS)	38.75c	36.51c
Adjusted EPS	39.26c	36.99c
Diluted EPS	37.90c	35.71c
Adjusted diluted EPS	38.40c	36.18c

The Group raised €67.3 million, net of expenses, by the issue of 35,276,228 New Grafton Units at a price of €2.00 per New Grafton Unit by way of a 1 for 5 Rights Issue.

The actual cum rights price on 28 February 2003, the last day of quotation cum rights, was €3.06 and the theoretical ex-rights price for a Grafton Unit was therefore €2.8833 per Grafton Unit. The 2002 adjusted earnings per share figures shown above are calculated by applying the factor 1.06128 (3.06/2.8833) to the weighted average number of Grafton Units for 2002 in order to adjust for the bonus element of the Rights Issue.

The 1987 to 2001 inclusive earnings per share and dividend per share amounts, set out in the Financial Review on pages 20 and 21, have also been adjusted for the bonus element of the rights issue.

# Notes to the Financial Statements

Year ended 31 December 2003

## 11 Goodwill

	2003 €'000	2002 €'000
<b>Cost</b>		
At 1 January	111,034	69,489
Acquired during the year (note 30)	129,422	46,841
Translation adjustment	<u>(10,593)</u>	<u>(5,296)</u>
<b>At 31 December</b>	<b><u>229,863</u></b>	<b><u>111,034</u></b>
<b>Amortisation</b>		
At 1 January	10,591	6,948
Amortised during the year	9,358	4,195
Translation adjustment	<u>(926)</u>	<u>(552)</u>
<b>At 31 December</b>	<b><u>19,023</u></b>	<b><u>10,591</u></b>
<b>Net book amount</b>	<b><u>210,840</u></b>	<b><u>100,443</u></b>

## 12 Tangible Fixed Assets

Group	Freehold Land and Buildings €'000	Leasehold Land and Buildings €'000	Plant Machinery and Motor Vehicles €'000	Total €'000
<b>Cost or Valuation</b>				
At 1 January 2003	187,612	34,125	151,212	372,949
Additions	19,498	5,697	44,612	69,807
Acquisitions	28,890	4,153	11,076	44,119
Disposals	(17,672)	(386)	(16,033)	(34,091)
Exchange adjustment	<u>(9,400)</u>	<u>(1,893)</u>	<u>(10,191)</u>	<u>(21,484)</u>
<b>At 31 December 2003</b>	<b><u>208,928</u></b>	<b><u>41,696</u></b>	<b><u>180,676</u></b>	<b><u>431,300</u></b>
<b>Comprising</b>				
Cost	162,274	30,304	180,144	372,722
Valuation	<u>46,654</u>	<u>11,392</u>	<u>532</u>	<u>58,578</u>
	<b><u>208,928</u></b>	<b><u>41,696</u></b>	<b><u>180,676</u></b>	<b><u>431,300</u></b>
<b>Depreciation</b>				
At 1 January 2003	5,328	4,077	61,208	70,613
Charge for year	2,251	1,604	24,357	28,212
Disposals	-	(272)	(7,920)	(8,192)
Exchange adjustment	<u>(465)</u>	<u>(449)</u>	<u>(5,231)</u>	<u>(6,145)</u>
<b>At 31 December 2003</b>	<b><u>7,114</u></b>	<b><u>4,960</u></b>	<b><u>72,414</u></b>	<b><u>84,488</u></b>
<b>Net book amount</b>				
<b>At 31 December 2003</b>	<b><u>201,814</u></b>	<b><u>36,736</u></b>	<b><u>108,262</u></b>	<b><u>346,812</u></b>
At 31 December 2002	<u>182,284</u>	<u>30,048</u>	<u>90,004</u>	<u>302,336</u>

## Notes to the Financial Statements

Year ended 31 December 2003

### 12 Tangible Fixed Assets (continued)

The Group's freehold and long leasehold properties located in the Republic of Ireland were professionally valued as at December 1998 by professional valuers in accordance with the Appraisal and Valuation Manual of the Society of Chartered Surveyors. The valuations, which were made on an open market for existing use basis, amounted to €58.0 million. The remaining properties, which are located in the United Kingdom, are included at cost less depreciation.

Freehold land and buildings and leasehold land and buildings would have been stated as follows under the historical cost convention:

	2003 €'000	2002 €'000
Cost	209,250	180,364
Accumulated Depreciation	<u>(12,269)</u>	<u>(9,873)</u>
<b>Net book amount</b>	<b><u>196,981</u></b>	<b><u>170,491</u></b>
		<b>Tangible Fixed Assets €'000</b>
<b>Company</b>		
<b>Cost</b>		
At 1 January 2003		959
Additions		56
Disposals		<u>(23)</u>
<b>At 31 December 2003</b>		<b><u>992</u></b>
<b>Depreciation</b>		
At 1 January 2003		470
Charge for year		137
Disposals		<u>(15)</u>
<b>At 31 December 2003</b>		<b><u>592</u></b>
<b>Net book amount</b>		
<b>At 31 December 2003</b>		<b><u>400</u></b>
At 31 December 2002		<u>489</u>

The tangible fixed assets of the Group include leased assets as follows:

	Plant, Machinery & Motor Vehicles	
	2003 €'000	2002 €'000
Cost	34,071	10,569
Accumulated depreciation	<u>(10,697)</u>	<u>(6,532)</u>
<b>Net book amount</b>	<b><u>23,374</u></b>	<b><u>4,037</u></b>
Depreciation charge for year	<u>1,333</u>	<u>1,290</u>

# Notes to the Financial Statements

Year ended 31 December 2003

## 13 Financial Fixed Assets

	<u>Group</u>	<u>Company</u>		
	<b>Other Investments</b>	<b>Other Investments</b>	<b>Shares in Subsidiary Undertakings</b>	<b>Total</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
At 1 January 2003	33,579	13	18,394	18,407
Translation adjustment	(13)	-	-	-
Arising on acquisition	99	-	-	-
<b>At 31 December 2003</b>	<b><u>33,665</u></b>	<b><u>13</u></b>	<b><u>18,394</u></b>	<b><u>18,407</u></b>

Other Group investments include a holding of 11,760,291 ordinary shares or 23.83 per cent in the ordinary share capital of Heiton Group plc, an Irish registered Company whose shares are listed on the Irish and London Stock Exchanges. The original cost of this investment was €33.5 million and the market value at 31 December 2003 was €48.2 million. The main activities of Heitons are builders merchandising, steel stockholding, homecare/DIY and plant and tool hire. Heitons profit before tax in the financial year ended 30 April 2003 was €9.1 million and its capital and reserves at that date were €137.6 million. The shares are held for investment purposes and the investment has not been treated as an associate, as defined in FRS 9, as the Company does not actively exercise significant influence over Heiton Group plc. Related dividend income is only accrued once declared. The registered office of Heiton Group plc is Ashfield, Naas Road, Clondalkin, Dublin 22.

## 14 Stocks

	<b>Group</b>	
	<b>2003</b>	<b>2002</b>
	<b>€'000</b>	<b>€'000</b>
Raw materials	1,771	1,385
Finished goods	6,160	3,479
Goods purchased for resale	<b>186,505</b>	154,481
	<b><u>194,436</u></b>	<b><u>159,345</u></b>

The estimated replacement cost of stocks is not considered to be materially different from the amounts stated above.

## 15 Debtors

	<b>Group</b>		<b>Company</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
<i>Amounts falling due within one year:</i>				
Trade debtors	215,754	169,286	-	-
Amounts owed by subsidiary undertakings	-	-	266,070	205,503
Prepayments and accrued income	51,728	39,990	7,012	2,904
Pension prepayment	5,315	-	4,162	-
	<b><u>272,797</u></b>	<b><u>209,276</u></b>	<b><u>277,244</u></b>	<b><u>208,407</u></b>

## Notes to the Financial Statements

Year ended 31 December 2003

### 16 Creditors

	Group		Company	
	2003 €'000	2002 €'000	2003 €'000	2002 €'000
<i>Amounts falling due within one year:</i>				
Trade creditors	175,182	150,371	-	-
Accruals and deferred income	60,415	43,062	8,927	4,338
Social welfare	1,512	1,190	-	-
Income tax deducted under PAYE	2,885	1,987	-	-
Value added tax	12,428	12,075	-	-
	<u>252,422</u>	<u>208,685</u>	<u>8,927</u>	<u>4,338</u>
Bank loans and overdrafts	45,169	41,171	4	4
Loan notes (note 17)	36,359	15,551	9,777	459
Obligations under finance leases (note 20)	4,590	998	-	-
Deferred acquisition consideration	2,945	1,777	-	-
Amounts owed to subsidiary undertakings	-	-	78,430	77,313
Corporation tax	13,313	13,833	15	12
	<u>354,798</u>	<u>282,015</u>	<u>97,153</u>	<u>82,126</u>

### 17 Loan Notes

In the case of loan notes issued to vendors of businesses acquired, the notes are redeemable at the option of the note holders on specified dates between February 2004 and May 2008. The interest rates payable on these notes are set at fixed rates or on terms which relate directly to London Inter-Bank Offer Rate (LIBOR). The remaining loan notes were issued in the US Private Placement Market (see note 18).

### 18 Creditors

	Group		Company	
	2003 €'000	2002 €'000	2003 €'000	2002 €'000
<i>Amounts falling due after more than one year:</i>				
Bank loans	308,560	235,008	-	-
Unsecured senior notes due 2008	37,457	50,731	37,457	50,731
Obligations under finance leases (note 20)	18,536	293	-	-
Deferred acquisition consideration	5,373	2,051	-	-
	<u>369,926</u>	<u>288,083</u>	<u>37,457</u>	<u>50,731</u>

During 1998 the Group completed a US\$55 million debt financing in the US Private Placement Market and issued unsecured senior loan notes maturing in 2008. The US dollar proceeds were swapped into sterling and the interest rate payable on the loan notes is currently variable by reference to six month LIBOR rates.

The deferred acquisition consideration is expected to be payable between March 2005 and March 2006.

# Notes to the Financial Statements

Year ended 31 December 2003

## 19 Loans

	2003	2002
<b>Group</b>	<b>€'000</b>	<b>€'000</b>
<i>Bank loans, loan notes and senior unsecured notes 2008 are repayable as follows:</i>		
Between one and two years	48,382	85,340
Between two and five years	252,134	128,809
After five years	45,501	71,590
	<u>346,017</u>	<u>285,739</u>
Bank loans repayable within one year	12,770	27,671
Loan notes repayable within one year	36,359	15,551
	<u>395,146</u>	<u>328,961</u>
<i>Loans fully repayable between one and five years</i>		
Not by instalment	224,750	136,670
By instalment	75,766	77,479
	<u>300,516</u>	<u>214,149</u>
<i>Loans fully repayable in more than five years</i>		
By instalment	45,501	71,590
	<u>346,017</u>	<u>285,739</u>

## 20 Obligations under Finance Leases

	2003	2002
<b>Group</b>	<b>€'000</b>	<b>€'000</b>
<i>Finance lease obligations, included in creditors, net of interest to which the Group is committed are due as follows:</i>		
Within one year	4,590	998
Between one and five years	18,536	293
	<u>23,126</u>	<u>1,291</u>

## 21 Provision for Liabilities and Charges

	2003	2002
<b>Group</b>	<b>€'000</b>	<b>€'000</b>
<b>Deferred taxation</b>		
At 1 January	16,016	16,891
Profit and loss account	2,796	1,774
Acquired with subsidiaries	(5,129)	(2,308)
Transfer from corporation tax	9,500	-
Exchange adjustment	(242)	(341)
<b>At 31 December</b>	<u>22,941</u>	<u>16,016</u>
<i>Deferred taxation arises as follows:</i>		
Capital allowances	4,846	2,970
Other timing differences	18,095	13,046
	<u>22,941</u>	<u>16,016</u>

No provision has been made for deferred tax in respect of the surplus arising on property revaluations, as there is no current intention to dispose of the properties concerned, and on the unremitted earnings of overseas subsidiaries as there is no current intention to repatriate these earnings. The amount provided above reflects all other timing differences.

## Notes to the Financial Statements

Year ended 31 December 2003

### 22 Share Capital

		2003 €'000	2002 €'000
<b>Authorised:</b>			
<b>Equity shares</b>			
300 million ordinary shares of 5c each		15,000	10,000
<b>Redeemable shares</b>			
2.8 billion redeemable shares of 0.01c each		<u>280</u>	<u>200</u>
		<u>15,280</u>	<u>10,200</u>
		2003	2002
		Nominal	Nominal
		Value	Value
		€'000	€'000
<b>Issued and fully paid:</b>			
<b>Ordinary shares</b>			
<b>At 1 January</b>	<b>177,281,140</b>	<b>8,864</b>	<b>8,804</b>
Rights issue	34,376,228	1,719	-
Executive share option scheme			
Date options granted			
May 1992	0.17	-	3
April 1993	0.19	31,838	2
September 1994	0.45	84,902	9
October 1995	0.52	53,064	15
April 1996	0.65	127,353	10
April 1997	1.07	270,726	21
June 1998	2.21	397,162	-
September 1998	1.65	21,226	-
	<u>986,271</u>	<u>49</u>	<u>60</u>
<b>At 31 December</b>	<b>212,643,639</b>	<b>10,632</b>	<b>8,864</b>
<b>Redeemable shares</b>			
<b>At 1 January</b>	<b>1,595,530,260</b>	<b>159</b>	<b>-</b>
Redeemable shares issued under			
rights issue and share options	282,613,451	29	177
Redemption of redeemable shares transferred			
to the capital redemption reserve	<u>(389,638,238)</u>	<u>(39)</u>	<u>(18)</u>
<b>At 31 December</b>	<b>1,488,505,473</b>	<b>149</b>	<b>159</b>
<b>Total share capital</b>		<u><b>10,781</b></u>	<u><b>9,023</b></u>

#### Grafton Units

In May 1999, C ordinary shares of Stg0.001p each were issued by Grafton Group (UK) plc in order to give shareholders the option of receiving dividends on either ordinary shares in Grafton Group plc or on their C ordinary shares in Grafton Group (UK) plc. Following the ten for one share split in 2001, the issue of redeemable shares in July 2002 and the redemption of redeemable shares in September 2002, March 2003 and October 2003, a Grafton Unit at 31 December 2003 comprises of one ordinary share of 5c in Grafton Group plc and one C ordinary share of Stg0.0001p in Grafton Group (UK) plc and seven redeemable shares of 0.01c each in Grafton Group plc.

# Notes to the Financial Statements

Year ended 31 December 2003

## 22 Share Capital (continued)

### Redeemable Shares

The Board has decided to redeem one redeemable share per Grafton Unit for a cash consideration of 6.0 cent payable on 19 March 2004. The Board has also decided to redeem the remaining six redeemable shares per Grafton Unit for a total cash consideration of 5.0 cent payable on 19 March 2004.

### Share Option Schemes

The number of Grafton Units issued during the year under the Company's Share Option Schemes was 986,271 and the total consideration received amounted to €1,359,000. Costs relating to the issues were €11,000. In accordance with the terms of the 1999 Grafton Group Share Option Scheme and the Grafton Group (UK) plc Approved Share Option Scheme, options over 1,852,700 Grafton Units were granted during the year. Total options outstanding at 31 December 2003 amounted to 9,984,619 Grafton Units. Options granted are exercisable, in accordance with the terms of the schemes, at prices ranging between €0.45 and €5.45 during the period to 2013.

### UK SAYE Scheme

Options over 1,456,794 Grafton Units were outstanding at 31 December 2003, pursuant to a three year saving contract under Grafton Group (UK) plc Saving's Related Share Option Scheme at a price of €2.26, which represented a discount of 20 per cent to the market price on the date of the grant. These options are normally exercisable within a period of six months after the third anniversary of the savings contract.

### Treasury Shares

The Company re-issued 900,000 treasury shares as part of the rights issue in March 2003. These shares which were bought back in 1995 at a cost of €486,000 were re-issued for €1,800,000. The original costs of €486,000, which was charged to the profit and loss account in 1995, has been released back to the profit and loss account and the balance of €1,314,000 has been credited to share premium.

## 23 Share Premium Account

	2003 €'000	2002 €'000
<b>Group and Company</b>		
At 1 January	35,465	34,836
Premium on shares issued under rights issue	64,275	-
Premium on shares issued under share option scheme	1,298	806
Premium on re-issue of treasury shares	1,314	-
Bonus issue of redeemable shares	-	(177)
<b>At 31 December</b>	<b>102,352</b>	<b>35,465</b>

The premium on shares issued under rights issue is net of expenses of €2.73 million.

## 24 Capital Redemption Reserve

	2003 €'000	2002 €'000
<b>Group and Company</b>		
At 1 January	18	-
Redemption of redeemable shares	39	18
<b>At 31 December</b>	<b>57</b>	<b>18</b>

## Notes to the Financial Statements

Year ended 31 December 2003

### 25 Revaluation Reserve

	2003 €'000	2002 €'000
<b>Group</b>		
At 1 January	40,533	41,537
Transfer to profit & loss account	<u>(273)</u>	<u>(1,004)</u>
<b>At 31 December</b>	<u><u>40,260</u></u>	<u><u>40,533</u></u>

### 26 Profit and Loss Account

The Group revenue reserves of €296,391,000 (2002: €236,934,000) are after charging goodwill of €12,982,000 (2002: €12,982,000) directly to reserves between 1 January 1988 and 31 December 1997.

In accordance with Section 3(2) of the Companies (Amendment) Act, 1986, the profit and loss account of the parent undertaking has not been presented separately in these financial statements. There was a profit after tax of €17.3 million (2002: €15.3 million) attributable to the parent undertaking for the financial year.

### 27 Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	2003 €'000	2002 €'000
Operating profit	113,965	88,116
Depreciation	28,212	22,439
Goodwill amortisation	9,358	4,195
Profit on disposal of plant, machinery and motor vehicles	(1,615)	(1,839)
Increase in working capital (note 28)	<u>(20,127)</u>	<u>(3,652)</u>
<b>Net cash inflow from operating activities</b>	<u><u>129,793</u></u>	<u><u>109,259</u></u>

### 28 Movement in Working Capital

	Stocks €'000	Debtors €'000	Creditors €'000	Total €'000
At 1 January 2003	159,345	209,276	(208,685)	159,936
Translation adjustment	(9,362)	(17,228)	15,130	(11,460)
Interest accruals and other movements	-	99	(195)	(96)
Acquisitions	39,771	57,880	(51,347)	46,304
<b>Movement in 2003</b>	<u>4,682</u>	<u>22,770</u>	<u>(7,325)</u>	<u>20,127</u>
<b>At 31 December 2003</b>	<u><u>194,436</u></u>	<u><u>272,797</u></u>	<u><u>(252,422)</u></u>	<u><u>214,811</u></u>
Movement in 2002	<u>17,447</u>	<u>13,421</u>	<u>(27,216)</u>	<u>3,652</u>

# Notes to the Financial Statements

Year ended 31 December 2003

## 29 Returns on Investments and Servicing of Finance

	2003 €'000	2002 €'000
Interest received	2,984	2,549
Interest paid	(20,425)	(13,472)
Interest element of finance lease payments	(77)	(65)
Net cash outflow from servicing of finance	<u>(17,518)</u>	<u>(10,988)</u>
Dividend income received	1,694	1,564
	<u>(15,824)</u>	<u>(9,424)</u>

## 30 Acquisition of Subsidiary Undertakings

During the year the Group made nine UK acquisitions and one Irish acquisition at a total cost of €220.1 million. The only substantial acquisition under FRS 6 was Jackson Building Centres Limited, a regional builders merchant chain trading from eighteen branches in the East Midlands. Four other merchanting chains acquired in the UK were Plumblin, a Scottish based plumbers merchant trading from 17 branches, Boole's, a three branch merchanting business based in Stockport, Cheshire; Rowlinsons, a three branch builders merchant based in Cheshire and Gloster Building Supplies, a two branch builders merchant based in Gloucester. The Group also acquired four single branch builders merchanting businesses located at Falkirk, Scotland; Bilston, West Midlands; Wantage, Oxfordshire and Haverhill, Suffolk.

In Ireland, the Group acquired Telfords, a three branch builders merchant based in the Midlands.

	2003 €'000	2002 €'000
<i>The fair values of assets and liabilities acquired are set out below:</i>		
Tangible fixed assets	44,119	24,560
Financial fixed assets	99	30
Stocks	39,771	14,730
Debtors	57,880	28,262
Creditors	(51,347)	(25,361)
Corporation tax	(4,492)	(1,846)
Deferred tax liability	(272)	(335)
Deferred tax asset	5,401	2,643
Finance leases acquired	(478)	(744)
Net assets acquired excluding cash and overdrafts	<u>90,681</u>	<u>41,939</u>
Goodwill	129,422	46,841
<b>Consideration</b>	<u>220,103</u>	<u>88,780</u>
<b>Satisfied by:</b>		
Cash paid	187,497	76,379
Cash acquired	(7,813)	(10,712)
Bank overdrafts assumed on acquisition	9,725	5,462
<b>Net cash outflow</b>	<u>189,409</u>	<u>71,129</u>
Deferred acquisition consideration	6,127	3,178
Loan notes issued to vendors of businesses acquired	24,567	14,473
	<u>220,103</u>	<u>88,780</u>

## Notes to the Financial Statements

Year ended 31 December 2003

### 30 Acquisition of Subsidiary Undertakings (continued)

The fair value of net assets acquired of €90,681,000 includes the Jackson Building Centres Ltd acquisition which was made on 3 March 2003 and which constituted a substantial acquisition for the Group.

	Fair Values €'000	Consideration €'000	Goodwill €'000
Jackson Building Centres Ltd	60,979	138,797	77,818
Other acquisitions	29,702	81,306	51,604
	<u>90,681</u>	<u>220,103</u>	<u>129,422</u>

The fair values were calculated as follows:

	Book Values €'000	Fair Value Adjustments €'000	Fair Values €'000
<b>Jackson Building Centres Ltd</b>			
Tangible fixed assets	26,812	4,378	31,190
Financial fixed assets	72	-	72
Working capital	36,721	(9,193)	27,528
Corporation tax	(1,698)	-	(1,698)
Deferred tax asset	1,167	2,758	3,925
Finance leases	(38)	-	(38)
	<u>63,036</u>	<u>(2,057)</u>	<u>60,979</u>
<b>Other acquisitions</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
Tangible fixed assets	12,929	-	12,929
Financial fixed assets	27	-	27
Working capital	18,776	-	18,776
Corporation tax	(2,794)	-	(2,794)
Deferred tax liability	(272)	-	(272)
Deferred tax asset	1,476	-	1,476
Finance leases	(440)	-	(440)
	<u>29,702</u>	<u>-</u>	<u>29,702</u>

The fair value adjustment of €4,378,000 relates to the revaluation of freehold land and buildings on the acquisition of Jacksons. A further fair value adjustment was also made for the Jackson pension deficit of €9,193,000 and the related deferred tax credit of €2,758,000.

No provisions were made in respect of reorganisation and rationalisation costs or asset write-downs in the financial statements of the businesses acquired during the twelve months preceding the date of acquisition.

The effect of acquisitions made during the year on the principal headings of the Group Cash Flow Statement is as follows:

	Operating Cash Flow €'000	Servicing of Finance €'000	Taxation €'000	Capital Expenditure €'000	Total €'000
Jackson Building Centres Ltd	21,397	(2,563)	(762)	(1,901)	16,171
Other acquisitions	3,728	(1,854)	(139)	(228)	1,507
	<u>25,125</u>	<u>(4,417)</u>	<u>(901)</u>	<u>(2,129)</u>	<u>17,678</u>

Post-acquisition integration and re-organisation costs of acquired businesses are charged to the profit and loss account as incurred.

# Notes to the Financial Statements

Year ended 31 December 2003

## 30 Acquisition of Subsidiary Undertakings (continued)

The results of Jackson Building Centres Ltd for its previous financial year, being the year ended 31 December 2002, and for the period from 1 January 2003 to 28 February 2003, are set out below:

	Period ended 28 Feb 2003 €'000	Year ended 31 Dec 2002 €'000
Turnover	<u>31,159</u>	<u>212,849</u>
Operating profit	814	10,963
Net interest (receivable)/payable	<u>(52)</u>	<u>346</u>
Profit on ordinary activities before taxation	<u>866</u>	<u>10,617</u>

The turnover and operating profit before goodwill from 3 March 2003 to 31 December 2003 amounted to €174,883,000 and €12,612,000 respectively.

## 31 Analysis of Net Debt

	At 1 Jan 2003 €'000	Cash Flow €'000	Acquisitions €'000	Non-Cash Movement €'000	Translation Adjustments €'000	At 31 Dec 2003 €'000
Cash at bank and in hand	35,386	(2,925)	-	-	(1,515)	30,946
Overdrafts	(13,500)	(20,118)	-	-	1,219	(32,399)
Total cash and demand debt	<u>21,886</u>	<u>(23,043)</u>	<u>-</u>	<u>-</u>	<u>(296)</u>	<u>(1,453)</u>
Short term deposits and liquid resources	<u>67,722</u>	<u>40,312</u>	<u>-</u>	<u>-</u>	<u>(24)</u>	<u>108,010</u>
Debt due after 1 year	(235,008)	(80,308)	-	(11,350)	18,106	(308,560)
Unsecured Senior Notes and loan notes due after 1 year	(50,731)	-	-	9,365	3,909	(37,457)
Debt due within 1 year						
- Bank loans	(27,671)	1,419	-	11,350	2,132	(12,770)
- Loan notes	(15,551)	11,240	(24,567)*	(9,365)	1,884	(36,359)
Finance leases	<u>(1,291)</u>	<u>(21,421)</u>	<u>(478)</u>	<u>-</u>	<u>64</u>	<u>(23,126)</u>
Total term finance	<u>(330,252)</u>	<u>(89,070)</u>	<u>(25,045)</u>	<u>-</u>	<u>26,095</u>	<u>(418,272)</u>
<b>Net debt</b>	<u>(240,644)</u>	<u>(71,801)</u>	<u>(25,045)</u>	<u>-</u>	<u>25,775</u>	<u>(311,715)</u>

\*These loan notes were issued by the Group to the vendors of businesses acquired in part settlement of the purchase consideration payable.

The non-cash movements reflects the re-scheduling of debt in the year.

## Notes to the Financial Statements

Year ended 31 December 2003

### 32 Group Net Debt

	2003 €'000	2002 €'000
Bank loans and overdrafts repayable within one year	45,169	41,171
Bank loans repayable after more than one year	308,560	235,008
Loan notes repayable after more than one year	37,457	50,731
Loan notes repayable within one year	36,359	15,551
Finance leases	<u>23,126</u>	<u>1,291</u>
	450,671	343,752
Cash and short term bank deposits	<u>(138,956)</u>	<u>(103,108)</u>
Net debt	<u>311,715</u>	<u>240,644</u>
Shareholders' funds	<u>449,841</u>	<u>321,973</u>
Gearing	<u>69%</u>	<u>75%</u>

### 33 Financial Instruments and Risk Management

#### Interest Rate and Currency Profile

The interest rate and currency profile of the Group's net debt and net worth as at 31 December 2003 was as follows:

	Euro	Sterling	Total
Weighted average fixed interest rates	-	4.55%	4.55%
Weighted average fixed debt periods – years	-	3.81	3.81
	Euro €'000	Sterling €'000	Total €'000
Fixed rate debt	-	(194,809)	(194,809)
Floating rate debt	(1,448)	(254,414)	(255,862)
Cash and short term bank deposits	<u>89,423</u>	<u>49,533</u>	<u>138,956</u>
Net debt by currency	87,975	(399,690)	(311,715)
Financial fixed assets	33,472	193	33,665
Deferred acquisition consideration due after more than one year	<u>(4,425)</u>	<u>(948)</u>	<u>(5,373)</u>
Net financial assets and liabilities (excluding short term debtors and creditors)	117,022	(400,445)	(283,423)
Capital employed	230,830	502,434	733,264
Shareholders' funds (net worth)	<u>347,852</u>	<u>101,989</u>	<u>449,841</u>

# Notes to the Financial Statements

Year ended 31 December 2003

## 33 Financial Instruments and Risk Management (continued)

The interest rate and currency profile of the Group's net debt and net worth as at 31 December 2002 was as follows:

	Euro	Sterling	Total
Weighted average fixed interest rates	4%	5.04%	5.03%
Weighted average fixed debt periods – years	1	4.24	4.23
	Euro €'000	Sterling €'000	Total €'000
Fixed rate debt	(490)	(110,020)	(110,510)
Floating rate debt	(841)	(232,401)	(233,242)
Cash and short term bank deposits	82,788	20,320	103,108
Net debt by currency	<u>81,457</u>	<u>(322,101)</u>	<u>(240,644)</u>
Deferred acquisition consideration due after more than one year	<u>-</u>	<u>(2,051)</u>	<u>(2,051)</u>
Net financial assets and liabilities (excluding short term debtors and creditors)	81,457	(324,152)	(242,695)
Capital employed	175,426	389,242	564,668
<b>Shareholders' funds (net worth)</b>	<u><u>256,883</u></u>	<u><u>65,090</u></u>	<u><u>321,973</u></u>

The Group's floating rate debt attracts interest rates primarily on one to twelve month EURIBOR (Euro) and LIBOR (Sterling). Cash and short term bank deposits comprise deposits placed at money market rates for periods of up to six months.

### Maturity of Financial Liabilities

The maturity profile of the Group's financial liabilities (bank debt, loan notes, deferred consideration and finance leases) is set out in notes 16 to 20 and can be summarised as follows:

	Bank and other debt 2003 €'000	Other financial liabilities 2003 €'000	Total 2003 €'000	Bank and other debt 2002 €'000	Other financial liabilities 2002 €'000	Total 2002 €'000
Due within one year	86,118	2,945	89,063	57,720	1,777	59,497
Between one and two years	52,765	3,198	55,963	85,633	1,025	86,658
Between two and five years	266,287	2,175	268,462	128,809	1,026	129,835
After five years	45,501	-	45,501	71,590	-	71,590
	<u><u>450,671</u></u>	<u><u>8,318</u></u>	<u><u>458,989</u></u>	<u><u>343,752</u></u>	<u><u>3,828</u></u>	<u><u>347,580</u></u>

### Borrowing Facilities

The Group had undrawn committed borrowing facilities at 31 December 2003 of €68.2 million in respect of which all conditions precedent have been met and which expire after three years.

## Notes to the Financial Statements

Year ended 31 December 2003

### 33 Financial Instruments and Risk Management (continued)

#### Fair Value of Financial Assets and Financial Liabilities

A comparison of the book and fair values of the Group's financial assets and financial liabilities is set out below:

	Book value 2003 €'000	Fair value 2003 €'000	Book value 2002 €'000	Fair Value 2002 €'000
Overdraft and short term borrowings	(45,169)	(45,169)	(41,171)	(41,171)
Loans and Unsecured Senior Notes due after more than one year	(346,017)	(346,017)	(285,739)	(285,739)
Loan notes	(36,359)	(36,359)	(15,551)	(15,551)
Leasing	(23,126)	(23,126)	(1,291)	(1,291)
Cash and short-term deposits	138,956	138,956	103,108	103,108
	<u>(311,715)</u>	<u>(311,715)</u>	<u>(240,644)</u>	<u>(240,644)</u>
Other investments	33,665	48,425	33,579	25,994
Sterling SWAP's	-	2,287	-	(3,533)
	<u>(278,050)</u>	<u>(261,003)</u>	<u>(207,065)</u>	<u>(218,183)</u>

#### Gains and Losses on Hedges

At 31 December 2003 there were no gains or losses on forward foreign exchange contract hedges carried forward for future recognition in the profit and loss account.

#### Treasury Policy

The Group's treasury policies, which are regularly reviewed, are designed to reduce financial risk in a cost efficient way. A limited number of foreign exchange swaps, forward and spot foreign currency contracts and interest rate swaps are undertaken periodically to hedge underlying trading and interest rate exposures.

#### Foreign Currency Risk Management

The majority of trade conducted by the Group's Irish businesses is in euro. Sterling is the principal currency for the Group's UK businesses. The Group uses a limited number of forward currency contracts to manage currency risks arising in the ordinary course of business where considered appropriate.

The Group's current policy in relation to its UK operations is to hedge the balance sheet exposure by means of matching sterling assets with sterling borrowings.

#### Interest Rate Risk

The majority of the Group's ongoing operations are financed from a mixture of cash generated from operations and borrowings. Borrowings are initially secured at floating interest rates and interest rate risk is monitored on an ongoing basis. Interest rate swaps and forward rate agreements are used to manage interest rate risk when considered appropriate having regard to the interest rate environment.

#### Funding and Liquidity

The Group has significant cash resources at its disposal which together with undrawn bank facilities provide flexibility in financing existing operations, acquisitions and other developments.

# Notes to the Financial Statements

Year ended 31 December 2003

## 34 Capital Expenditure Commitments

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

	2003 €'000	2002 €'000
Contracted for	15,852	11,096
Not contracted for	<u>41,289</u>	<u>30,819</u>
	<u>57,141</u>	<u>41,915</u>

## 35 Operating Leases

Annual commitments under non cancelable operating leases are as follows:

	Land and Buildings 2003 €'000	Other 2003 €'000	Land and Buildings 2002 €'000	Other 2002 €'000
Group				
<i>Operating leases which expire:</i>				
Within one year	233	697	382	339
Between two and five years	1,849	576	1,429	811
Over five years	<u>15,523</u>	<u>88</u>	<u>12,284</u>	<u>148</u>
	<u>17,605</u>	<u>1,361</u>	<u>14,095</u>	<u>1,298</u>

## 36 Guarantees

The Company has given guarantees in respect of the bank borrowings of subsidiary undertakings which amounted to €381 million at the balance sheet date.

Pursuant to the provisions of Section 17, Companies (Amendment) Act, 1986, the Company has guaranteed the liabilities of its Irish subsidiaries the result of which is to exempt them from the provisions of Section 7, Companies (Amendment) Act, 1986. The principal operating subsidiaries operating in Ireland as set out on page 65 are covered by this guarantee. This guarantee also applies to the following wholly owned subsidiaries, whose Registered Office is 1 Stokes Place, St. Stephen's Green, Dublin 2: CPI Limited, MFP Plastics Limited, MFP Sales Limited, Pulsar Direct Limited, Telford Group Limited, Telfords (Portlaoise) Limited, Telfords (Athy) Limited, J.E. Telford Limited, Knottingley Limited, Weeksbury Limited, Titanium Limited, W&S Timber Components Limited, Grafton Financial Services Limited, Chadwicks Holdings Limited, Tribiani Limited, Athina Limited, Perchura Limited, Heatovent Ireland Limited, Payless D.I.Y. Limited, Circle Syntalux Limited, Circle Paints Manufacturing Ireland Limited, Cheshunt Limited, Kenn Truss Limited, Tiska Limited, Topez Limited, Denningco Limited, Universal Providers Limited, Heron Financial Services Limited, Grafton Group Management Services Limited and Grafton Group Secretarial Services Limited.

## 37 Pension Commitments

The Group has continued to account for pensions in accordance with SSAP 24 and the relevant disclosures are given in (a) below. FRS 17, the new accounting standard on retirement benefit will be fully adopted by the Group during the year ended 31 December 2005. In the meantime the phased transitional disclosure requirements of FRS 17 are given in (b) below.

## Notes to the Financial Statements

Year ended 31 December 2003

### 37 Pension Commitments (continued)

#### (a) SSAP 24 Disclosures

A number of defined benefit and defined contribution pension schemes are operated by the Group and the assets of the schemes are held in separate trustee administered funds.

Contributions to the schemes are charged to the profit and loss account based on the recommendations of independent qualified actuaries, so as to spread the cost of pensions over employees' working lives with the Group using the projected unit credit or attained age methods of funding. The most recent actuarial valuations were carried out in January 2001 and April 2001 for the existing schemes and in December 2002 for the Jacksons scheme and confirmed that the total market value of the schemes' assets were €77,464,000. Since the actuarial valuations were carried out, the financial position of the schemes will have changed due to the fall in the value of the schemes' assets such that in some cases the assets are insufficient to cover the value of the schemes' liabilities on a current funding level basis. Special additional contributions totalling €13.6 million were made during the year to reduce the deficits in the schemes.

The assumptions which have the most significant effect on the results of the valuations are those relating to the rate of return on investments and the rates of increase in pensionable remuneration. In the case of most of the valuations it was assumed that the investment return would be two per cent per annum in excess of the assumed rate of growth in pensionable remuneration.

Allowing for expected future increases in pensionable remuneration up to the assumed retirement dates of members, the actuarial value of the schemes' assets before future contributions, represented 87% of the benefits that had accrued to members. The employer's contribution rate over the average remaining service lives of the members of the schemes takes account of the current actuarial funding level.

The pension charge for the year was €7,291,000 (2002: €4,473,000).

The actuarial reports are not available for public inspection.

#### (b) FRS 17 Retirement Benefits

The Group operates six defined benefit schemes in Ireland and three in the UK. Full actuarial valuations were carried out at 1 January 2001, 1 April 2001 and 31 December 2002 and updated to 31 December 2003 by a qualified independent actuary. All schemes except for one are closed to new entrants and as a result the current service cost will increase as members of the schemes approach retirement.

#### Financial Assumptions

The financial assumptions used to calculate the retirement benefit liabilities under FRS 17 were as follows:

	2003	2002	2001
Valuation Method	Projected Unit	Projected Unit	Projected Unit
Rate of increase in salaries	3.5%	3.5%	3.5%
Rate of increase of pensions in payment	2.5%	2.5%	2.5%
Discount rate	5.3%	5.5%	6.0%
Inflation rate increase	2.5%	2.5%	2.5%

# Notes to the Financial Statements

Year ended 31 December 2003

## 37 Pension Commitments (continued)

### (b) FRS 17 Retirement Benefits (continued)

#### Scheme Assets

The assets in these schemes and the long term rates of return expected at 31 December 2003, 31 December 2002 and 31 December 2001 are set out below:

	2003 %	2002 %	2001 %
Equities	7.25%	7.0%	7.0%
Bonds	5.3%	5.5%	5.5%
Property	7.0%	7.0%	7.0%
Cash	4.0%	4.0%	5.0%

  

	2003 €'000	2002 €'000	2001 €'000
Equities	58,987	31,702	41,766
Bonds	13,417	8,146	8,043
Property	2,332	2,474	3,843
Cash	12,969	1,273	2,370
	<u>87,705</u>	<u>43,595</u>	<u>56,022</u>
Actuarial value of liabilities	(112,867)	(69,266)	(60,237)
Recoverable deficit in the schemes	<u>(25,162)</u>	<u>(25,671)</u>	<u>(4,215)</u>
Related deferred tax asset	5,705	5,161	769
Net pension liability under FRS 17	<u>(19,457)</u>	<u>(20,510)</u>	<u>(3,446)</u>

#### Analysis of the amount that would have been charged to operating profit in 2003 and 2002 under FRS 17:

	2003 €'000	2002 €'000
Current service cost	2,575	1,332
Past service cost	-	-
Total operating charge	<u>2,575</u>	<u>1,332</u>

#### Analysis of the amount that would have been credited to other finance income in 2003 and 2002 under FRS 17:

	2003 €'000	2002 €'000
Expected return on scheme assets	4,795	3,600
Interest on scheme liabilities	(5,342)	(3,476)
Net return	<u>(547)</u>	<u>124</u>

## Notes to the Financial Statements

Year ended 31 December 2003

### 37 Pension Commitments (continued)

#### (b) FRS 17 Retirement Benefits (continued)

##### Analysis of amount that would have been recognised in statement of total recognised gains and losses (STRGL)

	2003 €'000	2002 €'000
Actual return less expected return on pension scheme assets	4,493	(13,711)
Experience gains and losses arising on the scheme liabilities	12	(2,179)
Changes in assumptions underlying the present value of scheme liabilities	(10,677)	(5,895)
	<u>(6,172)</u>	<u>(21,785)</u>
<b>Actuarial loss recognised in STRGL</b>		
<b>Movement in deficit during the year</b>		
Recoverable deficit in the schemes at beginning of year	(25,671)	(4,215)
<i>Movement in year:</i>		
Currency adjustment on opening deficit	860	88
On acquisition	(7,835)	-
Current service cost	(2,575)	(1,332)
Employer contribution paid	16,778	1,449
Past service cost	-	-
Other finance income	(547)	124
Actuarial loss	<u>(6,172)</u>	<u>(21,785)</u>
Recoverable deficit in the schemes at end of year	<u>(25,162)</u>	<u>(25,671)</u>
<b>History of experience gains and losses:</b>		
	2003 €'000	2002 €'000
<i>Difference between the expected and actual return on scheme assets:</i>		
Amount	4,493	(13,711)
Percentage of scheme assets	(5.1%)	(31.5%)
<i>Experience gains and (losses) on scheme liabilities:</i>		
Amount	12	(2,179)
Percentage of past service scheme liabilities	(-)	(3.1%)
<i>Total amount recognised in STRGL:</i>		
Amount	(6,172)	(21,785)
Percentage of past service scheme liabilities	(5.5%)	(31.5%)

# Notes to the Financial Statements

Year ended 31 December 2003

## 37 Pension Commitments (continued)

### (b) FRS 17 Retirement Benefits (continued)

	2003 €'000	2002 €'000
<b>Net assets</b>		
Net assets per Group balance sheet	449,841	321,973
Less SSAP 24 pension asset	(5,315)	-
Net pension liabilities	(19,457)	(20,510)
	<u>425,069</u>	<u>301,463</u>
<b>Reserves</b>		
Profit and loss reserve per Group balance sheet	296,391	236,934
Add SSAP 24 pension asset charged	116	-
Pension deficit	(19,457)	(20,510)
	<u>277,050</u>	<u>216,424</u>

## 38 Principal Operating Subsidiary Undertakings

Details of the principal operating subsidiary undertakings are set out on page 65.

## 39 Approval of Financial Statements

The Board of Directors approved the financial statements on 9 March 2004.