

# Report on Directors' Remuneration

The Remuneration Committee comprises Ms. Gillian Bowler, who chairs the Committee, Mr. Anthony E. Collins and Mr. Richard W. Jewson, all of whom are non-executive Directors with no personal financial interest other than as shareholders in the matters to be decided by Committee, no potential conflicts of interest arising from cross-directorships and no day to day involvement in the running of the business. The Committee is responsible for the formulation of the Group's policy on remuneration in relation to all executive Directors.

The fee payable to non-executive Directors is determined by the Board within the provisions and limits set out in the Articles of Association.

## Remuneration Policy

In making its recommendations the Remuneration Committee has given consideration to the provisions of the 2006 FRC Combined Code and the Irish Stock Exchange's requirements on Directors' remuneration. The remuneration policy adopted by the Group is to reward its executive Directors competitively having regard to comparable companies and the need to attract, retain and motivate executives of appropriate calibre. The Executive Chairman is fully consulted about remuneration proposals and outside advice is sought by the Remuneration Committee when necessary. The elements of the remuneration package for executive Directors are basic salary and benefits, performance related bonus, pension and the ability to participate in the 1999 Grafton Group Share Scheme and the Grafton Group Employee Share Participation Scheme.

## Service Contracts

One executive director has a service contract with a period of notice of twelve months.

## Basic Salary and Benefits

The basic salaries of executive Directors are reviewed annually having regard to personal performance, Company performance and competitive market practice.

## Performance Related Bonus

The level of performance bonus is determined for each individual executive Director. The level earned in any one year depends on the Remuneration Committee's assessment of each individual's performance for that year and also on an assessment of the overall performance of the Group.

## Pensions

Three executive Directors participated in a Group defined benefit scheme. Pensions are calculated on basic salary and bonus which is limited to a pre-determined maximum percentage of basic salary or maximum percentage of bonus. The calculation of pensions under the defined benefit scheme was consistent with the principles adopted in the calculation of pension benefits for a number of senior executives in the Group.

## Share Schemes

It is the practice of the Group to enable key executives throughout the Group to acquire shares in the Group so as to provide an incentive to perform strongly over an extended period and to align their interests with those of shareholders. Under the terms of the 1999 Grafton Group Share Scheme, two types of share are available subject to the conditions set out below:

- (i) Basic shares which cannot be converted before the expiration of five years, unless the Remuneration Committee agrees to a shorter period which shall not be less than three years, and provided the Company's earnings per share has grown at not less than the rate of growth in the Consumer Price Index plus 5 per cent compounded during that period.

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- (ii) Second tier shares which cannot be converted before the expiration of five years and only if over a period of at least five years, the growth in the Group's earnings per share would place it in the top 25 per cent of the companies listed on the Irish Stock Exchange Index over the same period and also provided that such shares shall be acquired only if the Company's earnings per share growth over the relevant period is greater, by not less than 10 per cent on an annualised basis, than the increase in the Consumer Price Index over that period.

The share scheme has a ten year life and the percentage of share capital which may be issued under the scheme and individual grant limits comply with Institutional Guidelines.

## Share Participation Scheme

The Grafton Group Employee Share Participation Scheme is open to all Irish based employees who have at least eighteen months continuous service and executive Directors are entitled to participate in the scheme on the same basis as all other employees.

## Directors' Remuneration and Pension Entitlements

The following table presents the remuneration of the Directors in accordance with the Irish Stock Exchange Listing Rules.

	Performance			Total 2007 €'000	Total 2006 €'000
	Basic Salary 2007 €'000	related bonus 2007 €'000	Other benefits 2007 €'000		
<b>Remuneration for 2007</b>					
Executive Directors					
M. Chadwick	608	317	39	<b>964</b>	965
C. Ó Nualláin	480	250	34	<b>764</b>	769
L. J. Martin	470	245	35	<b>750</b>	730
J.F. Malone	250	125	29	<b>404</b>	404
	1,808	937	137	<b>2,882</b>	2,868
			<b>Fees 2007 €'000</b>	<b>Total 2007 €'000</b>	<b>Total 2006 €'000</b>
Non-executive Directors					
A.E. Collins			70	<b>70</b>	70
G. Bowler			70	<b>70</b>	70
R.W. Jewson			70	<b>70</b>	70
R. Ryan			70	<b>70</b>	55
P. S. Wood			70	<b>70</b>	35
			350	<b>350</b>	300
<b>Sub-total</b>				<b>3,232</b>	3,168
Share based payments charge				<b>429</b>	253
Pension charge to Income Statement under IAS 19 for Executive Directors				<b>398</b>	467
<b>Total Directors' Remuneration charged to Income Statement</b>				<b>4,059</b>	3,888

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## Directors' Pensions

Pension benefits earned by Directors who are members of a defined benefit pension scheme were as follows:

	Increase in accrued pension during the year		Accumulated total accrued pension at the year end		Transfer value of the increase in accumulated accrued benefits at the year end	
	2007	2006	2007	2006	2007	2006
	€'000	€'000	€'000	€'000	€'000	€'000
M. Chadwick	42	41	523	462	785	792
C. Ó Nualláin	30	33	311	271	446	459
L. J. Martin	28	43	325	288	436	702

## Directors' and Secretary's Interests

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

Director	31 December 2007 Grafton Units *	31 December 2006 Grafton Units
M. Chadwick	18,840,230	18,839,100
A.E. Collins	450,000	420,000
C. Ó Nualláin	1,138,068	1,001,584
L.J. Martin	184,605	184,359
J.F. Malone	531,080	529,950
G. Bowler	132,000	132,000
R.W. Jewson	42,204	42,204
R. Ryan	25,000	25,000
P. S. Wood	5,000	-

Mr M. Chadwick purchased 813,000 Grafton Units in the market on 7 January 2008 increasing his holding to 19,653,230 Grafton Units representing 8.6 per cent of the units in issue. Mr. Chadwick was appropriated 1,130 Grafton Units under the Grafton Group Share Participation Scheme on 11 July 2007.

Mr. M. Chadwick also holds a non-beneficial interest in 2,986,560 (2006: 2,986,560) Grafton Units in his capacity as a Trustee of a family trust. He also holds a non-beneficial interest as nominee in 178,640 Grafton Units. Mr. M. Chadwick and Mr. C. Ó Nualláin have a non-beneficial interest in 647,735 (2006: 704,625) Grafton Units as Trustees of the Grafton Group plc Employee Share Participation Scheme.

Mr. A. E. Collins purchased 30,000 Grafton Units on 20 November 2007 at the market price of €6.20 per Grafton Unit. On 11 July 2007, Mr. C. Ó Nualláin was appropriated 1,130 Grafton Units under the Grafton Group Share Participation Scheme. On 15 October 2007, Mr. Ó Nualláin acquired 127,354 Grafton Units at €4.00 per Unit in accordance with the rules of the 1999 Grafton Group Share Scheme. The market value of a Grafton Unit on 15 October 2007 was €8.44. Mr. Ó Nualláin acquired a further 8,000 Grafton Units on 14 December 2007 at a market price of €5.60 per Grafton Unit. Mr L.J. Martin was appropriated 246 Grafton Units on 19 September 2007 under the Heiton Group Employee Profit Sharing Scheme. On 11 July 2007, Mr. J. F. Malone was appropriated 1,130 Grafton Units under the Grafton Group Share Participation Scheme. Mr. P.S. Wood acquired 5,000 Grafton Units on 2 October 2007 at a market price of Stg£5.90 per Grafton Unit.

Except as noted above there have been no changes in the interests of the Directors between 31 December 2007 and the date of this report.

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Mr. C. Rinn, Secretary, had a beneficial interest in 259,705 Grafton Units at 31 December 2007 (2006: 258,575). Mr. Rinn was appropriated 1,130 Grafton Units on 11 July 2007 under the Grafton Group Share Participation Scheme.

Mr. J.F. Malone had a beneficial interest in 80 ordinary shares in Tribiani Limited, a subsidiary undertaking at 31 December 2007 (31 December 2006: 80). This represented 5 per cent of the issued ordinary shares of the company. Mr. Malone had an entitlement to have the option to invest in an Approved Retirement Fund (ARF). The registered number of the company is 316401.

\*At 31 December 2007 a Grafton Unit comprised one ordinary share of 5 cent each and three 'A' ordinary shares of 0.01 cent each in Grafton Group plc and one 'C' ordinary share of Stg0.0001p in Grafton Group (UK) plc.

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

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

	Number of Units				Price €	Period over which Grafton Units may be acquired	
	1 January 2007	31 December 2007	Basic	Second Tier			
L. J. Martin	120,000	120,000	60,000	60,000	8.11	Oct 2010	Oct 2015
	120,000	120,000	60,000	60,000	11.50	Oct 2011	Oct 2016
	-	120,000#	60,000	60,000	8.48	Sept 2012	Sept 2017
	<u>240,000</u>	<u>360,000</u>	<u>180,000</u>	<u>180,000</u>			
C.Ó Nualláin	127,354	-	-	-	4.00	April 2007	March 2012
	160,000	160,000	80,000	80,000	5.45	Nov 2008	Oct 2013
	160,000	160,000	87,500	72,500	6.20	May 2009	April 2014
	120,000	120,000	60,000	60,000	8.11	Oct 2010	Oct 2015
	120,000	120,000	60,000	60,000	11.50	Oct 2011	Oct 2016
	-	120,000#	60,000	60,000	8.48	Sept 2012	Sept 2017
<u>687,354</u>	<u>680,000</u>	<u>347,500</u>	<u>332,500</u>				
J. F. Malone	159,192	159,192	159,192	-	2.21	June 2003	May 2008
	159,192	159,192	90,209	68,983	1.81	July 2004	July 2009
	159,192	159,192	84,902	74,290	2.07	May 2005	April 2010
	<u>477,576</u>	<u>477,576</u>	<u>334,303</u>	<u>143,273</u>			

Mr. C. Ó Nualláin acquired 127,354 Grafton Units at €4.00 per Unit on 15 October 2007 in accordance with the rules of the 1999 Grafton Group Share Scheme. The market value of a Grafton Unit on 15 October 2007 was €8.44.

Mr. C. Rinn had an interest to acquire 440,177 Grafton Units at 31 December 2007 at prices ranging between €4.00 and €11.50 (31 December 2006: 340,177) in accordance with the 1999 Grafton Group Share Scheme including an interest to acquire 100,000 Grafton Units granted on 24 September 2007 at €8.48 per unit.

The closing price of a Grafton Unit on 31 December 2007 was €5.40 (31 December 2006: €12.66) and the price range during the year was between €5.20 and €12.88 (2006: €9.03 and €12.75).

There has not been any contract or arrangement with the Company or any subsidiary undertaking during the year in which a Director of the Company was materially interested and which was significant in relation to the Company's business.

# Entitlements to convert to Grafton units issued on 24 September 2007 subject to the rules of the 1999 Grafton Group Share Scheme.