Grafton Group plc

Building progress together

Annual Report and Accounts 2023

Welcome to our 2023 Annual Report and Accounts

Grafton Group plc is an international business operating in the distribution, manufacturing and DIY retail sectors of the building materials industry.

In this year's report

Underlying market fundamentals for the Group's RMI and new housing markets remain strong

Find out more on page 34

£228.3m

(2022: £208.9 million)

returned to shareholders in dividend payments and share buybacks.

Find out more on page 36

£0.8m+

invested in communities through cash contributions, volunteering and in-kind products and services.

Find out more about Community on page 106

Significant progress advancing the Group's sustainability agenda

Find out more about Sustainability on page 82

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01 Strategic Report

Despite challenging market conditions, Grafton has succeeded in delivering full year adjusted operating profit above the top end of Analysts' forecasts."

Eric Born
CEO

Find out more on page 34

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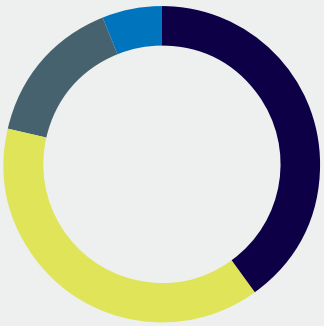
Revenue by geography



UK	40.1%
Ireland	38.7%
Netherlands	15.2%
Finland	6.0%

Grafton Group plc is a Dublin based company, listed on the London Stock Exchange.

We operate leading business to business ("B2B") distribution formats for building materials and construction related products in Ireland, the UK, the Netherlands and Finland. Our distribution colleagues serve our customers through regional or national branch networks of leading brands. In our B2B offering, we focus on small and medium sized contractors and installers that are mainly active in the residential repair, maintenance and improvement ("RMI") and new-build end-markets.

We also operate the largest consumer focused DIY retailer in Ireland which is complementary to our Irish distribution business and we manufacture and distribute mortar and timber windows and staircases in the UK.

We add value for our customers by providing excellent product range availability, high service levels and competitive pricing.

We provide our customers with the benefit of scale combined with the local knowledge and focus of each operating business.

We pride ourselves on operational excellence and innovative solutions to support our customer-focused approach.

Our main brands

Distribution

selco BUILDERS WAREHOUSE

Leyland The Decorating Experts

MacBlair Your LOCAL Builders' Merchant

ISERO

IKH

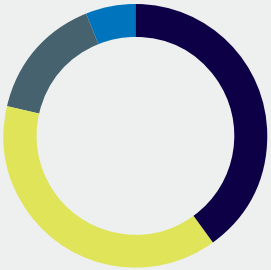
Retailing

Manufacturing

CPI

EuroMix

StairBox we make stairs...easy

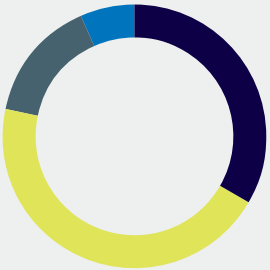


Group revenue

£2.32bn

(2022: £2.30bn)

- UK 40.1% (2022: 41.4%)
- Ireland 38.7% (2022: 37.8%)
- Netherlands 15.2% (2022: 14.6%)
- Finland 6.0% (2022: 6.2%)



Adjusted operating profit*

£205.5m

(2022: £285.9m)

- UK 33.6% (2022: 44.0%)
- Ireland 44.8% (2022: 36.6%)
- Netherlands 15.2% (2022: 12.6%)
- Finland 6.4% (2022: 6.8%)

UK

Number of branches & factories

143

(2022: 139)

Revenue

£929.8m

(2022: £951.6m)

Adjusted operating profit**

£73.5m

(2022: £107.4m)

Adjusted operating profit margin

7.9%

(2022: 11.3%)

Ireland

Number of branches & factories

92

(2022: 89)

Revenue

£898.2m

(2022: £870.0m)

Adjusted operating profit**

£97.7m

(2022: £108.5m)

Adjusted operating profit margin

10.9%

(2022: 12.5%)

Netherlands

Number of branches

124

(2022: 123)

Revenue

£351.5m

(2022: £336.7m)

Adjusted operating profit**

£33.4m

(2022: £37.6m)

Adjusted operating profit margin

9.5%

(2022: 11.2%)

Finland

Number of owned stores

14

(2022: 12)

Revenue

£139.8m

(2022: £143.2m)

Adjusted operating profit**

£14.2m

(2022: £20.3m)

Adjusted operating profit margin

10.2%

(2022: 14.2%)

* After central activity costs of £14.5 million (2022: £13.5 million), including property profit of £1.3 million (2022: £25.4 million) and a non-recurring curtailment gain of £Nil (2022: £3.7m). Other 'Alternative Performance Measures' ('APMs') are detailed on pages 274 to 279.

** Before property profit of £1.3 million (2022: £25.4 million) and central activity costs of £14.5 million (2022: £13.5 million). Includes £3.7 million non-recurring curtailment gain in 2022 in Ireland.

Solid results in challenging market conditions

Financial highlights

Group revenue +0.8%

£2.32bn

Adjusted operating profit[(i)] -28.1%

£205.5m

Adjusted operating profit margin[(i) (ii)] -250bps

8.8%

Cash generation from operations +19.9%

£334.3m

Dividend +9.1%

36.0p

Net cash (before IFRS 16 leases) -£78.5m

£379.7m

Adjusted return on capital employed[(i)] -530bps

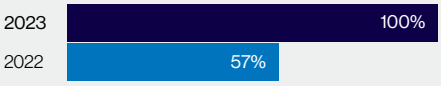
11.9%

Adjusted earnings per share – basic[(i)] -19.4%

77.9p

Free cash conversion +75.1%

100%



(i) The term 'Adjusted' means before exceptional items, amortisation of intangible assets arising on acquisitions and acquisition related items in both years. Other 'Alternative Performance Measures' ('APMs') are detailed on pages 274 to 279.
(ii) Before property profit.

Operational highlights

Woodie's DIY, Home and Garden retail business performed well

and consolidated its market position with revenue growth of 3.9 per cent despite challenging economic conditions

Find out more about Retail on page 56

Strong performance by UK Manufacturing businesses

CPI Mortars and Stairbox delivered good performance despite volume declines

Find out more about Manufacturing on page 58

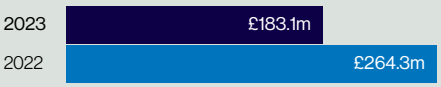
Resilient Distribution performance despite lower volumes

Find out more about Distribution on page 44

Statutory highlights

Statutory operating profit -30.7%

£183.1m



Net cash/(debt) -£58.2m

(£49.3m)

Statutory operating profit margin -360bps

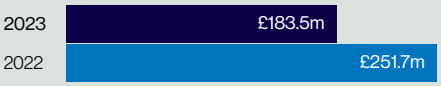
7.9%

Statutory earnings per share – basic -22.1%

69.6p

Profit before tax -27.1%

£183.5m



Our main brands

Distribution

Number of branches

326

(2022: 316)

The distribution segment distributes building materials from 326 branches in the UK, Ireland, the Netherlands and Finland.

Distribution revenue +0.2%

£1.94bn

Chadwicks

chadwicks.ie

Chadwicks Group is Ireland's leading distributor of building materials operating from 56 branches in the Republic of Ireland under the Chadwicks, The Panelling Centre, Davies, Cork Builders Providers, Heiton Steel, Telfords, Proline and Sitetech brands.

Selco

selcobw.com

Selco is a trade and business only distributor of building materials that operates a retail style self-select format. Trading from 75 branches, including 32 in London, it is primarily focused on trade customers engaged in small residential RMI projects.

Leyland

leylandsdm.co.uk

Leyland is one of the most recognisable and trusted decorating and DIY brands in Central London where it distributes paint, tools, ironmongery and accessories from 33 branches.

TG Lynes

tglynes.co.uk

TG Lynes is a distributor of materials and plant for mechanical services, heating, plumbing and air movement, operating from a distribution centre in Enfield, North London.

MacBlair

macblair.com

MacBlair is the leading distributor of building materials in Northern Ireland. MacBlair trades from 23 branches. The business supplies the trade, DIY and self-build markets with building materials, timber, doors and floors, plumbing and heating, bathrooms and landscaping products.

Isero and Polvo

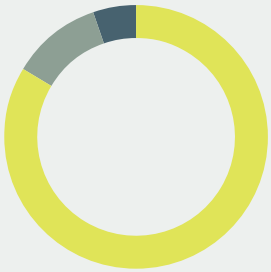
isero.nl, polvobv.nl

Isero is the No. 1 specialist distributor of tools, ironmongery and fixings in the Netherlands trading from 124 branches and offering a comprehensive range of quality products to trade professionals supported by an exceptional level of customer service.

IKH

ikh.fi

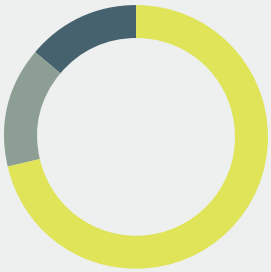
IKH is one of the largest technical wholesalers and distributors of workwear and PPE, tools, spare parts and accessories in Finland where it trades from 14 branches and has a number two market position in its core tools and PPE segment.



Group revenue by sector

£2.32bn

Distribution (2022: 84.2%)	83.7%
Retailing (2022: 10.6%)	11.1%
Manufacturing (2022: 5.2%)	5.2%



Adjusted operating profit by sector

£205.5m

Contribution by sector excluding central activities*

Distribution (2022: 80.0%)	71.4%
Retailing (2022: 10.9%)	14.9%
Manufacturing (2022: 9.1%)	13.7%

* Including central activities, the total per cent by sector including property profit was: Distribution 76.4% (2022: 83.7%), Retailing 15.9% (2022: 11.4%), Manufacturing 14.7% (2022: 9.6%) and Central (7.0%) (2022:(4.7%)).

Retailing

Number of branches

35

(2022: 35)

The Group is the largest DIY retailer in Ireland trading from 35 branches and online.

Retail revenue +5.8%

£258.2m

Woodie's

woodies.ie

Woodie's is Ireland's market leading DIY, Home and Garden retailer with 35 stores nationwide and online offering an extensive range of DIY products, paints, lighting, homestyle, housewares, bathroom products and kitchens. Woodie's is also a leading retailer of seasonal categories including gardening and Christmas ranges.

Manufacturing

Number of factories

12

(2022: 12)

The manufacturing segment is comprised of market leading dry mortar and wooden staircase manufacturing businesses.

Manufacturing revenue +0.0%

£120.6m

CPI Mortars

cpieuromix.com

CPI Mortars is the market leader in dry mortar manufacturing in the UK, operating from ten strategically located factories that provide almost national coverage.

StairBox

stairbox.com

StairBox is an industry leading UK manufacturer and distributor of bespoke wooden staircases operating from a state-of-the-art production facility in Stoke-on-Trent.

Why invest in Grafton?

Strong local businesses with market leading positions

- In each market we operate in, we focus on developing trusted local brands with strong, defendable market positions.
- We focus on fragmented markets with long-term underlying growth fundamentals that enable us to build market leading positions through organic and inorganic development.

Long-term drivers of growth

We operate in markets with structural long-term growth potential:

- shortage of housing, pressure on rental markets and growing populations;
- need to improve the existing housing stock; and
- need to reduce carbon emissions and improve energy efficiency.

Operational strength and expertise

- Strong management teams with the relevant skills and experience to deliver our strategy;
- Track record of continuous improvement and organic development;
- Experience in acquiring and successfully integrating businesses in multiple geographies.

Number of Grafton colleagues at the year end

c.9,000

Number of acquisitions in 2023

5 Bolt-ons

Strong financial base

- Financially robust with a strong balance sheet;
- Strong cash generation;
- Investment grade credit rating;
- Disciplined approach to capital allocation.

Net cash before IFRS 16 leases

£379.7m

Revenue

£2.32bn

Group adjusted EPS

£77.9p

Returns to shareholders in dividends and share buybacks (2019-2023)

£566.1m

Story of our year

April

Selco opens Peterborough branch

Selco opened its first store in Peterborough, Cambridgeshire, in April 2023, increasing the branch estate to 75.

Selco branch network

75

June

MacBlair extends market coverage

MacBlair extended market coverage with the acquisition of Clady Timber, a distributor of timber and building materials from a single branch in Portglenone, County Antrim and B. MacNamee, a distributor of building materials, timber, hardware, power tools, plumbing and electrical products from a single branch in Strabane, County Tyrone increasing the number of MacBlair branches in the province to 21.

MacBlair branch network in Northern Ireland

21

July

IKH grows market share with Kouvolan acquisition

In July 2023, IKH acquired a store from its former partner in Kouvolan, a city in southeastern Finland. This followed the opening of a new store in Lielahti, a suburb of the city of Tampere, Southern Finland, in May 2023. Since the year end IKH has opened its 15th store in Roihupelto, a suburb of Helsinki which increases its own store network to four in the capital.

IKH owned stores at the year end

14

September

Chadwicks acquires Rooney's in Ireland

The acquisition of Rooney's, a single branch building materials distribution business in Kells, County Meath, further strengthened Chadwicks national distribution network.

Chadwicks partners with YourRetrofit.ie

Chadwicks partnered with YourRetrofit.ie to help homeowners navigate the challenges of retrofitting their homes. The online platform provides households with tailored advice on home upgrade options that match their budgets including estimates of project materials supplied by Chadwicks and grants available.

Chadwicks branch network

56

October

Woodie's recognised as a Great Place to Work for the 8th successive year

The continued recognition highlights Woodie's commitment to maintaining a positive work experience for all colleagues and nurturing a culture that is rooted in teamwork, diversity and inclusion.

November

Appointment of Mr. Mark Robson as Non-Executive Director

Following an extensive search process by the Nomination Committee with the support of an external agency, the Group announced the appointment of Mr. Mark Robson as Non-Executive Director and Chair Designate of the Audit & Risk Committee. Mr. Robson joined the Board as Non-Executive Director on 1 December 2023.

December

Acquisition of Wooden Windows

StairBox acquired Wooden Windows, a manufacturer of bespoke high performance timber windows and doors based in Stoke-on-Trent.

Our purpose: building progress together

Our purpose reflects what we do and what we stand for as a business

It is about our passion for progress, for the benefit of all of our stakeholders:

For our customers

- **We build progress** by focusing on innovation in materials and products;
- Improving our ways of working, sales channels and communications;
- Providing more sustainable product options; and
- Supporting our customers to progress their building and renovation projects.

For our shareholders

- **We build progress** by continuing our long history of growth and building a stronger, more resilient business;
- Creating sustainable shareholder value;
- Implementing our M&A strategy; and
- Engaging on ESG/responsible investment expectations.

For our people

- **We build progress** by providing a pathway for people to progress within their careers and opportunities to develop skills and expertise;
- Being a great place to work;
- Looking after the safety and wellbeing of our people; and
- Providing job security and fair reward.

For our communities and the environment

- **We build progress** by giving back to our communities through our community engagement programs;
- Sourcing products in a responsible way;
- Maintaining ethical practices throughout our business; and
- Focusing on carbon reduction and working towards net zero emissions.

Our values

Value our people

Our people are our strength, and we will always support, protect and develop them. At Grafton, people are recognised and respected. People feel proud to work here, and are valued for what they do. Every one of us has the opportunity to grow our skills and career.

Ambitious

As individuals, teams, businesses, and as a Group, we're always ambitious for success. By striving to always do things better tomorrow than we did today, we can be the first choice for our customers, for investors and for people who want a great place to work.

Be brilliant for our customers

Doing a brilliant job for our customers is what makes us what we are. We build a loyal customer base by building strong relationships, listening to their needs, getting them what they want when they want it, exceeding their expectations and making the interaction easy.

Entrepreneurial and empowering

New ideas help us to innovate and stay ahead of the competition. Everyone in the Group has a part to play in improving performance, embracing opportunities and adding value.

Sustainable, trustworthy and responsible

As the world responds to the social and environmental challenges facing society, we are committed to building a more sustainable future. We see the business opportunities this transition offers as well as understanding the importance of operating our business with strong ethical, safety and environmental practices. In facing into, and being transparent about, our sustainability programme we earn the trust of customers, colleagues, communities and shareholders alike.

Our engaged culture

Engaging with colleagues

In our commitment to sustainability, we recognise the importance of effective engagement with our colleagues. We believe that open communication and the active involvement of our colleagues in the decision-making processes are key to our success. We know that highly engaged colleagues are more efficient and produce higher-quality work because they are personally invested in their job.

We use workplace forums, such as works councils and colleague committees as platforms for discussing important matters at work. These forums provide a space for colleagues to raise ideas and questions with business leaders who listen to their views and any concerns. They are designed to build trust and confidence between colleagues and the company and they play a crucial role in our engagement strategy.

The colleagues who attend these meetings are trained to understand their role and they have the skills required to represent their teams and work constructively with people who have different views. In combination with our engagement survey feedback process, colleague forums help the business to improve productivity and services, as well as generating new ideas, helping us to solve problems and driving innovation.

The involvement of our Non-Executive Directors is integral to our colleague engagement process. Non-Executive Directors attend colleague forum meetings at our larger businesses at least once a year, giving them the opportunity to listen to the views of our colleagues and to hear first-hand about their businesses. The Non-Executive Directors then share this information with the Board which helps to bring a colleague perspective to our decision-making, ensuring that we consider the views of this important stakeholder group.

We will continue to refine our engagement strategies to ensure that our colleagues feel heard, valued, and involved in our decisions.

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Responding to colleague feedback

Our colleague engagement surveys are an important tool to not only gain further feedback from our colleagues, but also to assess the effectiveness of our engagement process. All of our businesses ask their colleagues to complete a formal engagement survey at least once every two years. The results of these surveys are then shared with the management teams and colleagues, with action plans developed locally to further improve engagement. A summary of survey results and action plans is also shared with the Group management team at Quarterly Business Reviews and ongoing turnover and retention rates are monitored. The results of engagement surveys are also shared with the Board.

Many of our businesses have specific women's groups and diversity forums to ensure that the views of all colleagues are captured and to drive our diversity agenda.

During the year we have introduced a number of new policies and taken action to support females across our business, including upgrading changing facilities.

In addition, we have introduced specific policies and support to help colleagues and in Ireland we work with the Irish Wheelchair Association to promote recruitment opportunities. Our Woodie's business in Ireland is recognised as a Great Place to Work for Women.

Case Study: Ensuring all voices are heard

Historically, pay periods at Selco could vary by a few days each month and this, combined with factors such as different working days each period and scheduled rest days could affect colleague take-home pay from month to month. In response to feedback from colleagues, Selco moved all hourly paid colleagues to salaried which ensures a consistent gross salary each month to help them manage their finances.

Confidential feedback

All our businesses have formal grievance and whistle-blowing policies and processes in place. In addition, we provide a confidential service through SpeakUp which gives all our colleagues across our geographies the opportunity to raise any issues or concerns anonymously by telephone or in writing. The information received through SpeakUp is logged and a formal report is sent to the Risk Committee every year. The SpeakUp service includes safeguards to ensure that cases are investigated fully and to prevent retaliation against reporters.

The total number of SpeakUp cases reported to the Group during 2023 was 39, an increase of 63 per cent on the 24 reports received in 2022. Reports received in 2023 covered a wider range of businesses and countries including Finland and the Netherlands.

The increase is attributed to efforts being made by business units to promote greater awareness of the SpeakUp service with colleagues and third parties.

The number of SpeakUp reports per colleague for the Group remains below the median of similar organisations based on benchmark data provided by the independent service provider. This is partly explained by regional variations across the jurisdictions where we operate. The benchmark data provided by our provider is weighted towards US and UK organisations, being their main client base, which have more established whistleblowing cultures compared to Europe.

SpeakUp cases reported

39

37 per cent of reports received in 2023 were substantiated following investigation, with outcomes that included the termination of two colleagues' employment, six colleagues subject to other disciplinary action, and re-training of colleagues. A further 15 per cent of cases, whilst not substantiated as wrongdoing, resulted in some form of corrective action, including additional training and improvements to business processes.

The average time to close cases from the date of receiving a report was 23 days in 2023. This is within the Group target of 30 days and below the average of 44 days to close cases for comparable organisations, based on benchmark data.

Training and development

In the past year, the Group has made significant strides in the areas of training, development, and succession planning. Our commitment to these areas is unwavering, as we believe they are crucial to our long-term success and sustainability.

Skills training

Our skills training programmes were revamped to ensure they are aligned with the evolving needs of our business and the changing expectations of our colleagues.

We have introduced new modules that focus on emerging technologies such as Artificial Intelligence ("AI") and invested in upskilling our managers to drive colleague engagement ensuring our colleagues are equipped with the skills needed to excel in their roles.

Our businesses deliver a range of training initiatives and leadership development programmes.

In Woodie's for example we delivered over 13,000 hours of training in 2023 in addition to mandatory Health & Safety training.

Apprenticeships

We have expanded our apprenticeship programs, providing opportunities for young talent to learn and gain experience in our sector. In the UK, over 130 colleagues are currently undertaking training under the apprenticeship levy scheme. These apprenticeships have proven to be mutually beneficial, with our more experienced colleagues gaining fresh perspectives from the apprentices, and the apprentices gaining invaluable hands-on experience.

The Selco Driver Academy has helped the business to fill HGV driver roles at a time when there was a national skills shortage and CPI Mortars has successfully used the apprenticeship programme to build engineering and technical skills in a very specialist area.

UK apprenticeships

>130

Leadership development

Our leadership development initiatives have been a key focus this year. We have implemented a comprehensive program that includes workshops on AI as well as bespoke talent assessment and coaching programs for top talent. These initiatives are designed to nurture our existing leaders and identify potential leaders within our business.

A significant focus in 2023 has been to ensure that our senior leadership are fully informed on the importance of sustainability through briefings at the Board, Senior Leadership Team and through the new Executive Sustainability Committee.

Hours of training delivered by Woodie's

>13,000

Internal promotions

We are proud to report a significant increase in internal promotions over the past year. This is a testament to the effectiveness of our training and development programs, and our commitment to recognising and rewarding the skills, experience, hard work and dedication of our colleagues. At a senior level we have been able to fill four of our business leadership roles by succession with internal candidates in StairBox, Leyland, CPI Mortars and MacBlair.

Our initiatives in training, development, and succession management have not only contributed to our success over the past year but have also laid a strong foundation for our future growth and success. We remain committed to investing in our most valuable asset – our people.

Retaining great colleagues

Colleague turnover and retention has been a key focus during 2023. In particular we have worked hard to understand the reasons why talented people may want to leave us and to address the main concerns. We have reviewed our pay structures and considered job design and part time working/flexible working to support colleague retention and attraction. This dedication has paid off and we are pleased that we have been able to reduce turnover across the Group from 26 per cent to 25.5 per cent but of particular note is the reduction in colleague turnover in Leyland by 15 per cent and CPI Euromix by eight per cent.

Developments in recruitment

The Group's businesses have reviewed their recruitment processes to ensure that attract and recruit the best talent.

We have improved data collection so we can gain information on how successful our processes are and to help us monitor diversity.

Our UK and ROI careers sites have implemented the ReciteMe accessibility toolbar. This technology makes the websites digitally inclusive by allowing visitors to customise content so that they can consume it in ways that work best for them.

The support and engagement of our stakeholders is critical to our business

Building positive relationships with our stakeholders is a vital part of our ability to deliver long-term sustainable success

The Board, Group management and the management teams in each of its businesses consider the likely consequences on all stakeholders of their decisions and actions.

The Group governance framework delegates authority to local management teams supported by a tight control environment at Group level that allows individual businesses to take appropriate account of the needs of their own stakeholders in their decision-making.

Our federated structure means that each Business Unit engages extensively with its own unique stakeholder groups.

Details of the Group's key stakeholders and examples of how we engage with each of them are set out below.

Colleagues

Their material issues and priorities

- A strong sense of purpose and a company that lives by its values
- A diverse and inclusive work environment, where their overall safety, health and wellbeing is valued
- Flexible working arrangements where appropriate to business requirements
- A culture where people can thrive, with opportunities for training, development and progression

How we engaged in 2023

Engagement methods include colleague engagement surveys, town hall meetings, presentations, intranet sites, newsletters, CEO blogs and wellness programmes.

Non-Executive Directors attended meetings of the Colleague Forums with colleagues from the UK, Ireland and the Netherlands to hear the views of colleagues.

Annual colleague engagement surveys across each of our businesses provide an opportunity for colleagues to provide feedback. Internal communications platforms facilitate information sharing between colleagues and teams.

Colleagues have access to the anonymous SpeakUp service to report concerns as well as annual review processes and regular feedback with managers.

Almost 1,500 colleagues responded to the double materiality survey to determine which were our most important sustainability issues and showed that climate change, waste, health and wellbeing, diversity and training were most important to them from a sustainability perspective.

Customers

Their material issues and priorities

- Availability of a wide range of products and services on time and at competitive prices
- A safe and efficient on-site experience at convenient branch locations
- Online capability and ease of access to products
- Providing responsibly sourced and more sustainable options to customers

How we engaged in 2023

Our businesses engage closely with their customers in order to drive improvements in the quality of our service proposition, our product offering and to ensure that customer expectations are met. We aim to build strong lasting relationships with our trade and retail customers, to understand their needs and views and to listen to how we can improve our product offering and service.

Customers may also report concerns via SpeakUp, contact details for which are available on the Group's website.

Our businesses carried out customer satisfaction surveys and reviewed feedback received to ensure that expectations are met.

We also invested in our online trading capability and made improvements across our branch network to continually improve the quality of our service proposition.

In 2023, over 450 customers provided responses to the survey that formed part of the double materiality assessment survey, which showed that while we know price, quality and convenience to be the most important drivers of the purchasing decision, customers also perceive climate change, pollution and labour standards to be important factors.

Communities and the environment

Their material issues and priorities

- Supporting local and national causes
- Operating our business in a way that respects the environment and biodiversity
- Making a positive contribution to the communities where we operate
- Building a successful and sustainable business that respects people and planet

How we engaged in 2023

We engage with the community through local activity at branch level, volunteering, charitable donations and providing employment and work experience opportunities.

We also work with various industry bodies to have a positive impact on the communities where we operate.

See pages 106 and 107 for examples of our community support.

Shareholders

Their material issues and priorities

- Financial performance and growth that maximises shareholder returns in a responsible way
- A clearly communicated strategy and business model
- Appropriate and considered decision making that is in the long-term interests of the Group

Read more about shareholder engagement on pages 122 and 123

How we engaged in 2023

Through our Annual General Meeting ('AGM'), ongoing investor relations activity and shareholder consultation process, we maintain an open dialogue with our shareholders and ensure that their views are considered and factored into key decisions taken by the Board.

Shareholder feedback and details of significant movements in our shareholder register are reported to the Board on a regular basis.

We carried out governance meetings with shareholders in advance of the AGM.

Executive management regularly engage with investors following results announcements and at other times throughout the year.

The Group engaged with a number of investors and lenders during the year as part of the double materiality assessment. Issues raised included net zero targets and assurance that the Board is tackling the material issues and legislation most relevant to the Group and its business.

Suppliers

Their material issues and priorities

- An efficient route to market for their products
- Communication and engagement
- Feedback on market demand and customer reaction
- Long term collaboration to build strong, lasting relationships

How we engaged in 2023

The commercial teams in each of our trading businesses maintain ongoing dialogue with their suppliers to build strong, long term relationships. Engagement with suppliers is primarily through a combination of day to day interactions and formal review meetings. Key areas of focus include innovation, product development, health and safety and compliance with our ethical standards.

Our ongoing supply chain risk management process, which is managed at Group level, provided an additional layer of engagement with suppliers to better understand their operation's sustainability credentials under a broad range of dimensions, policies and procedures (for further information see page 72).

Almost 100 suppliers responded to the Group's double materiality assessment survey with priority issues being climate change, responsible sourcing of natural resources, human rights and labour standards as well as creating a great place to work.

Find out more about our double materiality assessment on page 86

Building on our strong market positions

The resilient performance by the Group in the face of challenging macro-economic and market conditions was underpinned by the strength of its market positions and experienced management teams."

8.8%

Adjusted operating profit margin before property profit

11.9%

Adjusted return on capital employed

77.9p

Adjusted earnings per share

Dear Shareholder,
The resilient performance by the Group in the face of challenging macro-economic and market conditions was underpinned by the strength of its market positions and experienced management teams.

In Ireland, Chadwicks operated at high levels of activity in a market that saw house building increase and demand decline for materials supplied for housing RMI projects in a tight market for skilled labour.

In the UK, Selco experienced challenging trading conditions in the residential RMI market as households reduced discretionary spending on the home in response to the cost-of-living pressures.

In the Netherlands, growth in revenue from large customers engaged on major commercial construction and RMI projects and the supply of access control systems more than offset lower revenue from smaller customers and timber factories.

In Finland, the slowdown in economic and construction activity weighed on volumes across the IKH Partner network and owned stores.

In Ireland Retailing, the Woodie's DIY, Home and Garden business increased revenue despite the challenging backdrop for retail customers from high inflation and interest rate increases.

In UK Manufacturing, CPI Mortars experienced a decline in volumes as its house building customer base reduced output in response to lower demand from buyers. Volumes were also lower in the StairBox bespoke staircase manufacturing business that supplies the RMI market.

We expanded our market positions completing three bolt-on acquisitions in the UK, one in Ireland and one in Finland. We also invested in our branch network to improve the customer proposition and in our IT architecture including a significant upgrade to the ERP system in Selco and rollout of a new ERP system in CPI Mortars.

These results were made possible by the exceptional commitment of the management teams and colleagues in the branches, stores, distribution centres and offices across our Group. I sincerely thank them on behalf of the Board for their relentless commitment and support.

Results Review

The Group delivered a resilient financial performance for the year, with revenue up by 0.8 per cent to £2.32 billion (2022: £2.30 billion). The Group's adjusted operating profit before property profit was £204.2 million, down 21.6 per cent in weaker markets from £260.5 million in the prior year.

Cash flow and balance sheet

The Group ended the year in a very strong financial position with net cash, before IFRS16 lease liabilities, of £379.7 million (31 December 2022: £458.2 million).

Free cashflow of £205.6 million was up from £163.3 million in the prior year despite the decline in profitability. Investment in working capital was reduced by £29.5 million following an investment of £71.3 million in the prior year.

We returned cash of £228.3 million to shareholders during the year in the form of share buybacks and dividends, increasing the amount returned to shareholders over the past two years to £437.2 million.

Sustainability strategy

Sustainability was a central part of the Group Board agenda during 2023 and we remain committed to building a sustainable business for all of our stakeholders. During the year, the Board made a commitment to delivering net zero carbon emissions no later than the end of 2050. In preparation for the new Corporate Sustainability Reporting Directive ("CSRD"), we completed a Double Materiality Exercise. We also completed the calculation of Scope 3 emissions and submitted net zero targets to the Science Based Targets Initiative ("SBTi") for validation prior to the year-end which was one year ahead of our target date.

"These results were made possible by the exceptional commitment of the management teams and colleagues in the branches, stores, distribution centres and offices across our Group."

Our integrated Sustainability Report on pages 82 to 113 sets out our progress and achievements during the year across the five priority areas that we have identified to build a more sustainable future: Planet, Customer & Product, People, Community and Ethics.

While there is still significant work to do, the Group and its individual businesses have demonstrated very strong progress during 2023.

Dividends

The Board is recommending a final dividend for 2023 of 26.0p (2022: 23.75p) per ordinary share in line with its progressive dividend policy. An interim dividend of 10.0p (2022: 9.25p) per share was paid on 20 October 2023. The total dividend for the year is 36.0p per share, an increase of 9.1 per cent on dividends of 33.0p paid for 2022.

The cash outflow on this year's final dividend is based on the cash outflow of £51.6 million on last year's final dividend. Notwithstanding the reduction in profitability, the Board has decided to maintain the same level of cash payment for the final dividend for 2023 to allow shareholders to benefit from the lower number of shares in issue following the buyback of shares. The actual amount of the cash outflow on the 2023 final dividend is dependent on the number of shares in issue on the dividend record date. This is consistent with the approach adopted in respect of the interim dividend for 2023.

Chair's statement continued

The total dividend for 2023 of 36.0p is 2.2 times (2022: 2.9 times) covered by adjusted earnings per share of 77.9p (2022: 96.6p) and is at the lower end of guidance for cover of between two and three times. This reflects Board confidence in the Group's prospects, very strong balance sheet, profitability and cashflow from operations for the year.

The Group's cash outflow on dividends paid during the year was £72.6 million (2022: £73.9 million). A liability for the final dividend has not been recognised at 31 December 2023 as there was no payment obligation at that date.

The final dividend will be paid on 9 May 2024 to shareholders on the Register of Members at the close of business on 12 April 2024, the record date. The ex-dividend date is 11 April 2024. The final dividend is subject to approval by shareholders at the Annual General Meeting to be held on 2 May 2024.

Allocation of capital

Grafton has developed historically through both organic growth and acquisitions and the Board will continue to allocate capital to existing markets that are structurally attractive through the cycle and to brands that have headroom for growth. The Group believes it has the opportunity to play a leading role in the consolidation of building materials distribution markets in existing and new geographies in Europe, leveraging off the extensive experience in general builders merchanting that originated in its home market in Ireland and which has seen it develop brand leading businesses in new territories over the last thirty years. Acquisitions will be focused on enhancing positions in existing markets, exploiting appropriate opportunities in adjacent markets, and developing new growth platforms in new geographies.

Our corporate development team is focused on opportunities to build market leading positions and has made encouraging progress in developing a pipeline of opportunities by engaging with potential vendors of platform acquisitions in fragmented segments of the European building materials and construction related products distribution market. The acquisition search in Europe was widened at the start of 2023, both geographically and by product segment, to include a larger set of potential value creation opportunities. The rate at which capital will be allocated for platform acquisitions is dependent on the timing of divestment decisions by business owners and agreeing terms that are mutually acceptable.

Net cash before IFRS 16 leases was £379.7 million at 31 December 2023 (31 December 2022: £458.2 million) and as previously reported the Group is targeting over the medium-term to return to a more optimum capital structure with an appropriate level of financial leverage rather than continuing to hold net cash. Grafton has an investment grade credit rating and recognises the importance of maintaining debt at an appropriate level given the cyclical nature of its markets. Our objective is to allocate capital to opportunities that meet or exceed our defined hurdle rates of return and to manage the balance sheet and liquidity of the Group to ensure stability over the long term regardless of economic or financial market conditions.

"We want to maintain and grow our portfolio of high performing, high returning and cash generative businesses and to acquire new growth platforms in fragmented markets in our chosen markets in Europe."

The Board prioritises growing Grafton over the medium to long-term through value adding organic and acquisitive growth opportunities. It may also decide from time-to-time to return surplus cash to shareholders where it forms the view that this represents an attractive financial investment relative to other opportunities and is appropriate for the delivery of value for shareholders while at same time retaining the financial capacity to invest in strategic growth opportunities. As noted above, the Group returned £155.7 million to shareholders through share buybacks during the year (2022: £135.1 million) and £290.8 million in the two years to the end of 2023.

Implementing our strategy

We want to maintain and grow our portfolio of high performing, high returning and cash generative businesses and to acquire new growth platforms in fragmented markets in our chosen markets in Europe. We focus on adopting best practice and creating cost synergies by leveraging the infrastructure in our established markets.

We made further progress during 2023 implementing our strategy.

In Ireland, development of our market leading Distribution and DIY, Home and Garden businesses was mainly driven by organic growth complemented by bolt-on acquisitions. We invested in upgrading the Chadwicks branch network, while the acquisition of Rooney's, a single-branch distributor of building materials and DIY products, extended geographic coverage of the fragmented building materials distribution market into Kells, County Meath, a developing town within the Dublin commuter belt.

In the UK, the opening of a new Selco Builders Warehouse branch in Peterborough increased the estate to 75 and, subject to finding suitable properties in priority locations, we consider 90 stores as a realistic medium-term target. MacBlair extended market coverage in Northern Ireland with the acquisition of branches in Strabane and Portglenone increasing the number of branches in the province to 21. The TG Lynes and Leyland SDM specialist distributors continued to develop organically in the London market.

Chair's statement continued

The Netherlands business grew organically and extended market coverage in the province of North Holland with the opening of a new branch in the city of Alkmaar.

In Finland, the IKH workwear, PPE, tools and spare parts wholesalers, opened a store in Lielahti, Southern Finland and acquired a store from its former partner in Kouvolan, a city in southeastern Finland.

In Manufacturing, StairBox acquired Wooden Windows, a manufacturer of bespoke high-performance timber windows and doors based in Stoke-on-Trent, providing the opportunity to realise significant synergies in the enlarged business.

Board composition

Grafton has a strong Board of Directors and a management team that drives strategy, performance and growth of the business. The membership of the Board reflects a diverse range of backgrounds, education, cultures, expertise, perspectives and business experience including executive and non-executive director experience of the distribution sector.

The Board was very pleased to appoint Mr. Eric Born as Group CEO with effect from 28 November 2022 and I would like to thank him for his transformative leadership of the Group in his first full year in the role. Eric has the skills, experience and intellect that make him ideally placed to lead the development and delivery of our strategy for the future.

Mr. Mark Robson was appointed Non-Executive Director and Chair Designate of the Audit & Risk Committee with effect from 1 December 2023. Mr. Robson is a highly experienced former CFO with a board level career in listed companies spanning over two decades. He brings considerable financial, listed company board and building materials distribution experience to the role. During his 15-year tenure as CFO of Howden Joinery Group Plc, Mark played a critical role in the dramatic growth in the scale and profitability of the business that was exceptionally value accretive for shareholders.

Mr. Paul Hampden Smith, Chair of the Audit and Risk Committee and Senior Independent Director, will step down from the Board at the conclusion of the 2024 AGM having served as Non-Executive Director for almost nine years. On behalf of the Board, I would like to thank Paul for his work as Chair of the Audit and Risk Committee and for the important contribution that he made to the deliberations of the Board and Board Committees throughout his tenure.

Mr. Mark Robson assumes the role of Chair of the Audit and Risk Committee and Mrs. Susan Murray, who joined the Board in 2016, assumes the role of Senior Independent Director with effect from the conclusion of the Annual General Meeting ("AGM") on 2 May 2024.

I advised the Board in the middle of last year that, subject to completion of a successful search to appoint my successor as Chair of the Board,

Our corporate culture defines who we are and how we do business, and our commitment to our culture and values helps to differentiate us from our competitors."

I would not seek re-election at this year's AGM. The Nomination Committee initiated a search for a new Chair under the leadership of Mr. Paul Hampden Smith, Senior Independent Director that concluded with the appointment of Mr. Ian Tyler as Independent Non-Executive Director, Chair Designate and a member of the Nomination Committee with effect from 1 March 2024.

Mr. Tyler is a highly experienced Chair and former Chief Executive with wide-ranging experience across a range of industries. He has deep board level experience gained as a former CEO, CFO, Board Chair and Non-Executive Director of listed companies. Mr. Tyler's primary executive career was at Balfour Beatty plc, a global infrastructure business. As noted by Mr. Paul Hampden Smith in the announcement of his appointment, he was the stand-out candidate for the role and was appointed because of his strategic, commercial, financial and Board experience gained over three decades at a leadership level in a range of mainly large businesses.

Further details on the search processes leading to the appointment of Mr. Tyler and Mr. Robson are set out in the Report of the Nomination Committee.

The Board is committed to promoting diversity and supports the recommendations of the FTSE Women Leaders Review on gender diversity and the Parker Review on ethnic diversity. Female representation on the Board was 33 per cent at the year-end and will revert back to 38 per cent at the conclusion of the 2024 AGM. The Board will continue to prioritise diversity when making future appointments as part of the ongoing process of Board refreshment and renewal. I am pleased to report that the Board meets the Parker Review target of having at least one director from an ethnically diverse background.

Board evaluation

An internal Board evaluation was conducted during the year and I am pleased to report that the results demonstrate that the Board and its Committees continue to operate very effectively and to a high standard of governance. The findings and observations from this internal review are set out in more detail on page 137 and they will help to inform and shape the Board's priorities for the current year. An externally facilitated Board evaluation will also be carried out during 2024.

Culture, colleagues and purpose

Our corporate culture defines who we are and how we do business, and our commitment to our culture and values helps to differentiate us from our competitors. Our culture is based on entrepreneurial local management teams operating to high standards with the support of a strong centralised Group management team, disciplined reporting obligations and a robust governance framework.

Our colleagues play a key role in the development of a strong and healthy culture in Grafton and we believe that communication and colleague engagement is crucial to the culture of the Group. Our Colleague Forums provide an important a platform for colleagues to raise ideas and questions with management and allows the Company to hear the feedback from colleagues. The involvement of our Non-Executive Directors is an integral part of this engagement process and provides an opportunity for directors to hear the views of colleagues at first hand and to share feedback from Colleague Forums with the Board. This feedback helps to inform the Board's deliberations and to reflect the perspective of colleagues in decisions made by the Board.

Our purpose 'building progress together' reflects our passion for progress for the benefit of all our stakeholders and our values, described in more detail on page 15, demonstrate how we live our purpose.

Annual General Meeting

In line with the Group's policy, except for Mr. Paul Hampden Smith and myself who are not going forward for re-election, all Directors will retire and seek election/re-election at the 2024 AGM. As noted in the Nomination Committee Report, each Director continues to perform effectively and has demonstrated a strong commitment to the role and I strongly recommend that each of the Directors going forward is elected/re-elected at the AGM.

Looking ahead

While trading conditions are expected to remain challenging, Grafton expects to continue to benefit from the spread of the Group's operations across four geographies and exposure to a broad range of end-markets. Demand fundamentals are supported by a structural under supply of new homes and an aging housing stock that requires upgrading. Grafton is exceptionally well positioned to benefit as the cycle turns, markets normalise and consumer confidence improves.

Personal Remarks

It has been a privilege for me to serve as Chair of the Grafton Board since 1 January 2017 and I am particularly proud of the successful execution of the strategic plan, the creation of a strong and more diverse Board and the strengthening of the executive team during my tenure as Chair.

I congratulate Mr. Tyler on his appointment as my successor and wish him every success in his new role. I am confident that under his leadership of the Board and with Mr. Eric Born as CEO, Grafton should continue to prosper and deliver value for shareholders over the coming years.

Michael Roney
Chair
6 March 2024

Our business model

We operate trusted and leading local brands with strong market positions, providing excellent product range availability and high service levels.

We provide our customers with the benefit of our scale combined with the local knowledge and focus of each of our operating businesses.

How we add value

- Growing strong market leading brands in each of our individual geographies, organically and by acquisition.
- Leveraging synergies to create economies of scale whilst encouraging the brands to operate independently within their local markets.
- Applying and sharing best practices across the Group to drive commercial excellence and operational efficiencies.
- Allocating capital to continually improve our businesses.
- Customer service and product availability including sustainable options.

What drives our success

Ambition

Our ambition to grow while maintaining a disciplined approach to capital allocation.

Innovation

Investing in solutions to continually improve our offering to our customers.

Sustainability

Operating our business to address environmental and social challenges and opportunities.

Engagement

Building strong and trusting relationships with our stakeholders.

Financial strength

A strong financial base to fund ongoing development and acquisition activity.

Our key strengths

- A customer service orientated culture and the scale and breadth of operations to create a competitive advantage in local markets.
- Strong, capable, highly motivated and experienced management teams.
- Sound financial metrics based on excellent cash generation, a strong balance sheet and the financial resources to fund ongoing development activity.

£2.32bn

Group revenue in 2023

Value created for stakeholders

- A geographically diversified network of 373 branches and factories with opportunities for further growth through acquisition and organic development.
- A portfolio of highly cash generative and profitable businesses.
- Skills and experience in acquiring and integrating businesses.
- Leading market positions and brands in each of the countries where we operate.

£379.7m
net cash (before IFRS 16 leases)

5
acquisitions in 2023

Our shareholders

Delivering shareholder returns in a responsible and sustainable way.

36.0p
total dividend per share

Our customers

Being brilliant for our customers by providing efficient business models with competitive advantage.

373
branches and factories across our operations

Our people

Being a great place to work and supporting our colleagues.

c.9,000
colleagues at the year end

Our suppliers

Working with our suppliers on responsible sourcing and product innovation.

99%
% of building timber in Selco certified FSC or PEFC

Our communities

Engaging with our local communities and supporting local and national causes.

>£0.8m
raised for charities

Our strategy

Grafton is an international distributor of building materials and DIY products, currently operating market leading brands in the UK, Ireland, the Netherlands and Finland. Our strategy is to become a leading European distributor of building materials, operating trusted local brands in each market where we operate.

- Focus on European markets with structural long-term growth drivers, such as housing shortage and the need to improve the existing housing stock
- Continue to strengthen our market positions in existing geographies organically and via acquisitions
- Drive service excellence for our customers through our differentiated distribution models
- Acquire new distribution platforms in fragmented European markets with structural growth drivers and develop market leading positions through organic development and bolt-on acquisitions
- Leverage best practices across all our operating businesses (e.g. Finance, HR, Procurement, Merchandising, Sustainability, IT)

Our strategy is supported by:

Supportive organisational structure and management

- Group expertise and economies of scale;
- Actively working with and supporting Business Unit management teams on growth agenda and strategy;
- Cost synergies created by leveraging infrastructure and processes in established countries;
- Applying Group best practices across different areas such as HR, IT, procurement, merchandising and sustainability; and
- Allocating capital for further development.

Excellence in service

- Focusing on delivering excellent service for our customers who are primarily SMEs, small installers and independent builders;
- Differentiated business models with competitive advantage;
- Offering energy efficient products and sustainable product solutions;
- Investing in our online trading capability and improving our branch network; and
- High profile and convenient locations.

Strong financial base

- Delivering sustainable long-term returns for shareholders;
- Generating strong cash flow from operations; and
- Maintaining a strong balance sheet.

Ethics and integrity

- Commitment to the highest standards of ethics and integrity;
- Respect for our customers and colleagues; and
- Sharing best practice and guidance on ethics, integrity and sustainability.

Our strategy in action

Strategic links

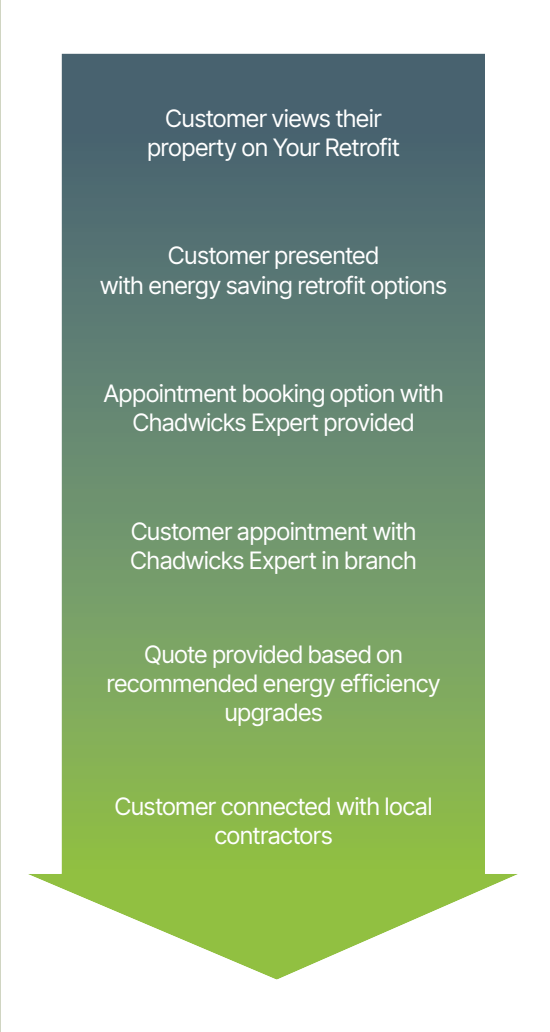
01 Our strategy

02 Supportive organisational structure and management

03 Excellence in service

04 Strong financial base

05 Ethics and integrity



Case study

Chadwicks Group & Your Retrofit

In 2023, Chadwicks exclusively partnered with YourRetrofit.ie, an online platform which helps support homeowners to navigate the challenges of retrofitting their homes to improve the energy efficiency rating, understand the materials available, access grant funding and identify a suitable installer.

This platform provides households with tailored advice on home upgrade options that match their budgets including estimates of project materials supplied by Chadwicks and grants available. These energy efficiency projects typically cover attic insulation, energy efficient lighting, external wall insulation and solar panels.

Using its 21 dedicated in-branch information centres, customers can talk through their retrofit project, budget and grant funding and plan their project. This is supported by the Chadwicks ECO Centres which showcase the range of product options available, such as external and internal insulation, heat pumps, underfloor heating, heating controls, solar, mechanical ventilation and much more.

Colleagues are trained on the use of these products and Chadwicks can also connect customers with registered installers through whom they can access the grant funding made available by the Irish government to drive improvements in the energy efficiency of the buildings.

Strategy links: 01 03 05

Case study

Solar PV across the Group

Our business units have been scaling up the use of solar photovoltaic ("PV") to generate electricity for self-consumption and to supply surplus electricity into the grid where possible.

In 2023, electricity was generated on TG Lynes, StairBox, Selco, CPI Mortars, Woodie's, Chadwicks, Isero and Polvo properties. Businesses have tested Solar PV through small arrays of less than 10 kW peak generation up to arrays generating over 200 kW peak. A total of over 1200 MWh was generated through these installations in 2023.

Our businesses work with solar PV partners to plan and develop their solar installation strategies and invest in online dashboards to assess and monitor the generation of electricity in real time. The experience of the businesses is that the payback on investment is between 3 to 5 years. Live dashboards enable businesses to ensure the PV is as effective as possible and that any issues are resolved quickly.

Alongside PV, a number of business units have invested in Hydrogenated Vegetable Oil (HVO) as an alternative to diesel. In 2023 our businesses replaced over 430,000 litres of diesel across the fleet with HVO, saving over 1,000 tonnes of carbon.

Strategy links: 01 05

Case study

Acquisition of Wooden Windows

In December 2023, StairBox acquired Wooden Windows, a manufacturer of bespoke high performance timber windows and doors based in Stoke-on-Trent.

Wooden Windows was formerly a sister company of StairBox and uses a similar dynamic software solution that allows customers to accurately design and price windows and doors on its website.

It supplies trade customers operating in the residential RMI market across Great Britain and has a reputation for quality, value and exceptional customer service. This acquisition offers an opportunity to realise significant synergies across the enlarged business.

Strategy links: 01 03

Resilient results in challenging markets

8.8%

Adjusted operating profit margin before property profit

11.9%

Adjusted return on capital employed

77.9p

Adjusted earnings per share

Despite challenging market conditions, Grafton has succeeded in delivering full year adjusted operating profit above the top end of Analysts' forecasts. This is testament to our resilient market leading positions, responsive management teams and portfolio of high-returning businesses.

We generated excellent free cashflow of £205.6 million from operations and returned £228.3 million to shareholders during the year in the form of share buybacks and dividends, making a total of £437.2 million which we have returned to shareholders over the past two years.

Looking ahead, we expect to continue to benefit from the spread of the Group's operations across four geographies and exposure to a broad range of end-markets. Our strong balance sheet and record of cash generation will stand us in good stead. We will allocate capital as required to ensure that the Group's brands continue to support their customers and strengthen their market positions. In parallel, we will continue to evaluate opportunities in existing markets and new geographies, building on the progress we have made, with a view to progressing possible growth opportunities that can create enduring value for our shareholders.

While trading conditions are expected to remain challenging, demand fundamentals are supported by a structural under supply of new homes and an aging housing stock that requires upgrading including energy conservation measures. With a somewhat improving economic backdrop, we are confident that Grafton is exceptionally well positioned to benefit as the cycle turns, markets normalise and consumer confidence improves.

Grafton delivered a resilient set of results in challenging markets and measured against what was a strong comparative performance in the prior year. These results were supported by relatively stronger trading in Ireland and the Netherlands compared to the UK and Finland. They also benefitted from the timely implementation of cost reduction measures that enabled us to deliver full year adjusted operating profit consistent with the raised guidance in January 2024.

The quality of the Group's portfolio of high returning, cash generative businesses and an effective response from our management teams to evolving macro conditions were important factors in delivering this resilient performance in markets that experienced volume, margin and cost pressures. These results also demonstrate the benefits of the spread of the Group's operations across four geographies and exposure to a broad range of end-markets.

Cost-of-living pressures driven by high inflation and interest rate rises led to reduced spending by households on home improvements and weakened demand for new homes as affordability became stretched. Volumes in the distribution businesses were therefore lower in these weaker markets. Building materials price inflation gradually declined before turning to deflation in the closing months of the year.

There were sharp falls in steel and timber prices from record highs, partly reversing the post pandemic spike. Lower timber prices resulted in reduced revenue and gross profit in the Distribution businesses in Ireland and the UK. The Distribution business in Ireland was also impacted by lower revenue and gross profit on steel, a product category where we hold higher levels of inventory compared to other building materials because of the relatively long lead times between order and delivery.

Payroll inflation across the Group increased at the fastest rate in decades in tight and competitive labour markets. We responded to the weaker market conditions and cost pressures by implementing targeted reductions in payroll costs, mainly through normal rates of attrition, and discretionary overheads.

The medium and long-term underlying demand fundamentals of the Group's markets remain strong and Grafton is well positioned to benefit from favourable structural trends as its markets recover and demand normalises. Upgrading and deep retrofitting an aging housing stock to reduce carbon emissions and improve energy efficiency are positive drivers of medium-term activity in the housing Repair, Maintenance and Improvement ("RMI") market. House building volumes are well supported by demographic trends and a prolonged period of under supply that has created pent-up demand.

Distribution

Ireland

Chadwicks, Ireland's leading building materials distribution business, responded well to evolving market conditions and managed to contend with significant steel and timber price deflation, competitive pricing pressure in flat markets and operating cost inflation. Profitability declined in the first half and the business operated in line with the prior year in the second half.

UK

Selco, the UK's leading fixed price trade only builders' merchant, is almost entirely exposed to the UK residential RMI market, a segment of the construction sector that has been hardest hit in the current cyclical downturn that started in the first quarter of 2022. The rate of decline in volumes moderated from 6.0 per cent in the first half to 2.3 per cent in the second half.

Selco responded to these tougher market conditions and invested in pricing on core products, balancing volume and margin to optimise profitability. There was a sharp decline in operating profit for the year but cost reduction measures implemented to align volumes and operating costs generated material savings in the second half of the year. These helped mitigate some of the impact of the decline in volumes and gross margin.

Looking ahead, we expect to continue to benefit from the spread of the Group's operations across four geographies and exposure to a broad range of end-markets."

Leyland SDM, one of the most recognisable decorating and DIY brands in Central London, performed well, increasing revenue and operating profit and opened a new store in Hammersmith in February 2023. TG Lynes, the commercial pipes and fittings distribution business in London, delivered a good result in a weaker housing market almost matching the record profitability achieved in the prior year.

MacBlair, the market leader in Northern Ireland, encountered weak trading conditions in a competitive market that reduced revenue and profitability. Market coverage was extended with the acquisition of branches in Portglenone, County Antrim and Strabane, County Tyrone.

The Netherlands

Trading in Isero, the market leading specialist distributor of ironmongery, tools and fixings, held up well in a weaker housing market. Revenue growth with key account customers engaged on large commercial construction projects and the supply of large access control systems more than offset lower sales to timber factories and smaller customers who are typically sole trader businesses operating in construction and other industries. Profitability was reduced by margin and cost pressures.

Finland

IKH, the leading specialist distributor of workwear, PPE, tools and spare parts, saw the Finnish economy and construction sector progressively weaken as the year developed leading to a softening of demand across the IKH Partner network and owned stores and a decline in revenue and profitability.

Retailing
Woodie's market leading DIY, Home and Garden business in Ireland increased revenue despite the most challenging economic conditions encountered by customers for some time and sustained a slight dip in profitability.

Manufacturing
CPI Mortars, the market leading manufacturer of dry mortars in Great Britain, maintained profitability at close to the prior year level despite experiencing a sharp decline in volumes as multiple interest rate rises led housebuilders to scale back supply in response to weaker demand for new houses.

StairBox, the on-line market leading manufacturer of bespoke staircases in Great Britain that has a pioneering focus on the use of technology, experienced good demand in a challenging housing RMI market and increased profitability on slightly lower volumes.

Property
A property profit of £1.3 million (2022: £25.4 million) was realised in the year on disposal of three surplus properties that generated proceeds of £2.2 million.

Cashflow
The Group's cashflow from operations of £334.3 million (2022: £278.8 million) highlights its exceptional track record of cash generation. Similarly, free cashflow of £205.6 million (£163.3 million) was very strong. Free cashflow benefitted from a reduction in working capital by £29.5 million that incorporated a planned reduction in inventory of £37.8 million in response to an improvement supply chains.

Cash returned to shareholders in dividend payments and share buybacks amounted to £228.3 million (2022: £208.9 million), excluding transaction costs. This brought the amount of cash returned to shareholders in 2022 and 2023 to £437.2 million.

The Group had net cash of £379.7 million before IFRS 16 lease liabilities at 31 December 2023, a decline of £78.5 million from £458.2 million at 31 December 2022. Net debt at 31 December 2023, including IFRS 16 lease liabilities, was £49.3 million which compares to net cash of £8.9 million at 31 December 2022.

Share buybacks
In line with its disciplined approach to capital allocation, Grafton has completed three share buyback programmes since May 2022 supported by its exceptionally strong financial position. These three programmes involved the repurchase of a total of 29.18 million ordinary shares at a total cost of £243.3 million and an average share price of £8.34. The closing share price on 29 December 2023 was £9.11. The shares bought back represented 12.7 per cent of the ordinary share capital.

The fourth share buyback programme launched on 31 August 2023 was extended to 31 May 2024 and the maximum aggregate consideration increased from £50 million to £100 million. The Group had completed £47.5 million of this buyback programme by 31 December 2023 and £81.4 million by 5 March 2024.

A total of £290.8 million was returned to shareholders through share buybacks between 9 May 2022 and 31 December 2023 reflecting confidence in the Group's trading prospects, its strong balance sheet and cash generative operations while significant capacity was retained to invest in strategic growth opportunities.

Implementing our sustainability strategy
Sustainability is at the core of how we conduct business and we took a number of major steps in implementing our sustainability strategy during 2023. Given the strategic importance of sustainability to our businesses, we established an Executive Sustainability Committee chaired by me and whose membership includes the Group CFO, Group Head of Sustainability and the CEOs of our largest businesses. The purpose of the Committee is to develop and implement the Group's sustainability strategy subject to approval and ultimate oversight by the Board. It will also ensure that sustainability considerations are appropriately embedded into the wider business strategy and commercial decision-making process.

In preparation for the new EU Corporate Sustainability Reporting Directive ("CSRD"), we completed a Double Materiality Exercise and undertook extensive stakeholder engagement as part of the process. Stakeholder engagement is a central part of our preparation for the implementation of the CSRD and included reaching out to major shareholders as part of the consultation process. This engagement contributed to our 'double materiality' assessment which looks at sustainability issues through two lenses, the impact that a business has on society and the environment as well as the financial impact an issue may have on the business's performance. It also helped inform the future development of our ESG strategy and reporting plans.

Grafton is committed to delivering net zero carbon emissions no later than the end of 2050. We take our climate change responsibilities very seriously. We completed the calculation of Scope 3 emissions and submitted net zero targets to the Science Based Targets Initiative ("SBTi") for validation prior to the year-end which was one year ahead of our target date. This was a clear priority for the stakeholders that we engaged with during the year.

Scope 3 Greenhouse Gas ("GHG") emissions are estimated to account for 98 per cent of the Group's total GHG emissions and one of the Group's areas of focus is on achieving targeted reductions in GHG emissions by working increasingly more closely with manufacturers, suppliers and other stakeholders who have committed to set GHG emissions reduction targets through SBTi. We developed a transition plan that shows how these targets will be achieved, how progress will be monitored and the estimated financial impact of implementation.

Today we are publishing an assessment and update on our 2023 sustainability performance which is integrated within our 2023 Annual Report and Accounts.

"In line with its disciplined approach to capital allocation, Grafton has completed three share buyback programmes since May 2022 supported by its exceptionally strong financial position."

Chief Executive Officer's review continued

This covers five priority areas to build a more sustainable future being: Planet, Customer & Product, People, Community and Ethics. While there is still much to do, our overall Group and individual businesses have demonstrated very strong progress during 2023 as shown below:

Planet

- Achieved a 12.2 per cent reduction in Scope 1 and 2 tCO_2e per £'million of revenue. This was equivalent to an 11.5 per cent reduction in absolute emissions.
- Achieved a 98 per cent diversion of operational waste from landfill.
- Continued investment in building energy management systems and solar PV and alternative fuels to drive reductions in energy usage and our Scope 1 and 2 GHG.
- Calculated Scope 3 GHG emissions and submitted net zero targets for validation.

Customer & product

- Hire, refurbishment and recycling offerings are available in a number of our businesses.
- Responsible timber sourcing is an important area of focus for our distribution businesses and we began to further strengthen our due diligence to meet forthcoming European legislation.

People

- Our Diversity and inclusion working groups continued to support our businesses to encourage an inclusive culture that promotes diversity. Whilst the overall number of females across the Group declined slightly year on year, we are delighted that five of our businesses, CPI Euromix, TG Lynes, MacBlair, IKH and Isero, increased their gender diversity in 2023.
- Woodie's was one of only three organisations to be listed as a Best Workplace for Women for five consecutive years in Ireland. CPI EuroMix became a platinum member of Women into Construction and Chadwicks achieved silver status in Diversity from the Irish Centre for Diversity.
- Our conviction that 'there is nothing we do that is so urgent we cannot do it safely' drove our health and safety programme across the Group. All businesses have maintained their focus on reducing risk across all operations from supplier deliveries through store operations to ultimate delivery to customers which resulted in a further seven per cent reduction in the Lost Time Injury Frequency Rate against 2022 and a 20 per cent overall reduction against the base year of 2018.

Community

- Grafton invested £830,000 in its communities through cash contributions, volunteering and in-kind products and services which was in line with our commitment to spend 0.4 per cent of our operating profit on good causes. In addition, £780,000 was raised through colleague and customer fundraising. The Group's commitment to community investment will increase to 0.6 per cent of operating profit in 2024.

Ethics

- A strong focus was placed on ethical business training programmes and there was 86 per cent compliance with the business conduct and ethics programme.
- A new information security training and awareness programme was launched across the Group during the year. By the year end, 78 per cent of Group colleagues had completed IT and cyber security training.
- The Group's businesses continued to embed a supply chain management system in partnership with an expert risk management company and the supplier response rate increased to 81 per cent from 67 per cent in the prior year.

Grafton's sustainability agenda is focused on those areas that are most material to the business and deliver tangible results and outcomes that will make a real difference to all its stakeholders. The Group's sustainability programme also informs capital allocation and day to day operational decisions and recognises the positive connection between sustainable business practices and financial performance.

Current trading and outlook

While trading conditions are expected to remain challenging during 2024, the backdrop has improved with inflation easing and markets starting to anticipate interest rate reductions that will ease pressure on mortgage holders and improve affordability. In recent months income growth has outpaced the rise in inflation in tight labour markets and households have seen a real increase in disposable incomes.

While we remain cautious about the near-term prospects for our markets, we are confident that the commitment and hard work of our 9,000 colleagues and the agility and resolve of our management teams in our market leading brands will continue to deliver a strong proposition for our customers.

Demand fundamentals in the Group's markets are underpinned by an under supply of new homes to meet demand over a prolonged period and an aging housing stock requiring investment to upgrade including energy conservation measures.

Grafton has a portfolio of cash generative businesses and exited 2023 in an excellent financial position that provides a strong platform for the future growth and development of our Group.

Whilst uncertainties remain in the short term, we are confident that Grafton is exceptionally well positioned to benefit as the cycle turns, markets normalise and consumer confidence improves.

In Ireland, the economy is now entering a period of more moderate growth as the pace of job creation slows and investment eases. We expect resilient demand in the residential RMI and DIY markets. House completions should continue to increase on the back of strong underlying demand and the allocation of €5.1 billion by the Government of Ireland to investment in housing.

In the UK, while we remain cautious on the near-term outlook for discretionary spending on home improvements by households there are signs that consumer confidence is improving with inflation falling, real take home pay rising and the housing market starting to recover on the prospect of interest rates being cut. The rise in interest rates has made new homes less affordable for many households and we expect housing supply and the build-out rate of new developments to slow in response to the fall experienced last year in reservation rates.

In the Netherlands, declining inflation and strong growth in real incomes is expected to support household spending. There are some early indications that the downturn in the housing market has bottomed out and that transactions for existing and new homes should start to increase.

In Finland, the economy is in a mild recession and the recovery is expected to be slow. Residential and non-residential construction is expected to decline further in the near term.

Taking the individual markets into account, we currently expect overall like-for-like revenue for the financial year to be relatively flat, with the first half activity levels likely to be weaker than the prior year comparator but with more reasons for optimism that we could start to see signs of improvement emerge in the second half. As with the last financial year, operating profit will face the headwind of operating cost inflation, largely attributable to the impact of statutory employment cost increases and collective labour agreements. The Group will remain focused on operating as efficiently as possible without compromising its market leading customer propositions or the longer terms prospects of its brands.

Group average daily like-for-like revenue in the period from 1 January 2024 to 29 February was 5.3 per cent lower than the same period last year. Average daily like-for-like revenue in the UK Distribution business was 9.0 per cent down on the prior year. There was a reduction of 1.0 per cent in the Distribution business in Ireland, 2.2 per cent in the Netherlands and 10.7 per cent in Finland. Retailing average daily like-for-like revenue grew by 4.2 per cent while Manufacturing was down by 22.6 per cent.

Price deflation and wet weather, particularly in the UK, contributed to weaker than anticipated revenue in January and February. Woodie's had a good start to the year with consumer spending in Ireland showing resilience. Profitability in the first two months was in line with our expectations.

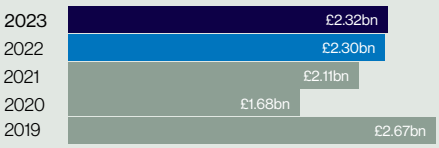
We will continue to allocate organic development capital as required to ensure that the Group's brands continue to support their customers and strengthen their market positions. In parallel, we will continue to evaluate and progress possible acquisition opportunities and engage with potential vendors in our chosen market segments across Europe.

Eric Born
Chief Executive Officer
6 March 2024

Financial KPIs

The key performance indicators ('KPIs') below are used to track performance and increase value for shareholders.

£2.32bn



Revenue

Group revenue for the year is a measure of overall growth.

Strategic Links

01 02 04 05

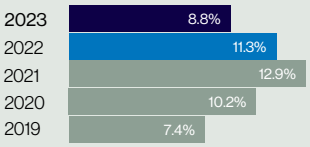
Our Progress in 2023

Revenue increased by 0.8 per cent to £2.32 billion but decreased by 0.4 per cent in constant currency.

Risks

- Macro-economic conditions
- Competition

8.8%



Adjusted operating profit margin before property profit

Adjusted operating profit before property profit as a percentage of revenue provides a good measure of performance.

Strategic Links

01 02 04 05

Our Progress in 2023

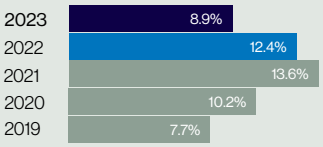
The term 'adjusted' means before amortisation of intangible assets arising on acquisitions, exceptional items and acquisition related items.

The adjusted operating profit margin before property profit is down 250 bps to 8.8 per cent.

Risks

- Macro-economic conditions
- Competition

8.9%



Adjusted operating profit margin

Adjusted operating profit as a percentage of revenue.

Strategic Links

01 02 04 05

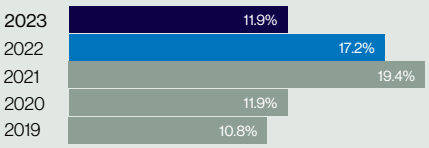
Our Progress in 2023

The adjusted operating profit margin is down 350 bps to 8.9 per cent.

Risks

- Macro-economic conditions
- Competition

11.9%



Adjusted return on capital employed (ROCE)

A measure of the Group's profitability and the efficiency of its capital employed. Adjusted operating profit is divided by average capital employed (where capital employed is the sum of total equity and debt/(cash) at each period end) times 100.

Strategic Links

01 02 04 05

Our Progress in 2023

ROCE decreased by 530 basis points primarily due to a decline in the adjusted operating profit.

Risks

- Macro-economic conditions
- Competition

Strategic links

01 Our strategy

02 Supportive organisational structure and management

03 Excellence in service

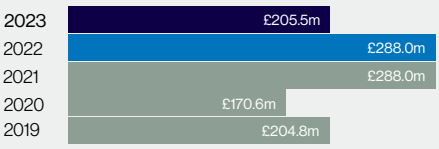
04 Strong financial base

05 Ethics and integrity

For more information on alternative measures see pages 274 to 279

For more information on risk management see pages 64 to 81

£205.5m



Adjusted operating profit

Profit before intangible asset amortisation on acquisitions, exceptional items, acquisition related items, net finance expense and income tax expense.

Strategic Links

01 02 04 05

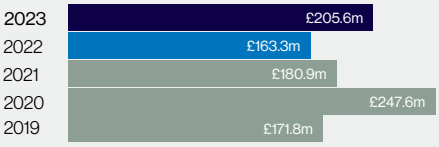
Our Progress in 2023

Adjusted operating profit, including property profit, decreased by 28.1 per cent to £205.5m.

Risks

- Macro-economic conditions
- Competition

£205.6m



Free cash flow

Cash generated from operations less interest, tax and replacement capital expenditure net of disposal proceeds. Free cash flow provides a good measure of the cash generating capacity of the Group's businesses.

Strategic Links

01 02 04 05

Our Progress in 2023

Free cash flow increased by £42.3 million to £205.6 million.

Risks

- Macro-economic conditions
- Competition

£379.7m

Net cash – before IFRS 16 leases

Total cash and cash equivalents, plus fixed term cash deposits, less interest-bearing loans and borrowings and derivative financial instruments but before lease liabilities.

Strategic Links

01 02 04 05

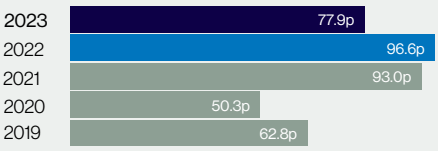
Our Progress in 2023

Retained a strong cash position with net cash, before lease liabilities, of £379.7 million, a decrease of £78.5 million from net cash of £458.2 million at the end of 2022. The movement in the year relates primarily to the share buyback programmes.

Risks

- Macro-economic conditions
- Competition
- Acquisition & integration

77.9p



Adjusted earnings per share

A measure of underlying profitability of the Group. Adjusted profit after tax is divided by the weighted average number of Grafton Shares in issue, excluding treasury shares.

Strategic Links

01 02 04 05

Our Progress in 2023

Adjusted earnings per share was down 19.4 per cent on prior year as a result of a decline in the adjusted profit after tax but benefitted from the impact of the share buyback.

Risks

- Macro-economic conditions
- Competition

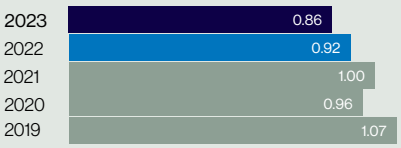
Non-financial KPIs

The non-financial key performance indicators ('KPIs') below are used to measure our commitment to responsible business practices

Health and Safety
Keeping our people safe

Lost time injury frequency rate

0.86



Our aim
We believe there is nothing we do that is so urgent we cannot do it safely.

This belief is fundamental across all our operations to ensure our colleagues, customers and everyone we work with returns home safe and well at the end of each day.

Strategic Links
01 03 05

Our progress in 2023
All businesses have maintained their focus on reducing risk across all operations - from receiving supplier deliveries through manufacturing and store operations to the ultimate delivery to our customers.

Continued focus on the key Group priorities is driving safety improvements in these areas:

- Pedestrian safety around moving vehicles and plant;
- Safe storage and handling of products; and
- Safe vehicle loading and deliveries.

This commitment has resulted in a further seven per cent reduction in the Lost Time Injury Frequency Rate against 2022 and a 20 per cent overall reduction against the 2018 base year.

Environmental
Reducing our greenhouse gas emissions

Reduction in CO2e emissions (tonnes per £'m of revenue) vs 2022

12.2%

Our aim
Our aim is to run our businesses in an environmentally responsible manner.

We aim to protect natural resources, minimise waste and reduce our greenhouse gas emissions.

Strategic Links
01 03

Our progress in 2023
We exceeded our greenhouse gas emissions reduction target of 2 per cent for Scope 1 & 2 emissions per £'million of revenue, achieving a reduction of 12.2 per cent. We also achieved an 11.5 per cent reduction in emissions when calculated in absolute terms.

This was achieved by improved quarterly reporting and monitoring, commitment to energy efficiency and investment in solar PV and alternative fuels.

We also calculated our Scope 3 emissions and submitted net zero targets to the SBTi for validation.

Strategic links

01 Our strategy

02 Supportive organisational structure and management

03 Excellence in service

04 Strong financial base

05 Ethics and integrity

Diversity and inclusion

Being a welcoming, inclusive place to work

Our aim

We recognise being a diverse, inclusive and socially conscious business is critical to our future success.

Our aim is to ensure that all of our people, regardless of gender, ethnicity, age, disability, religion, socio-economic background or sexual orientation, can reach their full potential and be valued for being themselves.

Strategic Links

01 03 05

Our progress in 2023

Our Diversity and Inclusion working groups continued to support our businesses to encourage an inclusive culture that promotes diversity.

Woodie's was one of only three organisations to be listed as a Best Workplace for Women for five consecutive years in Ireland, Chadwicks were proud to achieve silver status in Diversity from the Irish Centre for Diversity and CPI EuroMix became a platinum member of Women into Construction.

While the overall number of females across the Group declined year on year, we are delighted that five of our businesses: CPI Euromix, TG Lynes, MacBlair, IKH and Isero, increased their gender diversity in 2023.

Customer and product

Managing our supply chain and providing our customers with responsibly sourced and high quality products

Our aim

Our aim is to collaborate with our suppliers to secure the consistent supply of products for our customers and to ensure that the principles of our sourcing standards are met. We are also focused on providing responsibly sourced and more sustainable options to our customers and increasing circular economy opportunities.

Strategic Links

01 04

Our progress in 2023

In 2023 the Group re-launched our Code of Business Conduct and Ethics and associated training for colleagues and continued to strengthen our supply chain management system in partnership with an expert risk management company. This programme covers a range of ethical, financial and quality areas to confirm compliance with our policies and relevant regulatory standards.

We have continued to improve the traceability of priority raw materials and started to prepare for the upcoming deforestation legislation in the EU.

Our business units continue to operate circular business models looking at rental, repair and refurbishment.

Distribution segment

(83.7% of Group Revenue, 2022: 84.2%)

	2023 £'m	2022 £'m	Change*
Revenue	1,940.4	1,936.8	0.2%
Adjusted operating profit before property profit	155.8	210.3	(25.9%)
Adjusted operating profit margin before property profit	8.0%	10.9%	(290bps)
Adjusted operating profit	157.1	235.6	(33.4%)
Adjusted operating profit margin	8.1%	12.2%	(410bps)

* Change represents the movement between 2023 v 2022 and is based on unrounded numbers.

Proportion of Group revenue

83.7%

Proportion of Group adjusted operating profit

76.4%

Ireland distribution

(27.2% of Group Revenue, 2022: 26.9%)

	2023 £'m	2022 £'m	Change*	Constant Currency Change*
Revenue	631.0	618.3	2.1%	0.1%
Adjusted operating profit before property profit	60.9	70.5	(13.5%)	(14.8%)
Adjusted operating profit margin before property profit	9.7%	11.4%	(170bps)	–
Adjusted operating profit	61.7	71.5	(13.6%)	(10.2%)
Adjusted operating profit margin	9.8%	11.6%	(180bps)	–

* Change represents the movement between 2023 v 2022 and is based on unrounded numbers.

Chadwicks responded well to evolving market conditions and contended with significant steel and timber price deflation, competitive pricing pressure in flat markets and pressure on costs to report a solid set of results. The decline in operating profit occurred in the first half and the business operated in line with the prior year in the second half.

Proportion of Group adjusted operating profit

30.0%

Operating review continued

Chadwicks responded well to evolving market conditions and contended with significant steel and timber price deflation, competitive pricing pressure in flat markets and pressure on costs to report a solid set of results. The decline in operating profit occurred in the first half and the business operated in line with the prior year in the second half.

A decline in average daily like-for-like revenue of 1.2 per cent was concentrated in the first half with trading in that period impacted by a dampening in demand for materials used in residential RMI projects in a tight market for skilled labour and by significant timber and steel price deflation. We had anticipated some moderation in spending on home improvement projects as households cut back on discretionary spending on the home due to cost-of-living pressures and a preference for spending more on leisure activities and experiences.

While the rise in interest rates exerted some downward pressure on activity in the housing market, underlying demand was strong.

There was a resumption of growth in average daily like-for-like revenue in the second half against the backdrop of firmer demand in the residential RMI and new build markets and Chadwicks benefitted from an improving trend in activity in the run-up to the year end. Chadwicks was well-positioned to leverage its distinctive brand and market leadership position to capitalise on growth opportunities in a relatively flat market.

Downward pricing pressure on steel, which contributed 9.6 per cent (2022: 11.5 per cent) of revenue, continued through the year with the price of reinforced steel and steel mesh, products that are used in a wide range of construction applications, falling by 30 per cent. Demand for steel was down across construction and other sectors internationally with overcapacity in international mills and destocking by distributors also contributing to the decline in prices. There was also a post-pandemic normalisation of prices for timber and engineered wood products used in construction and RMI projects as prices fell from record levels due to weaker demand in Europe. Price deflation averaged 18 per cent on steel and 14 per cent on timber.

The fall in steel and timber prices reduced revenue and gross profit. In addition, the gross margin on steel fell as inventory levels procured at higher prices were run-down. The decline in gross profit on steel was £7.0 million (€8.0 million). Lower volumes led to intense competitive pressure that delayed the recovery of price increases in certain product categories. The combined effect of steel and timber price deflation and inflation in other product categories reduced average selling prices by 1.75 per cent.

Overheads were very tightly controlled despite inflationary pressures which decelerated over the course of the year. Payroll growth picked up in response to inflation and tight labour markets and Chadwicks invested to support colleagues and ease pressure on their finances from cost-of-living increases. Chadwicks has a workforce of experienced, committed and dedicated colleagues and the strength of their engagement was recognised with a ranking of 23rd in the Great Place to Work Best Workplaces survey of large organisations in Ireland. Growth in overheads was partly offset by the successful recovery of bad debts written-off in prior years.

Housing demand was estimated at 35,000 to 40,000 units between 2017 and 2021 although completions were only half that level which created an annual shortfall of circa 20,000 units. The shortfall between supply and demand narrowed significantly with the construction of 29,700 units in 2022 and 32,695 units in 2023, an increase of 10 per cent. Demographic trends indicate annual demand of at least 30,000 units although a much higher level of supply is required to address the pent-up demand that developed over more than a decade.

Housing scheme developments, the primary segment of the new build market supplied by Chadwicks, accounted for 47.4 per cent of units completed in Ireland in the year. The number of units completed increased by 2.4 per cent.

Single home completions, a core market for Chadwicks provincial branches, rose by 0.9 per cent to 5,548 units. The number of apartments completed in 2023 grew by 28.0 per cent to 11,642 units. Dublin accounted for 38.6 per cent (12,634) of units completed nationally of which 71.9 per cent (9,081) were apartments. In view of the nature of the physical structure and materials used in construction, apartments generate a much smaller proportion of materials through Chadwicks and other general distributors than other forms of residential construction.

Forward indicators of new housing supply gained momentum in the second half and were running at 31,000 units in the year to October 2023 while the number of units granted planning consent increased by 13 per cent in the nine months to September 2023. A shortage of skilled labour, increased building materials costs, delays securing planning consents, higher interest rates and the availability of funding to developers and mortgages to households pose ongoing challenges to increasing the level of housing supply to meet ongoing and latent demand.

In September, Chadwicks partnered with YourRetrofit.ie to help homeowners navigate the challenges of retrofitting their homes. This platform provides households with tailored advice on home upgrade options that match their budgets including estimates of project materials supplied by Chadwicks and grants available. These energy efficient projects typically cover attic insulation, energy efficient lighting, external wall insulation heat pumps and solar panels.

Sitetech, the market leading distributor of construction accessories acquired at the end of February 2022, outperformed the pre-acquisition investment case in its first full year under Chadwicks' ownership. The acquisition of Rooney's, a distributor of building materials and DIY products from a single location in Kells, County Meath, was completed at the end of October following approval of the transaction by the Competition and Consumer Protection Commission.

Chadwicks strengthened its national distribution network and market leading position with the reopening of a larger branch at East Wall Road to support existing and planned housing and commercial and civils projects in Dublin city centre and the Docklands area. Upgrades were completed to the Kilkenny, Clonmel, Dundalk, Waterford, Wexford, Mallow and Robinhood Road branches.

Chadwicks' on-line platform was upgraded to improve the service offering to customers through a market leading self-service and account management portal that incorporates a full transaction history, invoice payment and querying, viewing and downloading of statements, invoices and proof of delivery together with account management tools including credit limit and account ageing review. We introduced a software solution to digitise our steel cut and bend production. This solution digitises the process from order receipt to production and invoice generation. It provides greater visibility on production across our six facilities nationwide and ensures that customers receive the necessary certification with their deliveries. We also improved our business intelligence capabilities, enhanced data insights on the business and trialled a number of Artificial Intelligence initiatives.

Chadwicks is committed to being an industry leading distributor of sustainable building materials and to working with partners across the supply chain in supporting its customers to reduce carbon emissions by using the most environmentally efficient materials and products on the market. ECO Centres that promote sustainable building products including external wall and internal insulation, airtightness, ventilation systems, heat pumps and controls, solar energy and water-saving products have been rolled-out in 21 branches.

UK distribution

(35.3% of Group Revenue, 2022: 36.5%)

	2023 £'m	2022 £'m	Change*
Revenue	818.1	838.6	(2.4%)
Adjusted operating profit before property profit	47.3	81.8	(42.3%)
Adjusted operating profit margin before property profit	5.8%	9.8%	(400bps)
Adjusted operating profit	47.7	106.2	(55.1%)
Adjusted operating profit margin	5.8%	12.7%	(690bps)

* Change represents the movement between 2023 v 2022 and is based on unrounded numbers.

Average daily like-for-like revenue in the UK Distribution business was down by 3.2 per cent in the year. The rate of decline increased from 2.3 per cent in the first half to 4.1 per cent in the second half due to building materials price deflation.

Proportion of Group adjusted operating profit

23.2%

Average daily like-for-like revenue in the UK Distribution business was down by 3.2 per cent in the year. The rate of decline increased from 2.3 per cent in the first half to 4.1 per cent in the second half due to building materials price deflation.

Acquisitions and new branches contributed revenue of £10.3 million.

Gross margin was 160 basis points lower following significant investment in pricing to deliver even better value for customers on core ranges, maintain competitiveness and drive volume in a weak market. Changes in mix also contributed to the decline.

Adjusted operating profit before property profit declined to £47.3 million (2022: £81.8 million) and the adjusted operating profit margin, before property profit, was 400 basis points lower than last year reflecting the decline in like-for-like revenue, investment in pricing, mix changes and higher operating costs in a high inflation environment.

Selco Builders Warehouse

Selco is almost entirely exposed to the residential RMI market, a segment of the construction sector that has been hardest hit in a prolonged cyclical downturn that started in the first quarter of 2022.

Volumes continued to trend downward, but the rate of decline moderated from 6.0 per cent in the first half to 2.3 per cent in the second half and averaged 4.1 per cent for the year following a decline of 15.0 per cent in the prior year. The drop in first half volumes was reflected in a decline in average daily like-for-like revenue of 3.9 per cent and price inflation of 2.1 per cent. Second half average daily like-for-like revenue declined by 4.3 per cent and price deflation was 2.0 per cent. Average daily like-for-like revenue for the year was down by 4.1 per cent and inflation was relatively flat.

Building materials price deflation started to take hold in May and continued through to the year end. The key drivers of the decline were timber and sheet materials which accounted for 30 per cent of revenue. Average transaction values were lower driven by the fall in timber prices and changes in mix. The volume of building materials used in structural home improvement projects was materially lower and sales of landscaping materials were also down. The volume of energy saving insulation products was up and demand was firmer for bathrooms, kitchens and decorating materials.

The housing RMI market was vulnerable to cost-of-living pressures, the decline in real disposable incomes, interest rate rises and weakened sentiment which combined to lead households to cut back on discretionary spending on home improvements. The sharp increase in the price of building materials and labour increased project costs and reduced affordability for already stretched households. Households were also reluctant to invest in the home during a period of property price declines that saw prices 4.5 per cent lower in December 2023 than in the summer of 2022.

Property transactions in Great Britain were 19.0 per cent lower in 2023 than in 2022 and 31.0 per cent lower than in 2021, a year that saw a temporary spike due to the stamp duty holiday and delayed transactions from 2020 when the housing market was in lockdown. The fall in property transactions led to a decline in RMI activity as house buyers typically tend to undertake improvement projects within six months to a year of moving into a property. The decline in planning applications for extensions and loft conversions also pointed to reduced investment in the home and some planned home improvement projects were put on hold or completed in stages.

Volumes were under pressure and Selco responded by investing in price on core products in a very competitive market that had struggled to absorb the scale of price rises over the past two years. The pricing environment was made more challenging by price deflation on timber products, following price growth of 27 per cent in the prior year. Pricing also turned negative across other product categories that had experienced prior year growth of 16 per cent.

Selco maintained very tight cost discipline in an inflationary environment and contained growth in like-for-like overheads to a low single digit figure. Investment in payroll was a priority to support colleagues through the cost-of-living crises in a tight labour market. There were also cost pressures from five yearly rent reviews on a number of branch properties. Selco's operating model has a mainly fixed cost base and measures were implemented on a timely basis to align operating costs more closely with lower volumes. These measures contributed material savings to the cost base in the second half which mitigated some of the impact of the decline in volume and gross margin. There will be an incremental impact from these cost savings in the first half of 2024.

Operating profit and the operating profit margin were materially down on the prior year due mainly to the fall in volumes and decline in the gross margin from both investing in price in a competitive market and building materials price deflation. The impact of cost increases was less marked on the result for the year.

Selco operates from a network of well-invested and well-located branches that offer customers an attractive value and service proposition. Branches carry a broad range of best-in-class products that are in-stock and available when customers need them. The medium to longer-term fundamentals of the residential RMI market are underpinned by an aging housing stock and under-investment in recent years. Selco has the capacity and capability to increase volumes when the macro-economic conditions that have created the current cyclical downturn subside and the recovery takes hold.

Selco is engaged in an ongoing store upgrade programme that aims to deliver a better experience for customers and colleagues while ensuring that the overall estate is updated on a rolling basis and maintained to a good standard. Mini upgrades were completed on two branches during the year as part of this programme.

Branches that were opened in 2021 in Liverpool, Canning Town and Rochester and last year in Exeter and Cheltenham, continued to grow revenue in a more challenging market than contemplated at the planning stage. A new branch in Peterborough, Selco's first in Cambridgeshire, opened in April 2023 and increased the estate to 75 branches.

While we continue to progress the search for new branch locations, as previously noted, we reassessed plans for the rollout of new Selco stores and concluded that, subject to finding suitable properties in priority locations, an estate of approximately 90 stores was a realistic medium-term target. Our assessment was

based on the near-term outlook for the UK economy and the impact of interest rate rises on the capacity of developers to fund new projects.

Selco successfully completed a major upgrade to its finance and operations ERP system following significant planning and preparatory work in the prior year and extensive testing and trialling of the new system before rollout commenced. The upgrade was successfully deployed across the entire branch network and Support Centre in Wythall, Birmingham. This modern software package has a high degree of "out of the box" functionality, offers ongoing version upgrades and provides greater operational flexibility and efficiency.

Selco completed a successful trial and commenced the rollout of retail floor planning software that provides data driven insights to optimise the use of floor space in branches, improve on-shelf availability and reduce inventory.

Prior to the year end, Selco launched a trial HSS Hire satellite tool and equipment hire service in four of its branches. This development complements Selco's building materials distribution business by offering its trade customers a hire service, with good circular economy credentials, under one roof.

Earlier this year, Selco launched a trial of a Magnet kitchens showroom in three of its branches and plans to expand the concept if the pilot is successful. Trade customers will have access to more choice, an enhanced range of quality products and a full design and quote service supported by design specialists.

Brick matching implants were trialled in four branches to complement Selco's brick matching service that helps customers to find the right size, shape, colour and brick strength for home extensions and renovation projects.

Selco continued its support for communities raising £200,000 for Cancer Research UK.

Selco has taken significant strides over recent years to reduce carbon emissions across the branch estate ranging from the introduction of LED light fittings to a new gas management system. Over 300,000 trees have been planted in Scotland and Wales including 45,000 this year under the "Selco Forest" initiative to sequester carbon from the Earth's atmosphere. These trees will sequester 15,000 tonnes of carbon during their life cycle which is equivalent to carbon emissions on customer deliveries over a period of four years.

Selco extended a trial of solar panels on the roof of the Barking branch with the roll-out of this energy generation initiative in a further three branches. Meanwhile, the process to transition the entire fleet of over 300 forklift trucks to electric, as they come up for replacement, continued and by the year end 49 electric forklift trucks were operational and orders placed for a further 66.

Ten Compressed Natural Gas (CNG) vehicles are operational in the delivery hubs in London and Birmingham and Selco reduced carbon emissions by up to 90 per cent from switching part of its fleet to HVO (Hydrotreated Vegetable Oil) from fossil fuel. All delivery vehicles in the two delivery hubs in London and Birmingham are fuelled by either HVO or natural gas. An electric dropside van with a potential range of 230km is being trialled at the delivery hub in Birmingham.

Leyland SDM

Leyland SDM, one of the most recognisable decorating and DIY brands in Central London, performed well increasing operating profit for the year despite challenging trading conditions in the RMI market.

Average daily like-for-like revenue growth slowed from 15.5 per cent in the first half to 3.3 per cent in second half and increased by 9.0 per cent for the year driven by inflation and volume growth. The comparator performance showed growth of 2.0 per cent in the first half and 11.0 per cent in the second half as the business made post pandemic gains in the prior year following the return of workers and visitors to the City and pick-up in RMI activity. While the City continued to benefit from growth in international tourism and leisure activity, there were headwinds facing domestic spending in response to the cost-of-living squeeze and the rising cost of debt that were reflected in a contraction in average daily like-for-like revenue in the final months of the year.

Leyland SDM operates a unique portfolio of convenience-led, mainly high street stores that are situated in some of London's most prominent areas to support trade and retail customers who prioritise location, service, convenience and access to product knowledge and advice. We improved our category management, availability, ranging and merchandising as well as simplifying

some of our operating procedures and augmenting others.

We invested in our people by increasing pay for frontline hourly paid colleagues to reward them for providing excellent everyday customer service. This investment was recognised in a significant improvement in colleague retention and engagement.

The operating and financial performance of Leyland SDM showed a marked improvement in the year and good foundations were laid on which to make further progress as trading conditions improve.

MacBlair

The MacBlair distribution business in Northern Ireland encountered difficult trading conditions and pressure on gross margins resulting in a sharp decline in operating profit.

Average daily like-for-like revenue was down by 6.3 per cent for the year. Revenue from house building declined sharply as interest rate rises reduced affordability and house builders scaled back output in response to weaker demand. Housing starts and completions in the province were down by 22 per cent in the nine months to the end of September. Housing RMI revenue was flat and volumes were lower reflecting a decline in housing transactions in Northern Ireland by 16.0 per cent for the second successive year. The commercial and civils segments, which account for one-fifth of revenue, showed modest growth. Competition was intense in quieter markets and there was downward pressure on gross margins in all end-markets.

MacBlair extended market coverage in the province with the acquisition in June 2023 of Clady Timber, a distributor of timber and building materials from a single branch in Portglenone, County Antrim. In July 2023, B. MacNamee, a distributor of building materials, timber, hardware, power tools, plumbing and electrical products from a single branch in Strabane, County Tyrone, was acquired, increasing the number of MacBlair branches to 23.

TG Lynes

The London based TG Lynes commercial pipes and fittings distribution business delivered an operating profit that was just slightly lower than the record prior year performance despite more challenging market conditions. This result continued a track record of market outperformance since it was acquired by Grafton in 2015.

Revenue growth was attributed to product price inflation as volumes were flat.

Demand from subcontractors to national housebuilders was softer, as anticipated, but non-residential new build projects with long lead times that account for a high proportion of revenue in the hotel, leisure, data centre, retail and office sectors held up. Public sector funded upgrades to schools, hospitals and universities were also resilient.

Netherlands distribution

(15.2% of Group Revenue, 2022: 14.6%)

	2023 £'m	2022 £'m	Change*	Constant Currency Change*
Revenue	351.5	336.7	4.4%	2.3%
Adjusted operating profit	33.4	37.6	(11.2%)	(13.2%)
Adjusted operating profit margin	9.5%	11.2%	(170bps)	–

* Change represents the movement between 2023 v 2022 and is based on unrounded numbers.

The Isero ironmongery, tools and fixings distribution business delivered a solid performance in a market that softened as the year developed.

Proportion of Group adjusted operating profit

16.3%

The Isero ironmongery, tools and fixings distribution business delivered a solid performance in a market that softened as the year developed.

Isero performed strongly in the first quarter increasing average daily like-for-like revenue by 4.8 per cent despite a decline in existing housing transactions and slowdown in new home construction. Collected branch revenue increased as customers transferred from new build to repair and maintenance projects. Revenue from key account customers engaged on large commercial construction projects also grew. Average daily like-for-like revenue growth slowed to 2.6 per cent in the second quarter, a rate mainly driven by product price inflation.

Average daily like-for-like revenue growth slowed further in the third quarter with key account customers continuing to more than offset lower sales to smaller customers and timber factories. Average daily like-for-like revenue turned marginally negative in the final months of the year as the rate of materials price inflation eased considerably. Volumes were flat for the year and inflation was the primary driver of growth in average daily like-for-like revenue by 2.3 per cent.

Overall revenue growth in the year benefitted from increased volumes with new and established key account customers engaged on large commercial construction projects, including apartment building and the maintenance of public sector housing. Strong growth in project revenue was driven by the supply of large access control systems. Revenue was lower from the supply of hinges and locks to timber factories caused by the decline in house building but started to recover in the fourth quarter. Transaction numbers with smaller customers who are typically sole trader businesses engaged on housing RMI projects and other sectors of industry were weaker reflecting the pressure on household spending from higher interest rates and the downturn in the economy.

The gross margin was in line with the prior year in the first half but was slightly down for the year. The change in product mix and end-markets supplied, lower gains from tactical procurement as materials price inflation edged down and competitive pressure had an adverse effect on margins.

Operating costs, while tightly controlled, were pushed up by inflation related increases in employment and estate costs and energy costs were also higher. In a tight labour market, with the rate of unemployment running at less than four per cent and a high rate of inflation, payroll increases negotiated between employers' representatives and unions under collective labour agreements (CLA's) rose at the highest level in the Netherlands for over 40 years.

The drop-through effect of flat volumes, gross margin compression and higher operating costs reduced operating profit and the operating margin.

The Netherlands' economy contracted in each of the first three quarters of the year under the pressure of high interest rates and elevated inflation. Although consumer sentiment remained weak, inflation passed its peak and started to fall, while wage-growth remained high and house prices showed early signs of recovery. Real disposable incomes rose as pay increases outpaced inflation.

The number of transactions in existing homes declined for the third successive year with the number of homes for sale falling year on year in the fourth quarter by 26 per cent to 25,000 which compares to the long-term average of 73,000. The decline in transactions and tightness in the housing market was mainly due to a deterioration in affordability caused by the sharp rise in interest rates which saw sellers and buyers pull out of the market. Transactions in newly built homes dropped sharply as affordability was stretched by higher interest rates on mortgages. House builders responded to the fall in demand and low levels of pre-construction sales by delaying new phases of housing developments.

The five branch Regts business acquired in January 2022 continued to trade ahead of plan, building on the excellent progress made in the prior year. The branch in Zaandam, in the province of North Holland, that was opened in the first half of last year performed well and made good progress establishing a market position in the city. A second branch in the same province, in the city of Alkmaar, that was opened in May traded in line with plan and Isero ended the year trading from 124 branches.

Isero's sustainability journey focused on its commitment to a more circular economy that involves keeping products that it sells in use for as long as possible, minimising waste and promoting resource efficiency. Boxes were placed at branches to collect workwear and Personal Protective Equipment ("PPE") that is returned by customers and then reused in the manufacture of new products. A pilot scheme was launched in five branches to promote the return of old sanitaryware that is then refurbished by suppliers and resold. A new policy was introduced in early 2024 that will move all cars to EV or hybrid models and should significantly reduce vehicle emissions.

Finland distribution

(6.0% of Group Revenue, 2022: 6.2%)

	2023 £'m	2022 £'m	Change*	Constant Currency Change*
Revenue	139.8	143.2	(2.4%)	(4.2%)
Operating profit	14.2	20.3	(30.1%)	(31.4%)
Operating profit margin	10.2%	14.2%	(400bps)	–

* Change represents the movement between 2023 v 2022 and is based on unrounded numbers.

IKH is a leading distributor of workwear and PPE, tools and spare parts in Finland where its products are distributed through a network of independently operated IKH Partner stores, third party distributors and owned stores.

Proportion of Group adjusted operating profit

6.9%

IKH is a leading distributor of workwear and PPE, tools and spare parts in Finland where its products are distributed through a network of independently operated IKH Partner stores, third party distributors and owned stores. These routes to market support customers operating in the construction, renovation, industrial, agricultural and spares end markets.

There was slight softening in demand across the Partner network and owned stores in the first half. Trading conditions became increasingly more challenging as the second half progressed and average daily like-for-like revenue was down by 5.6 per cent for the year.

Revenue was down across the Partner network, third-party distributors and owned stores in Finland driven by a decline in residential and non-residential construction. Revenue increased with Partner stores in Estonia and in Sweden where the business is in the early stages of building a network of Partner stores and distributors.

The Finnish economy was in a mild recession in 2023 as the rise in interest rates and weaker exports weighted on activity. Finish mortgages are mainly variable rate and the rise in rates had a material impact on servicing costs and the disposable incomes of 30 per cent of households who have a mortgage.

Housing starts almost halved due to the fall in demand from owner occupiers and investors. Increased construction costs and a decline in prices in the secondary housing market affected the sale of new homes and housing starts. The volume of house completions was also lower but supported by the high level of starts in the prior year.

There was a modest decline in RMI activity which generates half of the volume of spending on residential activity. While strong underlying demand was underpinned by the condition of the housing stock and demand for energy upgrades, the uncertain economic outlook, pressure on disposable incomes from inflation and interest rate rises and increased cost of materials and labour led households to defer projects to upgrade their homes.

Despite the decline in project starts, non-residential construction held up well supported by public sector, commercial and industrial projects that were started in recent years. Overall construction output is estimated to have declined by circa 10 per cent.

The owned store that was opened in Rovaniemi, the capital city of Lapland in Northern Finland, started to grow market share in the city. IKH opened a store in Lielahti, a suburb of the city of Tampere, Southern Finland, in May 2023. In July 2023, IKH acquired a store from its former partner in Kouvolan, a city in southeastern Finland and since the year end has opened its 15th store in Roihupelto, a suburb of Helsinki which increases its own store network to four in the capital.

Retail segment

(11.1% of Group Revenue, 2022: 10.6%)

	2023 £'m	2022 £'m	Change*	Constant Currency Change*
Revenue	258.2	244.0	5.8%	3.9%
Operating profit	32.7	32.6	0.5%	(1.2%)
Operating profit margin	12.7%	13.3%	(60bps)	–

* Change represents the movement between 2023 v 2022 and is based on unrounded numbers.

Proportion of Group revenue

11.1%

Proportion of Group adjusted operating profit

15.9%

Woodie's market leading DIY, Home & Garden retail business in Ireland consolidated its market position with revenue growth of 3.9 per cent.

This very solid trading performance was achieved despite the most challenging economic conditions encountered by customers for some time and reflected the unique heritage of the Woodie's brand in the retail market in Ireland. Woodie's continued to leverage its competitive advantage via its network of 35 stores nationally supported by committed colleagues, its on-line channel and high brand recognition that is synonymous with DIY, Home and Garden.

There was a recovery in confidence in Ireland following a marked weakening in the prior year, but consumers remained concerned about their financial circumstances and sentiment ended the year well below its long-term average. The improvement in sentiment from a low base was prompted by an easing of cost-of-living pressures and an expectation of lower inflation and interest rates.

Revenue growth of 6.3 per cent in the first half comprised a decline of 4.0 per cent in the first quarter because of weak demand for seasonal products caused by poor weather conditions and growth of 14.1 per cent in the second quarter as the weather

improved leading to strong performance in May and June with growth led by demand for seasonal ranges. Trading patterns in the second half were mixed with weak demand for seasonal products in July and a strong performance in final months of the year.

The number of customer transactions increased by 1.3 per cent to over 8.5 million and the average transaction value by 2.6 per cent including category and product mix changes. The strongest performing categories were Decorative, DIY and Building Materials.

A fall in shipping and freight costs, a lower level of promotional activity and change in mix contributed to a recovery in gross margin while enabling Woodie's to deliver competitive prices and value for money.

Overheads although tightly controlled were higher. Woodie's recognised the role played by colleagues in the long-term success of the business and continued to invest in pay and achieved higher retention rates.

Woodie's digital revenue increased by 12.0 per cent to 3.6 per cent of total revenue as investment in digital technology created a more integrated on-line experience for customers. The journey for Woodie's customers is a blend of digital, using a web browser or mobile app, and the physical stores which are often interconnected through product and project research on-line and in-store or on-line transactions. A new Click & Collect In-Store app was launched for colleagues to create a seamless and fully integrated digital experience for picking and packing and in-store collection by customers. Woodie's continued to refine its on-line offering by rolling out click-and-collect hubs across the store network.

Woodie's colleagues continued to deliver for customers and each other and the business retained its Great Place to Work status for the eighth successive year with a ranking of 16th place in Ireland's Best Workplaces for large companies. Woodie's was ranked 37th among the Best Workplaces in Europe and was recognised as a Great Place to Work for Women in Ireland. Colleagues continued to complete a wide range of educational and skills programmes which are important to delivering a superior service and an exceptional shopping experience for customers.

Woodie's plays an active role in the communities where its stores are located and raised over €400,000 for four charities through its annual "Heroes" campaign. This was the 9th year of Woodie's "Heroes" which has raised well over €3 million to date for charities in Ireland.

Woodie's new "Larry the Ladder" summer TV and social media ad campaign that told the story of how borrowing a simple everyday household object can inspire people to extend an act of friendship to their neighbours captured the public imagination and received millions of views in Ireland.

Investment projects included the rollout across part of the network of steel canopy structures over outdoor garden centres to provide protection to customers and products from bad weather conditions, the trialling of a new Homeware and Homestyle concept in two stores that has received a favourable response from customers and a new store format upgrade to the Blanchardstown and Tallaght stores.

The phased rollout of a building management system contributed to a significant reduction in energy costs. This computer-based system monitors energy usage and provides valuable insights on optimising energy consumption in stores.

Following the successful trial of roof mounted solar panels at the Sallynoggin branch, Woodie's has signed an agreement to rollout solar panels at four more stores in a project that demonstrates its ongoing commitment to reducing carbon emissions by investing in lower cost renewable electricity.

Manufacturing segment

(5.2% of Group Revenue, 2022: 5.2%)

	2023 £'m	2022 £'m	Change*	Constant Currency Change*
Revenue	120.6	120.6	0.0%	(0.1%)
Operating profit	30.3	27.4	10.5%	10.5%
Operating profit margin	25.1%	22.7%	240bps	–

* Change represents the movement between 2023 v 2022 and is based on unrounded numbers.

Proportion of Group revenue

5.2%

Proportion of Group adjusted operating profit

14.7%

CPI Mortars delivered a very good performance in a challenging market for house building. Revenue declined by 1.9 per cent in the ten manufacturing plants that supply dry mortar to national, regional and local house builders and plastering contractors in Great Britain.

The business improved its margins as it recovered the impact of the sharp rise in the cost of raw materials, labour, energy and fuel experienced in the prior year.

Despite the decline in volumes and cost pressures from higher energy, payroll and software maintenance costs, operating profit ended the year only marginally behind the outturn for the prior year.

Mortar volumes were flat in the first quarter and weakened slightly in the second quarter as house builders started to scale back activity. The rate of decline intensified over the second half with quarter three and quarter four volumes down by 15 per cent and 25 per cent respectively. Volumes declined by 20 per cent in the second half and by 10 per cent for the year. Multiple interest rate rises reduced affordability and led to a significant fall in demand for new houses particularly from first time buyers who

were also impacted by expiry of the Help-to-Buy scheme in March 2023. Demand for new homes from existing homeowners was more resilient albeit lower in response to the re-pricing of mortgage products. While there are strong fundamentals underpinning demand for new homes, house builders responded to the industry wide downturn by reducing the volume of new homes constructed to align with the reduction in order books and reservation rates.

The number of silos on customers' sites declined in line with volumes from a record level in the prior year as housing starts slowed and the number of outlets operated by house builders reduced.

Packaged ready-to-use mortar products supplied to the residential RMI market for outdoor applications, that accounts for 10 per cent of revenue, were down by 31 per cent for the year. The rate of decline eased considerably in the seasonally quieter second half of the year.

A new integrated ERP solution that controls the entire business, has been successfully rolled out, replacing a legacy system. It is a comprehensive business management tool designed for a modern business and offers diverse functionality and more robust security.

StairBox, the on-line market leading manufacturer of bespoke staircases, experienced good demand from trade customers across Great Britain despite challenging trading conditions in the residential RMI market. A decline in full year volumes by four per cent reflected growth of three per cent in the first half and a deterioration in trading conditions in the second half leading to volume decline of 11 per cent. Revenue was unchanged and an increase in operating profit was supported by an improvement in the gross margin.

In December 2023, StairBox acquired Wooden Windows, a manufacturer of bespoke high performance timber windows and doors based in Stoke-on-Trent. Wooden Windows was formerly a sister company of StairBox and uses a similar dynamic software solution that allows customers to accurately design and price windows and doors on its website. It supplies trade customers operating in the residential RMI market across Great Britain and has a reputation for quality, value and exceptional customer service. This acquisition offers an opportunity to realise significant synergies across the enlarged business.

MFP, a Dublin based manufacturer of drainage, ducting and roofline systems that are distributed through Group companies and independent merchants to diverse end user markets of housing, renewable energy, data centres, transport and infrastructure, performed strongly with a doubling of operating profit. The result benefitted from raw materials procurement gains and the supply of ducting to infrastructure projects. The highly recognisable MFP brand became the first manufacturer in Ireland to achieve Kitemark certification of its electrical duct pipe range.

Financial review

Group revenue increased by 0.8 per cent to £2.32 billion from £2.30 billion in 2022.

Group revenue in the like-for-like business declined by 1.4 per cent (£32.3 million) on the prior year. The decline in average daily like-for-like revenue was 1.1 per cent.

£2.32bn

Revenue

£205.5m

Adjusted operating profit

£379.7m

Net cash (before IFRS 16 leases)

Revenue

Group revenue increased by 0.8 per cent to £2.32 billion from £2.30 billion in 2022.

Group revenue in the like-for-like business declined by 1.4 per cent (£32.3 million) on the prior year. The decline in average daily like-for-like revenue was 1.1 per cent.

Incremental revenue from the Sitetech, Woodfloor Warehouse and Regts acquisitions that were completed in January and February 2022 and the Clady Timber, B McNamee (Northern Ireland), Wooden Windows (England), Rooney's (Ireland) and Kouvolan (Finland) acquisitions that were completed during the year increased revenue by £11.3 million. The incremental effect of branches opened in the prior year and new branches opened during the year contributed revenue of £12.1 million.

Currency translation of revenue in the euro denominated businesses to sterling increased revenue by £26.6 million. The average Sterling/Euro rate of exchange for the year ended 31 December 2023 was Stg86.98p compared to Stg85.28p in the prior year.

Group revenue +0.8%

£2.32bn

Adjusted operating profit

Adjusted operating profit of £205.5 million was down from £285.9 million last year. The result for the year included property profit of £1.3 million (2022: £25.4 million).

Adjusted operating profit, before property profit, of £204.2 million was down from £260.5 million last year, a decline of 21.6 per cent. The adjusted operating profit margin, before property profit, declined by 250 basis points to 8.8 per cent from 11.3 per cent.

Adjusted operating profit -28.1%

£205.5m

Net finance income and expense

Net finance income was £0.4 million (2022: net expense of £12.6 million). Net finance income incorporates an interest charge of £15.6 million (2022: £14.9 million) on lease liabilities recognised under IFRS 16.

Interest income on cash deposits amounted to £24.2 million (2022: £8.7 million). The Group had cash resources of £583.9 million at the end of the year (31 December 2022: £711.7million). Returns on deposits and account balances were higher, reflecting the increase in the Bank of England base rate from 0.25 per cent at the start of 2022 to 5.25 per cent at the end of December 2023 (1 January 2023: 3.5 per cent).

The Group's gross debt is drawn in euros and provides a hedge against exchange rate risk on euro assets in the businesses in Ireland, the Netherlands and Finland. Interest payable on bank borrowings denominated in euros and US Private Placement Senior Unsecured Notes increased to £8.3 million (2022: £5.6 million). The increase was due to a lower interest rate payable in the prior year period on part of the bank debt borrowed under the ECB's Targeted Longer-Term Refinancing Operations which was repaid on 10 December 2022. The interest rate payable on bank debt also increased following increases by the European Central Bank to its refinancing rate from zero per cent in January 2022 to 4.5 per cent on 31 December 2023.

Net finance income included a foreign exchange translation gain of £0.5 million which compares to a loss of £0.7 million in the prior year. The net finance cost on pension scheme obligations was £0.4 million (2022: £0.1 million).

Taxation

The income tax expense of £34.8 million (2022: £43.1 million) is equivalent to an effective tax rate of 19.0 per cent of profit before tax (2022: 17.1 per cent). This is a blended rate of corporation tax on profits in the four countries where the Group operates. The increase in the effective rate reflected an increase in the UK rate of corporation tax to 25 per cent with effect from 1 April 2023 from the 19 per cent rate that prevailed prior to that date. It is anticipated that the Group's effective rate of corporation tax will increase to 21.0 per cent in 2024.

Certain items of expenditure charged in arriving at profit before tax, including depreciation on buildings, are not eligible for a tax deduction. This factor increased the rate of tax payable on profits above the headline rates.

Financial review continued

Cashflow

Cash generated from operations for the year of £334.3 million (2022: £278.8 million) was very strong and benefitted from a reduction in working capital by £29.5 million that reversed part of the increase in working capital of £71.3 million in the prior year.

Interest paid amounted to £23.1 million (2022: £21.9 million) which included interest of £15.6 million on IFRS 16 lease liabilities (2022: £14.9 million). Taxation paid was £38.4 million (2022: £39.5 million). Net interest received was £1.1 million (2022: net interest paid of £13.2 million). Cashflow from operations after net interest received and taxation was £297.0 million (2022: £226.0 million).

The cash outflow on the dividend payment was £72.6 million (2022: £73.9 million) and £155.7 million (2022: £135.0 million) was spent on the buyback of shares. The total cash outflow on the dividend payment and buyback of shares was £228.3 million (2022: £208.9 million), excluding transaction costs.

Capital expenditure and investment in intangible assets

We continued to maintain appropriate control over capital expenditure which amounted to £48.8 million (2022: £55.3 million). There was also expenditure of £4.0 million (2022: £2.5 million) on software that is classified as intangible assets.

Asset replacement capital expenditure of £27.4 million (2022: £33.2 million) compares to the depreciation charge (before IFRS 16) of £39.0 million (2022: £34.25 million) on property, plant and equipment ("PPE") and related principally to the replacement of plant and machinery, plant and tools for hire by customers, IT hardware and other assets required to operate the Group's branch network.

The Group incurred development capital expenditure of £21.4 million (2022: £22.1 million) on a range of developments including new branches in Chadwicks, Selco, Leyland, Isero and IKH, branch upgrades in Chadwicks, Selco, Woodie's and Isero and investment in IT hardware.

The proceeds received from the disposal of PPE and properties held for sale was £3.6 million (2022: £28.5 million including investment properties). The amount spent on capital expenditure and software development net of the proceeds received on asset disposals was £49.1 million.

Pensions

The Group operates four legacy defined benefit schemes (one in the UK and three in Ireland), all of which are closed to future accrual. These schemes had an accounting deficit of £5.8 million at the year-end which was down by £4.7 million from a deficit of £10.5 million on 31 December 2022.

Changes to financial assumptions increased scheme liabilities by £7.4 million reflecting the net impact from the decrease in discount rates and gain from the fall in inflation expectations. Changes in demographic assumptions decreased scheme liabilities by £4.5 million and experience variations increased liabilities by £1.0 million.

The decrease in discount rates used to discount scheme liabilities moved in line with the decline in corporate bond rates. The rate used to discount UK liabilities declined by 30 basis points to 4.50 per cent and the rate used to discount Irish liabilities fell by 55 basis points to 3.15 per cent.

Inflation rates increased over the past year and this impacted the value of liabilities as future benefit payments are directly or indirectly linked to future rates of inflation. In the UK scheme, inflation in the period up to and after retirement increases the projected growth in benefits. In Ireland, pensions are fixed at the date members retire and inflation only increases liabilities up to that date.

The average value of opening and closing plan assets was £193.7 million (2022: £238.0 million). The return on plan assets was £14.4 million (£13.1 million after deducting the effect of the buy-in referred to below). (2022: loss of £93.3 million due to the fall in the values of liability driven investments, bonds and equities that was almost matched by the reduction in liabilities).

The deficit on the UK scheme increased marginally from £14.2 million to £14.6 million. The surplus for the three Irish schemes increased from £4.6 million to £9.5 million over the year.

In December 2023, the Trustees of the three Irish defined benefit pension schemes purchased annuities from one of Ireland's leading life insurance companies to match the benefits being paid to existing pensioners. Under these contracts the insurer will reimburse the schemes for payments to these pensioners into the future. These insurance contracts are held by the trustees of the three schemes and represent assets of the schemes. This transaction has reduced the Company's exposure to pension risk by removing the longevity and investment risk associated with this portion of the Company's Defined Benefit liabilities. In future years' reporting, the value of the liabilities relating to these pensioners will exactly match the value of the associated annuity contracts. The cost of purchasing the annuities was €44.7 million. This compares to the value of the pensions on the transaction date of €43.3 million, determined in accordance with the IAS19 accounting standard. The difference between these two values has been allowed for in the Remeasurement item relating to the "Return on assets excluding interest income".

There was a scheme deficit of £0.8 million (31 December 2022: £0.8 million) related to the Netherlands business.

Net cash/debt

Net debt (including lease obligations) at 31 December 2023 was £49.3 million which compares to net cash of £8.9 million at 31 December 2022.

The Group's net cash position before recognising lease liabilities was £379.7 million, down from £458.2 million at 31 December 2022.

The Group's policy is to maintain its investment grade credit rating while investing in organic developments and acquisition opportunities.

Net cash (before IFRS 16 leases) -£78.5m

£379.7m

Liquidity

Grafton was in a very strong financial position at the end of the year with excellent liquidity, significant net cash before IFRS 16 lease liabilities and a robust balance sheet.

The Group had liquidity of £849.6 million at 31 December 2023 (31 December 2022: £934.6 million). As shown in the analysis of liquidity on page 278, accessible cash amounted to £579.9 million (31 December 2022: £707.7 million) and there were undrawn revolving bank facilities of £269.7 million (31 December 2022: £226.9 million).

The Group had bilateral loan facilities of £336.9 million at 31 December 2023 (31 December 2022: £340.7 million) with four relationship banks and debt obligations of £139.1 million (31 December 2022: £141.9 million) from the issue of unsecured senior notes in the US Private Placement market.

The revolving loan facilities of £336.9 million with four established relationship banks were put in place in 2022 for a term of five years to August 2027. The arrangements included two one-year extension options exercisable at the discretion of Grafton and the four banks. The first one-year extension was agreed and exercised during the year and these facilities are now repayable in August 2028. This is sustainability linked debt funding and includes an incentive connected to the achievement of carbon emissions, workforce diversity and community support targets that are fully aligned to the Group's sustainability strategy.

The average maturity of the committed bank facilities and unsecured senior notes was 4.9 years at 31 December 2023.

The Group's key financing objective continues to be to ensure that it has the necessary liquidity and resources to support the short, medium and long-term funding requirements of the business. These resources, together with strong cash flow from operations, provide good liquidity and the capacity to fund investment in working capital, routine capital expenditure and development activity including acquisitions.

The Group's gross debt is drawn in euros and provides a partial hedge against exchange rate risk on euro assets in the businesses in Ireland, the Netherlands and Finland.

Shareholders' equity

Shareholders' equity declined by £89.8 million to £1.66 billion at 31 December 2023 from £1.75 billion at 31 December 2022. Profit after tax increased shareholders' equity by £148.7 million. There was a loss of £12.2 million on retranslation of euro denominated net assets to sterling at the period end rate of exchange. Shareholders' equity was reduced for dividends paid of £72.6 million and by £159.5 million for the buyback of shares. Other changes increased equity by £5.7 million.

Return on capital employed

Return on Capital Employed in continuing operations declined by 530 basis points to 11.9 per cent (2022: 17.2 per cent) including leased assets.

Adjusted return on capital employed -530bps

11.9%

Principal risks and uncertainties

The primary risks and uncertainties affecting the Group are set out on pages 68 to 75.

Managing our principal risks

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

Risk management framework

The Board of Directors

- Establishing and maintaining risk management and internal control systems;
- Evaluating the effectiveness of the Group's risk management and internal control systems;
- Determining and reviewing risk appetite, and establishing risk management strategies; and
- Monitoring principal risks.

Audit & Risk Committee

- Monitoring and reviewing the effectiveness of the Group's risk management and internal control systems;
- Receiving reports from management on its review of risk management and internal controls;
- Reviewing principal risks as documented on the Corporate Risk Register and monitoring emerging risks;
- Approving the internal audit plan and reviewing reports from Group Internal Audit; and
- Receiving reports from the External Auditors, including any reporting on internal control.

Group Risk Committee

- Reviewing and updating the Corporate Risk Register;
- Determining and maintaining risk management policies and procedures;
- Performing 'deep dive' reviews of specific risk areas and scanning for emerging risks which may impact the Group;
- Reviewing Business Unit risk registers and sharing risk management practices between businesses;
- Initiating Group-wide risk management actions; and
- Reporting to the Audit & Risk Committee.

Internal Audit

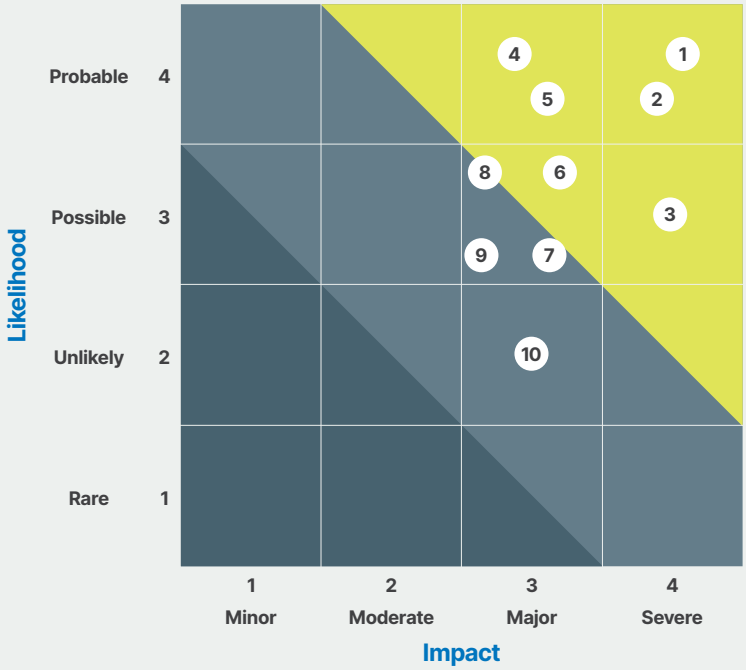
- Establishing and delivering a risk based annual Internal Audit plan;
- Reviewing internal controls and risk management actions as part of the Internal Audit plan and reporting the results to Management and the Board; and
- Reporting to the Audit and Risk Committee on the results of their audit work, including on the completion of internal control actions.

Business Units, Group functions and colleagues

- Sharing responsibility for effective management of risk;
- Maintaining risk registers and monitoring the management of risk at Business Unit and functional levels;
- Identifying and reporting emerging risks; and
- Implementing actions to address Internal Audit and External Audit control findings.

Group's principal risks

1. Macro-economic Conditions
2. Cyber Security and Data Protection
3. Acquisitions and Integration of New Businesses
4. Colleagues – Retention, Recruitment, Succession, Diversity, Wellbeing
5. Competition
6. Supply Chain
7. IT Systems Implementation
8. Health and Safety
9. Sustainability and Climate Change
10. Internal Controls and Fraud



Grafton's risk management process

Risk management is a key factor in the successful delivery of the Group's strategic objectives.

The Group has established a risk management process, which is closely aligned with the overall strategic development of the Group, to ensure effective and timely identification, reporting and management of risk events that could materially impact upon the achievement of Grafton's strategic objectives and financial targets.

A process for identifying, evaluating and managing significant risks faced by the Group, in accordance with the UK Corporate Governance Code and the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting, has been in place throughout the accounting period and up to the date the financial statements were approved. These risks are reviewed by the Audit and Risk Committee and by the Board, who also consider any emerging risks for inclusion on the Corporate Risk Register ('CRR'). Executive management is responsible for implementing strategy and for the continued development of the Group's businesses within the parameters set down by the Board.

The Group's Risk Management Framework is designed to facilitate the development, maintenance, operation, and review of risk management processes that fulfil the Board's corporate governance obligations and support the Group's strategic objectives.

Risk appetite

'Risk appetite' describes the amount of risk we are willing to tolerate, accept or seek. The Group has set out its risk appetite for each risk on the CRR, including key risk indicators and tolerance levels.

We have a higher appetite for risks that present us with a clear opportunity for reward. We actively seek out those risks that provide the greatest opportunities, whilst balancing with appropriate mitigating actions, for example with acquisitions and our digital strategy.

We have a low appetite for risks that only have negative consequences, particularly when they can impact our colleagues, values, or business model. For example, health and safety, cyber security and internal controls. We aim to eliminate these risks, as much as possible, with our mitigation efforts.

The Board regularly reviews their risk appetite for the Group's principal risks and uses this when deciding on risk mitigation strategies.

Group risk committee ('GRC')

The GRC is an internal committee comprised of representatives of the Group's businesses and Group Office functions. The GRC and executive management are responsible for the oversight of risk management in the Group. The committee is chaired by the Group CFO and reports to the Audit and Risk Committee.

The GRC met four times during the year to review the risk management processes in the businesses and to oversee the CRR. This included a horizon scanning exercise to identify any new or emerging risks which may impact the Group.

In addition, the GRC performed deep dive reviews of specific risk areas including: sustainability and the impact of climate change on business operations; information security and cyber risk; fraud and ethics; and the use of artificial intelligence. The results of these exercises were shared with businesses and, where relevant, mitigating actions were established.

Corporate risk register

The CRR records the Group's material risks, their root causes and key risk indicators, and the actions and controls in place and required to manage each to an acceptable level of risk consistent with the Group's risk appetite. The principal risks facing the Group are set out in detail on pages 68 to 75. All updates to the CRR are reported to the Audit and Risk Committee.

The Group also maintains a 'watchlist' of emerging risks and risks that have previously been on the CRR. This is regularly reviewed to consider whether any should be promoted to the CRR.

Risk management continued

Key changes during the year to the CRR

The risk environment in which the Group operates does not remain static. As part of the ongoing risk review process, the GRC and the Board identify new risks for the Group, assess the inherent risk associated with each principal risk, and determine whether the risk trend facing the Group is increasing, decreasing or unchanged. Whilst the risk profile for the Group remains relatively stable, the following key changes were identified in 2023:

- Supply chain risk has decreased in severity reflecting the easing of product supply pressures but remains high on the CRR with the potential for disruption to global supply chains due to conflict, economic and geopolitical issues.
- Pandemic risk has been removed from the CRR onto the Group's watchlist.

Emerging risks

The Board is required to undertake, under the 2018 UK Corporate Code, a robust assessment of the emerging risks that may impact the Group. In response to this requirement, consideration of emerging risk has been integrated into the Group's risk management practices. Each Business Unit is required to maintain an individual Business Risk Register. Changes to Business Risk Registers, including any new risks or risks that have increased in severity, are reported and discussed at GRC meetings. The GRC also carries out an annual Horizon Scanning exercise to identify any new or emerging risks and the Audit and Risk Committee performs a review of the CRR each January which includes a consideration of any emerging risks.

Identified emerging risks which are not currently considered significant enough to be recognised on the CRR are recorded on a 'watchlist'. Watchlist risks are regularly reviewed by the GRC and Audit and Risk Committee to consider whether they should be promoted to the CRR.

Internal control system

The key features of the Group's system of internal control and risk management include:

- Review, discussion and approval of the Group's strategy by the Board;
- Defined structures and authority limits for the operational and financial management of the Group and its businesses;
- A comprehensive system of reporting on trading, on operational issues and on financial performance incorporating monthly results, cash flows, working capital management, return on capital employed and other relevant measures of performance;
- Written reports from the CEO and the CFO that form part of the papers considered by the Board at every board meeting;
- Review and approval by the Board of annual budgets incorporating operating performance and cash flows;
- Board approval of major capital expenditure proposals and significant acquisition proposals. Capital expenditure proposals below Board level are delegated to a Management Committee comprising the CEO, CFO and Group Financial Controller/ Company Secretary;
- Review by senior management and the Audit and Risk Committee of Internal Audit Report findings, recommendations and follow up actions;
- Second line compliance functions which focus on specific key risk areas including branch operations, health and safety, information security and financial reporting controls. These generally report into business unit management with their processes subject to assurance by Group Internal Audit; and
- Self-assessment exercises for key financial and information security controls. Management responses are validated by Group Internal Audit.

The preparation and issue of financial reports, including the Group's annual and interim results, is managed by the Group Finance team based in the Group Head Office in Dublin. The Group's financial reporting process is controlled by reference to the Group Financial Accounting Policies and Procedures Manual, which sets out the general accounting principles and requirements and internal controls standards applicable to all Group businesses.

In line with best practice, the Group's Risk Management and Internal Audit procedures are subject to a review of their effectiveness by an independent third party on a periodic basis. The last external effectiveness review was conducted in 2021 by a team from Grant Thornton. The review found that in both the Risk Management and Internal Audit functions there were several areas of good practices and improvement had been made since the previous review in 2017. The report did make a number of recommendations to develop further the maturity of both functions which have been progressed in 2023 including the implementation of an audit and risk system, which will improve efficiency and data analysis capability. The next external effectiveness review is expected to be conducted in 2025.

The Audit and Risk Committee is responsible for approving the internal audit budget and is satisfied that internal audit has the appropriate resources. The role and responsibilities of Internal Audit is set out in the Group Internal Audit Charter, which is available on request.

In the Board's view, the ongoing information it receives is sufficient to enable it to review the effectiveness of the Group's system of internal control. The Directors confirm that they have reviewed the effectiveness of internal controls. In particular, during the year the Board has considered the significant risks affecting the business and the way in which these risks are managed, controlled and monitored.

Viability statement

The Directors have assessed the viability of the Group over a three-year period to 31 December 2026, taking account of the Group's current position and prospects, the Group's strategy and principal risks and how they are managed as documented on pages 68 to 75. Based on this assessment, the Directors have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2026.

Period of viability statement

In accordance with Provision 31 of the UK Corporate Governance Code 2018, the Board has reviewed the length of time to be covered by the Viability Statement, particularly given its primary purpose of providing investors with a view of financial viability that goes beyond the period of the Going Concern Statement. The Directors have determined that the three-year period to 31 December 2026 is an appropriate period over which to provide its viability statement. The Group prepares five-year plans as part of its annual strategy review, however given the inherent uncertainties, the outer two years are more difficult to forecast. These two years are used mainly for scenario planning with the Board placing greater reliance on the initial three-year period.

Approach to assessing viability

In making this statement the Directors have considered the resilience of the Group, taking account of its current position, the principal risks facing the business in severe and reasonable scenarios, and the effectiveness of mitigating actions that could be taken to avoid or reduce the impact or occurrence of the underlying risks that would realistically be open to them in the circumstances. This assessment has considered the potential impacts of these risks on the business model, future performance, solvency and liquidity over the period with particular consideration given to the Group's debt funding covenants including its interest cover covenant. The Directors have also considered the Group's resilience and management's response to the Covid-19 pandemic as well as the experience from the 2008 Global Financial Crisis.

The principal scenarios considered in the review are those where negative macro-economic and other impacts would be experienced across all of the Group's businesses. These scenarios ranged from depressed economic activity levels in the Group's markets and intense competitive pressures, to more severe cyclical economic downturns. The Group also reviewed and considered the impact of a cyber security denial of service attack on the business which might restrict trading and the operation of the Group's businesses. In addition, the assessment considered a 'reverse' stress test to determine what level of disruption would need to be experienced before a breach of the Group's interest cover funding covenant was unavoidable.

The downside scenarios applied to the strategic plan are summarised in the table below.

The reverse stress test shows that a breach of the interest cover covenant would occur on denial of service without any income for a period of four months, and it assumes that the Group's existing surplus cash at 31 December 2023 of £0.38 billion is utilised on the remaining share buyback extension and the balance invested in acquisitive growth but the Group would still remain in a net cash position, before lease liabilities, and have adequate liquidity.

Whilst we believe the reverse stress test is highly unlikely, the Group would be able to take a number of further mitigating actions including management of working capital, capital expenditure and dividends.

In making their assessment, the Directors have taken account of: (i) the Group's net debt (including lease liabilities) of £49.3 million at the end of 2023 (net cash position of £379.7 million excluding IFRS 16 leases); (ii) the Group's strong financial position; (iii) headroom and duration of loan facilities currently in place; (iv) key potential mitigating actions of reducing the Group's cost base, capital expenditure and dividend payments; and (v) the Group's ability to generate positive cash inflows in a scenario of falling revenue as working capital invested in the business is reduced. These mitigating actions were tested during the downturn in the Group's businesses from 2008 to 2012 which highlighted the resilience of its business model to a very severe and protracted economic downturn by historic standards.

Severe but plausible downside scenario

Scenario	Link to principal risks	Level of severity tested	Conclusion
Severe downturn in market conditions Temporary suspension of trading	– Macro-Economic Conditions – Competition – Cyber Security and Data Protection – Pandemic Risk*	Significant reduction in revenue and gross margin reduced for up to three years partly offset by cost reductions in each year.	– Net cash position before lease liabilities falls but remains strong. – The Group remains within its banking covenants.

Reverse stress test scenario

Scenario	Link to principal risks	Level of severity tested	Conclusion
Temporary suspension of trading for four months. Assumed that Group's surplus cash at 31 December 2023 of £0.38 billion is utilised on the remaining share buyback extension and the balance invested in acquisitive growth.	– Cyber Security and Data Protection – Pandemic Risk*	Inability to trade for four months during 2025 across all regions without any mitigating income.	– Operating loss in 2025, with a cash outflow. – Group would require a waiver from lenders for the interest cover covenant in 2025 but would be within all covenants in 2026 and 2027. Note that the Group would remain in a net cash position before lease liabilities and could use surplus cash to repay bank facilities to avoid breach of interest cover covenants.

*Whilst Pandemic Risk is no longer a principal risk on the corporate risk register having been removed to the watch list during 2023, in light of experience in 2020 and 2021 it is still considered a plausible but unlikely scenario by the Group for the purposes of the viability assessment.

Risk management continued

Key risks

The Audit and Risk Committee and the Board have carried out a robust assessment of the principal risks facing the Group. It is not practical to document every risk that could affect the Group in this report.

The risks identified below are those that could have a material adverse effect on the Group's business model, future performance, solvency or liquidity. The actions taken to mitigate principal risks cannot provide assurance that other risks will not materialise and adversely affect the operating results and financial position of the Group.

These principal risks are incorporated into the modelling activity performed to assess the ability of the Group to continue in operation and meet its liabilities as they fall due for the purposes of the Viability Statement on page 67.

Macro-economic conditions in the UK, Ireland, the Netherlands and Finland

Risk movement

– = +

Strategic links

01 02 04

Risk description

Trading in the Group's businesses is influenced by macro-economic conditions in the UK, Ireland, the Netherlands, and Finland. The Group's markets are cyclical in nature and a proportion of revenue is dependent on the willingness of households to incur discretionary expenditure on home improvement projects. Investments of this nature closely correlate with general economic conditions. A deterioration in economic conditions in the UK, Ireland, the Netherlands, or Finland could result in lower demand in the Group's businesses.

The Group's customers are mainly professional tradespeople engaged in residential, commercial and industrial maintenance and new-build projects. These markets are affected by trends in improvements, remodelling and maintenance, and construction.

Demand in these markets is also influenced by economic factors including interest rates, the availability of credit, inflation, changes in property values, demographic trends, tax policy, employment levels and gross domestic product. Any negative movement in one or more of these factors could adversely affect demand in the Group's business.

Within this risk we also recognize the impact of geo-political events on those domestic markets. In 2023 the ongoing war in Ukraine and conflict in the Middle East indirectly impacted the cost of living, product inflation and availability.

Mitigation

The strategic actions taken by the Group in 2021 with the sale of the traditional distribution business in Great Britain and the acquisition of IKH in Finland, increased the geographical spread of the Group's businesses and reduced the concentration of revenue arising from the UK market.

The distribution branches in Ireland were refocused on the residential RMI market and are equally well positioned to respond to an increase in the house building markets.

Branches continue to be upgraded and the product portfolio expanded to meet the needs of customers engaged in residential RMI projects which currently account for a higher proportion of revenue.

The mitigation strategy also incorporates cost control measures in response to changes in market conditions.

An assessment of macro-economic, construction and residential market conditions helps inform the allocation of capital resources to new projects.

The Group is also mindful of the potential impact of changes in business model which may reduce revenue and profit, for example modern construction methods, and monitors these closely so that businesses can react accordingly.

Strategic links

01 Our strategy

02 Supportive organisational structure and management

03 Excellence in service

04 Strong financial base

05 Ethics and integrity

Cyber security and data protection

Risk movement

– = +

Strategic links

01 02 03 05

Risk description

Increased levels of cybercrime represent a threat to the Group's businesses and may lead to business disruption or loss of data. The Group is exposed to the risk of external parties gaining access to Group systems and deliberately disrupting its business. This includes the risk of ransom demands, a material loss of revenue and profitability while systems are being restored, stolen information or fraudulent acts.

Theft or leakage of data relating to employees, business partners or customers may result in a regulatory breach or financial loss and could impact the reputation of the Group.

Mitigation

The Group has a number of IT security controls in place including gateway firewalls, intrusion prevention systems and anti malware software. The Group has a suite of information security policies, which are communicated to colleagues, through mandatory online training and regular security awareness campaigns. In addition, there is 24/7 monitoring of the Group's network, supported by a third-party.

Regular IT audits are carried out in the Group's businesses to test these controls. The Group has put in place a Security Incident Management Plan and each business has their own cyber incident response and backup plans which are regularly rehearsed.

Following a review of the Group's cyber security maturity by third party specialists in 2021, a programme of initiatives was commenced in 2022 to further reduce cyber risk. This has been overseen by the Group's Information Security Steering Committee through the monitoring of quarterly assessments by IT teams which have been verified by Group Internal Audit.

This programme of activity has continued throughout 2023 and is expected to complete during 2024.

During 2023, a second review of the cyber security effectiveness was conducted by independent specialists. This confirmed that the Group had focused on the right controls to reduce exposure to cyber-attacks. Recommendations were made to further strengthen the Group's Information Security operating model which are being acted upon.

A Group-wide programme to implement GDPR was completed in 2018 and compliance activity has now been embedded into business processes, with roles established in each business unit to co-ordinate ongoing activities. This includes ensuring that all new businesses acquired by the Group meet the same Group Data Protection standards. The Group continues to evaluate and invest in new technology to maintain and improve its Data Protection management processes and controls.

During 2024, a review of the Group's Data Protection and GDPR compliance procedures by third party specialists will be undertaken to identify whether further action is needed to protect personal and confidential data processed by businesses and meet regulatory requirements.

Acquisition and integration of new businesses

Risk movement

– = +

Strategic links

01 02 04

Risk description

Growth through acquisition has historically been a key element in the Group's development strategy. The Group may not be able to continue to grow if it is unable to identify attractive targets, execute full and proper due diligence, complete acquisition transactions, integrate the operations of the acquired businesses and realise the anticipated levels of profitability, cash flows and return on invested capital.

The Group recognises an elevated risk where it completes larger transactions and/or transactions in new countries such as with IKH in Finland which was acquired in 2021.

Mitigation

Acquisitions are made in the context of the Group's overall strategy. The Group has a long established, experienced and skilled acquisition capability that has significant relevant experience in all aspects of acquisition transactions and in managing post acquisition integration. This includes immediate actions to ensure that newly acquired businesses meet the Group's standards in areas such as cyber security, health and safety, and financial reporting, as well as a wider programme of actions to bring acquisitions in line with the Group's governance framework. This process is underpinned by strategic and financial acquisition criteria and the close monitoring of performance post acquisition including one and three year post acquisition reviews, completed by management and assured by Group Internal Audit, with the sharing of any lessons learnt identified by those reviews.

The Group continues to seek to make further acquisitions in new markets in line with its development strategy.

Risk management continued

Colleagues – retention, recruitment, succession, diversity and wellbeing

Risk movement

– = +

Strategic links

01 02 03 05

Risk description

The Group had approximately 9,000 colleagues at the year end engaged in the operations and management of its portfolio of businesses. Colleagues are fundamental to the long term success and development of the business. Attracting and retaining colleagues with the relevant skills and experience and investing in training and development is essential to sustaining the existing operations and providing a platform for the longer term development of the Group.

As an employer the Group acknowledges its responsibility towards diversity and inclusion, and the benefits of recruiting and retaining colleagues from diverse backgrounds. We also recognise the importance of looking after the wellbeing of our colleagues mentally, physically and financially.

The Group is dependent on the successful recruitment, development and retention of talented and diverse executives to run the overall Group and its businesses. During the year the Group has been focused on effectively managing succession for senior leadership roles in several businesses.

In addition, the Group's ability to continue to identify and develop opportunities is influenced by management's experience and knowledge of its markets.

The Group recognises the continuing high level of risk regarding colleagues as a result of general price inflation, minimum wage increases, very tight labour markets and skill shortages in certain sectors, including drivers, which has led to pay inflation.

Mitigation

The Group and its businesses are committed to high standards of employment practice and are recognised as good employers in the UK, Ireland, the Netherlands and Finland. Remuneration and benefits are designed to be competitive with other companies in the sectors that the Group operates in and with market practice.

Significant resources and time are devoted to training and development. Turnover is closely monitored with action plans implemented in those businesses with high colleague turnover. Processes are in place to provide development opportunities and actively manage succession planning. The Group made a number of appointments in recent years in planning for the succession of key executives and to support its longer term development enabling a number of business unit CEO and senior management roles to be filled internally. Succession plans are in place for key management roles.

Inclusion working groups have been established in individual businesses to encourage better representation of diversity amongst colleagues. Annual engagement surveys are carried out in all businesses which allow colleagues to provide feedback to management. Action plans to address key issues arising from the surveys are developed and monitored. The Group has established local and national colleague forums in all countries and developed wellness programmes for mental, physical and financial wellbeing.

The Group HR Director leads a Group HR Forum of business unit HR directors and managers which meets regularly to discuss and initiate action to address common issues, including responses to legislative changes, with external advice if necessary, to ensure ongoing compliance.

Strategic links

01 Our strategy

02 Supportive organisational structure and management

03 Excellence in service

04 Strong financial base

05 Ethics and integrity

Competition in distribution, retailing and manufacturing markets

Risk movement

– = +

Strategic links

01 02 03 04

Risk description

Grafton faces volume and price competition in its markets. The Group competes with distributors of building materials and retailers of varying sizes and faces competition from existing general and specialist distributors including the national builders' merchanting chains together with retailers, regional distributors and independents. The Group also faces the risk of new entrants to its markets, for example, by way of competition from new competitors with low cost business models and/or new technologies.

Actions taken by the Group's competitors, as well as actions taken by the Group to maintain its own competitiveness and reputation for value for money, may exert pressure on product pricing, margins and profitability. During 2023, the continuing high levels of general inflation and suppressed consumer demand, particularly in the UK RMI market, has meant that these competitive pressures remain high.

Some of the Group's competitors may have access to greater financial resources, greater purchasing economies and a lower cost base, any of which may confer a competitive advantage that could adversely impact the Group's revenues, profits and margins.

The Group remains alert to threats from new business models in its markets and invests in businesses such as Selco, Chadwicks, and Isero in response to changing customer needs and trends.

Mitigation

The Group's businesses monitor gross margins and, where possible, develop appropriate tactical and trading responses to changes in the competitive and pricing environment. Mitigation of this risk is achieved through ensuring a value proposition for customers through the review of customer pricing metrics, monitoring pricing developments in the marketplace and the active management of pricing. Businesses also monitor customer satisfaction across their branches using metrics such as Net Promoter Score, and take corrective action when necessary.

The Group has established and continues to develop an online sales capability to respond to changing customer requirements. During 2023 the Group continued to invest in its online platforms which supported a further rise in online revenue. This includes activities to further develop the digital capabilities of colleagues. Promotional and marketing activity is also a feature of revenue and margin management, and marketing teams have also invested in technology, including the use of AI, to improve their effectiveness. Procurement strategies are focused on reducing costs through supplier consolidation and sourcing, as appropriate, through overseas markets.

Businesses also continually review and invest in their distribution networks to ensure they provide the best value and optimise product availability and inventory management.

The Group maintains an open dialogue with suppliers in order to mitigate the impact on customers and Group profitability from commodity related cost pressures. The Group's businesses conduct surveys and review feedback from customers in order to improve the quality of the overall product and service proposition and to ensure that customer expectations are met.

Risk management continued

Supply chain

Risk movement

– = +

Strategic links

01 02 03 04 05

Risk description

Product availability is a key factor for all Group businesses and the Group is exposed to the risk of failure to supply by key suppliers. Over the past few years the Group's businesses, similar to the rest of the sector, have faced challenges in securing the supply of certain products due to global supply chain issues. These pressures have eased during 2023, however the ongoing war in Ukraine, conflict in the Middle East, and other geo-political factors continue to pose threats to global supply chains. The potential for these to impact on the availability and cost of products sold by the Group means that this risk remains in a high position on the Group's CRR.

The Group recognises its potential exposure to ethical sourcing risks for certain products (e.g. timber) and the ethical behaviour of organisations in its supply chain which may not meet Grafton's expected standards. The Group is aware of the increasing regulatory requirements, including the Carbon Borders Adjustment Mechanism (CBAM) and the EU Deforestation Regulation, and obligations they place on Grafton and its suppliers.

There is also the risk, and corresponding opportunity, that Grafton does not take full advantage of its buying power to secure the best value when purchasing products and services.

The total value of income the Group receives from its suppliers in the form of volume rebates and other amounts, including product and marketing support, represents a material percentage of its operating profit. There is a risk that the Group does not collect all supplier rebates receivable or that rebates are accounted for incorrectly.

Mitigation

The Group seeks to maintain good relations with key suppliers and, to proactively manage instances of supplier shortages and product allocations.

The risk of over-reliance on single suppliers is mitigated, where possible, by dual sourcing or identifying alternative suppliers for key products.

Issues around product shortages in the past few years have been effectively managed by business unit procurement teams working closely with key suppliers.

In 2022 the Group implemented technology to improve its third-party risk management and compliance procedures. This has enabled a Group-wide process for screening and obtaining information from key suppliers. This covers a range of ethical, financial and quality areas to confirm compliance with Grafton policies and relevant regulatory standards. During 2023 this technology and processes were further embedded and response rates to supplier questionnaires have improved.

During 2023, Grafton appointed a new Group Procurement Director who works closely with procurement leads in the individual businesses and the Group's Head of Sustainability to identify relevant legislation and co-ordinate action to ensure regulatory requirements are met. In addition, the Group Procurement Director liaises with suppliers and business procurement teams to negotiate Group buying deals where it is practical and commercially advantageous to do so.

The Group's policy is to have written agreements with all key suppliers detailing the terms and conditions of rebate arrangements. Finance and procurement teams work closely to validate amounts due from suppliers based on these agreements and quantities purchased. Rebates receivable are regularly reviewed and business units engage in dialogue with suppliers regarding collection.

A proportion of rebate agreements provide for payment of rebates at regular intervals throughout the year thereby reducing the amount receivable by the Group at the year end. In view of its materiality, a sample of rebate agreements and receivable balances are reviewed annually by Group Internal Audit.

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03 Excellence in service

04 Strong financial base

05 Ethics and integrity

Information technology systems – infrastructure and new implementations

Risk movement

– = +

Strategic links

01 02 03

Risk description

The Group's businesses are dependent on IT systems and supporting infrastructure to trade. Either the failure of key systems or the inability to compete through not having up to date trading platforms could have a serious impact on the business and could potentially result in the loss of revenue and reduced profitability.

The rate and scale of IT change is increasing and the Group continues to invest to ensure businesses have the right systems to enable them to function and grow. During 2023 programmes to replace and upgrade legacy systems in Selco and CPI Mortars were successfully completed and a project to implement a new ERP system for the Netherlands business commenced. In addition, during 2024 it is expected that further ERP upgrade projects will begin in IKH, Leyland SDM and Woodie's. These changes have the potential to disrupt operations.

Mitigation

The Group has established a Project Management Framework setting out the expected governance standards for significant change projects. Back-up facilities and Business Continuity Plans are in place and tested regularly to ensure that interruptions to the business are prevented or minimised and that data is protected from unauthorised access.

The replacement and updating of systems and technologies is supported by a full strategy and business case analysis, planning and risk analysis for each project. Implementation is supported by subject matter experts, including third parties where necessary, and colleagues from a cross section of functions to ensure that projects are managed to deliver technical, functional and business solutions within an appropriate cost and timeframe.

System changes are subject to rigorous testing and confirmation that they meet defined business acceptance criteria prior to full implementation. Systems are in place for the testing of critical IT infrastructure and ERP applications.

For each significant systems project, regular progress reports are made to the Board. In addition, Group Internal Audit perform an initial review of the programme governance and management, and then continue to provide ongoing assurance through attendance at steering committee meetings.

Once implementations are finished, the projects go through a thorough close process which includes a lessons learnt exercise. Best practices and any lessons learnt from completed projects are shared around the Group.

Health and safety

Risk movement

– = +

Strategic links

01 02 03 05

Risk description

The nature of the Group's operations exposes colleagues and third parties to health and safety risks.

The prevention of injury or loss of life to colleagues, customers and third parties is an absolute priority for the Board and executive management. Potential health and safety risks in branch locations concern the manual handling of products, slips, trips and falls and incidents involving, product storage and movement, forklift trucks and delivery vehicles. Outside of the branch locations, the principal health and safety risks relate primarily to vehicles engaged in transferring building materials from branch locations to customers' sites, including loading and off-loading.

Mitigation

Health and safety forms part of the agenda at all Board meetings. Statistics covering accident frequency rates, lost time, hazard identification, management of risks and the cost of accidents and incidents are reviewed by the Board on a regular basis.

The individual businesses invest significant resources in health and safety management, training and awareness, and actively work to minimise health and safety risks. Accidents are monitored and corrective action taken when appropriate to reduce or eliminate the risk of recurrence. The Group Director of Safety, Health, Environment and Quality sets standards for the businesses in conjunction with business unit management teams and co-ordinates actions and initiatives to continuously improve the management of health and safety risks across the Group.

Compliance with health and safety regulations is monitored through a combination of external inspections, site reviews by business unit compliance teams and Group Internal Audits.

Risk management continued

Sustainability and climate change T

Risk movement

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Strategic links

01 02 03 05

Risk description

The Group recognises its responsibility to minimise the impact its operations have on the environment and to promote sustainable and ethical business practices amongst its customers, suppliers and colleagues. The Group is also committed to being an inclusive employer and promoting diversity in its workforce.

The legislation and reporting requirements around sustainability are changing rapidly and the Group acknowledges its compliance responsibilities.

The Group also recognises the potential financial and operational impact of wider climate change on its business activities, either due to physical risks such as adverse weather events, or transitional risks including changes in regulation affecting operations, our cost base or the products we sell.

Consistent with the Taskforce for Climate Related Financial Disclosure requirements we have performed and reported on a specific assessment to identify the material risks and opportunities of climate change to the Group. These are set out on pages 78 to 80 together with relevant mitigating actions and measures.

Mitigation

The Group has developed a sustainability strategy covering five key focus areas: planet; customer and product; people; communities; and ethics. The strategy has been rolled out to each business unit who have developed programmes and activities with targets, aligned with the overall Group goals which are monitored and reported on.

The Group Head of Sustainability leads and co-ordinates activity across the Group's businesses and engages with external stakeholders and third parties, including sector groups and suppliers, on sustainability matters. During 2023 this included an exercise to perform a double materiality assessment in preparation for the requirements for the EU Corporate Sustainability Reporting Directive.

In 2023, the Group established an Executive Sustainability Committee, which is chaired by the Group CEO and includes CEOs from the Group's businesses. The Committee meets regularly to provide oversight of the Group's sustainability strategy.

The Group engages in numerous charitable and community activities across its business units. Environmental regulations are complied with and reported on as required. Opportunities to reduce, recycle, and reuse are promoted within the Group.

The Group has a Code of Business Conduct and Ethics which is supported by policies including Equality, Diversity and Inclusion, Anti-Bribery and Corruption, Modern Slavery, and Timber Sourcing, which are reinforced through mandatory training. During the year, business units within the Group completed numerous inclusion and wellbeing initiatives, including campaigns to promote sustainable living. These will continue into 2024.

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Internal controls and fraud

Risk movement

– = +

Strategic links

01 02 04 05

Risk description

The Group is exposed to the risk of failure in financial or operational controls in individual business units, including the failure to prevent or detect fraud. A breakdown in controls of this nature could lead to a financial loss for the Group.

Mitigation

The Group has established a framework of controls incorporating a 'three lines of defence' model to protect against significant control deficiencies and the risk of fraud. This includes documented policies and procedures for key financial and operational processes, ongoing monitoring of management accounts both at Group and business unit level, monthly sign-off of business unit accounts by local finance directors and an annual compliance statement signed by business unit Chief Executives and Finance Directors.

Business units also complete an annual self-assessment of key financial controls which is subject to validation by Group Internal Audit. Branch procedures are subject to regular review and audit by business unit internal audit and loss prevention teams.

Colleagues are actively encouraged to raise concerns about internal control compliance with their manager, and the independent SpeakUp service is available for colleagues and third parties to report, anonymously if they wish, suspected frauds and control failures. All reported cases are thoroughly investigated, with oversight by Group Internal Audit, with appropriate remedial action taken.

Where instances of attempted fraud occur within the Group, lessons learnt are identified and shared across businesses. All cases of significant fraud or control failure are reported to and discussed with the Audit and Risk Committee, including all fraud cases reported through the SpeakUp service. An annual report of the number of known cases of internal and external fraud and theft is also provided to the Committee.

During 2023, the Group commenced work to comply with the internal control requirements that were expected to be reflected in the revised UK Corporate Governance Code. This will establish an annual programme of testing all material financial, operational, compliance and reporting controls including key anti-fraud controls. Pilot control documentation and test exercises will be completed at significant business units and Group functions in 2024.

Task Force on Climate-related Financial Disclosures (TCFD)

Grafton discloses against the TCFD framework. Where appropriate to avoid duplication, this disclosure links to information contained in other sections of the report. TCFD related content is indicated throughout the report with T

Grafton has been formally managing its climate risks and opportunities since 2014. We have focused on measuring, tracking and driving reductions across Scope 1 and 2 GHG emissions (tCO_2e). During 2023 Grafton completed an exercise to calculate its Scope 3 emissions. We submitted science based targets, aligned with the 1.5°C trajectory to achieve net zero by 2050, to the Science Based Targets Initiative (SBTi) for validation (page 91). We also developed and published an initial transition plan aligned with our proposed targets (pages 92 to 95).

The Group continues to evolve its climate change and risk management approaches to align with the recommendations of the TCFD. More information on climate change risk management can be found on page 74.

The importance of climate change to Grafton's business and its stakeholders was clear through the double materiality assessment carried out in 2023, an overview of which can be found on page 86. Our climate change governance follows the sustainability governance process of the Group which is set out on page 109.

In line with Listing Rule 9.8.6, the table to the right demonstrates the consistency of disclosures made in the current year with the TCFD framework and how we will build on these over the next two years.

Grafton has also considered the TCFD supplementary guidance for the Materials and Buildings sector and its relevance to Grafton Group businesses. In 2022, we performed work to assess the risks related to the increasing frequency and severity of acute weather events. In 2023, we have tracked the actions being taken to mitigate those risks. We have also further developed the range of relevant metrics we report.

Recommendations and Supporting Recommended Disclosures	
Governance Disclose the organisation's governance around climate-related risks and opportunities.	a) Describe the Board's oversight of climate-related risks and opportunities. b) Describe management's role in assessing and managing climate-related risks and opportunities.
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term. b) Describe the impact of climate related risks and opportunities on the organisation's businesses, strategy, and financial planning. c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.
Risk management Disclose how the organisation identifies, assesses, and manages climate-related risks.	a) Describe the organisation's processes for identifying and assessing climate-related risks. b) Describe the organisation's processes for managing climate-related risks. c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.
Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

✓ Fully complied with TCFD requirements

P Partial compliance with TCFD requirement in 2023 (aiming for full compliance in 2024/ future years)

2023	2024	2025	Disclosure location
✓	✓	✓	Pages 108 and 109 governance
✓	✓	✓	Pages 108 and 109 governance
✓	✓	✓	Pages 78 to 80 TCFD
P	P	✓	Page 81 TCFD
P	✓	✓	Page 81 TCFD
✓	✓	✓	Page 77 TCFD
✓	✓	✓	Pages 64 to 66 risk management
✓	✓	✓	Page 77 TCFD
P	✓	✓	Pages 78 to 80 TCFD
P	✓	✓	Pages 91 to 95 climate change
P	✓	✓	Pages 78 to 80 TCFD Pages 91 to 95 climate change

Risks and Opportunities

Identification and management of climate change risks and opportunities is incorporated into our strategic risk assessment processes which is described on pages 108 and 109.

We assess the recurring or one-off impact of climate related risks using both financial measures, including revenue, profit, and cash, and non-financial, including management effort, regulatory compliance and impact on stakeholders. We have set numerical thresholds for each of these metrics to define 'material financial impact'.

In 2021 we completed a Group level assessment of climate-change related risk and opportunities using the same impact criteria as we use for our overall risk management process, but with a much longer timescale for likelihood. We would typically assess the likelihood of business risk materialising in the next three years whereas we monitor the likelihood of risks relating to climate change risks over the short (1-3 years), medium (3-10 years) and long-term (over 10 years).

In 2022 the climate change risk assessment was extended to include individual business units. These assessments used a similar approach to the Group assessment, involving senior management from a range of relevant functions (e.g. finance, procurement, property, operations), using the same likelihood and impact criteria as the Group assessment but with different numerical thresholds to reflect their size and materiality to the Group. Whilst the business unit assessments did not identify any significant new climate change risks or opportunities to the Group it did help to prioritise certain risks and actions in the individual businesses. We will be updating the Group and business level climate change risk assessments in 2024 utilising the results of the double materiality assessment completed in 2023.

Our assessment of climate risks and opportunities considers a range of scenarios which were identified based on the guidance published by TCFD and the International Panel on Climate Change (IPCC):

1. Rapid de-carbonisation – Government led move to a low carbon economy in the next 10 years with global temperature rises limited to at or below 1.5°C (RCP 1.9 – 2.6)

2. Moderate de-carbonisation – Business led/Government supported transition to a lower carbon economy over next 5-15 years. Global temperature rises limited to around 2°C (RCP 3.4 – 4.5)

3. Limited climate action – Little or no concerted effort to reduce carbon emissions resulting in global temperature rises in excess of 4°C (RCP 6 – 8.5)

The scenarios stated above are used to consider a range of possible outcomes for different climate risks and opportunities at Grafton over the short, medium, and long term. These time horizons have been set taking into account the Group's typical planning approach (annual budget and five-year plan), useful life of inventories (all inventory over two years old, and a high proportion aged between one and two years, is fully provided for) and assets (majority of properties are on a short leasehold (i.e. < 15 years).

Based on these scenarios the most material risks and opportunities to the Group as recorded in the Group Sustainability and Climate Change Risk Register are set out on the following pages, together with the principal current actions to address each risk/opportunity and target measures. Many of the risks and opportunities are linked and therefore have the same or similar actions and measures. The risks and opportunities apply across Grafton's geographies and sectors.

Risk management continued
TCFD continued

Group sustainability and climate change risk register

Risk	Climate change scenario	Time-frame	Mitigating actions
The potential impact of rising energy costs on our business operations and supply chain. **Transitional risk** **Strategic links** 01 02	1 & 2	Short term	– Energy efficiency is a priority for all businesses. A number of business units have introduced energy management systems. – The impact on sustainability of capex proposals is part of the assessment process. – Examples of energy efficiency investments include LED installation and energy management systems across the Group's property network. – Energy suppliers moved to 100 per cent renewable where possible. – Sites being moved to renewable energy sources (solar panels, heat pumps), and incorporating these into new build properties where possible. – Net zero science based targets submitted to SBTi for approval in 2023. Metrics: – Reduction in scope 1 & 2 GHG Emissions (see page 91). – Electricity generated from solar PV installations (see page 84).
Increased stakeholder concern due to lack of action on climate change leads to a reduction in capital availability, loss of customers and impacts recruitment and retention of colleagues. **Transitional risk** **Strategic links** 01 02 04	1 & 2	Short term	– Group Sustainability Strategy established and rolled out to businesses. – Executive Sustainability Committee established in 2023. – Business Units have established sustainability teams & programmes. – Communication of progress and sustainability achievement to colleagues. – Executive Directors' performance bonuses linked to ESG and climate change targets which are cascaded down to colleague bonus schemes. – Engagement with stakeholders, including key shareholders, around climate change as part of double materiality exercise. – Climate change targets form part of Group banking arrangements. – Annual CDP submission. – Net zero science based targets submitted to SBTi for approval in 2023.
Changes in legislation or regulation resulting in higher operating and compliance costs, e.g. limits on emissions. **Transitional risk** **Strategic links** 01 02 04	1 & 2	Medium long term	– Moving sites to renewable energy sources (Solar panels, heat pumps), and incorporating into new build properties where possible. – Charging points installed at Group properties. – Electric cars on the company car lists. – Trial and expanded use of alternative fuelled delivery vehicles and FLTs (Electric, CNG, HVO). – The impact of proposed investments and capex on sustainability forms part the due diligence and assessment criteria. – Monitoring legislation and implementing data collection requirements. – Net zero science based targets submitted to SBTi for approval in 2023. Metrics: – Reduction in scope 1 & 2 GHG Emissions (see page 91). – Reduction in operational waste (see page 96). – Electricity generated from solar PV installations (see page 84).

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Risk	Climate change scenario	Time-frame	Mitigating actions
Impact of increasing severity and frequency of adverse weather events including flood damage and heat waves on Group properties and operations result in loss of revenue due to closure, higher repair and maintenance costs. **Physical risk** **Strategic links** 01 02 04 05	2 & 3	Short long term	– Properties are dispersed over four countries. – Mitigation actions to minimise impact of flooding at high/very high-risk properties prioritised based on climate threat modelling. – Drainage maintenance programme in place for all businesses. – Insurance in place to cover immediate repair and loss of business costs for all properties. – Businesses have established hot weather working protocols, and monitor the temperatures in branches making improvements to ventilation and air conditioning where necessary. – Climate change risks considered as part of acquisition due diligence. Metrics: – At December 2023, mitigation actions had been completed at 55 of the 63 properties assessed as either High or Very High risk of flooding.
Climate change and increasing severity and frequency of adverse weather impacts our supply chain and the availability of products. **Physical risk** **Strategic links** 01 02 03	2 & 3	Medium long term	– Experience of managing product shortages and allocations. – Monitor market and increase stock holding / bulk buying where there are concerns about product supply. – Sole suppliers in key categories have been identified with alternatives / contingency plans. – Ongoing review of products and supply chains to identify countries / suppliers which are most likely to be affected by climate change.
Changes in legislation or regulation impacting our existing product range. This may result in reduced demand, lower revenue and profit. **Transitional risk** **Strategic links** 01 02 03 04	1 & 2	Medium long term	– Regular meetings with suppliers and standard setters to understand product developments and changes. – The Group and businesses keep themselves informed about changes in legislation and regulation. Lead time on legislative changes mean that phasing out old product and introduction of new product can be carefully managed. – Vendor Managed Inventory and unsold stock return arrangements with suppliers reduces exposure to risk. – Active management of cost and sales prices, monitoring any changes and anticipating increases and decreases. – Group focus on providing customers with more choice and sell products with sustainability attributes and clearly communicate benefits in a balanced way.

Risk management continued
TCFD continued

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Opportunity	Climate change scenario	Time-frame	Projects & actions
The growing market for energy-efficient, sustainable products and services in a low carbon economy. **Strategic links** 01 02 04	1 & 2	Short - medium term	– Monitoring of new products and new building regulations. – Engagement with customers to understand needs and wants. – Eco Centres established in branches (Chadwicks), with training given to colleagues. – Regular meetings with suppliers to understand product changes and developments. – Environmental Product Declaration (EPD) completed by the CPI Mortars business. – Assessment across businesses of circular economy opportunities. – Group Procurement are working with the businesses to develop a clear understanding of the sustainability criteria of the products we sell and increase awareness of, and volume of, products that have a 'more sustainable' criteria.
Improvements to our operations and buildings with more efficient energy use and through reduction, reuse and recycling of consumables. **Strategic links** 01 02 03 05	1 & 2	Short - medium term	– Energy efficiency a priority for all businesses. A number of business units have introduced energy management systems. – The impact on sustainability forms part of the assessment criteria for capex proposals. – Examples of energy efficiency investments include upgraded lighting to LED across property network. – Energy suppliers moved to 100 per cent renewable where possible. – Moving sites to renewable energy sources (solar panels, heat pumps), and incorporating into new build properties where possible. – Net zero science based targets submitted to SBTi for approval in 2023. Metrics: – Reduction in scope 1 & 2 GHG Emissions (see page 91). – Reduction in operational waste (see page 96). – Electricity generated from solar PV installations (see page 84).
Increased competitive advantage through resilience planning around property, infrastructure and supply chain. **Strategic links** 01 02 03 04	2 & 3	Medium - long term	– Detailed physical risk assessment carried out across all Group properties. – Prioritisation of flood mitigation actions at branches identified as at high or very high risk. – Hot weather working protocols established for relevant sites with businesses monitoring summer temperatures in branches and upgrading ventilation and air conditioning as required. – Sole suppliers in key categories have been identified with alternatives / contingency plans. – Ongoing analysis of the supply chain to identify exposure to geographical regions at risk from climate change. Metrics: – At December 2023, mitigation actions had been completed at 55 of the 63 properties assessed as either High or Very High risk of flooding.
Progress on sustainability activities gives the business a competitive advantage which enables it to win more business and recruit/retain top talent. **Strategic links** 01 02 03 04 05	1 & 2	Short - medium term	– Activity to reduce scope 1 & 2 GHG emissions. – Commitment from management and colleagues on sustainability strategy. – Continued engagement with suppliers, customers, colleagues and other stakeholders. – Net zero science based targets submitted to SBTi for approval in 2023. – Target to reduce Scope 1 & 2 GHG Emissions (intensity ratio) by 2 per cent per annum. Metrics: – Reduction in scope 1 & 2 GHG Emissions (see page 91).

Resilience

The Group has some inherent resilience to the impact of climate change given its geographical and market spread but has taken steps to improve its resilience to physical climate change risks to its properties. During 2022 an exercise was conducted, with the support of consultants from Marsh, to model the climate change impact on its 424 properties across its four geographies. The climate model used current asset location data overlaid by historical and future climate data, under two scenarios: RCP 2.6 (i.e. consistent with a rapid de-carbonisation scenario) and RCP 8.5 (consistent with a limited climate action scenario).

The exercise identified 44 sites that are currently at a high or very high risk of flooding which increases to 48 sites under RCP 2.6 scenario in 2050, and 63 sites under an RCP 8.5 scenario in 2100. This work has allowed businesses to focus flood mitigation actions on those at-risk properties including establishing flood emergency response plans and making building alterations to minimise flood damage and protect stock, as well as existing drainage maintenance schemes. The completion of this work has been monitored at a Group level throughout 2023, and at 31 December mitigation actions had been completed at 55 of the 63 properties assessed as either High or Very High risk of flooding. Actions at the remaining eight properties should be completed in 2024.

Our assessment of climate risks and opportunities considers a range of scenarios which were identified based on the guidance published by TCFD. This work is in progress continuing into 2024 to gain more transparency of the Group's supply chain through its third-party risk management and compliance process to understand better the Group's exposure to suppliers in different parts of the world which may be impacted by climate change.

The Group's strategy recognises the need for a transition to a low carbon economy in the countries where we operate and in establishing our sustainability strategy we aim to enhance our resilience to those transitional risks. We will continue to evolve our strategy as future climate risks and opportunities emerge. Further work is planned to quantify the transitional risks and establish metrics to monitor Grafton's exposure to them. Currently the Group does not see value in conducting a financial modelling exercise to achieve this but will review this position on an annual basis.

Impact on Strategy and Financial Planning

Climate change impacts on the Group's strategic planning in several ways. The Group's sustainability strategy has focused the business on taking steps to reduce their carbon emissions whilst also growing activity. This has involved projects to improve the energy efficiency of buildings including LED lighting and solar panel installations, and efforts to reduce vehicle emissions including switching company cars to hybrid and electric vehicles and trials of alternative-fuelled commercial vehicles (e.g., CNG, HVO).

The Group's sustainability strategy has been established recognising increasing investor interest and scrutiny in how companies are tackling climate change. In 2023 we engaged with shareholders and lenders as part of our double materiality assessment. Both stakeholder groups were clear that climate change was an important priority for them.

Sustainability and climate change forms part of the evaluation criteria for business investment, this includes evaluating climate change threats to the locations of any proposed acquisitions, which include consideration of lease terms and assessing the impact of capex on the Group's sustainability strategy prior to approval.

Climate-related issues and potential impacts on business performance and assets are considered as part of the Group's one and five year planning and performance reviews.

Carbon targets are embedded in our banking targets and in the remuneration targets for senior leaders. Carbon reduction is a key consideration in the Capex process. In developing our proposed targets and transition plan we have started to model the associated financial impacts and potential investment required.

Research and Development takes place within the supply chain to our distribution businesses and our commercial teams work with suppliers to identify new product opportunities. In our mortar manufacturing business, the team are investigating improvements that could be made to reduce energy usage in the manufacturing process.

The Group is also conscious of the impact of climate change on the products and services it offers. Businesses maintain dialogue with suppliers and customers to ensure their product offerings follow technical developments and changes in market demand. Chadwicks ECO-centres are a good example of how a business has brought together a collection of energy saving building methods and products in branches to help inform customers of the sustainable options available. There is also training available for our colleagues on these products so that they can advise customers effectively.

In 2023 our business units based in the EU started preparing to report against the carbon borders adjustment mechanism (CBAM) which will put a carbon price on high impact goods imported into the EU.

Impact on Financial Statements

Management have considered the current and potential impact of climate change on the financial statements. Costs associated with projects to mitigate flood risk and improve energy efficiency and reduce carbon emissions have been absorbed within operating expenses and capital expenditure. There has been no material impact on the net realisable value of inventory or the net value of fixed assets in this year's financial statements as a result of climate change. No liabilities have been identified in respect of net zero commitments.

Management consideration includes the results of the exercise conducted in 2022 to model the impact of physical risks on the Group's properties. The assessment took into account implications from both property damage and business interruption, which together were used to calculate a reinstatement value for each property. The modelling highlighted that at the time of the assessment, the estimated cost of damage from physical climate risk represented 1.16 per cent of our total property portfolio re-instatement value, with financial impacts projected to remain relatively stable under a RCP2.6 scenario, and rising to around 1.24 per cent under RCP8.5 by 2050. Importantly, many of these financial risks are mitigated through our insurance risk transfer programme and the physical climate resilience initiatives at high-risk sites, including developing emergency flood response plans and implementing on-site flood resilience measures.

Building a more sustainable future

Sustainability Report

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T TCFD related content
This icon will appear throughout this section for content relevant to TCFD disclosures

This report covers the financial year 2023 which runs from 1 January 2023 to 31 December 2023. The scope of the report includes our distribution, retailing and manufacturing operations covered by our business units.

EY has completed a limited assurance engagement over selected performance data and the assurance statement can be found on pages 112 and 113. Information within the scope of this assurance is indicated throughout the document with a Δ.

Introduction

A message from our CEO and CFO

In 2023 Grafton has continued to increase our strategic focus on environmental, social and governance issues, building on the work that we have done in recent years. Sustainability has been formally embedded into the budget process and was an important part of the Quarterly Business Review meetings we held with business units during 2023.

The Board received written reports at each Board Meeting on sustainability and has held two in-depth sessions with our Group Head of Sustainability to assess progress, validate our double materiality assessment, review our climate change ambitions and consider plans for 2024.

An important development to our governance of sustainability has been the introduction of our Executive Sustainability Committee. This includes CEOs from our larger business units across the Group and the objective of this committee is to align sustainability programmes, share best practice and ensure that we make the greatest impact from the resources we are dedicating to this area.

We are pleased to say that we calculated our Scope 3 greenhouse gas (GHG) emissions and committed to being net zero by 2050. We submitted our net zero target to the Science Based Targets Initiative (SBTi) in 2023 which is ahead of our previously communicated schedule. The targets we have submitted will, by their nature, be challenging to achieve and we have developed our first transition plan to map out how we aim to achieve them.

To achieve these targets, it will be important that policies continue to develop at pace to support the climate transition. In addition, because Scope 3 emissions are such a large part of our GHG emissions, we will need to work closely with our suppliers to meet the targets. Our new Group Procurement Director will work with our Group Head of Sustainability and the procurement leads across our business units to engage with our suppliers on this and other important sustainability matters.

While climate change has been our major focus this year, we have also carried out extensive engagement with stakeholders as part of our double materiality assessment in preparation for the new EU corporate sustainability reporting directive (CSRD). This process was very important to ensure that our strategy is focusing on those issues that are most material to our business and where our business has the biggest impact externally.

Our business units have made excellent progress across all areas of our sustainability strategy, which is presented in the following pages. However, we know that given the challenges society is facing, our work in this area will need to continue at pace.

We have committed to being net zero by 2050."

2023 highlights

Double materiality assessment and CSRD gap analysis

Scope 3 GHG emissions calculated

Net zero targets submitted to SBTi for validation

Over 430,000 Litres HVO used across fleet, saving

>1,000 tCO_2e

Electricity generated from solar PV installations across the Group

>1,200 MWh

Waste diverted from landfill

98%

New Group Procurement Director appointed

Reduction in absolute Scope 1 and 2 GHG emissions

-11.5%

location-based calculation

New Executive Sustainability Committee established

Reduction in frequency rate for lost time injuries

-7%

Community donations made by the Group

>£0.8m

Internal Promotions

All four business leadership roles filled through internal succession planning in StairBox, Leyland, CPI Euromix and MacBlair.

Strategy

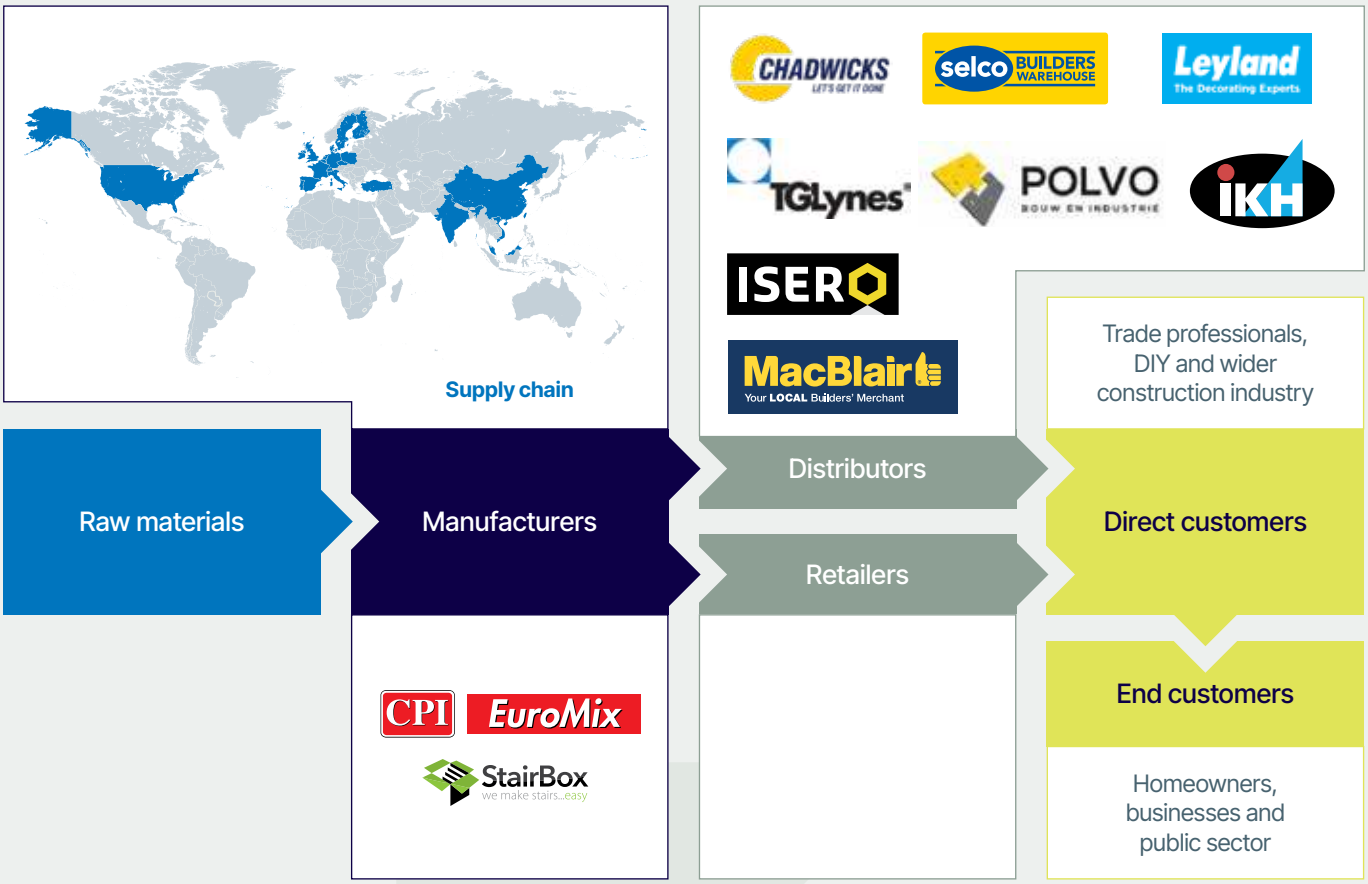
Value chain

The building and construction sector has a big impact on the world. It provides people with homes to live in, gardens to enjoy, leisure facilities to relax in and much more. However, all these activities produce GHG emissions that can impact nature and can affect people's lives.

As a family of distributors, retailers and manufacturers, Grafton understands its role and wants to play an important part in building a more sustainable future for all.

Grafton is a core part of the sector, sourcing raw materials and products from Europe as well as through a global supply base and selling to a broad range of professional and retail customers.

We also interact with communities where we operate across Europe and work to have a positive impact in those communities by providing great jobs and supporting wider society through our community programmes.



Double materiality assessment

To ensure that our strategy continues to focus on the most important issues for our business and to prepare for reporting against the CSRD, we carried out a double materiality assessment in partnership with an external consultancy firm.

A double materiality assessment looks at sustainability issues through two lenses, the impact that a business has on society and the environment as well as the financial impact an issue may have on the business's performance.

This methodology aligned with the double materiality guidance published by the European Financial Reporting Advisory Group (EFRAG) in August 2023 taking into account the reporting requirements set out in the European Sustainability Reporting Standards (ESRS).

We carried out extensive stakeholder engagement across customers, colleagues, suppliers, large shareholders, lenders, internal subject matter experts and governance committees. Feedback was scored, weighted and presented in a materiality matrix showing Grafton's most material issues.

The matrix was discussed and validated at the Board and then further refined. The final matrix of the 2023 assessment is presented on page 87 and will be used to guide our strategy and reporting requirements over the coming years. The topics included will be reviewed periodically to ensure that the matrix still reflects the most important issues.

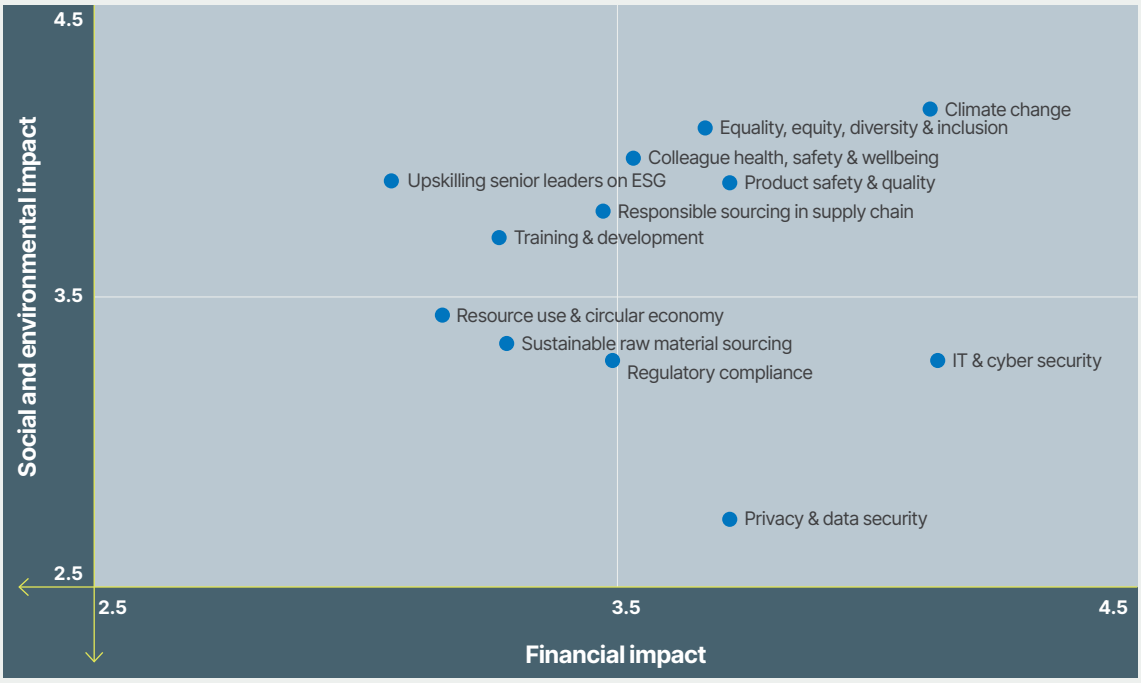
Steps in double materiality assessment

Draft list of issues developed	Extensive research carried out into Grafton and its peers, initial consultation took place with key colleagues across the Group and a provisional list of material issues was drafted.
Assess importance of issues to business, society and environment	Surveys were carried out with customers, colleagues and suppliers. Interviews were carried out with large shareholders and lenders. Workshops were carried out with subject matter experts at Grafton.
Rank impacts	Impacts were assessed using a scale of 1 (very low impact) to 5 (very high impact) and ranked in order of importance.
Assess financial impact	Level of financial impact on business performance, profitability, growth and reputation was assessed using the same 1-5 scale.
Present impact on matrix	Draft matrix was developed and shared with governance committees.
Validate and refine matrix in governance committees	Based on feedback the matrix was refined, issues were grouped, and a final matrix was presented and signed off.

Materiality matrix

The matrix below presents the findings of the double materiality assessment displaying Grafton's top 12 material issues ranked from 1 (very low impact) to 5 (very high impact) across the Environment, Social and Governance criteria. All of these issues map into the sustainability strategy which is presented on page 88.

Our top 12 material issues



Our sustainability strategy

Grafton's sustainability strategy has five priority areas that address the material environmental, social and governance (ESG) issues as well as other key issues that are very important to our business, colleagues and customers.

Our sustainability strategy is supported by our five priority areas:

The strategy aligns with the eight UN Sustainable Development Goals that we can have the biggest impact on:

(M) Material issues identified in the double materiality assessment

Priority areas	Priority areas	Targets
Planet	• Climate change (M) • Waste • Biodiversity • Plastics & packaging • Water • Pollution	**GHG emissions** • Annual two per cent reduction in tCO_2e per £m revenue using 2021 as the base year • Near term and net zero targets submitted to SBTi for validation in December 2023 **Waste** • 15 per cent reduction in total operational waste tonnage per £m revenue using 2021 as the base year
Customer & product	• Raw materials (M) • Product safety & quality (M) • Resource use & circular economy (M) • More sustainable products	**Raw materials** • Establish a Group natural resources policy by 2025 • 100 per cent building timber products (by value) responsibly sourced as outlined in the Group Timber Policy by 2025 • Work with suppliers into CPI Euromix to ensure that 100 per cent of extraction sites have restoration plans **Circular business opportunities** • Pilot circular business opportunities by 2025 • Promote products to customers with sustainability attributes by 2030
People	• Equality, equity, diversity & inclusion (M) • Training & development (M) • Upskilling senior leaders on ESG (M) • Health, safety & wellbeing (M)	**Equality, equity, diversity & inclusion** • Year on year increase in percentage of colleagues that are female • Top 100 in the FTSE 250 for Board Diversity by 2030 **Training & development** • Report hours of training and development across businesses each year **Pay & benefits** • 100 per cent of colleagues receive at least one per cent above the minimum wage **Health, safety & wellbeing** • 25 per cent reduction in total working days lost as a result of an injury at work by 2025 vs 2018 baseline
Community	• Monetary donations • Goods & services donations • Volunteering • Fundraising & raising awareness of important community issues	**Community investment** • Equivalent to at least one per cent of operating profit donated to communities by 2026. Increasing by 0.2 per cent each year until that point
Ethics	• Strong governance • IT & cyber security (M) • Regulatory compliance (M) • Responsible sourcing (supply chain management) (M) • Privacy & data security (M)	**Ethical business training** • 95 per cent of colleagues compliant with ethical business training programmes on business conduct and ethics, information security and regulatory compliance **Supplier management** • Year on year increase in response rate of suppliers to our supply chain management due diligence programme

Planet

Alignment with SDGs

The climate crisis is one of the most important issues facing society and its impacts were clear to see in 2023. The summer saw heat records being broken in China, the US and Europe, flash flooding affected many countries, devastating wildfires swept across parts of Canada and Greece and a record reduction in sea ice in Antarctica was recorded in June. The effects being seen today only reinforce the importance for businesses to set stretching emissions reduction targets, aligned with scientific guidance.

It's estimated that buildings account for 40 per cent of the energy usage across the EU and GHG emissions from materials extraction, manufacturing of construction products. In addition, the construction and renovation of buildings are estimated to account for between five and 12 per cent of total emissions.

As a result, all players in this sector have a responsibility to take action to reduce emissions. The stakeholder engagement carried out with customers, colleagues, investors, lenders and suppliers this year showed that climate change is the key environmental concern.

Alongside and closely linked to the issue of climate change there is an underlying principle that society needs to make the most of the resources that it uses, reduce waste and address the impact that plastics and packaging have on local and global environments. In addition, businesses need to assess the impact that operations, supply chains and products may have on nature and take steps to protect biodiversity.

The effects being seen today only reinforce the importance for businesses to set stretching emissions reduction targets.

Our progress

Climate change

In 2023 Grafton achieved an 11.5 per cent absolute reduction in Scope 1 and 2 location-based GHG emissions which is a 12.2 per cent reduction relative to £'million revenue. This was achieved through a focus on energy efficiency in buildings, more effective monitoring of energy usage through quarterly scorecard reporting and continued investment in solar panels and energy management systems in properties across our estate. To reduce the emissions in the vehicle fleet we invested in Hydrogenated Vegetable Oil (HVO) as an alternative to diesel in several distribution sites as well as continuing the switch to electric and hybrid vehicles where practical.

Beyond Scope 1 and 2 we focused on calculating the Scope 3 GHG emissions of the Group, preparing targets to submit to the SBTi to achieve net zero by 2050 and aligning with the 1.5°C trajectory. These targets were submitted in December 2023 and are awaiting validation.

We also developed our initial transition plan outlining how we aim to achieve our targets which is presented on pages 92 to 95. The Board and senior leadership were consulted extensively on the targets. It should be noted that the targets are incredibly stretching and will require continued improvements to data collection and monitoring and extensive engagement with our supply chain partners.

In our Scope 1 and 2 reporting to date we have reported GHG emissions using the location-based methodology which uses the country-specific average emissions factors for electricity. However our new targets submitted to the SBTi for validation use the market-based methodology. The market-based calculation takes into account the renewable electricity we procure as a business.

Following the validation of our SBTi targets we will transition formally towards market-based reporting in future years.

Therefore, during this transitional period, we are continuing to report using the location-based methodology for 2023 but have also started to incorporate the market-based approach in our transition plan, which is aligned with our recalculation policy as published on www.graftonplc.com.

Total GHG emissions (tonnes CO_2e) % Change (location-based)

-11.5 %

GHG emissions (tonnes CO_2e) per £m revenue % Change (location-based)

-12.2 %

GHG location-based emissions data

The absolute reduction in carbon emissions in 2023 was 11.5 per cent using the location-based reporting factors.

Unit	Source	2020	2021	2022	2023
tCO_2e	**Scope 1 & 2**	**42,819**	**51,823***	**50,807***	**44,968Δ**
tCO_2e	**Scope 1**	**31,749**	**38,625***	**37,453***	**32,436**
MWH	Gas	29,279	37,083*	31,377*	25,880
tCO_2e	Gas	5,560	6,945*	5,862*	4,782
tCO_2e	Company Cars	2,520	2,075	2,081*	2,061
tCO_2e	Forklifts	2,923	3,841	2,097	1,799
tCO_2e	Vans & Commercial	9,931	12,772	13,160*	11,243
tCO_2e	Burning/Heating Oil	149	60	137	112
tCO_2e	Gas Oil	–	53	691	1,361
tCO_2e	LPG	10,667	12,879	13,426*	11,077
tCO_2e	**Scope 2**	**11,069**	**13,198***	**13,353***	**12,532**
MWH	Electricity	38,330	47,324*	50,850*	49,080
tCO_2e	Electricity	11,069	12,756*	12,461*	11,798
MWH	District Heating	4,752	2,691 *	5,170*	5,357
tCO_2e	District Heating	–	438	853*	658
tCO_2e	Electric Company Cars		4	26	67
tCO_2e	Electric Vans			13	9

* Several data points have been recalculated following the replacement of previously estimated data with actual activity data and also using updated emissions factors for some jurisdictions. This has resulted in a 0.4 per cent increase to 2021 emissions and a 1.7 per cent increase to 2022 emissions as previously reported.
See recalculated results marked with (*) See data assured by EY (Δ)
Carbon accounting methodology is available from www. graftonplc.com.

Transition Plan – Achieving net zero by 2050

Grafton has developed its first climate transition plan following the principles of the Transition Plan Taskforce disclosure framework – Ambition, Action, Accountability.

Ambition

1) Foundations

Strategic Ambition

Grafton has committed to becoming net zero by 2050 and achieve a 42 per cent reduction in absolute GHG emissions across scope 1, 2 and 3 by 2030 against a 2021 base year (subject to approval by the SBTi). These targets are aligned with the 1.5°C trajectory set out in the Paris Agreement. Having conducted a double materiality assessment, it's clear that our stakeholders, colleagues, customers and suppliers regard climate change as their top priority.

Business model and value chain

Grafton's business model and value chain are presented on pages 28 and 29. As a distributor, retailer and manufacturer of products for the building industry there are important changes that will need to take place over the coming 25 years.

98 per cent of Grafton's GHG emissions are Scope 3, the vast majority of which are in the manufacture and use of the products that we sell. To drive the changes that are needed, Grafton will work extensively with suppliers and customers.

In the shorter term we will focus on improved data collection, increasing the proportion of suppliers with Science Based Targets and encouraging more suppliers to set Science Based Targets.

In the longer term there will be a focus on alternative products, materials and energy usage for products as well as scaling up circular business models where possible.

Key assumptions and external factors

Financial growth – the targets are based on absolute emissions reductions therefore organic business growth will be captured in the emissions reduction trajectory. However, as a business that acquires and divests, we have published a clear recalculation policy to take into account any significant changes in the business (www.graftonplc.com).

Policy developments – all businesses require policy support to enable them to deliver such stretching targets. It will be important that governments continue to drive renewable electricity, support innovations in alternative fuels and phase out high impact products such as boilers.

Industry innovations and developments – builders merchants rely on large industries such as chemicals, steel and cement to provide the products that customers such as builders, DIY enthusiasts and developers need. These large industries have plans in place to reduce their emissions and have been subject to legislation over time, therefore delivering their ambitions will be an important contributor to Grafton achieving our targets.

Technological advancements – longer term, technological advancements will be necessary in how buildings are constructed and the technology used to power them as well as in the transport industry for heavy goods. We will work with our supplier partners where possible to trial and promote these technologies, but much of the innovation will take place within our supply chain.

Data improvements – As a business Grafton sells hundreds of thousands of products therefore the calculation of Scope 3 emissions is subject to assumptions. As Grafton improves the monitoring of its emissions and suppliers improve the quality of the information they report on their products we will likely need to recalculate our emissions (in accordance with the base year recalculation policy).

Action

2) Implementation Strategy

Our newly established Executive Sustainability Committee will take the lead in ensuring that GHG emissions targets are embedded in the business planning and operations of the business. In 2023, the Committee was consulted on the targets and the transition plans and the priority areas are displayed in the table to the right. The actions are separated into Scope 1 and 2, and Scope 3 so that the relevant teams across each business unit can take ownership for the delivery.

Grafton already has an environment policy which incorporates its commitment to net zero as well as a re-calculation policy for our GHG emissions base year data. In 2024 further policies will be developed where necessary to capture the business changes required to meet the near term 2030 targets.

Grafton includes climate change in the budgeting process to ensure that financial impacts of decisions are effectively quantified and over the coming year will also prepare to report against the EU taxonomy.

In developing the transition plans, for Scope 3 Grafton included sensitivity analyses setting out different scenarios assessing the emissions reductions possible through business as usual, medium and stretch pathways. In this transition plan we are presenting the trajectory required to meet the 42 per cent reduction by 2030.

Scope 1 and 2	Priority
Electricity	• Move to 100 per cent certified renewable energy and increase solar production capacity for new and existing sites • Continue to improve monitoring of our energy use and increase efficiencies where possible
Commercial vehicles	• Phased transition to electric, bio-fuels or other alternative technology in long term
Gas heating	• Initial focus on increased efficiency and long term transition to alternative forms of heating
Car fleet	• Switch to electric car fleet and support this move with the installation of charging points at Group locations
LPG for manufacturing	• Initial focus on increased efficiency in manufacturing process and long term working with suppliers to develop technological/efficiency innovations
Scope 3	**Priority**
Goods for resale	• Improve data collection from suppliers • Increase the proportion of products sourced from suppliers that have set Science Based Targets • Map products against sustainability framework • Prioritise categories that make the biggest contribution such as sealants, adhesives and fillers, cement, plastic products, plasterboard and metal products • Long term increasing circular business offerings including rental, repair and reconditioning
Use of sold products	• Offering alternatives to traditional boilers such as heat pumps and supporting the transition set out in government policy • Improving efficiency of energy using products as well as reducing emissions associated 'in use' as renewable energy increases in grid mix

3) Engagement Strategy

Engagement across Grafton's value chain and especially with suppliers and customers will be an essential part of achieving the targets. Suppliers will be required to share detailed data on the products supplied and be encouraged to set Science Based Targets and indeed many already have. Collaboration to bring new products to market will also be key.

Grafton's supply chain due diligence process will be extended to capture more detailed information.

Grafton collaborates across the industry through groups such as the Builders Merchant Federation and the Construction Products Association. These forums provide an opportunity for information and views to be shared with other building materials distributors, suppliers, and leading industry figures.

As part of our sustainability strategy we consult key stakeholders including customers, suppliers, shareholders and lenders. This is used to gain feedback on their priority areas and the actions that they would like to see Grafton taking. Climate change was the top environmental priority for all stakeholder groups.

4) Governance, business and operational metrics and targets

Grafton 2021 GHG emissions

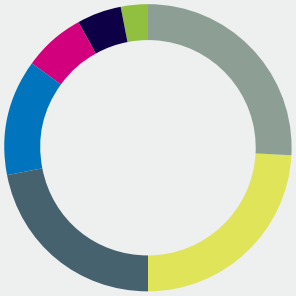
In 2023, we submitted our 2021 GHG emissions base year information to the SBTi utilising a market-based GHG methodology and following our newly published base year recalculation policy. Grafton worked with a third-party consultancy firm to calculate Scope 3 absolute GHG emissions for the first time. All relevant Scope 3 categories were included. Goods for resale (GFR) and use of sold products account for 92 per cent of total Scope 3 emissions and therefore are the priority for the 2030 targets.

More detail on Grafton's Scope 3 calculation methodology and assumptions made can be found at www.graftonplc.com.

Base year emissions by scope

Scope 1 & 2	2%
Scope 3	98%

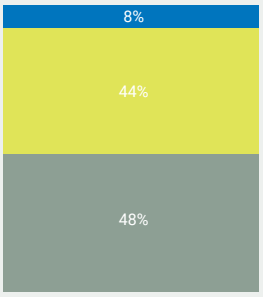
Scope 1 and 2 emissions by source*



Commercial vehicles	26%
LPG	24%
Electricity	22%
Natural gas	13%
Forklifts	7%
Cars	5%
District heating	3%

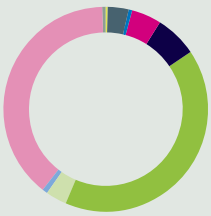
* Market-based emissions submitted to SBTi.

Scope 3 emissions by category



Other	8%
Use of sold products	44%
Goods for resale	48%

Details of 'other' scope 3 categories*



Goods not for resale	0.03%
Capital goods	0.25%
Upstream leased assets	0.00%
Business travel	0.05%
Employee commuting	0.37%
Fuel & energy-related activity	0.49%
Upstream transport and distribution (T&D)	3.12%
Downstream T&D	0.27%
Downstream leased assets	0.05%
End of life treatment	2.97%
Operational waste	0.04%

* percentages represent percentage of total scope 3 emissions.

Near term emissions reduction trajectories

We have modelled reductions required to achieve 42 per cent absolute emissions reductions by 2030 focusing on top emitting categories, and the modelled reductions are displayed on the graphs to the right.

Note that the reductions may be achieved through other means, but this is the current thinking of the Group.

Scope 1 and 2 will be achieved through a switch to 100 per cent renewable electricity, reduction in commercial vehicle emissions by switching approximately 50 per cent of the diesel fleet to electric, HVO or other low carbon alternatives. The company car fleet will switch to electric or other low carbon alternatives, forklift truck operations will also switch to electric or HVO and there will be significant efforts to achieve energy efficiency savings in the heating of our premises.

In this model we have assumed no change in the use of LPG in our mortar manufacturing process but will continue to work with suppliers to seek to develop technological and efficiency innovations and assess all opportunities to achieve reductions in this area of GHG emissions.

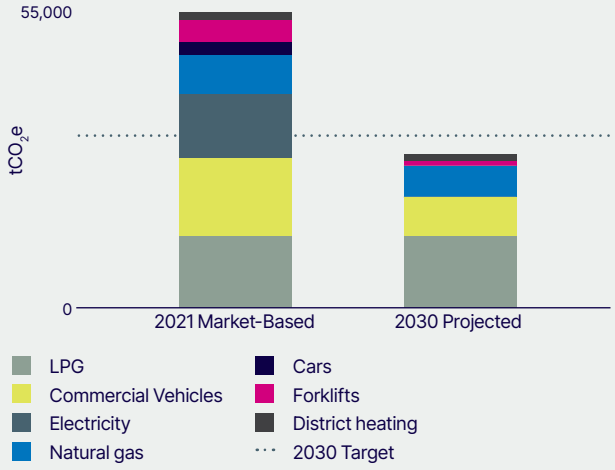
Scope 3 emissions reductions focus on the use of sold products as well as emissions associated with the sourcing and manufacture of GFR.

In use of sold products there is a phase down of traditional boiler sales, increased energy efficiency of products and a gradual move towards renewables in the grid. In GFR we have focused on the categories that contribute most to our emissions and modelled appropriate reductions using industry projections from the International Energy Agency (IEA) as well as stretching targets set by suppliers already. A big focus will be to increase the proportion of products sold from suppliers who have set Science Based Targets and encourage more suppliers to do so.

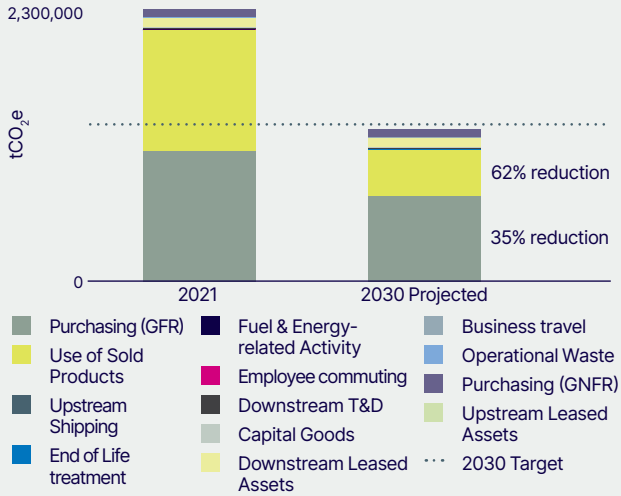
Based on the assumptions made, the GFR emissions are projected to reduce by 35 per cent from the 2021 base year and use of sold products emissions to reduce by 62 per cent from the 2021 base year which leads to a 44 per cent reduction overall from the base year.

We have not currently included carbon credits in our carbon reduction plans as the focus is on achieving the reductions set out above. However, in achieving the net zero target by 2050 a 90 per cent reduction in absolute emissions will be achieved in line with the SBTi guidance and the remaining 10 per cent will be neutralized through investment in nature-based solutions.

Scope 1 and 2 projected reductions



Scope 3 projected reductions



Accountability

5. Governance

Climate change governance follows the sustainability governance process set out on page 109. The Board has ultimate strategic responsibility and delegates day to day delivery and oversight to the CEO and Executive Sustainability Committee. Climate change risks and opportunities are captured as part of the corporate risk register and discussed at the Group Risk Committee. GHG emissions reduction targets are included in the remuneration framework for senior leaders and in the banking targets that Grafton's lenders hold us to account on.

Grafton will disclose against the CSRD for its 2025 financial year. Prior to this Grafton hopes to receive validation of its SBTi targets, develop further our transition plan and improve the Scope 3 data collection methodology with more product specific emissions factors. In addition, Grafton will carry out an impact assessment on its transition risks as well as consider the role of an internal carbon price.

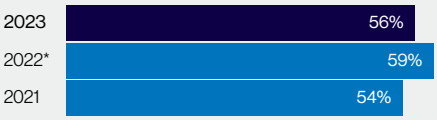
Sustainability report
Action and progress continued
Planet continued

Waste management
Grafton works with waste management companies to monitor waste, manage it responsibly and look for opportunities to reduce it. Across the Group total waste generated in our operations remained consistent with 2022 data. In partnership with our waste management companies, teams work to divert the waste in our own operations from landfill and in 2023 achieved a 98 per cent diversion rate[Δ].

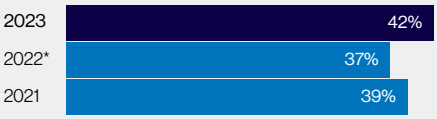
Teams continue to look for opportunities to replace plastic wrap used to distribute products with recycled alternatives as well as trying to reduce the amount used where possible by using collapsible boxes, moving to cages or strapping products together.

However, all alternatives need to be carefully assessed with our colleagues' safety in mind as many of our products are heavy and safety is of the utmost importance.

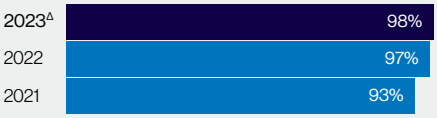
Total recycling rate



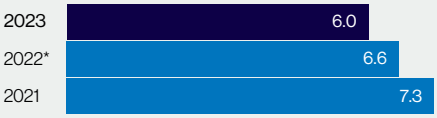
Total recovery rate



Waste diversion from landfill



Total waste £m revenue (tonnes)



* Recalculated following improved data collection. Operational Waste Criteria is available from www. graftonplc.com

All businesses report packaging data as required by legislation in their country of operation. The biggest change to this system has been taking place in the UK, where business units have continued to report against the existing packaging scheme and plastics tax regulations whilst also preparing for the new extended producer responsibility system. Business units have been working closely with suppliers to collect the data required on packaging.

We have also been working to improve the packaging that we use. Our business in the Netherlands for example has replaced older style cardboard boxes with a lower impact alternative. There is an almost 20 per cent reduction in the emissions associated with the new box. The new box uses 80 per cent recycled material and is fully recyclable, there is no printing on the box and the weight has been reduced too.

Water management
Water is not a material issue within Grafton's operations as the branches and manufacturing facilities are not large users of water. However, Grafton is monitoring its water usage to ensure that this precious resource is used as efficiently as possible.

Biodiversity
Biodiversity is an important and complex issue. The Group can impact biodiversity in its own operations, through its supply chains and in the use of products. There are various initiatives in place across the Group that are designed to address biodiversity as well as other environmental issues.

Branches work to support and promote biodiversity at a local level. Chadwicks for example is a member of the All-Ireland Pollinator Plan implemented by the National Biodiversity Data Centre. As part of this membership biodiversity projects are introduced to stores during refurbishments.

The timber sourcing programme is promoting responsibly sourced timber including FSC and PEFC. We have a commitment to work with our aggregate suppliers to ensure that all extraction sites have restoration plans in place. CPI Euromix has engaged with all of its quarries on this topic.

Pollution
Grafton's manufacturing businesses have policies and procedures in place to monitor, manage and minimise any emissions associated with the manufacturing process. CPI Euromix has 'baghouse' technology on all sites which collects dust, and removes particulate matter and harmful gases from the manufacturing process.

StairBox uses a bag filter to collect and store dust in a silo which is regularly maintained. There are alarms installed to alert the teams in the case of a breach of the limits as well as a response plan in place.

For the distribution businesses, air quality management associated with the fleet is the priority. Selco have invested in CNG fuelled vehicles in metropolitan areas as they emit lower amounts of particulate matter than standard diesel fuelled vehicles.

New lower impact packaging being used in our Netherlands business units.

Customer and product

Alignment with SDGs

The products that Grafton sell are a big contributor to its Scope 3 GHG emissions. Grafton sells to sole traders, small companies, large construction companies and house builders, to the public and private sector, and to DIY enthusiasts.

Value for money is incredibly important for a just climate transition, but this shouldn't come at the expense of quality, traceability and responsible sourcing. Customers are increasingly interested in products that will help them use energy more efficiently so we need to consider how to best support this as well as offering product options that extend the life of products through rental and repair.

A large proportion of our customers are professionals who need to have confidence that if they introduce a new product, it will perform as well as their existing product, so it is important to work closely with customers to introduce, test and review new products.

Product sustainability

Grafton has a product sustainability framework which continues to evolve and develop. The attributes include responsibly sourced raw materials, low impact manufacture, reduction in fossil fuel consumption in use and more. The Scope 3 GHG emissions calculations helped Grafton to start to identify the impacts of the different products in the portfolio.

Product sustainability is a complex area and businesses across sectors are rightly being challenged on the claims that they are making. Credibility is critical to any messaging so Grafton will only publish data on product sustainability when confident that the claims are robust. Grafton's new Group Procurement Director is working with suppliers to identify new products with a lower impact that can be brought to different markets in our Group.

CPI Euromix, is working on an updated Environmental Product Declaration (EPD) of its mortars which will be published in 2024 and should demonstrate some of the improvements made to the manufacturing process. Isero stocks a selection of cradle to cradle accredited products. Selco and StairBox's FSC and PEFC timber sourcing programmes are achieving high percentage certification (see page 99).

Eco Centre in Chadwicks displaying energy saving products.

Sustainability report
Action and progress continued

Sustainability attribute framework

Production

Raw material sourcing

Raw materials that are third party verified as responsibly sourced or recycled, or products that use an alternative material that has a demonstrated lower impact.

Lower impact manufacturing process

Products manufactured in premises with onsite generated renewables or demonstrated low carbon production techniques.

In use

Reduces fossil fuel consumption

Products that support energy efficiency in buildings or that enable customers to generate renewable energy onsite.

Reduces water consumption

Products designed to use less water or allow customers to harvest rainwater.

Promotes biodiversity

Plants and products that promote biodiversity and reduce chemicals that can harm wildlife.

Circularity

Repairability, durability, recyclability

Products designed for durability, to extend the life of other products, for reusability, recyclability or compostability.

Packaging

Recycled, recyclable or reusable

Supportive attribute encouraging suppliers to reduce reliance on single use plastics and seek recycled and reusable options

Circular economy

Across our business units there are some strong examples of circular business models in action. Chadwicks' Sam Hire brand provides high quality construction equipment on a rental basis to customers in the Republic of Ireland. At any one time it has approximately 6,500 pieces of equipment from diggers, dumpers, generators, scissor and material lifts to concrete cutting saws. The operation has expanded from 15 branches to approximately 23 branches over the past eight years with another location planned in 2024. Two to three team members run the operation in each branch providing rental and maintenance services. TG Lynes also operate a plant rental service.

For IKH the spare parts and rental offerings have been central to its business model for over 20 years. Spare parts are offered for tools, large machinery and more than 2,000 tractor models which are either purchased from suppliers or farmers and companies that sell secondhand parts. Maintenance and repairs of rental products are performed in-house, maximising the life of each product.

Woodie's partner with six of its suppliers to offer repair services for garden products such as lawn mowers and power washers.

Isero are innovating in the refurbishment space by working with one of their value chain partners on a sanitaryware refurbishment scheme, collecting, refurbishing and reselling certain products and working to calculate the associated GHG emissions savings.

Raw material traceability

Gaining greater traceability of priority raw materials is an important focus. CPI Mortars has strong traceability of the sand, cement and additives used to make its mortars. It has long-standing relationships with its UK-based suppliers and works closely with them to ensure the extraction sites have restoration plans in place.

Timber is an important raw material for a number of the distributors within the Group. The Group Timber Sourcing Policy outlines the legal requirements, responsible sourcing and due diligence guidelines. Through the supplier due diligence and risk management system, businesses can track the FSC and PEFC accreditations of large timber suppliers. Business units build on this with due diligence and chain of custody programmes to trace the timber from forest to sale. The StairBox system incorporates QR codes to trace timber through the steps of production. Selco has an extensive chain of custody programme in place for FSC and PEFC across its branches which requires an annual auditing programme. Selco is also a member of Timber Development UK through which it reports its annual due diligence progress against the UK Timber Regulations.

A priority for the coming year will be to ensure that the Grafton processes are aligned with the requirements of the new EU deforestation legislation which comes into effect in December 2024.

Percentage of Selco Timber FSC or PEFC certified

99%

Percentage of StairBox Timber FSC or PEFC certified

97%

People

Alignment with SDGs

At Grafton, our people are the driving force behind our success, and we are committed to investing in their growth and development. The 2023 double materiality assessment reinforced the importance of this key stakeholder group highlighting health, safety and wellbeing, training and development, upskilling senior leaders on ESG and Diversity, Equity, and Inclusion as priority issues.

Over the past year, we have continued to focus on creating an inclusive and supportive work environment where every individual feels valued and empowered. We believe that diversity in our workforce is a strength that drives innovation, and we are proud to have a team that represents a wide range of backgrounds, experiences, and perspectives.

We have also prioritised learning and development, offering a variety of training programs and opportunities across our businesses for our colleagues to expand their skills and knowledge. Our aim is to ensure that our people are equipped to meet the challenges of our industry and to contribute to our continued growth and success.

In addition, we recognise the importance of work-life balance and colleague well-being. We have implemented policies and initiatives aimed at promoting health and wellness, and we are committed to supporting our colleagues in achieving a healthy balance between their work and personal lives.

Looking ahead, we remain committed to our people. We will continue to invest in their development, celebrate their achievements, and create an environment where they can thrive.

How we manage our People plan

The Group HR Director and HR leaders in each business unit are committed to ensuring that our people strategy and colleague engagement focus is delivered and driven throughout the organisation. The Group HR forum provides an opportunity to share best practice including information on resources and planning across the business units, new developments in people management and leadership development as well as monitoring key metrics.

Colleague health, safety and wellbeing

We believe leadership of the health, safety and wellbeing agenda is most effective when it is integrated into routine business behaviours, and we continue to drive this approach supported by our integrated Safety, Health and Environment (SHE) support teams in each business. This federated approach has created autonomous local management teams who own their own health, safety and wellbeing agendas, with appropriate challenge and support at Group level.

We believe there is nothing we do that is so urgent that we cannot do it safely.

This belief is central to how we lead and integrate health, safety and wellbeing practices and initiatives at all levels across the Group.

We remain committed to doing everything we can to ensure that our colleagues, customers and business partners return home safe and well each day by regularly reviewing our health and safety management system against relevant industry standards, learning from benchmarking exercises within each sector and actively involving our colleagues in the process.

The role of leadership and colleague participation is fundamental to this commitment. All colleagues are encouraged to take an active part in helping us to maintain and develop their own health, safety and wellbeing at work by challenging anything they feel is conflicting with our over-arching beliefs and always raising any concerns and making suggestions. This is achieved through a combination of day-to-day management, focus groups, team meetings, our Notify safety management system, committee meetings and through the Group Risk Committee.

Support teams in each business integrate the health, safety and wellbeing planning into the business plan and ensure risk assessments reflect the reality of existing operations as well as new projects.

Each business is subject to regular health and safety audits including branch compliance checks by internal teams in the businesses, external enforcement officer inspections and higher level reviews by our own Group Internal Audit and Business Risk team, all of which support and drive a continual health, safety and wellbeing improvement plan.

2023 saw a continued reduction in serious injuries as a result of our focus on our key priorities around the Group. The activities in each business varied across the distribution, retailing and manufacturing sectors but the key priorities remain centred around keeping pedestrians safe from moving vehicles, the safe handling and storage of products and ensuring safe customer deliveries on site.

Businesses across the Group have wellness programmes in place with initiatives running throughout the year to support colleagues to be healthier and more content both at work and at home.

Helplines in each of the countries where we operate are available 24 hours a day, 365 days a year.

In response to the changing business environment and the changing ways that colleagues live and work, flexible working policies and practices have been implemented where appropriate to business needs.

The Group Lost Time Injury Frequency Rate reduced by seven per cent from the 2022 level and the corresponding Group Lost Time Severity Rate reduced by four per cent.

Group lost time – injury frequency rate

Year	Lost time injuries per 100,000 hours worked	% Change
2023	0.86	reduced by 7%
2022	0.92*	reduced by 8%
2021	1.0*	increased by 4%
2020	0.96	reduced by 10%
2019	1.07	

Group lost days – severity rate

Year	Days Lost per 2,000 hours worked	% Change
2023	0.18	reduced by 5%
2022	0.19	reduced by 27%
2021	0.26*	reduced by 19%
2020	0.32	increased by 19%
2019	0.27	

*Data has been recalculated due to improvements in data collection

Why mental wellbeing matters to us at Grafton

Our colleagues are at the heart of everything we do. The last few years have been tough for colleagues – a global pandemic and a cost-of-living crisis – which is why we want to be there for them because mental health is just as important as physical health. So, we have worked hard to increase our focus on helping colleagues improve their mental, emotional, physical, and financial wellbeing – from creating an inclusive culture where everyone feels welcome and fulfils their potential to encouraging colleagues to speak up if they're struggling so we can support them to seek the help they need.

This isn't just the right thing to do; it's essential to the long-term success of our business. Valuing our people and ensuring that we create an environment where everyone is welcome, is at the heart of our core values. Our colleagues are the key to providing a brilliant service to our customers, and we know that having happy, healthy, and engaged colleagues is critical to the long-term success of our business.

Engaging with our colleagues

Our regular business colleague committees provide an opportunity for colleagues to share how they are feeling, provide feedback and shape actions at a local level. These insights are considered when making decisions on key business matters, when developing our local and overall wellbeing strategies and when designing and developing wellbeing initiatives. Colleague committees at country level provide the opportunity for our Group Non-Executive Directors to engage with colleagues and for colleagues' views to be heard at management and Board level.

We also make sure that all our businesses focus on colleagues' wellbeing using specific questions within our colleague engagement surveys and develop action plans to address any issues raised.

What we are doing to support our colleagues

We want to create a workplace environment for people to flourish. It is important for all our colleagues to enjoy working here because their job has the right level of purpose, the right level of challenge and the right level of support. To help us achieve this goal we are committed to:

- Providing resources, tools, and benefits to help people access the right support when they need it and in a way that works for them.
- Ensuring that health and wellbeing is part of everything we do and embracing 'good work' principles.
- Maintaining an open dialogue with colleagues and providing multiple channels for feedback and communication.

We believe in looking after all aspects of our colleagues' wellbeing - mental, physical, and financial. In our businesses, we focus on raising awareness, education, and support, providing tools and resources that enable our colleagues to make positive and proactive choices to thrive in all aspects of work and life. These include access to confidential counselling services, mental health awareness training, and resources such as online self-help tools.

We monitor risks such as absence trends and colleague engagement scores across the business. We also regularly communicate the importance of wellbeing through our internal social media channels to ensure we keep our wellbeing

At Grafton, we believe that positively managing colleague health and wellbeing underpins colleague engagement and is to the benefit of our business and all our stakeholders. As Chief Executive I personally put great emphasis on health and wellbeing, for me it is important that we all show care and respect for each other, support work-life balance and that our businesses provide the tools and resources to support our colleagues."

Eric Born, Group Chief Executive Officer

conversations alive. Our businesses hold wellbeing campaigns throughout the year that raise awareness of key topics, and the tools and resources available. The campaigns focus on all areas of wellbeing, and we collaborate closely with external partners and benefits providers to leverage their expertise.

In 2022 and 2023 we gave support to colleagues during the cost-of-living crisis. In addition to reinforcing and signposting the existing support available we helped ease the financial pressure many colleagues were facing with additional support.

We believe that by supporting our colleagues' mental health and wellbeing, we can create a happier, healthier, and more productive workplace. We are committed to collaborating with our colleagues to ensure that they have the support they need to thrive both at work and in their personal lives.

Equality, equity, diversity and inclusion

Grafton has a Group wide equality, equity, diversity, and inclusion policy which is the foundation for all the individual business guidelines.

As a business we have a role to play when it comes to tackling inequality by ensuring that barriers to opportunity are removed and that people from all backgrounds can enjoy equitable access to career opportunities. We recognise that investing in diverse, inclusive, and socially conscious strategies will build stronger relationships with our communities, current customers and broaden our customer base.

We will continue to promote equality, equity, diversity, and inclusion across all areas of our business.

Diversity activity across our business

Our Diversity and Inclusion ("D&I") working groups continued to support our businesses to encourage an inclusive culture that promotes diversity. Whilst the overall number of females across the Group declined slightly year on year, we are delighted that five of our businesses, CPI Euromix, TG Lynes, MacBlair, IKH and Isero, increased their gender diversity in 2023.

Selco launched its 'Women's Forum'; bi-annual meetings connecting women from across the branch and support network, resulting in meaningful conversations around growing female leadership and development, allyship, and culture. The forum has been instrumental in reviewing the candidate journey from an external lens and bringing inclusion ideas to the table. Such ideas have resulted in diversity and inclusion training and Female Leadership Apprenticeships for 2024.

Woodie's continued to benchmark strongly on diversity and inclusion in the Great Places to Work Index, scoring 94 per cent on Diversity and Inclusion compared to a 91 per cent average for Best Large Workplaces, while Woodie's HR Team was shortlisted for Best Diversity Strategy at the 2023 HR Leadership & Management Awards.

Woodie's was one of only three organisations to be listed as a Best Workplace for Women for five consecutive years in Ireland, Chadwicks were proud to achieve silver status in Diversity from Irish Centre for Diversity and CPI EuroMix became a platinum member of Women into Construction.

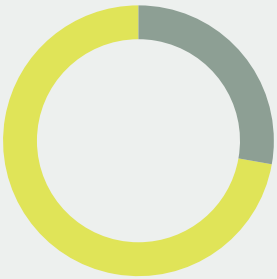
In 2023 we carried out accessibility assessments of all our offices to identify improvements that could be made to make our office locations more accessible for all colleagues and visitors.

Unfortunately, despite all of this work, we did not increase the percentage of our colleagues that are female. In 2023, 28.5 per cent Δ of colleagues were female in comparison to 29.2 percent in 2022. To put this into context, 28.5 per cent female is higher than the average for the sector, but we want to show leadership in this area and will continue to look for ways to increase diversity across our business.

However, we are delighted to report that the percentage of women in senior management across the Group increased from 23 per cent in 2022 to 28 per cent in 2023.

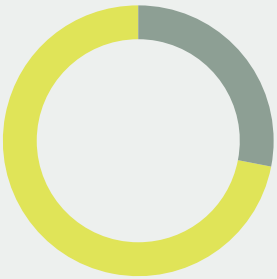
Diversity data

Gender breakdown: Group



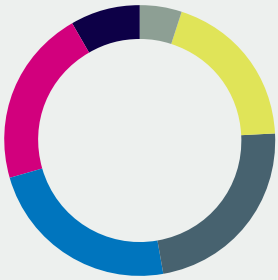
Female	28.5%
Male	71.5%

Gender breakdown: Senior Management



Female	28.1%
Male	71.9%

Age breakdown



Below 21	5.0%	41-50	23.4%
21-30	19.3%	51-60	21.3%
31-40	22.8%	Above 60	8.2%

Discrimination

We do not tolerate harassment or discriminatory practices based on age, ancestry, colour, marital status, medical condition, disability (both mental and physical), national origin, race, religion, political affiliation, sex, sexual orientation or gender identity, or any other factor as established by law in the countries in which we operate. Employment and business decisions unduly based on any of these factors are not acceptable. We ensure that everyone in Grafton Group is respected and can give of their best, irrespective of who they are or what job they do. We ensure that everyone we do business with is respected and given the highest level of service irrespective of who they are or what job they do. The Board takes overall responsibility for the development of equality, equity, diversity and inclusion, leads by example and ensures that progress is reviewed, and further actions instigated, as necessary. The Group complies with specific legislation in each jurisdiction where we operate. However, the overriding principle remains that we do not tolerate discrimination of any kind and we promote diversity and inclusion in all our businesses.

At Grafton we believe in inclusive leadership. We expect all our leaders to role-model inclusion and display inclusive leadership skills, deliberately putting together high-performing diverse teams for operational tasks and projects and ensuring that teams operate in an inclusive manner.

Grafton leaders and managers, at all levels, demonstrate their commitment to promoting equality, diversity, and inclusion. All our colleagues have personal responsibilities to treat everyone with respect, consideration and without prejudice and to promote the same levels of behaviour in colleagues.

All our colleagues are expected to:

- challenge unacceptable behaviours and create a climate where complaints can be raised without the fear of reprisal;
- take firm action where unfairness or inconsistency exists;
- encourage and support diversity within their teams;
- demonstrate and promote considerate and fair behaviour;
- treat colleagues, customers, suppliers, and other stakeholders, with dignity and respect and recognise and value individual skills and contributions;
- demonstrate through words and actions that diversity is an integral part of meeting business priorities;
- create an environment in which colleagues can identify and share good practice, celebrate success, and encourage positive attitudes towards diversity; and
- comply fully with all legislation relating to equality and diversity

Gender pay reporting

We are committed to fostering a fair and equitable workplace. Monitoring pay rates between men and women is an important step to ensuring that all colleagues are fairly rewarded for their work and their contribution to our business. We constantly review ways that we can address differences in pay between genders and we work hard to support career development and progression for female colleagues.

Woodie's and Chadwicks report their gender pay statistics and publish them on their websites. This is in addition to the established reporting at Selco and Leyland SDM. The Group also reports gender diversity data under the FTSE Women Leaders Review and we are preparing to meet the requirements of the EU Pay Transparency Directive.

List of HR policies

- Health and Safety
- Code of Business Conduct and Ethics
- Group Equality, Equity, Diversity, and Inclusion Policy
- Group SpeakUp Policy
- Group Colleague Purchasing Policy
- Group Wellbeing Statement

Each of our businesses have policies in place covering specific topics depending on the business and local jurisdiction. These include:

- Disciplinary Policy
- Grievance Policy
- Sickness Absence Policy
- Exceptional Leave Policy
- Redundancy Policy
- Company Car Policy
- Expenses Policy
- Menopause Guidance
- Maternity Leave Policy
- Paternity Leave Policy
- Carers Policy
- Parental Leave Policy
- Adoption Leave Policy
- Flexible Working Policy
- Group Homeworking Policy
- Study Assistance Policy
- Charity Guidance
- Employee Privacy Policy
- Domestic Violence Support

Community

Alignment with SDGs

Grafton business units operate in a diverse range of communities across the UK, Ireland, the Netherlands and Finland and many of our colleagues come from these communities. It's incredibly important to act as a good neighbour and use our skills and experience to help those in need.

Colleagues care deeply about supporting community programmes through volunteering, fundraising and donating, and in the challenging economic circumstances as a business we are proud to have contributed over £830,000 to communities in 2023 and to have raised a further £780,000 through colleague and customer fundraising.

The contribution by the Group to communities is made up of:

- **Volunteering** time by our colleagues paid for by the business for a host of activities which could include everything from supporting local schools, refurbishing buildings, skills training and fundraising.

- **Monetary donations** from the business to local community groups, usually voted for by our colleagues. These can take the form of donations and matched funding for colleague fundraising activities.

- **In-kind donations** which includes materials donated at a local level to support the refurbishment of buildings and services such as marketing, press and print needed to raise awareness of the organisations and issues.

Grafton slightly exceeded its target to invest over 0.4 per cent of operating profits in communities in 2023[Δ].

In addition, our colleagues and customers love to get involved in fundraising. Across the Group our colleagues cycled, climbed, baked and organised raffles all in the name of good causes.

Case study

Supporting grassroots

A number of our business units support grassroots organisations in the community. Selco for example supported the next generation of talent and those that play rugby at grassroots level. Amateur rugby league clubs were invited to enter for the chance to win £2,000 worth of building materials to improve their facilities. More than 200 clubs entered the competition, West Leeds amateur rugby league football club won and were able to complete a new community clubhouse. MacBlair, have also supported grassroots sports teams close to their stores through monetary donations at a branch level.

Case study

Supporting the next generation of tradespeople

Selco is supporting the next generation of tradespeople by backing colleges which have a strong trade and construction course offering such as West London College, Leeds College of Building and Exeter College. Selco hosts visits to branches for these students to help them to understand the building products distribution market. Each participating college receives £3,000 worth of building materials to utilise on their courses. West London College has received an extra £5,000 in materials as part of its new Green Skills offering in 2024 which focuses on future sustainable products and techniques for tradespeople. StairBox hosted trainee carpenters to their manufacturing facility to see the process in action.

Case study

Volunteering

Volunteering our time is an important part of the community programme across the Group, our colleagues enjoy getting involved in the local community and having a tangible impact on issues that they care about. Our colleagues have volunteered in all sorts of ways including renovation projects, supporting local schools and carrying out fundraising activities for charities.

Case study

Colleague fundraising

Woodie's Heroes is the annual fundraiser for Irish Children's Charities. Over the past nine years, Woodie's colleagues and customers have raised well over €3 million. Each year colleagues vote for the charities they would like to support and the fundraising takes place over four weeks each summer. Donations are made in-store, online through iDonate or by text.

Ethics

Alignment with SDGs

To deliver our business and sustainability goals we need to underpin our strategy with robust governance processes, strong policies and procedures, effective training and awareness, responsible sourcing and responsive risk and opportunities management.

Through the double materiality assessment, priority issues were highlighted including strong governance, supplier management, cyber security, regulatory compliance and privacy and data security.

Governance

Sustainability governance is integrated into Grafton's governance structure. The Board has ultimate accountability for managing sustainability and climate change risk and opportunities.

The Board monitors progress on sustainability and climate-related goals through discussion and reports presented at Board meetings. At its meeting in January 2023, the Board held an in-depth session on sustainability and climate change and received an update on the progress of actions from the Group Head of Sustainability. At its meeting in October 2023, the Board was updated on new climate and sustainability regulations including CSRD and Carbon Borders Adjustment Mechanism (CBAM), a summary of the double materiality assessment, performance against sustainability targets including Scope 1 and 2 GHG emissions and waste requirements, progress on Scope 3 measurement and setting of net zero targets. An update on the progress of sustainability and climate change related activities is also included in the CFO report that is presented at each Board Meeting.

The Board includes a Non-Executive Director, Dr. Rosheen McGuckian, who is CEO of NTR plc, a company that constructs and maintains sustainability assets. She brings to the Board specific knowledge and experience in this area from her executive role with NTR plc while the other Non-Executive Directors on the Board have experience of climate change and sustainability matters through their roles as Non-Executive Directors in public and private companies.

In 2023 the bonus scheme for the CEO and CFO has included amounts linked to the achievement of sustainability targets including reduction in Scope 1 and 2 GHG emissions.

During the year the Group established an Executive Sustainability Committee, reporting to the Board, comprising of the Group CEO, CFO, Group Head of Sustainability and CEOs of the Group's larger business units. The Committee will meet three times a year and will provide executive oversight and decision-making over the sustainability strategy.

The Audit and Risk Committee (ARC), a sub-committee of the Board, is responsible for overseeing and monitoring the Group's risk management systems and the steps taken to mitigate key risks, including sustainability and climate change. At each of the four ARC meetings held every year the members receive an update of significant changes in the risk profile and progress in risk mitigation activities. In addition, the ARC meeting held every January is dedicated to risk management and includes a deep dive review of individual risks.

Sustainability and climate risks and opportunities are assessed and reviewed by our Group Risk Committee (GRC). The Committee is chaired by the CFO with representatives from all relevant Group functions, including the Group Head of Sustainability, and significant businesses which meets quarterly. During 2023 Sustainability and Climate Change has been a standing agenda item at GRC meetings.

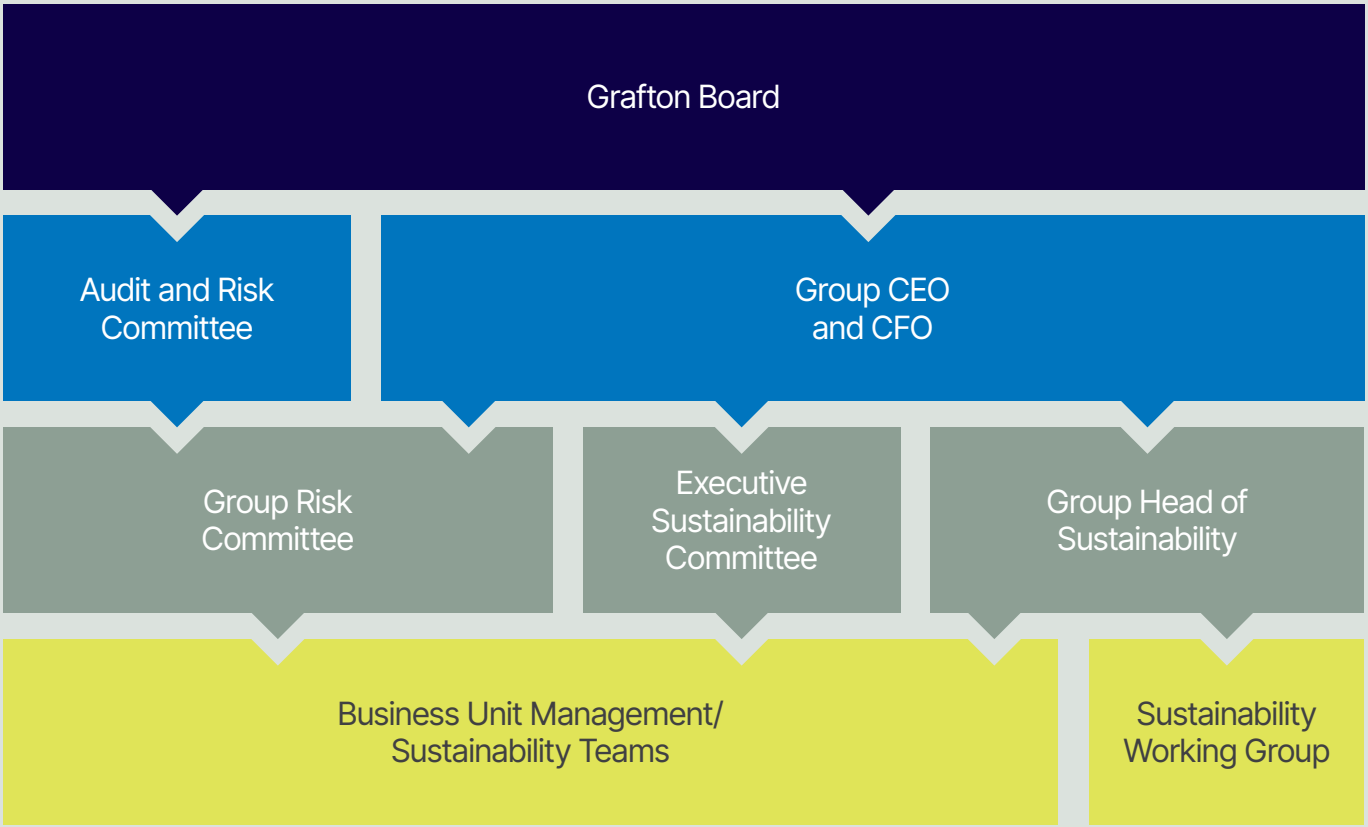
The Sustainability Working Group is led by the Group's Head of Sustainability and includes functional heads with expertise in property, people, environment and ethics. The Working Group is responsible for facilitating actions to help the Group and individual businesses implement the sustainability strategy, and respond to the identified climate risks and opportunities.

The Group Sustainability Strategy and climate programme is being implemented by the individual business units. The CEOs of those businesses are responsible for implementing and managing their own sustainability and climate change programme which is consistent with the Group's overall strategy. Each business has formed its own sustainability committee or working group to monitor and manage its sustainability actions. The Group Head of Sustainability had regular meetings during the year to discuss progress and share good practice with the teams in the business units. In addition, a number of cross-business network forums have been established which discuss specific sustainability topics including property, people, and transport.

The Group has implemented an online tool which enables businesses to record and monitor their progress against the targets and actions set through the Group sustainability strategy, this includes recording Scope 1 and 2 GHG emissions.

The due diligence process for potential new acquisitions includes an assessment of sustainability and climate-related risks and an objective that any newly acquired businesses will align with the Group's sustainability strategy within two years of the date of acquisition. The Group's capital expenditure approval process includes a requirement for the climate change and sustainability impact of investments to be documented, and forms part of the investment decision. Annual budget presentations made by the leadership teams of each business to Group Executive Management include a section requiring business unit management teams to set out the progress they've made against their sustainability targets and objectives, and budget for the coming year.

Sustainability governance



Sustainability report
Action and progress continued
Ethics continued

Ethical business practices and human rights

The Group has a Code of Business Conduct and Ethics which reflects its responsibility to uphold high standards of ethics and integrity, and it sets the standard of behaviour which colleagues, contractors, agents and businesses are expected to follow. The Code is available on the Group website and made available to colleagues in each business in the local language. The Code and associated policies are the subject of mandatory training courses which are accessed by colleagues through the Group's online learning management systems. In 2023 the Code was updated as well as the content of the information security awareness sessions.

Compliance rates are recorded and reported to the Group Risk Committee and Group Internal Audit who perform testing to confirm compliance with key aspects of the Code and Group policies as part of annual reviews. The mandatory training courses are expected to be completed by colleagues within the first three months of joining the Group, and then retaken on a regular basis (either annually or every two years depending on the course).

Training: compliance rates

Overall compliance rates dropped during the year to an average of 83 per cent across the three courses (88 per cent in 2022) and are below the Group's target of 95 per cent. During the year the Information Security Awareness course was relaunched, and several businesses moved onto new learning platforms. This negatively impacted compliance rates, however initial technical difficulties have now been resolved and compliance rates have started to improve during the last quarter of the year.

SpeakUp

Colleagues are encouraged to report any concerns they have to their line manager including anything of an ethical business nature. In addition, the Group has an established whistleblowing process which has been rolled out across businesses in the UK, Ireland, Finland, and the Netherlands. The SpeakUp service allows colleagues to report concerns confidentially to an independent party with safeguards in place to ensure cases are investigated fully and prevent retaliation to reporters. Awareness of the process is through colleague training, business communications and posters at each site. A link to the reporting website is also included on the Group and individual business unit websites.

During 2023 there was an increase of 63 per cent on the prior year in the number of reports received through the SpeakUp service, with reports received from a wider number of business units. The increase is attributed to greater awareness of the SpeakUp process by colleagues and third parties following action taken by Group and individual businesses to promote the service. 37 per cent of cases were substantiated following investigation and resulted in remedial action including disciplinaries, re-training and process improvements.

Privacy, data and cyber security

In 2023, Grafton continued to build on the progress of previous years in respect of process improvements and investment in information technology to detect and protect our data and systems. Both data protection and information security are key areas of focus, underpinned by comprehensive policies and ongoing awareness campaigns to ensure that all colleagues play their part in keeping information safe and secure. Each business has a cyber-attack incident plan setting out the steps to react to and recover from a cyber incident, and regular assessments are carried out to identify and resolve vulnerabilities. During 2023, the Group has focused efforts on continual improvement for cyber security controls, and several key control areas were upgraded to strengthen the Group's security position.

Anti-Bribery and corruption

The Group Anti-Bribery and Corruption Policy sets out the Group's zero tolerance approach to all forms of bribery and corruption, and the standards expected of all colleagues. It includes thresholds and approval requirements for the offering and receiving of gifts and hospitality to and from third parties by colleagues, and requires that a declaration of independence be signed annually by senior management and other individuals who are considered to be exposed to a higher risk of conflicts of interest, including colleagues who have responsibility for contract negotiations with customers and suppliers. Colleagues are made aware of the policy requirements through mandatory training and awareness videos. Compliance with the policy and the management of potential conflicts of interest is reviewed and tested by Group Internal Audit through annual compliance audits.

Business conduct and ethics

85.92%

Information security awareness

77.63%

Regulatory compliance

86.85%

Supply chain management and procurement

In 2023 Grafton continued the roll out the supply chain management system in partnership with an expert risk management company, Exiger. Questionnaires have been sent to large suppliers (over £100,000 of business annually) requesting due diligence information covering countries of operation and manufacture, sustainability policies, procedures and standards. The Exiger system also screens suppliers against sanctions lists, and media reports of non-compliant activity. The table below outlines our supplier due diligence process.

Grafton analyses these responses and uses the information to map the goods for resale supply chains. The vast majority of large suppliers are based in the countries where we operate both in terms of corporate location and manufacturing location. This programme is an important part of the human rights and modern slavery due diligence process to promote strong labour standards through the value chain. The Group's Modern Slavery statement is available at www.graftonplc.com.

In 2023 Grafton appointed a new Group Procurement Director reporting directly to the Group CEO. An important focus for 2024 will be to improve data collection and monitoring of the supply chain and prepare for the EU due diligence and deforestation legislation.

In addition, a number of business units held supplier conferences where sustainability formed an important part of the agenda.

Stakeholder engagement

Stakeholder engagement is a key part of our sustainability programme and will increase in importance in 2023 and beyond. As a federated business we engage with stakeholders at a Group level as well as at individual business unit level.

For more information on our stakeholder engagement see pages 20 to 21.

Supplier due diligence process

Supplier data assessed and suppliers prioritised Supplier uploaded onto 3rd party risk assessment platform	Suppliers >£100k prioritised. Main sourcing countries include UK, Ireland, Netherlands, China and Finland
Supplier screening Supplier questionnaire	In 2022 and 2023, 35 screening reports flagged concerns that have been raised and resolved by the relevant business unit in partnership with the supplier in question
Risk assessment and supplier engagement Data monitored and tracked and issues managed through governance process	81 per cent of suppliers on the risk management system completed the assessment up from 67 per cent in 2022

Independent practitioner's assurance report
Management of Grafton Group plc

Scope
We have been engaged by Grafton Group plc ("Grafton") to perform a 'limited assurance engagement,' as defined by International Standards on Assurance Engagements, here after referred to as the engagement, to report on Grafton's selected performance data and statements (the "Subject Matter") contained in Grafton's (the "Company's") Annual Report for the year ended 31 December 2023 (the "Report").

The Subject Matter includes the following selected performance data, which are also marked with a Δ symbol in the Report:

- 2023: Scope 1 and 2 CO_2 emissions per million of revenue from continuing operations of the Group.
- 2023: Total number of female employees in the continuing operations of the Group divided by total number of employees in the continuing operations of the Group, expressed as a percentage.
- 2023 target: At least 0.4 per cent investment and/or sustainability related fundraising (including colleague time for paid volunteering, sponsorship of community groups, gifts in kind and cash donations, excluding colleague and customer fundraising) as a percentage of adjusted operating profit for the Group
- 2023 landfill diversion rate: (total tonnes of waste diverted from landfill, divided by the total tonnes of waste generated in operations)

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

Criteria applied by Grafton
In preparing the Subject Matter, Grafton applied Grafton's publicly disclosed criteria (the "Criteria") that is available on the Grafton website. Such Criteria were specifically designed by Grafton to guide the measurement and reporting of the Subject Matter. As a result, the subject matter information may not be suitable for another purpose.

Grafton's responsibilities
Grafton's management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects . This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

EY's responsibilities
Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information ('ISAE 3000 (Revised)') and International Standard for Assurance Engagements on Greenhouse Gas Statements ('ISAE 3410'), and the terms of reference for this engagement as agreed with Grafton on 18 January 2024. Those standards require that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Our independence and quality control
We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed
Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance

on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems. The Green House Gas quantification process is subject to scientific uncertainty, which arises because of incomplete scientific knowledge about the measurement of GHGs. Additionally, GHG procedures are subject to estimation (or measurement) uncertainty resulting from the measurement and calculation processes used to quantify emissions within the bounds of existing scientific knowledge.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Subject Matter and related information, and applying analytical and other appropriate procedures.

Our procedures included:

- Conducted interviews with personnel to understand the business and reporting process, as well as the process for collecting, collating, and reporting the Subject Matter during the reporting period
- Checked that the calculation methodologies have been correctly applied in accordance with the Criteria
- Undertook analytical review procedures to support the reasonableness of the data
- Identified and testing assumptions supporting calculations
- Tested, on a sample basis, underlying source information to check the accuracy of the data

We also performed such other procedures as we considered necessary in the circumstances.

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the Subject Matter as of 6 March 2024 for the year ended 31 December 2023, in order for it to be in accordance with the Criteria.

Use of our assurance statement

We disclaim any assumption of responsibility for any reliance on this assurance statement or its conclusions to any persons other than Grafton, or for any purpose other than that for which it was prepared.

Accordingly, we accept no liability whatsoever, whether in contract, tort or otherwise, to any third party for any consequences of the use or misuse of this assurance statement or its conclusions.

Ernst & Young
6 March 2024
Dublin, Ireland

02 Corporate Governance

Board diversity

The composition of the Board has evolved considerably over recent years and the Nomination Committee has taken an active role in improving the gender balance and ethnic diversity of the Board.

33%

Percentage of women on Board at 31 December 2023

38%

Percentage of women on Board following 2024 AGM

Governing our business

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Governance structure

The Group's organisational structure is established and overseen by the Board and designed to enable us to operate to the highest standard of corporate governance and facilitate effective decision making.

For more see page 120

Board of Directors and Secretary

Committee membership key

- A&R Audit and Risk Committee
- R Remuneration Committee
- N Nomination Committee
- F Finance Committee
- Committee Chair
- Chair Designate

Michael J. Roney
MBA

Non-Executive Chair

Career

Michael Roney was appointed to the Board as Non-Executive Director, Deputy Chairman and Chairman Designate on 1 May 2016 and assumed the role of Non-Executive Chairman on 1 January 2017.

Mr. Roney steps down from the role of Chair and from the Board at the conclusion of the Company's AGM on 2 May 2024.

Mr. Roney was Chief Executive of Bunzl plc from 2005 until his retirement in April 2016. Prior to joining Bunzl he was Chief Executive Officer of Goodyear Dunlop Tires Europe, having previously been President of Goodyear's Eastern European, African and Middle Eastern businesses. He was formerly Non-Executive Director of Johnson Matthey Plc.

Current External Appointments

Non-Executive Chair of Next plc, the FTSE 100 listed UK retailer; Non-Executive Director of Brown-Forman Corporation, the US based spirits business.

Board Length of Service as at 6 March 2024

7.9 years

Committee Membership

N

Ian Tyler

Non- Executive Director and Chair Designate

Career

Ian Tyler joined the Board as Non-Executive Director on 1 March 2024 and will assume the role of Chair at the conclusion of the AGM in 2024.

Mr. Tyler was appointed Group Finance Director of Balfour Beatty plc in 1999, Chief Operating Officer in 2002 and Chief Executive in 2005, a role he held until 2013. Mr. Tyler was previously Chair of Amey UK plc, Vistry Group plc, AWE Management Ltd, Al Noor Hospitals Group plc and Cairn Energy plc. He is a former Non-Executive Director of BAE Systems plc, Cable & Wireless Communications plc, VT Group plc and Mediclinic International plc.

Current External Appointments

Non-Executive Director of Anglo American plc and Synthomer plc and Chair of BMT Group Ltd, a privately owned design and technical consulting firm and Affinity Water Ltd, a privately owned business. He will be stepping down as Chair and as a Director of Affinity Water later this year.

Board Length of Service as at 6 March 2024

0.01 years

Committee Membership

N

Eric Born
BA, MBA

Chief Executive Officer

Career

Eric Born joined the Group and the Board as Chief Executive Officer on 28 November 2022.

Mr. Born was previously Chief Executive Officer of Swissport International AG, the leading global aviation services provider, and Chief Executive of Wincanton plc, a leading provider of supply chain solutions. He was formerly President, West & South Europe of Gategroup, the global airline catering provider, and prior to that he held a variety of senior roles in the retail sector in Switzerland and the UK.

Mr. Born previously served as Non-Executive Director of Serco Group plc and John Menzies plc.

Current External Appointments

None

Board Length of Service as at 6 March 2024

1.3 years

Committee Membership

F

David Arnold
BSc, FCMA, FCT
Chief Financial Officer

Career

David Arnold joined the Group as Group Chief Financial Officer on 9 September 2013.

Mr. Arnold was Group Finance Director of Enterprise plc, the UK Maintenance and Support Services business, from 2010 to 2013 and was Finance Director of Redrow plc, the house builder, from 2003 to 2010. He previously held senior financial positions with Six Continents plc, the hotels group and Tarmac plc, the building materials company.

Current External Appointments

Non-Executive Director of Crest Nicholson Holdings plc, a leading residential housebuilder operating in Southern England and the Midlands.

Board Length of Service as at 6 March 2024

10.5 years

Committee Membership

F

Paul Hampden Smith
FCA
Senior Independent Director

Career

Paul Hampden Smith was appointed to the Board on 27 August 2015 and was appointed Senior Independent Director on 9 May 2017.

Mr. Hampden Smith will be stepping down from the Board at the conclusion of the Company's AGM on 2 May 2024.

Mr. Hampden Smith was Group Finance Director of Travis Perkins plc from 1996 until his retirement in February 2013. He was previously Non-Executive Director and Chair of Bellway plc. He was also formerly Non-Executive Director of Pendragon plc, Redrow plc, DX Services plc and Clipper Logistics plc.

Current External Appointments

None

Board Length of Service as at 6 March 2024

8.5 years

Committee Membership

A&R N R

Mark Robson
BA, FCA
Non-Executive Director

Career

Mark Robson was appointed to the Board on 1 December 2023.

Mr. Robson is a highly experienced former Chief Financial Officer with a board level career in listed companies spanning over two decades and experience, gained at a senior executive level, of the manufacture and distribution of materials to small builders through a national branch network.

Mr. Robson joined the Board of Howden Joinery Group Plc as CFO in April 2005 and also served as Deputy CEO for his final six years on the Board until his retirement in December 2021. Prior to joining Howdens, Mr. Robson served for six years as CFO of Delta plc, the international industrials group.

Current External Appointments

None.

Board Length of Service as at 6 March 2024

0.3 years

Committee Membership

A&R N R

Susan Murray
Non-Executive Director

Career

Susan Murray was appointed to the Board on 14 October 2016 and will be appointed Senior Independent Director with effect from 2 May 2024.

Mrs. Murray is a former Chief Executive of Littlewoods Stores Limited and former Worldwide President and Chief Executive of The Pierre Smirnoff Company, part of Diageo plc. She is a former Chair of Farrow & Ball and a former Non-Executive Director of Compass Group plc, 2 Sisters Food Group, Pernod Ricard S.A., Imperial Brands plc, EI Group plc, Aberdeen Asset Management plc, SSL International plc, Wm Morrison Supermarkets plc and Mitchells & Butlers plc.

Current External Appointments

Non-Executive Director of Hays plc, a provider of recruitment and human resource services; and Non-Executive Director of William Grant & Sons, a privately owned distiller and distributor of premium spirits.

Board Length of Service as at 6 March 2024

7.4 years

Committee Membership

R A&R N

Board of Directors and Secretary continued

Vincent Crowley
BA, FCA

Non-Executive Director

Career

Vincent Crowley was appointed to the Board on 14 October 2016.

In the course of a 24 year career with Independent News & Media PLC, a leading Irish newspaper and media business, Mr. Crowley held a number of leadership positions including Chief Executive Officer and Chief Operating Officer and member of the Board. Prior to joining Independent News & Media PLC, he held senior roles in KPMG and Arthur Andersen.

Current External Appointments

Chair of Davy Stockbrokers, Ireland's leading provider of wealth management and capital markets services. Non-Executive Director of C&C Group plc; Chair of Altas Investments plc, an Irish company that holds investments in infrastructure and related businesses.

Board Length of Service as at 6 March 2024

7.4 years

Committee Membership

A&R N R

Dr. Rosheen McGuckian
BSc, MA, PhD

Non-Executive Director

Career

Rosheen McGuckian was appointed to the Board on 1 January 2020.

Dr. McGuckian is Chief Executive Officer of NTR plc, an unquoted Irish company that acquires, constructs and manages sustainable infrastructure assets.

Immediately prior to joining NTR, Dr. McGuckian was Chief Executive Officer of GE Money Ireland, the consumer finance division of General Electric.

Dr. McGuckian previously served as Non-Executive Director of Green REIT plc, the Social Innovation Fund of Ireland, the Irish Aviation Authority and the Strategic Banking Corporation of Ireland.

Current External Appointments

Chief Executive Officer of NTR plc; Non-Executive Director of Sicon Limited, the parent company of John Sisk & Son, an international engineering and construction company.

Board Length of Service as at 6 March 2024

4.2 years

Committee Membership

A&R N R

Avis Darzins

Non-Executive Director

Career

Avis Darzins was appointed to the Board on 1 February 2022.

Ms. Darzins is a former Partner at Accenture in London where she worked with many well-known national and international brands in the retail and consumer products sectors.

Ms. Darzins has extensive experience of business change in a variety of sectors including Director of Business Transformation at Sky plc.

Ms. Darzins is a former independent consultant with EY. She served as Non-Executive Director at Moss Bros Group plc until the business was taken private in June 2020.

Current External Appointments

Non-Executive Director of Marshalls plc, the UK's leading manufacturer of landscaping products; Non-Executive Director of Safestore Holdings plc, the UK's largest self storage company; Trustee and Trustee Board member of Barnardo's, the UK's largest children's charity.

Board Length of Service as at 6 March 2024

2.1 years

Committee Membership

A&R N R

Charles Rinn
MBA, FCCA

Group Financial Controller & Secretary

Committee Membership

F

Directors' Report on Corporate Governance

Chair's Introduction

Board activity

The Board balances its agenda to ensure it covers all performance, operations, strategic and governance matters. The typical board agenda includes the following matters:

General matters: minutes, matters arising and reports from the Chairs of the Board Committee, governance, legal and regulatory matters.

Performance and operations: updates on trading, financial performance and operations, along with updates from key group functions such as Health and Safety, HR, Internal Audit and Risk, Investor Relations and Sustainability.

Corporate development strategy: allocation of capital for organic growth and acquisitions; strategic development of Group; acquisition and growth opportunities in new and existing markets.

Board composition

Grafton has a strong Board that drives the Group's strategy, performance and growth. We were delighted to welcome Mr. Mark Robson to the Board as Non-Executive Director and Chair Designate of the Audit and Risk Committee and Mr. Ian Tyler as Non-Executive Director and Chair Designate and we are confident that their combined knowledge and relevant sector experience will be of significant benefit to the Group in the coming years.

Governance at a glance

Board meeting attendance

100%

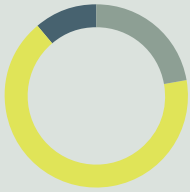
Read more on **page 127**

Number of directors at the year end

9

Board gender diversity

Male 6 Female 3

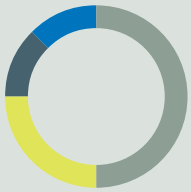


Executive/Non-Executive Directors

Executive 2 Non-Executive 6 Chair 1

Board independence

Independent 6
Non-independent 2 Chair 1



Board nationality

UK 5 Ireland 2
US 1 Swiss 1

Sustainability

The ESG agenda has been a key focus for the Board during 2023 and the Group has made significant progress in this area. While we recognise the challenges, the Board is very supportive of the Group's ambitions and targets. Our Sustainability Report for 2023 is integrated into this Annual Report at pages 82 to 113.

Board evaluation

The Board carried out an internal evaluation during the year, following an external evaluation in 2021. The key findings of the evaluation are set out in the Nomination Committee Report on page 139.

AGM

We were delighted to be able to welcome shareholders to our in-person AGM in 2023. We would like to thank all our shareholders who voted via proxy or via poll at the AGM and who put forward questions to our AGM in 2023. We view the AGM as a critical point of engagement with our shareholders and we strive to ensure that your voting support remains at high levels. We look forward to welcoming investors to our 2024 AGM which will be held on 2 May 2024.

Diversity and Inclusion

The Board is strongly supportive of the recommendations of the FTSE Women Leaders Review and the Parker Review. With effect from the conclusion of the AGM in 2024, the percentage of women on the Board will be 38 per cent.

Michael Roney
Chair

Our governance structure

The Group's organisational structure is established and overseen by the Board and designed to enable us to operate to the highest standard of corporate governance and facilitate effective decision making.

Board

The Board is collectively responsible for the oversight and success of the Group's business. The Board's responsibilities include:

- Creating long term sustainable value for shareholders by providing leadership and taking account of the interests of all stakeholder groups;
- Ensuring that appropriate management, development and succession plans are in place;
- Oversight of the environmental and health and safety performance of the Group;
- Approving the appointment of Directors and the Company Secretary;
- Approving policies relating to Executive Directors' remuneration and severance; and
- Ensuring that satisfactory dialogue takes place with shareholders.

The Board is assisted by Board Committees each of which is responsible for the matters delegated by the Board and set out in its own Terms of Reference.

Board Committees

Audit and Risk Committee

Responsible for the oversight of the Group's financial reporting and its systems of risk management and internal control; and monitoring the effectiveness of the Internal and External audit functions.

Read the Audit and Risk Committee Report on page 130

Nomination Committee

Responsible for reviewing the Board structure and ensuring that it has the necessary balance of skills, experience and diversity to oversee and deliver the Group's strategy.

Read the Report of the Nomination Committee on page 135

Remuneration Committee

Responsible for ensuring that Executive Directors are incentivised to successfully implement the Board's strategy and that remuneration is aligned with the interests of shareholders and other stakeholders over the longer term.

Read the Report of the the Remuneration Committee on page 142

Finance Committee

Responsible for considering the financing requirements of the Group, amendments to the terms of existing bank facilities, approval of leases for assets other than property up to a specified level and litigation matters.

Directors' report on Corporate Governance

Compliance with the 2018 UK Corporate Governance Code

Grafton Group plc ("the Company") is incorporated in Ireland and is subject to Irish company law. Its Units (shares) are listed on the London Stock Exchange and the Group is subject to the 2018 UK Corporate Governance Code ("the Code") which sets out the key principles and specific provisions which establish standards of good governance practice in relation to leadership, effectiveness, accountability, remuneration and relations with shareholders. This report describes how the Company has applied principles of the Code during the year.

The Board considers that the Company has, throughout the accounting period, complied with the provisions of the Code. Below is a summary of how the Company has complied with each individual principle and provision of the Code.

1. Board Leadership and company purpose

Board meetings

The Board met on seven occasions during 2023, and the attendance of individual directors at each meeting is set out in the table on page 127. The Board also received updates on developments from management between meetings as appropriate. The Board takes the major decisions as set out in the schedule of matters reserved to it for decision, while allowing management sufficient scope to run the business within a tight reporting framework. The Group has arranged insurance cover up to a specified limit in respect of legal actions against directors and officers.

Board committees

The Board is assisted by Committees that focus on specific responsibilities as delegated by the Board. The Terms of Reference of the Audit and Risk Committee, Remuneration Committee and Nomination Committee are on the Group's website at www.graftonplc.com. Membership and length of service of Board Committees is shown within each of the Committee reports. Ms. Susan Lannigan, Deputy Company Secretary, is Secretary to the Audit and Risk Committee. Ms. Paula Harvey, Group HR Director, is Secretary to the Remuneration Committee. Mr. Charles Rinn, Group Financial Controller and Secretary, is Secretary to the Nomination Committee and he also supports the work of the Remuneration Committee.

The Finance Committee is chaired by Mr. Eric Born, CEO and also comprises Mr. David Arnold, CFO and Mr. Charles Rinn, Group Financial Controller and Secretary. The Committee considers the financing requirements of the Group, considers amendments to the terms of existing bank facilities, approval of leases for assets, other than property, up to a specified level and litigation matters.

The Board is briefed on key discussions and decisions by each Committee Chair at the Board meeting following the relevant committee meeting and minutes of committee meetings are circulated to the Board.

The Disclosure Committee is a Management Committee comprising Mr. Eric Born, Group CEO and Mr. David Arnold, Group CFO. The Committee holds meetings as required to ensure the accuracy and timeliness of compliance with the EU Market Abuse Regulation.

Company purpose, values and strategy

A description of the Group's purpose of 'Building Progress Together', along with information on our core values and strategy is available on pages 14 to 15.

Objectives and controls

The Group's strategic objectives are set out on pages 30 and 31 and a summary of performance against the Group's KPIs is at pages 40 to 43. The Board also receives regular updates across a broad range of internal KPIs and performance metrics.

The Group has a clear risk management framework in place as described on page 64 to identify and manage the key risks to the Group's business.

Engagement

A description of how the Board engages with its stakeholders is set out on pages 20 to 21 and further information on engagement with colleagues is set out in our People and Culture report on pages 16 to 19.

Directors' report on Corporate Governance continued

Colleague engagement

Non-Executive Directors attended meetings of the National Colleague Forums with colleagues from the UK, Ireland and the Netherlands. A colleague committee was established in Finland during 2022. The topics covered at the meetings were those raised by colleagues as being most important to them. The forums discussed matters such as rewards, job security, wellbeing, sustainability, health and safety and communications and the Group's strategy. The open dialogue at these meetings enabled Non-Executive Directors attending to hear colleague feedback at first-hand and to update the Board. The outcome of these meetings and the insights provided helped inform the Board's decision-making.

Workforce concerns

The Board has established structures to provide for effective engagement by the Board with the wider workforce. These include the confidential colleague feedback surveys which provide the opportunity for colleagues to provide feedback to management.

Business model and risks

The Group's business model is set out on pages 28 and 29. The Risk Management Report on pages 64 to 81 contains an overview of the principal and emerging risks facing the Group and a description of how they are managed.

Assessing and monitoring culture

The Board recognises the importance of communication and engagement with the wider workforce as a means of assessing and monitoring culture. Colleague Forums held during the year provided opportunities for Directors to meet colleagues and enable their views to be heard at Board level. The Board, via the Audit and Risk Committee, receives and considers whistleblowing reports received on matters raised through SpeakUp, the independent Group wide confidential reporting service, and through reports and observations from Internal Audit reporting. Colleague engagement is also monitored through engagement survey results.

Shareholder engagement

The Company recognises the importance of regular dialogue and communication with shareholders. Meetings are held with existing and prospective institutional shareholders and the Group's largest shareholder principally after the release of half-yearly and annual results. The Group also issued Trading Updates in January, May, July and November of 2023.

Live audio conference calls for analysts and investors hosted by the CEO and CFO were held via webcast on 2 March 2023 and 31 August 2023 following the announcement of the Final Results for 2022 and the Interim results for 2023 respectively. Pre-recorded presentations for the Final Results for 2022 and the Interim results for 2023 are available to view or download at https://graftonplc.com. Significant or noteworthy acquisitions are announced to the market. The Group website provides the full text of all announcements including the half-yearly and annual results and investor presentations. As noted above, the Group also issues regular trading updates on the performance of the overall Group and individual business segments.

While the Chair takes overall responsibility for ensuring that the views of shareholders are communicated to the Board as a whole, contact with major shareholders is primarily maintained through the CEO and the CFO. The Chair and the Senior Independent Director are available to meet with shareholders if they have concerns which have not been resolved through the normal channels of CEO or CFO or where such contacts are not appropriate. The Board receives feedback from investors following meetings with management following the announcement of the Final Results and the Interim Results and also receives analysts' reports on the Group. The Chair normally attends the presentation of the interim and annual results.

All shareholders are invited to attend the AGM which provides an opportunity for shareholders to put questions to the Chair, the Chair of each of the Board Committees and Executive Directors and to meet informally with Directors before and after the meeting. In 2023 shareholders were given the opportunity to attend the AGM either in person or remotely and could raise questions during the meeting or by way of a conference call facility.

The Company Secretary communicates with shareholders on corporate governance matters, particularly in the lead up to the AGM and other shareholder meetings. The Company Secretary and Deputy Company Secretary held a governance roadshow for a number of major shareholders prior to the 2023 AGM. The Remuneration Committee Chair consulted with shareholders on planned changes to the Remuneration Policy in 2023. The Group Head of Sustainability and Deputy Company Secretary also engaged with a number of major shareholders as part of the double materiality assessment process carried out in preparation for the CSRD.

The Notice of the AGM, which specifies the time, date, place and the business to be transacted, is sent to shareholders at least 21 days before the meeting. The AGM is normally attended by all Directors. All resolutions at the 2024 AGM will be decided on a poll in accordance with the Articles of Association of the Company and in line with market practice. In a poll, the votes of shareholders present and voting at the meeting are added to the proxy votes received in advance and the total number of votes for, against and withheld for each resolution are announced. This information is made available on the Company's website following the meeting.

All other general meetings are called Extraordinary General Meetings ('EGMs'). An EGM called for the passing of a special resolution must be called by at least 21 clear days' notice. Provided shareholders have passed a special resolution at the immediately preceding AGM and the Company allows shareholders to vote by electronic means, an EGM to consider an ordinary resolution may, if the Directors deem it appropriate, be called at 14 clear days' notice. In view of the Group's international shareholder base, it is the Board's policy to give 21 days' notice of EGMs unless the Directors believe that a period of 14 days is merited by the business of the meeting and the circumstances surrounding the business of the meeting.

A quorum for a general meeting of the Company is constituted by two or more shareholders present in person and entitled to vote. The passing of resolutions at a meeting of the Company, other than special resolutions, requires a simple majority. A special resolution requires a majority of at least 75 per cent of the votes cast to be passed.

Shareholders have the right to attend, speak, ask questions and vote at general meetings. In accordance with Irish company law, the Company specifies the record date for the general meeting, by which date shareholders must be registered in the Register of Members of the Company to be entitled to attend. Record dates are specified in the notice of general meeting. Shareholders may exercise their right to vote by appointing a proxy/ proxies, by electronic means or in writing, to vote some or all of their shares. The requirements for the receipt of valid proxy forms are set out in the Notice convening the meeting.

A shareholder, or a group of shareholders, holding at least five per cent of the issued share capital of the Company, has the right to requisition a general meeting. A shareholder, or a group of shareholders, holding at least three per cent of the issued share capital of the Company, has the right to put an item on the agenda of an AGM or to table a draft resolution for inclusion on the agenda of a general meeting, subject to any contrary provision in Irish company law.

Time commitment of the Chair and Non-Executive Directors

The Chair and Non-Executive Directors are required to confirm prior to appointment to the Board that they will have sufficient time available to discharge their responsibilities effectively and that they have no conflicts of interest. This matter is given very careful consideration by the Nomination Committee and the Board before any appointments are made. Following appointment, the Board considers requests by Directors wishing to undertake new directorships and considers both the time commitment involved and any potential conflicts of interest with their roles as Directors of Grafton.

The Board recognises the benefits of the Chair and Non-Executive Directors having varied and broad experience. It considers investor guidance on this area as part of the annual review of the time commitments of each Director. The Chair and all Non-Executive Directors had a 100 per cent attendance record at all Board and Committee Meetings held during the year. They also demonstrated high levels of availability and responsiveness where discussions were required from time to time between Board Meetings. The Board remains confident that the Chair and individual members continue to devote sufficient time to undertake their responsibilities effectively.

No new Directorships were taken on by members of the Board during the year except for the appointment of Ms. Avis Darzins as Non-Executive Director of Safestore Holdings plc.

2024 AGM

The 2024 AGM will be held at the Irish Management Institute (IMI) Sandyford Rd, Dublin, D16 X8C3, Ireland at 10.30am on 2 May 2024.

Votes against 2023 AGM Resolution

While all resolutions put to shareholders at the 2023 AGM of the Company were passed, a minority (21.03 per cent) of shareholders chose not to support resolution 3h which related to the re-election of the Company's Non-Executive Chair, Mr. Michael Roney, as a director of the Company.

In line with the provisions of the 2018 UK Corporate Governance Code, the Company engaged in a consultation process with shareholders to gain an understanding of their reasons for voting against the re-election of Mr. Roney and now provides this update on the views received from shareholders.

Based on the views expressed by those shareholders who were identified as having voted against and who responded to the consultation, the level of votes against Mr. Roney's re-election was informed by a mix of factors. Of the institutional investors who responded, (i) two shareholders referred to the Company not having set net zero targets or published Scope 3 greenhouse gas emissions data, (ii) two shareholders cited insufficient gender diversity on the board and at senior management level and (iii) two shareholders mentioned the number of Board appointments held by Mr. Roney in listed companies. One shareholder expressed the personal view that the Company could and should have a better Chair.

Our Sustainability Strategy published in 2021 included a commitment to set Science Based Targets by the end of 2024. In 2023 we prioritised this work, calculating our Scope 3 GHG emissions and submitting targets to the SBTi for validation in December 2023, earlier than our previously reported schedule, and we are awaiting validation of these targets. These targets commit the Group to becoming net zero no later than 2050, and we developed a transition plan outlining how we aim to meet these targets which is published on pages 92 to 95.

At the date of this report, three of the Board's ten directors are women (30 per cent) and with effect from the conclusion of the AGM in 2024, the percentage of women on the Board will be 38 per cent. The Board is mindful of and committed to achieving the target set by the FTSE Women Leaders Review of having a minimum of 40 per cent of Board positions held by women by 2025. The Board notes, however, that certain shareholders have more stringent targets than the 2025 target set by the FTSE Women Leaders Review.

The Group seeks where possible to prioritise the appointment of women to leadership positions and is committed to increasing representation of women in senior leadership positions across the Group. Grafton has introduced initiatives to provide career development opportunities for female colleagues including participation in management development programmes, mentoring, coaching and flexible working arrangements. Further detail on gender diversity on the Board and at senior management level is available at pages 120 and 140.

The Board recognises the increased focus in recent years on Directors' board commitments and notes that a number of institutional investors apply a stricter voting policy than the market generally in relation to Chair and Directorship roles on the boards of listed companies. The Board of Grafton believes that Mr. Roney has always devoted ample time to his role as Chair and that he effectively discharges the functions and obligations of the role. This was very evident in the Group's response to the pandemic and his involvement in the major strategic decisions made by the Board in recent years. He also led the search for a new CEO and provides continuity following the appointment of Mr. Eric Born to the role at the end of 2022.

As noted in the 2022 Annual Report, the Nomination Committee monitors all Directors' external commitments and would take appropriate action in the event of any concerns being raised about the ability of any director, including the Chair, to dedicate sufficient time to their roles.

Mr. Roney has a distinguished track record in international business, he brings significant experience to the role, provides clear direction and leadership to the Board and makes a major contribution to the strategic development of Grafton. The Board acknowledges Mr. Roney's influential role for the benefit of all stakeholders in the Company.

Stakeholder views

The Code provides that the Board should understand the views of the Company's key stakeholders other than shareholders and describe how their interests and the matters set out in section 172 of the UK Companies Act 2006 have been considered in Board discussions and decision-making. An overview of how the Group engages with all of its stakeholders is set out on pages 20 and 21. As set out above, Colleague Forums have been established to provide the opportunity for colleagues' views to be heard by the Board.

Whistleblowing
All colleagues have access to a confidential SpeakUp reporting service which provides an effective channel to raise concerns to an independent third party. The Board, via the Audit and Risk Committee, receives regular reports detailing all reports made through this service and subsequent action taken.

Conflicts of interest
The Board confirms that a system for the declaration of conflicts of interests is in place.

Unresolved concerns
No unresolved concerns about the operation of the Board or the management of the Group were raised by any Director during the year.

2. Division of responsibilities
Chair
The responsibilities of the Chair, as set out on page 126, are set out in writing and agreed by the Board.

Board balance and division of responsibilities
The Board believes that it has an appropriate balance of Executive and Non-Executive Director representation and it is Board policy that no individual or small group of individuals can dominate its decision-making.

A statement of how the Board operates, including a schedule of the decisions reserved for the Board and those delegated to management, is set out in writing and agreed by the Board. The schedule of matters specifically reserved for Board decision covers:

- Strategic decisions and corporate developments;
- Risk management and internal controls;
- Acquisitions and capital expenditure above agreed thresholds;
- Interim and final dividends and share purchases;
- Changes to the capital structure;
- Tax and treasury management;
- Approval of half-yearly and annual financial statements; and
- Budgets and matters currently or prospectively affecting the Group and its performance.

Effective and efficient functioning of the Board
Directors have full and timely access to all relevant information in an appropriate form. Reports and papers are circulated to Directors in sufficient time to enable them to prepare for Board and Committee meetings. All Directors receive monthly management accounts and reports covering the Group's performance, development proposals and other matters to enable them to review and oversee the performance of the Group on an ongoing basis. Each year the Board typically devotes one of its meetings to strategy and one to the following year's budget. The strategy meeting covers the macro-economic, political and social systems, construction market, housing market, business sectors, competitive landscape and challenges and opportunities in existing and prospective countries of operation for the Group. It also covers a review of the existing portfolio of businesses, specialist segments of the distribution market, competitive landscape and possible acquisition opportunities. All Directors have access to independent professional advice at the Group's expense where necessary to enable them to discharge their responsibilities as Directors.

Independence of the Chair
The Chair was independent on appointment to the role in January 2017.

Independence of Non-Executive Directors
The seven Non-Executive Directors, Mr. Paul Hampden Smith, Mr. Vincent Crowley, Mrs. Susan Murray, Dr. Rosheen McGuckian, Ms. Avis Darzins, Mr. Mark Robson and Mr. Ian Tyler are considered by the Board to be independent in character and free from any business or other relationship which could materially interfere with the exercise of independent judgement. The Board has determined that each of the Non-Executive Directors fulfilled this requirement and is independent. In reaching that conclusion, the Board considered the principles relating to independence contained in the Code.

Board independence
78 per cent of the Board, excluding the Chair, are Non-Executive Directors whom the Board considers to be independent.

Senior Independent Director

Mr. Paul Hampden Smith is the Senior Independent Director and is available to act as a sounding board for the Chair, and as an intermediary for the other Directors, if necessary. He is also available to shareholders who may have concerns that cannot be addressed through the normal channels of Chair, Chief Executive Officer or Chief Financial Officer. The role of the Senior Independent Director is clearly set out in a document approved by the Board. Mr. Hampden Smith has indicated that he will step down from the Board at the conclusion of the Annual General Meeting on 2 May 2024 and he will be succeeded as Senior Independent Director by Mrs. Susan Murray.

Performance of Executive Directors

Non-Executive Directors constructively challenge management proposals and review the performance of the Group. During the year, the Chair and Non-Executives met with and without the executive Directors present.

Roles and responsibilities

There is a clear division of responsibility between the Chair and the Chief Executive Officer. The responsibilities of each role are clearly documented in schedules approved by the Board.

Chair	Chief Executive Officer	Senior Independent Director
• Leading and managing the business of the Board to provide clear direction and focus for the Group; • Demonstrating ethical leadership and promoting the highest standards of integrity and probity; • Demonstrating objective judgment and promoting a culture of openness and debate; • Setting the agenda and culture in the boardroom; • Facilitating constructive Board relations; • Ensuring that members of the Board receive a timely flow of accurate, high quality and clear information; and • Ensuring that there is timely and appropriate communication to shareholders.	• Being accountable to the Board for all authority delegated to executive management; • Taking overall responsibility for the management of the business; • Proposing and delivering the Group's strategy; • Implementing and delivering the annual business plan; • Effective leadership, coordination and performance management of the executive team; • Ensuring the identification, enhancement and development of the executive leadership talent pool; and • Monitoring closely the operating and financial results of the Group against plans and budgets.	• Being available to shareholders who have concerns that cannot be addressed through the Chair, the Chief Executive Officer or the Chief Financial Officer; • Acting as a sounding board for the Chair; • Acting as an intermediary for the other Directors when necessary; • Working with the Chair and other Directors and/or shareholders to resolve significant issues; and • When called upon, seeking to meet a sufficient range of major shareholders in order to develop a balanced understanding of their views.

The number of Board Meetings and Committee Meetings held during the year and attended by each Director was as follows:

	Board		Audit and Risk Committee		Remuneration Committee		Nomination Committee	
Number of Meetings	Total	Attended	Total	Attended	Total	Attended	Total	Attended
M. Roney	7	7	–	–	–	–	6	6
E. Born	7	7	–	–	–	–	–	–
D. Arnold	7	7	–	–	–	–	–	–
P. Hampden Smith	7	7	4	4	5	5	6	6
S. Murray	7	7	4	4	5	5	6	6
V. Crowley	7	7	4	4	5	5	6	6
R. McGuckian	7	7	4	4	5	5	6	6
A. Darzins	7	7	4	4	5	5	6	6
M. Robson	1	1	–	–	1	1	1	1

Mr. Mark Robson was appointed to the Board with effect from 1 December 2023 and Mr. Ian Tyler was appointed on 1 March 2024.

External commitments

The Board is satisfied that the external commitments of the Chair and the Non-Executive Directors do not conflict in any way with their duties and Commitments to the Company. Executive directors do not hold more than one non-executive role in a FTSE 100 company or other significant appointment.

Company secretary

The Directors have access to the advice and services of the Company Secretary, Mr. Charles Rinn, who advises the Board on governance matters. The Company's Articles of Association and Schedule of Matters reserved for the Board provide that the appointment or removal of the Company Secretary is a matter for the full Board.

3. Composition, succession and evaluation

Board appointments procedure and succession planning

The Board's general policy is to keep the overall composition and balance of the Board under review and to manage the orderly succession of Non-Executive Directors without compromising the effectiveness and continuity of the Board and its Committees. A description of the work of the Nomination Committee and the procedure for appointment of new Directors is set out on pages 135 to 141.

The Board considers senior management succession planning with a view to developing, over the coming years, a strong succession pipeline for key positions up to and including Executive Director level.

Board membership

It is the Group's policy that the Board comprises a majority of Non-Executive Directors. At 31 December 2023, the Board was made up of nine members comprising the Non-Executive Chair, two Executive Directors and six independent Non-Executive Directors. Mr. Ian Tyler was appointed to the Board on 1 March 2024 as Non-Executive Director and Chair Designate.

The Board considers that its size and structure is appropriate to the scale, complexity and geographic spread of its operations and that the number of Non-Executive Directors is considered sufficient to enable the Board and its Committees to operate effectively without excessive reliance on any individual Non-Executive Director. The Board believes that Executive and Non-Executive Directors between them have the necessary skills, knowledge and international business experience, gained from a diverse range of industries and backgrounds, required to manage the Group. The skills, expertise and experience of the Board is used to review strategy, allocate capital, monitor financial performance and consider executive management's response to market developments and operational matters.

The terms and conditions of appointment of Non-Executive Directors, which include the time commitment expected from each Director, are available for inspection by any person at the Company's registered office during normal business hours and prior to the AGM.

The overall composition and balance of the Board is kept under review as outlined in the Chair's Statement on pages 22 to 27 and in the programme of work undertaken by the Nomination Committee in its report on pages 135 to 141.

Board evaluation

A formal review of the performance of the Board, Board Committees and individual Directors is undertaken each year, including an external evaluation every three years. The process is designed to ensure that the effectiveness of the Board is maintained and improved.

An internal evaluation was conducted during the year, an external evaluation having been carried out by Trusted Advisors Partnership ('TAP') in 2021. The evaluation involved each Director independently completing a questionnaire that covered a range of issues including the effectiveness of the Board and its Committees, strategy and development, internal controls and risk management, monitoring financial and operating performance and shareholder value creation. The key findings of the evaluation are set out in the Nomination Committee Report on page 137.

The Non-Executive Directors met without the Chair present to appraise his performance. The evaluation of individual directors and the Company Secretary involved a meeting between each of them and the Chair.

The Board confirms that each of the Non-Executive and Executive Directors continues to perform effectively and demonstrate a strong commitment to the role.

Nomination Committee

The Board plans for succession with the assistance of the Nomination Committee. The Board believes that it is necessary to have appropriate Executive Director and Non-Executive Director representation to provide Board balance and also to provide the Board with the breadth of experience required by the increasing scale, geographic spread and complexity of the Group's operations.

The Nomination Committee takes account of the skills, knowledge and experience, including international business experience, required by the Board. It also considers Board diversity as widely defined, including gender, ethnicity and nationality in selecting suitable candidates to serve as Non-Executive Directors as part of the ongoing process of Board renewal and the need for an appropriately sized Board that can function effectively.

A description of the activity of the Committee during the year is set out in the Nomination Committee Report on pages 135 to 141.

Director election/re-election

In accordance with the provisions of the Code, the Board has decided that all Directors should retire at the 2024 Annual General Meeting ('AGM') and offer themselves for election/re-election, with the exception of Mr. Michael Roney and Mr. Paul Hampden Smith who will step down from the Board at the conclusion of the 2024 AGM.

The Board undertakes a formal annual evaluation of the performance of its Directors and is satisfied that all Directors who are proposed for re-election continue to discharge their obligations as Directors and contribute effectively to the work of the Board and its Committees. Further details on the Board evaluation are set out below and in the Nomination Committee Report on pages 135 to 141.

Chair tenure

Mr. Michael Roney was appointed as Chair Designate on 1 May 2016 and assumed the role of Non-Executive Chair on 1 January 2017. Mr. Roney has indicated that he will step down from the Board at the conclusion of the Annual General Meeting on 2 May 2024. He will be succeeded as Chair with effect from 2 May 2024 by Mr. Ian Tyler who was appointed as Non-Executive Director, Chair Designate and member of the Nomination Committee with effect from 1 March 2024.

Recruitment agencies

The Board and the Nomination Committee generally use the services of external agencies to assist with the identification and appointment of Non-Executive Directors. In 2023 the Board engaged Russell Reynolds to assist with the search for an additional Non-Executive Director leading to the appointment of Mark Robson in December 2023 and Ian Tyler in March 2024.

4. Audit, risk and internal control

Independence of internal and external audit

The key duties of the Audit and Risk Committee include monitoring the integrity of the Group's financial statements and of the external audit process, and overseeing the independence and effectiveness of the Internal Audit function and the external auditor.

Fair, balanced and understandable

The assessment of the company's position and prospects as fair, balanced and understandable is set out in the Statement of Directors' Responsibilities on page 178 and 179.

Risk and internal control

The Board confirms that there is a process for identifying, evaluating and managing the key risks faced by the Group. A description of the risk management process and of how the Board identifies the principal and emerging risks facing the Group is set out on pages 64 to 81.

Audit and Risk Committee

The Board has established an Audit and Risk Committee which is comprised of six independent Non-Executive Directors. The Committee has competence relevant to the sector in which the Group operates.

Role and responsibilities of the Audit and Risk Committee

A description of the role and responsibilities of the Audit and Risk Committee is available in the Committee Report on pages 130 to 134. The Terms of Reference of the Committee are available on the Group's website www.graftonplc.com.

A description of the activity of the Committee during the year is available in the Committee Report on pages 130 to 134.

Effectiveness of risk management and internal controls

A description of how the Audit and Risk Committee monitors the effectiveness of the Group's system of risk management and internal control is set out on page 132.

Going concern assessment

The Group's net cash position, before recognising lease liabilities, was £379.7 million at 31 December 2023 (31 December 2022: £458.2 million). Net debt including lease obligations was £49.3 million at 31 December 2023 (2022: net cash of £8.9 million).

The Group had liquidity of £849.6 million at 31 December 2023 (31 December 2022: £934.6 million) of which £579.9 million (2022: £707.7 million) was held in accessible cash and £269.7 million (2022: £226.9 million) in undrawn revolving bank facilities. No refinancing of debt is due until August 2028, the Group does not have a leverage (net debt/EBITDA) covenant in its financing arrangements and its assets are unsecured.

Having made appropriate enquiries, the Directors have a reasonable expectation that Grafton Group plc, and the Group as a whole, have adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of approval of these financial statements. Having reassessed the principal risks, as detailed on pages 68 to 75, and based on expected cashflows and the strong liquidity position of the Group, the directors considered it appropriate to adopt the going concern basis of accounting in preparing its financial statements.

5. Remuneration

The Board has adopted remuneration policies that are considered sufficient to attract, retain and motivate Directors of the quality required to manage the company successfully whilst ensuring that the performance related elements of pay are both stretching and rigorously applied. The Board has established a Remuneration Committee comprising six independent Non-Executive Directors. Details of the Committee's key responsibilities and a description of its work during 2023 are contained in the Report of the Remuneration Committee on Directors' Remuneration on pages 142 to 170.

Audit and Risk Committee report

Paul Hampden Smith
Chair of the Audit and Risk Committee
6 March 2024

Membership	Length of service*
P. Hampden Smith (Chair)	8.5 years
V. Crowley	7.1 years
S. Murray	6.2 years
R. McGuckian	3.9 years
A. Darzins	1.5 years
M. Robson	0.3 years

* Committee membership as of 6 March 2024.

Dear Shareholder,

I am pleased to present the report of the Audit and Risk Committee for the year ended 31 December 2023.

Key duties of the Committee

Financial reporting

- Monitoring the integrity of the Group's financial statements and announcements relating to the Group's performance;
- Advising on whether the Annual Report and accounts, taken as a whole, is fair, balanced and understandable, and whether it provides the information necessary for shareholders to assess the Group's performance, business model and strategy;

Risk management and internal control

- Overseeing the effectiveness of the Group's internal control and risk management, including sustainability risks, and the steps taken to mitigate the Group's risks;
- Reviewing the effectiveness of the Group's internal financial controls;

External auditor

- Monitoring the effectiveness of the external audit process, conducting the tender process and making recommendations to the Board in relation to the appointment, reappointment and removal of the External Auditor;
- Overseeing the relationship between the Group and the External Auditor including approving the remuneration, terms of engagement and scope of audit;

Internal audit

- Monitoring and reviewing the scope, resourcing, findings and effectiveness of the Group's Internal Audit function;
- Reporting to the Board on how the Committee has discharged its responsibilities.

The full terms of reference of the Committee can be found on the Group's website www.graftonplc.com.

This report describes how the Committee has fulfilled its responsibilities during the year under its Terms of Reference and under the relevant requirements of the Code.

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

All members of the Committee are determined by the Board to be independent Non-Executive Directors in accordance with provision 10 of the Code. In accordance with the requirements of provision 24 of the Code, the Board considers that I have recent and relevant financial experience as required by the Code. The biographical details on pages 116 to 118 demonstrate that all members of the Committee have a wide range of financial, treasury, taxation, commercial and business experience that enables the Committee to act very effectively.

Meetings

The Committee met four times during the year and attendance by each Committee member is set out in the table on page 127.

Meetings are attended by the members of the Committee and others who attend by invitation, being principally the CEO, the CFO, the Group Financial Controller and Company Secretary and the Group Internal Audit and Business Risk Director. Other members of executive management and third party advisors may be invited to attend to provide insight or expertise in relation to specific matters. The PwC Group Engagement Leader and other representatives of the External Auditor are also invited to attend Committee meetings to present their reports on the interim results and full year audit. They also present their proposed audit plan to the Committee. The Committee also met privately with the External Auditor without executive management present. No significant concerns were raised during these discussions. The Committee is supported by Ms. Susan Lannigan, Deputy Company Secretary, who acts as Secretary to the Committee.

The Chair of the Committee reports to the Board on a regular basis on the work of the Audit and Risk Committee and on its findings and recommendations.

Key areas of activity during 2023

A summary of the key activities of the Committee during the year is set out below:

Financial reporting	The Committee reviewed the 2022 Final Results Announcement, the 2022 Annual Report and the 2023 Interim Results Announcement and concluded that they each presented a fair, balanced and understandable assessment of the position of the Group and its prospects. The Committee recommended the 2022 Final Results Announcement, the 2022 Annual Report and the 2023 Interim Results Announcement to the Board for approval. As part of these reviews, the Committee considered significant accounting policies, estimates and judgements. The Committee also reviewed the reports of PwC following their audit and interim review including their findings on key areas of judgment and other areas of audit focus. The Committee also considered the significant management letter points on internal controls in the Group's individual businesses identified by PwC during its audit process. The significant issues in relation to the financial statements considered by the Committee and how these were addressed are set out on page 134. The Committee also reviewed papers on the Viability Statement and Going Concern including assumptions and financial forecasts.

Audit and Risk Committee report continued

Risk management and internal control	The Board has delegated responsibility to the Committee for monitoring the effectiveness of the Group's system of risk management and internal control, which is set out in further detail in the Risk Management Report on pages 64 to 81. The Committee reviewed the Group's Risk Management Process and the procedures established for identifying, evaluating and managing key risks, which included a review of the status of risk management performance against the objectives set for the year. The Group Risk Committee provides oversight of the Risk Management process and the Corporate Risk Register. This review includes identifying risks, assessing their likelihood and impact and the effectiveness and adequacy of measures, actions and controls to mitigate these risks. The key risks facing the Group are set out on pages 68 to 75. The Committee also considered the risks associated with increased levels of cyber crime and the potential to disrupt trading including the loss of data.
Internal audit	The Group Internal Audit and Business Risk Director reports to the Chief Financial Officer and also has direct access to the Chair of the Audit and Risk Committee and its members. The Committee met with the Group Internal Audit and Business Risk Director on four occasions during the year when he presented Internal Audit report findings and recommendations and updated the Committee on the actions taken to implement recommendations. The Committee also met with the Group Internal Audit and Business Risk Director without executive management present. No significant concerns were raised during these discussions. The scope, authority and responsibility of the Internal Audit function is set out in the Internal Audit Charter which has been approved by the Committee. During the year the Committee also considered and approved the programme of work to be undertaken by the Group's Internal Audit function in 2024. An internal review of the effectiveness of the Internal Audit function was carried out and the results of this review, which were very positive, were presented to the Committee in March 2024.
External auditor	The Committee reviewed the External Auditors' plan for the 2023 Audit of the Group and approved the remuneration and terms of engagement of the External Auditor. The Committee also considered the quality and effectiveness of the external audit process and the independence and objectivity of the Auditor. An internal review of the effectiveness of the 2022 Audit was carried out during the year, comprising a feedback questionnaire from the Audit and Risk Committee and from management. The results of this review were presented to the Committee in October 2023 and were positive overall with a number of comments and recommendations made to help inform plans for the 2023 Audit. In order to ensure the independence of the External Auditor, the Committee received confirmation from the Auditors that they are independent of the Group under the requirements of the Irish Auditing and Accounting Supervisory Authority's Ethical Standards for Auditors (Ireland). The Auditors also confirmed that they were not aware of any relationships between the firm and the Group or between the firm and persons in financial reporting oversight roles in the Group that may affect its independence. The Committee considered and was satisfied that the relationships between the Auditor and the Group including those relating to the provision of non-audit services did not impair the Auditors' judgment or independence.

Non-audit services	The External Auditor is permitted to undertake non-audit services that do not conflict with auditor independence, provided the provision of the services does not impair the Auditors' objectivity or conflict with their role as Auditor and subject to having the required skills and competence to provide the services. The Committee has approved a policy on the provision by the External Auditor of non-audit services. Under this policy the External Auditor will not be engaged for any non-audit services without the approval of the Audit & Risk Committee. The External Auditor is precluded from providing certain services, or from providing any non-audit services that have the potential to compromise its independence or judgement. With the exception of fees incurred in acquired businesses, fees for non-audit services in any financial year are targeted not to represent more than 20 per cent of the audit fee. The Committee monitors and reviews the nature of non-audit services provided by the External Auditors. The Committee approved the provision of non-audit services by the Auditor during the year, which primarily relate to a review of the Group's condensed consolidated half year financial statements, with associated fees disclosed in Note 3 to the financial statements.
Whistleblowing and fraud	The Group Anti-Fraud and Theft Policy sets out the Group's approach to all forms of fraud and theft, the responsibilities of Business Unit management in relation to prevention and detection procedures and controls, the appropriate reporting channels and the possible actions which may be taken by the Group in response to suspected fraud or theft. Instances of fraud or theft over a specified threshold are reported to and monitored by the Committee. The Committee periodically considers reports received on matters raised through SpeakUp, the independent Group-wide confidential reporting service which allows colleagues to report, anonymously if they wish, any concerns they may have regarding certain practices or conduct in their businesses including possible instances of fraud and theft. All concerns raised through this channel and the outcomes of investigations are reported to the Committee. The Committee was satisfied that the procedures in place to allow colleagues to raise matters in a confidential matter operated effectively during the year.
Anti-bribery and corruption	The Group's Code of Business Conduct and Ethics sets out the ethical standards to which all Group employees are expected to adhere. It sets out the core standards and procedures to be observed and provides practical guidance on dealing with bribery risk. An annual declaration of independence is signed by senior management and other individuals who are considered to be exposed to higher risk of conflicts of interest, including employees who have responsibility for contract negotiations with customers and suppliers.

Audit and Risk Committee report continued

Estimates and judgments

The Committee reviewed in detail the following areas of significant judgment, complexity and estimation in connection with the Financial Statements for 2023. The Committee considered a report from the external auditors on the audit work undertaken and conclusions reached as set out in their audit report on pages 180 to 189. The Committee also had an in-depth discussion on these matters with the External Auditor.

Valuation of goodwill	The Committee considered the goodwill impairment analysis provided by management and agreed with the conclusion reached that no impairment charge should be recognised in the year. In arriving at its decision, the Committee considered the impairment review conducted by management which involved comparing the recoverable amount and carrying amount of the CGUs. The review involved discounting the forecasted cash flows of each group of CGUs based on the Group's pre-tax weighted average cost of capital adjusted to reflect issues associated with each group of CGUs and carrying out sensitivity analysis on the key assumptions used in the calculations including cash flow forecasts (revenue growth, margin), terminal growth rate and pre-tax discount rate. The Committee noted the overall level of headroom in the value in use model prepared by management and considered the impact on the headroom of sensitivity analysis on the key assumptions used in the model. The Committee also compared the year-end market capitalisation of the Group to its net asset position and noted that it was higher than the net asset value. The Finland Distribution CGU's recoverable amount has more limited headroom over its carrying amount and is sensitive to changes in assumptions. The Committee noted that adequate headroom was observed when reasonable changes to key assumptions were applied by Management and that the Finland Distribution CGU headroom had increased from the previous year end.
Completeness and accuracy of rebate income and valuation of rebate receivables	Supplier rebates represent a significant source of income in the distribution industry and is an area of risk due to the materiality of rebate arrangements, the use of manual inputs, and the estimation involved in determining the year end receivable amounts. The Committee reviewed the basis used by management for calculating rebate income for the year and rebates receivable at the year end and was satisfied that the accounting treatment adopted was appropriate and that rebates receivable at the year-end were recoverable. In reaching its conclusion, the Committee reviewed information and reports prepared by the Internal Audit function which completed year-end reviews across a sample of significant Business Units with the primary objective of providing independent assurance on the accuracy of rebate receivable balances at year-end. These reviews included re-performing calculations on a sample of rebate income for 2023 with reference to agreements with individual suppliers and reports of purchases made from suppliers. The Committee also considered the value of rebates received after the year end relating to 2023.
Valuation of inventory	The Group carries significant levels of inventory and key judgements are made by management in estimating the level of provisioning required for slow moving inventory. In arriving at its conclusion that the level of inventory provisioning was appropriate, the Committee received half year and full year updates from management on stock ageing and provisioning across the Group. The Committee reviewed the basis for calculating the valuation of rebate attributable to inventory and was satisfied that inventory was appropriately valued and that the Group continued to adopt a prudent approach to inventory provisioning.

As Chair of the Committee, I engaged with the Group CFO, the Group Internal Audit and Business Risk Director and the PwC Group Audit Engagement Leader independently of each other in preparation for Committee meetings and periodically as appropriate.

I will be in attendance at the 2024 Annual General Meeting and will respond to any questions that shareholders may have concerning the activities of the Committee.

Paul Hampden Smith
Chair of the Audit and Risk Committee
6 March 2024

Nomination Committee report

Michael J. Roney
Chair of the Nomination Committee
6 March 2024

Membership	Length of service*
M.J. Roney (Chair)	7.8 years
P. Hampden Smith	8.5 years
S. Murray	7.0 years
V. Crowley	7.0 years
R. McGuckian	3.9 years
A. Darzins	1.5 years
M. Robson	0.3 years
I. Tyler	appointed 1 March 2024

* Committee membership as of 6 March 2024.

Dear Shareholder,

I am pleased to present the report of the Nomination Committee for the year ended 31 December 2023.

Key duties of the Committee

Board structure

- Regularly reviewing the structure, size, composition and length of service on the Board and assessing the skills, expertise, knowledge, experience and diversity required by the Board and its Committees and the Group's senior management team.

Succession

- Identifying, and nominating for the approval of the Board, candidates for appointment as Directors and ensuring that there is a formal, rigorous and transparent procedure for the appointment of new Directors to the Board;
- Considering the re-appointment of Non-Executive Directors at the conclusion of their specified term of office and making recommendations to the Board; and
- Conducting an annual review of succession plans for senior executives across the Group.

Diversity

- Ensuring the diversity policy is linked to Group strategy; and
- Prioritising the appointment of females to leadership positions.

Evaluation

- Evaluating the balance of skills, knowledge, experience and diversity of the Board and Board Committees and making recommendations to the Board on any changes.

The full terms of reference of the Committee can be found on the Group's website www.graftonplc.com.

Activities of the Committee during 2023

Introduction

The Committee considered the composition and diversity of the Board and succession planning at Board and senior management level and it continued to seek to balance the need to refresh the Board while maintaining a team of knowledgeable and experienced Non-Executive Directors.

The primary area of focus by the Committee during 2023 was on the search for a new Non-Executive Director and Chair of the Audit and Risk Committee and on the search for a new Chair of the Board that was led by the Senior Independent Director, Mr. Paul Hampden Smith.

Nomination Committee report continued

Appointment of Non-Executive Director and Senior Independent Director

As noted in last year's report, the nine-year term of Mr. Paul Hampden Smith, Senior Independent Director and Chair of the Audit and Risk Committee ends in August 2024 and the Committee initiated a search for his successor during 2023. The search process, which is described later in this report, was completed in October 2023 and the Board was very pleased to appoint Mr. Mark Robson as Non-Executive Director and Chair Designate of the Audit and Risk Committee with effect from 1 December 2023.

Mr. Robson will succeed Mr. Hampden Smith as Chair of the Audit and Risk Committee with effect from the conclusion of the 2024 AGM of the Company on 2 May 2024.

Appointment of Non-Executive Director and Chair Designate

I advised the Board in the middle of last year that, subject to the successful completion of a search to appoint my successor as Chair of the Board, I would not seek re-election at this year's AGM.

Following the completion of a thorough search led by Mr. Paul Hampden Smith, Senior Independent Director, that is described in further detail later in this report, the Board was very pleased to announce the appointment of Mr. Ian Tyler as Independent Non-Executive Director, Chair Designate and a member of the Nomination Committee with effect from 1 March 2024.

Mr. Tyler will take over as Chair of the Board and Chair of the Nomination Committee at the conclusion of the Company's AGM on 2 May 2024.

Appointment of Senior Independent Director

Mrs. Susan Murray, who joined the Board in 2016, was appointed to succeed Mr. Hampden Smith as Senior Independent Director.

I congratulate Mr. Tyler and Mr. Robson on their appointment to the Board and Mrs. Murray on her appointment as Senior independent Director.

Independence of the Board

To ensure that the independence of the Non-Executive Directors is maintained, the Committee keeps the tenure of the Board as a whole under review. The tenure of Non-Executive Directors on the Board at 31 December 2023 was as follows:

Length of service	Number of Non-Executive Directors
0-1 years	1
1-2 years	1
3-4 years	1
7-8 years	3
8-9 years	1

The Committee reviewed the time required to fulfil the roles of Board Chair, Senior Independent Director, Committee Chairs and Non-Executive Director roles and was satisfied that all members of the Board continue to devote appropriate time to their duties and to be effective in their roles.

Board and committee changes

As noted above, Mr. Mark Robson was appointed Independent Non-Executive Director with effect from 1 December 2023. He was appointed as a member of the Audit and Risk, Remuneration and Nomination Committees with effect from 5 December 2023.

Mr. Ian Tyler was appointed Independent Non-Executive Director, Chair Designate and a member of the Nomination Committee with effect from 1 March 2024.

Election/Re-election of Directors

Mr. Paul Hampden Smith and I are stepping down from the Board as part of the normal process of Board refreshment and will not be seeking re-election at the 2024 AGM of the Company. Mr. Robson and Mr. Tyler recently joined the Board and will be going forward for election at the 2024 AGM.

Having considered their individual performances, contributions to the Board, time devoted to their roles and other commitments, the Committee agreed to make a recommendation to the Board that Mrs. Susan Murray, Mr. Vincent Crowley, Dr. Rosheen McGuckian and Ms. Avis Darzins should go forward for re-election at the 2024 AGM of the Company.

Board effectiveness and evaluation

The Board conducts an annual evaluation of its own performance and that of its Committees and individual Directors to ensure that they continue to be effective and that each of the Directors demonstrates commitment to his/her role and has sufficient time to meet his/ her commitment to the Group.

An independent Board evaluation was carried out by TAP (Trusted Advisors Partnership) in 2021. The 2023 evaluation was carried out internally using a questionnaire which was completed by each of the Directors.

The key findings of the internal evaluation were that:

- The composition of the Board is highly regarded and has the right blend of backgrounds, skills, expertise and personalities;
- Relations with the shareholder community and other stakeholders were seen to be well managed and productive;
- Non-Executive Directors provided constructed challenge while being supportive of management;
- The operation of the Audit and Risk, Remuneration and Nomination Committees were highly rated and viewed to have worked well with effective Chairs, clear priorities and the support of management; and
- Matters raised by individual Directors concerned building on recent momentum to advance the sustainability agenda, communication of the Group's strategy to stakeholders; succession planning at Executive Director and senior management level, financial and non-financial KPIs, performance evaluation of Executive Directors and senior management and formalising feedback on the dynamic between the Board and management.

The Board has embraced its commitment to continually improve and made good progress on themes identified in prior year evaluations. The outgoing and incoming Chairs will use this feedback and observations to shape priorities for the current year.

Nomination process

The Committee undertakes a formal, rigorous and transparent procedure when nominating suitable candidates for appointment to the Board. Candidates are identified and selected on merit against objective criteria and with due regard to the benefits of Board diversity.

Independent search firms, that have no other connection with the Group, are used to identify candidates that match a detailed role specification developed by the Committee in conjunction with the Company Secretary for individual appointments to the Board. The role specification identifies the priority and secondary skills, experience and track record and personal qualities required by candidates.

The role specification also addresses the time commitment of the role and existing time commitments of candidates considered for appointment. Existing time commitments should be sufficiently clear to accommodate the role and to avoid an actual or perceived risk of over-boarding as defined by the shareholder advisory firms and the more stringent requirements of certain institutional shareholders. The consent of the Board is required before any Director can take on a new role following appointment to the Board. The role specification also makes it clear that any actual or perceived conflicts of interest should be avoided.

The Committee makes recommendations to the Board concerning the appointment of Executive and Non-Executive Directors, having considered the blend of skills, experience, track record and diversity deemed appropriate for the role. Appointments also reflect the international nature of the Group and the opportunities and challenges it is likely to encounter in the future.

The Committee also makes recommendations to the Board concerning the reappointment of Non-Executive Directors at the conclusion of their three-year term and the re-election of Directors at the Annual General Meeting each year. Appointments to the Board are for a three-year period, subject to shareholder approval at each AGM and subject to an annual performance evaluation that is conducted by the Chair of the Board.

The terms and conditions of appointment of Non-Executive Directors and the Chair are set out in formal letters of appointment.

The Committee continues to monitor the balance of the Board to ensure that it has the expertise to lead the Group as it develops and evolves. When searching for potential candidates to fill Board vacancies, the Committee considers the skills, experience and personal attributes required to create a diverse Board that will drive the future success of the Group. Succession planning will continue to be a priority to ensure that the Group can retain, attract and develop the best people available at Board and senior management level.

Nomination Committee report continued

Succession planning

Directors are committed to ensuring that the Board is sufficiently diverse and appropriately balanced. In the context of normal refreshment, the Board's objective is to maintain an appropriate balance of gender and ethnicity on the Board. On the recommendation of the Committee, the Board has agreed that diversity will continue to be given very careful consideration in shortlisting candidates for appointment to the Board in the future.

Each year the Committee considers the leadership needs of the Group and succession planning for senior management roles including the Chief Executive Officer and Chief Financial Officer. The Committee also reviews succession planning below Board level including the pool of talent currently available to succeed in senior roles and the progress made recruiting and developing the next generation of leaders in the Group and its businesses.

The Chief Executive Officer and Group HR Director presented the annual talent and succession plan for management to the Board during the year. This covered the Group's talent strategy and an assessment of the potential of high performing individuals. As part of this review, the Committee considered the importance of developing a diverse talent pipeline and the current and future skill sets required to help the Group implement its strategy.

Initiatives for high-potential talent to broaden their skillsets and prepare them for future senior roles include participation in leadership and business school training. As mentioned in further detail on page 19, we were proud to report that four internal candidates were appointed to fill leadership roles in Group businesses during the year.

Non-Executive Director Succession

The Chair led the process to appoint a Non- Executive Director and Chair of the Audit and Risk Committee with the support of the Company Secretary as appropriate. This process concluded in the appointment of Mr. Mark Robson as a Non- Executive Director with effect from 1 December 2023.

Russell Reynolds, a leading international search firm, was appointed to assist with the process. It had no previous connection to the Company prior to appointment other than having previously supported the Committee on the appointment of Non-Executive Director roles and more recently the appointment of Mr. Eric Born as Group CEO in 2022.

The Committee carefully considered the skills, experience, track record and personal attributes required for the role and agreed that financial expertise and experience in a senior finance role was required to discharge the significant oversight responsibilities as Chair of the Audit and Risk Committee. In addition, sector experience in the distribution of building materials and/or specialist products to the construction sector was also considered advantageous to the composition and balance of the Board.

A thorough international search of potential candidates was undertaken by Russell Reynolds who compiled a longlist of candidates with a broad range of skills, experience and backgrounds. The Committee shortlisted several candidates for interview. The Chair of the Nomination Committee, Senior Independent Director and Group CEO met with the shortlisted candidates who confirmed their interest in the role. The shortlist was narrowed to two candidates who met with the other members of the Committee and the Group CFO. The Nomination Committee met on several occasions to consider progress on the search and the merits of individual candidates for the role.

The Board considered and approved a recommendation by the Nomination Committee to appoint Mr. Mark Robson as Non-Executive Director and Chair Designate of the Audit and Risk Committee. Mr. Robson was the unanimous choice of the Committee and he will take up the role of Chair of the Audit and Risk Committee with effect from the conclusion of the Company's AGM in on 2 May 2024.

Mr. Robson is a highly experienced former CFO with a board level career in listed companies spanning over two decades and experience, gained at a senior executive level, of the distribution of materials to small builders through a national branch network. Mr. Robson joined the Board of Howden Joinery Group Plc as CFO in April 2005 and in addition served as Deputy Chief Executive Officer for his final six years on the Board and retired in December 2021. Prior to joining Howdens, Mr. Robson served for six years as CFO of Delta plc, the international industrials group. In his early career, he held progressively more senior financial positions over a period of thirteen years with Imperial Chemical Industries PLC, the global chemical group. Mr. Robson trained as a Chartered Accountant with PwC.

The Company Secretary arranged a comprehensive induction programme that provided Mr. Robson with a good overview of the Group and involved site visits and meetings with the management teams in the Group's businesses.

Chair succession

I advised the Board in the middle of last year that, subject to completion of a successful search to appoint my successor, I would not seek re-election at this year's AGM. Mr. Paul Hampden Smith, outgoing Senior Independent Director, led the search for my successor with the support of Mrs. Susan Murray, incoming Senior Independent Director. I did not participate in the search process or in the decision to appoint my successor and the Nomination Committee was Chaired by Mr. Hampden Smith when it considered matters relating to the appointment of my successor.

Russell Reynolds, a leading international search firm, was appointed to assist with the process. The Committee was also supported in its role by the Company Secretary.

The Committee carefully considered the skills, experience, track record and personal attributes for the role and the following skills, experience and track record were considered essential:

- A proven track record of creating sustainable shareholder value, preferably but not exclusively, in the role of CEO, in a large diverse, dynamic and complex international plc or equivalent non-listed entity;
- A background in the distribution of building materials and/or specialist products to the construction sector; and
- Strong Boardroom experience as Chair, Executive Director, Non-Executive Director operating to the highest standards of corporate governance and corporate stewardship.

A thorough international search of potential candidates was undertaken by Russell Reynolds who compiled a longlist of candidates with a broad range of skills, experience and backgrounds. The Committee shortlisted several candidates for interview. Mr. Paul Hampden Smith, outgoing Senior Independent Director and Mrs. Susan Murray, incoming Senior Independent Director met with shortlisted candidates who had confirmed their interest in the role. The Group CEO also met with the shortlisted candidates.

The process was eventually narrowed down to Mr. Ian Tyler who met with the other members of the Committee and the Group CEO during the process. The Nomination Committee met on several occasions to consider progress on the search and the merits of individual candidates for the role.

The Board considered and approved a recommendation by the Nomination Committee to appoint Mr. Ian Tyler as Independent Non-Executive Director, Chair Designate and a member of the Nomination Committee with effect from 1 March 2024. Mr. Tyler will assume the role of Chair of the Board and Chair of the Nomination Committee at the conclusion of the Company's AGM on 2 May 2024.

As noted by Mr. Paul Hampden Smith in the announcement of my successor, the Nomination Committee believed that Mr. Tyler was the stand-out candidate for the role and he was appointed because of his strategic, commercial, financial and Board experience gained over three decades at a leadership level in a range of mainly large businesses. He has experience of the construction sector from his executive career with Balfour Beatty plc and as a former Chair of Amey UK plc and Vistry Group plc. Mr. Tyler is a highly experienced Chair and former Chief Executive with wide-ranging experience across a range of industries. He has deep board level experience gained as an Executive Director, Board Chair and Non-Executive Director of listed companies.

He is currently Non-Executive Director of Anglo American plc and Synthomer plc and Chair of BMT Group Ltd, a privately owned design and technical consulting firm and Affinity Water Ltd, a privately owned business. He will be stepping down from his role with Affinity Water Ltd during 2024 at a time to be agreed once his successor has been appointed.

Mr. Tyler was previously Chair of Amey UK plc, Vistry Group plc, AWE Management Ltd, Al Noor Hospitals Group plc and Cairn Energy plc. He is a former Non-Executive Director of BAE Systems plc, Cable & Wireless Communications plc, VT Group plc and Mediclinic International plc.

Mr. Tyler's primary executive career was at Balfour Beatty plc, a global infrastructure business that he joined in 1996 as Finance Director of Balfour Beatty Group Ltd, its principal trading subsidiary. He was appointed Group Finance Director of Balfour Beatty plc in 1999, Chief Operating Officer in 2002 and Chief Executive in 2005, a role he held until 2013.

In his early career, Mr. Tyler trained as a Chartered Accountant with Arthur Andersen and held a finance role with Storehouse plc. Prior to joining Balfour Beatty plc, he was Financial Controller of Hanson plc and Finance Director of ARC Ltd, one of its principal subsidiaries.

Nomination Committee report continued

Equality, equity, diversity and inclusion

The Group recognises the benefits of diversity and its objective of achieving greater diversity at Board, senior management and across the wider workforce is supported by a Group Equality, Equity, Diversity and Inclusion Policy. The Board keeps this policy under review to ensure that it is effective in achieving diversity in its broadest sense having regard to experience, age, gender, religious beliefs, sexual orientation, race, ethnicity, disability, nationality, background and culture.

While the Board will always seek to appoint the most talented and skilled candidates on merit against objective criteria, greater diversity is actively considered when making Board appointments. The composition of the Board has evolved considerably over recent years and the Committee has taken an active role in improving the gender balance and ethnic diversity of the Board.

I am pleased to confirm that at 31 December 2023, three of our nine directors were female (33 per cent). The number of Directors on the Board increased from eight to ten following the appointment of Mr. Mark Robson and Mr. Ian Tyler to the Board as part of the ongoing process of Board refreshment. With effect from the conclusion of the AGM in 2024, the number of directors will revert back to eight and the proportion of female Directors will revert back to 38 per cent. As previously announced, Mrs. Susan Murray will assume the role of Senior Independent Director with effect from the conclusion of the AGM in 2024.

The Board is mindful of the target set out by the FTSE Women Leaders Review of having a minimum of 40 per cent of Board positions held by women by 2025. I am also pleased to confirm that the Board's objective of having at least one Director from an ethnically diverse background as defined by the Parker Review is currently met. Ms. Darzins is from an ethnically diverse background as defined by the Parker Review.

In line with LR 9.8.6(10), as at the reference date of 31 December 2023, the composition of the Board and Executive Management was as follows:

Gender Diversity

Gender Diversity	Number of board members	Percentage of the board	Number of senior positions on the board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	6	67%	4	20	90.9%
Women	3	33%	0	2	9.1%

Ethnic Background

Ethnic Background	Number of board members	Percentage of the board	Number of senior positions on the board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other White	8	88.9%	4	22	100%
Mixed/multiple Ethnic Groups	1	11.1%	–	–	–
Asian/Asian British	–	–	–	–	–
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic group including Arab	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

The Group continues to prioritise diversity in the widest sense when making appointments at all levels in its business and, by setting the tone from the top, promotes a culture where there are no barriers to everyone achieving their potential and succeeding at the highest levels in Grafton.

The Group seeks where possible to prioritise the appointment of females to leadership positions and is committed to increasing representation of females in senior leadership positions across the Group. Grafton has introduced initiatives to provide career development opportunities for female colleagues including participation in management development programmes, mentoring, coaching and flexible work arrangements.

Diversity and inclusion continued to be promoted across the Group with initiatives on gender, ethnicity, sexual orientation (LGBTQI+) and disabilities.

The Board and Management is focused on implementing strategies for recruiting and developing colleagues in ways that promote diversity and inclusion.

The year ahead

It has been a privilege for me to serve as Chair of the Nomination Committee and I am proud of the strong and more diverse board that has been created and of the strengthening of the executive team during my time in the role.

Grafton has a strong Board with the appropriate range of skills, experience, backgrounds and diversity to drive its success and with the capacity to support the future growth and development of the Group. I am confident that under the leadership of Mr. Tyler, the Nomination Committee will continue to build on the progress made in recent years.

Michael J. Roney
Chair of the Nomination Committee
6 March 2024

Report of the Remuneration Committee on Directors' remuneration

Susan Murray
Chair of the Remuneration Committee
6 March 2024

Membership	Length of service*
S. Murray (Chair)	7.1 years
P. Hampden Smith	8.2 years
V. Crowley	3.9 years
R. McGuckian	3.9 years
A. Darzins	1.5 years
M. Robson	0.3 years

* Committee membership as of 6 March 2024.

Dear Shareholder,

I am pleased to present my report as Chair of the Remuneration Committee for the year ended 31 December 2023.

Key duties of the Committee

- Determining the policy for Executive Director remuneration and for setting remuneration for the Chair, Executive Directors and senior management (being PDMRs and specified individuals as agreed from time to time by the Committee);
- Reviewing workforce remuneration and related policies and the alignment of incentives and rewards with culture; and
- Reviewing the ongoing appropriateness and relevance of the remuneration policy.

Although not required under the Irish Companies Act 2014, the Remuneration Committee (the "Committee") has continued to prepare the Remuneration Report in accordance with the UK regulations governing the disclosure and approval of remuneration of the Directors. The report also complies with the European Union (Shareholders' Rights) Regulations 2020.

The Committee put a new Remuneration Policy to Shareholders at the Annual General Meeting ("AGM") of the Company held on 4 May 2023. I was very encouraged by the level of shareholder support with 97.9 per cent of votes lodged by proxy ahead of the AGM in favour for the new Remuneration Policy. 81.0 per cent of votes lodged were cast in favour of the 2022 Annual Report on Remuneration.

The Policy became effective from the conclusion of the 2023 AGM and the following pages describe how the Policy has been applied from 1 January 2023.

Our approach to remuneration

The Committee's overall remuneration philosophy has not changed over the year and remains to ensure that Executive Directors are incentivised to successfully implement the Board's strategy and that remuneration is aligned with the interests of shareholders and other stakeholders over the longer term.

The Committee seeks to achieve this by:

- Rewarding Executive Directors fairly and competitively for the delivery of strong performance;
- Taking into account the need to attract, retain and motivate executives of high calibre and to ensure that Executive Directors are provided with an appropriate mix of short-term and long-term incentives;

- Taking a range of factors into account including market practice, the changing nature of the business and markets in which it operates, the performance of the Group, the experience, responsibility and performance of the individual directors concerned and remuneration practices elsewhere in the Group; and
- Setting targets that are stretching with full payout of awards requiring exceptional performance.

Performance for 2023

Despite challenging market conditions, Grafton delivered a resilient set of results measured against a strong performance in the prior year. These results benefitted from the timely implementation of cost reduction measures.

An effective response from management to evolving macro conditions was an important factor in delivering this year's performance in markets that experienced volume, margin and cost pressures.

Cost-of-living pressures caused by high inflation that in turn led to interest rate rises reduced spending by households on home improvements and weakened demand for new homes as affordability became stretched. Volumes in the distribution businesses were therefore lower in these weaker markets. Building materials price inflation gradually declined before turning to deflation in the closing months of the year.

Payroll inflation costs increased across the Group at the fastest rate in decades in tight and competitive labour markets. Management responded to the weaker market conditions and cost pressures by implementing targeted reductions in payroll costs, mainly through normal rates of attrition and discretionary overheads.

Adjusted operating profit before property profit declined by 21.6 per cent to £204.2 million (2022: £260.5 million) and adjusted earnings per share declined by 19.4 per cent to 77.9 pence (2022: 96.6 pence).

Remuneration for 2023

Base Salary

The salary of the Chief Executive Officer, who was appointed to the role on 28 November 2022, was not due for review until 1 January 2024 under the terms of his Service Agreement. The Committee approved a salary increase of 4.4 per cent with effect from 1 January 2023 for the Chief Financial Officer. When reviewing salary levels, the Committee considered the level of increases implemented across the Group, the performance of the Group and the Chief Financial Officer and market data. The increase awarded reflected the typical level of salary increase for the wider workforce based on salary reviews completed in 2022.

Annual bonus scheme

The annual bonus for 2023 was based on two financial performance targets being operating profit (65 per cent) and return on capital employed (25 per cent) and two sustainability targets. Gender Diversity and Carbon Emission targets were introduced for the first time into the 2023 bonus scheme with a weighting of five per cent of the bonus opportunity for each of these targets.

A bonus of 24.53 per cent of basic salary, out of a potential bonus opportunity of 150 per cent of salary, was awarded to the Chief Executive Officer. The bonus award for the Chief Financial Officer was 20.44 per cent of basic salary out of a potential bonus opportunity of 125 per cent of basic salary. These bonuses represent 16.35 per cent of the maximum potential opportunity. Further detail is set out on page 161. The Committee agreed that the bonus outcome was reflective of the underlying financial performance of the Group for the year and was appropriate in the context of the experience of shareholders and other stakeholders during the year.

Vesting of LTIP awards made in 2021

The performance conditions for LTIP awards granted in May 2021, that covered the performance period of the three years ending on 31 December 2023, were based 50 per cent on growth in Adjusted Earnings Per Share ("EPS") and 50 per cent on Total Shareholder Return ("TSR") performance versus a comparator group consisting of the members of the London Stock Exchange's FTSE 250 Index excluding investment trusts.

As the Group's TSR was ranked between median and 80th percentile, 61.8 per cent of this half of the award will vest.

The other half of the LTIP award was based on the Group's adjusted EPS for the financial year ended 31 December 2023 being in the range of 70.4 pence to 80.7 pence. In line with the approach determined by the Committee, the Adjusted EPS outcome was calculated based on the number of shares in issue as at the end of 31 December 2020 such that management will not benefit from any share buybacks during the performance period. On this basis, adjusted EPS for 2023 was 69.2p excluding property profit. As this was below the threshold of 70.4 pence, this half of the award will not vest.

Report of the Remuneration Committee on Directors' remuneration continued

Based on the foregoing, 30.9 per cent of the total awards granted in 2021 to the Chief Financial Officer will vest in May 2024. The award made to the former Chief Executive Officer lapsed on him giving notice to the Company that he was stepping down from the role. The current CEO was not with the business during 2021 and therefore did not receive an LTIP award in 2021.

The Committee agreed that the vesting outcome was reflective of the underlying financial performance of the business and was appropriate in the context of the experience of shareholders and other stakeholders over the three year vesting period.

Overview of remuneration for 2023

The Committee believes that the remuneration policy operated as intended in the context of the level of bonus payable relative to the demanding performance targets set by the Committee for 2023. Vesting of part of the 2021 LTIP award that was subject to a TSR performance condition reflected the share price performance of Grafton relative to the FTSE 250 excluding investment trusts. No discretion has been exercised in relation to incentive outcomes.

Implementation of Policy in 2024

A new Remuneration Policy was put to a vote at the 2023 AGM and was passed with very strong support from shareholders. The way in which we will be implementing the Policy for 2024 will remain largely unchanged from the application of the Policy in 2023.

Salary

The Committee approved a salary increase of 4.0 per cent with effect from 1 January 2024 for the Chief Executive Officer and Chief Financial Officer which was materially lower than average awards of 6.0 per cent to colleagues across the Group.

Bonus opportunity

For 2024 the maximum annual bonus for the CEO will be 150 per cent of salary and 125 per cent of base salary for the CFO. 65 per cent of the annual bonus opportunity for 2024 is based on operating profit, 25 per cent on return on capital employed and five per cent each for gender diversity and carbon emissions targets.

The gender diversity target will be based on increasing the number of female colleagues as a proportion of a target group of colleagues, being the Group Management Committee, certain Group leadership roles, Business Unit CEOs and their executive committees, regional managers and branch managers across the Group by one per cent from 13 per cent to 14 per cent by 31 December 2024. The target for 2023 applied to the wider workforce whereas the new the 2024 target group encompasses senior leaders and ensures that diversity is targeted at the business operational level.

The carbon emissions target will be based on a reduction of 2.5 per cent in emissions per £'million of revenue at constant prices in 2024 against the outcome for 2023.

Pension

The rate of pension contribution is maintained at 9.0 per cent of base salary as implemented on 1 January 2023 and is aligned with the rate available to the majority of the workforce.

Long-term incentive plan (LTIP)

LTIP awards will continue to be made at 200 per cent of salary to the CEO and at 175 per cent of salary to the CFO.

Half of the awards will be based on a TSR performance condition and half on an adjusted EPS performance condition. This is in line with the awards made in 2023. The TSR performance condition will be measured, in line with the policy, against a comparator group consisting of the constituents of the London Stock Exchange's FTSE 250 Index excluding investment trusts.

When setting the 2026 Adjusted EPS target for the 2024 LTIP award, the Committee considered the challenging macro economic environment, the position of the Group in the current construction cycle, a lower level of operating profit budgeted for 2024 and Brokers' forecasts for 2024 and 2025. The Committee has set a target range for 2026 Adjusted EPS of 86.7p at threshold to 95.8p at maximum. The Committee believes that this range is appropriately stretching compared to the Adjusted LTIP EPS performance for 2023 of 78.2p which, in line with prior years, excludes property profit, is adjusted for the number of shares in issue at 31 December 2023 and is also adjusted for a forecast increase in the rate of corporation tax to 21.6 per cent in 2026 which compares to the actual rate of 19.0 per cent in 2023. As noted in the Financial Review on page 61, this increased rate of corporation tax is based on expectations of the balance of profitability across the Group and related tax rates in each of the countries where we operate. The target Adjusted EPS range for 2026 is equivalent to annual compound growth of 3.5 per cent to 7.0 per cent applied to the 2023 base year Adjusted LTIP EPS of 78.2p.

For the purpose of the LTIP award, the Adjusted EPS for 2026 will be calculated based on the number of shares in issue at the end of 2023 (being 205,560,972) such that management will not benefit from any share buybacks during the period.

The Committee also believes that this range is aligned with delivery of the Group's strategic and financial objectives. 25 per cent of the award will vest if the lower end of the adjusted EPS target range of 86.7p is achieved. Where adjusted EPS is between the lower and higher targets in the range of 95.8p, then between 25 per cent and 100 per cent of this part of the award will vest on a straight-line basis.

Chair succession

Mr. Ian Tyler was appointed to the board as Independent Non-Executive Director, Chair Designate on 1 March 2024. Mr. Tyler will succeed Mr. Roney as Chair following the conclusion of the 2024 AGM. The Committee approved an annual fee of £250,000 to Mr. Tyler for his role of Chair which is in line with the median level payable by FTSE 250 companies by reference to market capitalisation. For the period between appointment to the Board on 1 March 2024 as Non-Executive Director and assuming the role of Chair on 2 May 2024, Mr. Tyler will receive an annual fee of €72,603, pro-rated for the period.

Colleague engagement

The Remuneration Committee reviewed workforce remuneration including base pay, benefits and incentives and this was also taken into consideration in deciding the pay of Executive Directors and Senior Management.

Members of the Committee attended Colleague Forums during the year in the UK, Ireland and the Netherlands. These forums, made up of colleagues from each of our businesses, provided the opportunity for our people to engage with Non-Executive Directors and to have their views heard at Board level.

Shareholder engagement

The Committee is committed to ongoing dialogue with shareholders and institutional advisory bodies on remuneration matters and it welcomes feedback as it helps to inform its decisions. The Committee takes an active interest in voting on Annual General Meeting resolutions on remuneration matters and I hope that we can rely on your continued support at this year's AGM.

I am available to respond to any questions that shareholders have about the Remuneration Policy, the Annual Report on Remuneration or indeed on any other aspect of the work of the Committee and can be contacted by email at remunerationchair@graftonplc.com.

Susan Murray
Chair of the Remuneration Committee
6 March 2024

Remuneration Policy report

This part of the Directors' Remuneration Report sets out the Remuneration Policy for the Company and has been prepared in accordance with Schedule 8 to the UK Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended), the Companies (Miscellaneous Reporting) Regulations 2018 (the 2018 regulations), the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 (the 2019 regulations) and the disclosure requirements set out in the Listing Rules of the UK Financial Conduct Authority. This report also complies with the European Union (Shareholders' Rights) Regulations 2020 introduced in Ireland in March 2020. The policy has been developed taking into account the principles of the 2018 UK Corporate Governance Code.

This policy took effect from 1 January 2023 following its approval at the 2023 AGM and is intended to apply until the 2026 AGM and covers the financial years 2023, 2024 and 2025. The information shown has been updated from what appeared in the 2022 Remuneration Policy Report to take account of the fact that the policy is now approved and enacted rather than proposed.

Policy overview

The objective of the Remuneration Policy is to provide remuneration packages for each Executive Director that will:

- Attract, retain and motivate executives of high calibre;
- Ensure that executive management is provided with appropriate incentives to support the delivery of the strategy and encourage enhanced sustainable long-term performance;
- Ensure that the overall package for each director is linked to the short and longer term strategic objectives of the Group as well as being aligned with the Company purpose and values; and
- Have a significant proportion of the potential remuneration package paid in equity, which is designed to ensure that executives have a strong alignment with shareholders through high levels of executive share ownership both during and post employment.

When setting the levels of short-term and long-term variable remuneration and the balance of equity and cash within the package, consideration is given to discouraging unnecessary risk-taking whilst ensuring that performance hurdles are suitably challenging.

In determining the policy, the Remuneration Committee took into account all factors which it considered necessary, including market practice, the changing nature of the business and markets in which it operates, the performance of the Group, the experience, responsibility and track record of the individuals concerned and remuneration practices elsewhere in the Group.

How the views of shareholders are taken into account

The Remuneration Committee considered the guidelines issued by bodies representing institutional shareholders and feedback from shareholders on the Group's remuneration policies and practices. It also consulted with our largest shareholders and a number of the shareholder advisor bodies prior to finalising proposed changes to the current Remuneration Policy. Feedback received during meetings with major shareholders was also considered as part of the review. Given the limited changes being put forward and the strengthening of existing remuneration elements, shareholders who responded were supportive of the changes.

When any significant changes are proposed to the Remuneration Policy in the future, the Remuneration Committee Chair will look to consult with major shareholders in advance and aim to offer a meeting to discuss proposed changes. The Remuneration Committee will actively engage with shareholders and give serious consideration to their views including any feedback received prior to and during the Annual General Meeting.

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

How the views of employees are taken into account

The Remuneration Committee is provided with an overview of workforce remuneration each year and this was taken into consideration in deciding the pay of Executive Directors and Senior Management.

Although the Committee does not directly consult with employees on Directors' remuneration, the Committee does take into consideration the pay and employment conditions of all employees when setting the policy for Directors' remuneration. Salary increases are normally in-line with the general increase for the broader employee population and from the end of 2022, pension contributions for Executive Directors were aligned to the level available for the majority of the workforce. The Committee is also mindful of any changes to the pay and benefit conditions for employees more generally when considering the policy for Directors' pay. When determining incentive outcomes for Directors, including if discretion should be applied, the committee will also consider workforce pay and broader incentive outcomes.

Finally, members of the Committee attended Colleague Forums during the year in the UK, Ireland ,the Netherlands and Finland. Colleague Forums, made up of colleagues from each of our businesses, provide an opportunity for our people to engage with Non-Executive Directors and for their views, including any on remuneration, to be heard at management and Board level.

Determining the Remuneration Policy for Executive Directors

The Remuneration Committee addressed the following factors when determining the Remuneration Policy for Executive Directors:

Clarity

Remuneration arrangements are transparent and clearly set out the terms under which they can be operated including appropriate limits in terms of quantum, measures used and discretions which could be applied if appropriate. The outcomes of variable elements are dependent on the achievement of performance measures that are disclosed each year in the Remuneration Report.

The Policy updates the previous Policy with minimal structural changes and is therefore already embedded into the business and well understood by participants and shareholders alike.

Additionally, when consulting with major shareholders on executive remuneration, the Committee aims for full transparency surrounding its proposals and the rationale for making any changes.

Simplicity

The Group follows a UK/Ireland market standard approach to remuneration which is familiar to all stakeholders. Variable schemes are operated on a clear and consistent basis and are assessed by measuring the performance of the Group. Where changes have been made, this aims to bring simplification to the current arrangements and make the overall approach as clear as possible. For example, we are simplifying our approach to deferral in the annual bonus scheme. We also explain our approach to pay clearly and simply within the Annual Report each year.

Risk

The Remuneration Policy includes the following features:

- Setting defined limits on the maximum awards which can be earned;
- Aligning the performance conditions with the strategy of the Company;
- Ensuring a focus on long-term sustainable performance through the LTIP and its holding period, deferral under the annual bonus and in post-employment shareholding guidelines;
- Ensuring there is sufficient flexibility to adjust bonus payments and LTIP awards through malus and clawback provisions; and
- Providing the Committee with discretion to override formulaic outcomes that may not accurately reflect the underlying performance of the Group or the shareholder experience.

Predictability

Shareholders are given full information on the potential values which could be earned under the bonus and LTIP plans through Annual Reports on Directors Remuneration and by immediately publishing details of new LTIP awards on the RNS. The graphical illustrations provided in the Policy shows performance and pay outcomes for a number of remuneration scenarios for 2024. Performance is also reviewed during the year by the Committee to ensure that it has an understanding of the possible outcomes based on current information.

Proportionality

The performance metrics for the Annual Bonus and the LTIP are clearly aligned to strategy and are designed to reward the successful execution of strategy over the medium to long term. Outcomes are tested based on a regular assessment of the performance of the overall Group, its principal businesses and developing businesses to which the Group is allocating capital. Bonus payouts and the vesting of long-term incentive awards depend on challenging targets being met and the Committee also has discretion to override formulaic outcomes that may not accurately reflect the underlying performance of the Group or the shareholder experience.

Alignment to culture

The Group's culture encourages high performance and sustainable growth while recognising that Grafton operates in sectors that are cyclical and the committee regularly reviews bonus and incentive schemes to ensure consistency with the Group's purpose, values and strategy.

Long-term sustainable success is important to the Board and the strengthening of deferral arrangements, the long-term nature to our plans and shareholding requirements ensure remuneration arrangements are tied to this aim. Similarly, implementing our ESG strategy is a priority and its inclusion within reward structures will further support implementation.

The Committee believes that the Remuneration Policy drives the right behaviour, reflects the Group's values and supports its purpose and culture.

The Remuneration Policy for Directors

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

Element, Purpose and Link to Strategy	Operation	Maximum Opportunity/Limit	Performance targets/comments
Base salary			
To recruit, retain and reward executives of a suitable calibre for the roles and duties required	Salaries of Executive Directors are normally reviewed annually in January and any changes are normally made effective from 1 January (but may in exceptional circumstances be reviewed and increased at other times). When conducting this review and the level of increase, the Committee considers a range of factors including: • The performance of the Group and the individual; • Market conditions; • The prevailing market rates for similar positions in UK and Irish companies of broadly comparable size and a number of industry specific peers; • The responsibilities and experience of each Executive Director; and • The level of salary increases implemented across the Group.	There is no set maximum, however any increases are normally in-line with the general increase for the broader employee population. Individual adjustments in excess of this may be made at the discretion of the Committee for example: • To recognise an increase in the scale, scope or responsibility of a role; • A significant change in the size and/or scope of the business; • Development of an individual within the role; and • Where there has been a significant change in market practice.	Not applicable
Benefits			
Provide market competitive benefits	Benefits may include company car, mobile telephone, life assurance, private medical cover and permanent health insurance. The Committee may introduce other benefits if it is considered appropriate to do so. These would normally be on broadly similar terms to those introduced for the wider workforce. Any reasonable business-related expenses may be reimbursed, including tax thereon. Where an Executive Director is required to relocate to perform their role, appropriate one-off or ongoing expatriate benefits may be provided (e.g. housing, schooling etc).	The value of other benefits is based on the cost to the company and is not pre-determined.	Not applicable
Pension			
Provide market competitive benefits	A company contribution to a money purchase pension scheme or provision of a cash allowance in lieu of pension or a combination of both.	Pension contributions for Executive Directors will be aligned to the level available for the majority of the wider workforce (which is currently 9.0 per cent of base salary).	Not applicable

Remuneration Policy report continued

Element, Purpose and Link to Strategy	Operation	Maximum Opportunity/Limit	Performance targets/comments
Annual bonus			
To encourage and reward delivery of the Group's annual financial and strategic objectives	Bonus payments are determined by the Committee based on performance against the targets. Performance measures and targets are reviewed annually. The bonus is payable in cash. An Executive Director is required to apply 30 per cent of their annual bonus earned after statutory deductions for the purchase of shares in the Group, which normally must be held for a two-year period. Clawback applies as set out in the notes to the policy table below.	The maximum award under the annual bonus plan is 150 per cent of basic salary with the maximum award typically at this level for the CEO and at 125 per cent of salary for the CFO. The Committee may, in its discretion, adjust annual bonus payments, if it considers that the outcome does not reflect the underlying financial or non-financial performance of the participant or the Group over the relevant period, or that such payout level is not appropriate in the context of circumstances that were unexpected or unforeseen when the targets were set. When making this judgement the Committee may take into account such factors as it considers relevant.	The majority of the bonus will be based on the achievement of appropriate financial measures but may also include an element for non-financial measures including personal performance, ESG and strategic measures. The metrics chosen and their weightings will be set out in the Annual Report on Remuneration. For financial measures, a sliding scale is set by the Committee. No bonus is payable if performance is below a minimum threshold, up to 20 per cent is payable for achieving threshold and the bonus payable increases on a straight line or similar basis thereafter with full bonus payable for achieving the upper point on the scale.
Long Term Incentives ('LTIP')			
To encourage and reward delivery of the Group's strategic objectives; to provide alignment with shareholders through the use of shares and to assist with retention	An Executive Director nominated to participate in the plan is granted an award over "free shares" which vest subject to the achievement of performance conditions measured normally over three financial years and the Executive Director remaining employed in the Group. There is normally a holding period of two years on shares received by Executive Directors from LTIP awards that vest after taking into account any shares sold to pay tax and other statutory obligations. Malus and clawback applies as set out in the notes to the table.	The maximum value of awards which may be granted in respect of any financial year is 200 per cent of salary. Awards for the CEO are normally at this level and at 175 per cent of salary for the CFO. The Committee may, in its discretion, adjust the LTIP vesting outcome, if it considers that the outcome does not reflect the underlying financial or non-financial performance of the participant or the Group over the relevant period, or that such payout level is not appropriate in the context of circumstances that were unexpected or unforeseen when the targets were set. When making this judgement the Committee may take into account such factors as the Committee considers relevant.	LTIP awards vest subject to the achievement of challenging performance targets normally measured over a three-year performance period. The vesting of LTIP awards made to Executive Directors is currently subject to EPS (earnings per share) and TSR (total shareholder return) performance conditions. The Remuneration Committee has the authority to set different financial and non-financial metrics (not limited to EPS and TSR) for each award taking account of the medium to long-term strategic objectives of the Group. Normally, 25 per cent of a metric will vest if the lower target in the range is achieved. Where the outcome is between the lower and higher targets in the range, then between 25 per cent and 100 per cent of this part of the award will normally vest on a straight line basis. The vesting of shares is also subject to the Committee being satisfied that the overall financial results have been satisfactory in the circumstances over the performance period.
All-employee share plans			
To encourage share ownership and align the interests of employees with shareholders	Executive Directors are entitled to participate in employee share schemes in operation during the period of the policy on the same basis as other colleagues. The Group currently operates the 2021 Approved SAYE Plan for UK colleagues.	The limits are in line with the limits for other employees which are set by the UK tax authorities. Currently this limit is £500 per month for the SAYE scheme.	Not applicable

Element, Purpose and Link to Strategy	Operation	Maximum Opportunity/Limit	Performance targets/comments
Share ownership guidelines			
To increase the alignment of interests between Executive Directors and shareholders	Executive Directors are expected to build and maintain a holding of Company shares equal to at least 200 per cent of base salary. Executive Directors are expected to retain half of any shares that vest under the LTIP after taking into account any shares sold to pay tax and other statutory obligations, until a shareholding of at least 200 per cent of base salary is reached. LTIP awards made that are subject to the two-year holding period will be deemed to be part of an executive directors' shareholding. The two-year holding period will continue to apply after a Director has stepped down from the Board. Executive Directors will normally be expected to maintain a minimum shareholding of 200 per cent of salary (or actual shareholding if lower) for the two years after stepping down from the Board. The Committee retains discretion to waive this guideline in exceptional circumstances if it is not considered to be appropriate.	Not applicable	Not applicable
Chair and Non-Executive Director fees			
To attract and retain a high-calibre Chair and Non-Executive Directors by offering a market competitive fee level	The Chair's fee is set based on a recommendation from the Remuneration Committee. The Chair is currently paid a single inclusive fee for the role. The Board (but excluding the Non-Executive Directors) sets the level of remuneration of all Non-Executive Directors within an aggregate limit approved from time to time by shareholders. The policy is to pay Non-Executive Directors a basic fee for membership of the Board and additional fees for serving as Chair of Audit & Risk and Remuneration Committees to recognise the additional responsibilities and time commitment of these roles. Additional fees may be paid to reflect additional Board or Committee responsibilities or time commitments as appropriate. The level of fees paid to the Chair of the Board and all Non-Executive Directors recognises the time commitment and responsibilities of the role. The Chair and Non-Executive Directors may be reimbursed for travel and accommodation expenses (and any personal tax that may be due on those expenses). Fees are reviewed from time to time to ensure that they remain in line with market practice. The Chair and Non-Executive Directors do not participate in any pension or incentive plans. Additional benefits may be introduced if considered appropriate.	Details of the outcome of the most recent fee review are provided in the Annual Report on Remuneration (see page 163).	Not applicable

Clawback and malus

Annual bonus

The Bonus scheme is subject to clawback for six years from the date of payment if:

- The Remuneration Committee forms the view that the Company materially misstated its financial results for whatever reason and that such misstatement resulted either directly or indirectly in a bonus award vesting to a greater degree than would have been the case had that misstatement not been made;
- The Remuneration Committee forms the view that in assessing the extent to which any performance condition and or any other condition imposed on any bonus award was based on an error, or on inaccurate or misleading information or assumptions and that such error, information or assumptions resulted either directly or indirectly in a bonus being made to a greater degree than would have been the case had that error not been made;
- The Group or any part of the Group in the reasonable opinion of the Remuneration Committee, following consultation with the Audit & Risk Committee, suffered a material failure of risk management and where the Remuneration Committee forms the view that the conduct of a director contributed to the circumstances leading to such failure;
- A director is found guilty or pleads guilty to a crime that is related to or damages the business or reputation of any member of the Group;
- There is reasonable evidence of fraud or material dishonesty by a director that is related to or damages the business or reputation of any member of the Group; or
- A director is in breach of any applicable restrictions on competition, solicitation or the use of confidential information.

Long-term incentives

The Remuneration Committee has the discretion, in circumstances in which the Remuneration Committee considers such action is appropriate, to decide at any time prior to the vesting of an award that the director to whom the award was issued shall be subject to forfeiture or reduction (including by way of imposition of additional conditions) of all or part of an award before it has vested.

The Remuneration Committee also has the discretion to require the repayment of vested awards (within six years of the date of award vesting) in specified circumstances, including:

- where there is a material misstatement in the Company's financial results and that such misstatement resulted either directly or indirectly in an award vesting to a greater degree than would have been the case had that misstatement not been made;
- where in calculating the number of shares to which an award relates or in determining the performance conditions and/or any other condition imposed on the award or in assessing the extent to which any performance condition and/or any other condition imposed on the award was satisfied such calculation, determination or assessment was based on an error, or on inaccurate or misleading information or assumptions and that such error, information or assumptions resulted either directly or indirectly in that award vesting over a greater number of shares or to a greater degree than would have been the case had that error not been made;
- where it is determined that there has been a material failure of risk management;
- where the conduct of the relevant participant contributed to circumstances leading to an insolvency or corporate failure resulting in the value of the Company's shares being materially reduced;
- where the relevant participant is found guilty of or pleads guilty to a crime that is related to or damages the business or reputation of any member of the Company's group;
- there is reasonable evidence of fraud or material dishonesty by the relevant participant that is related to or damages the business or reputation; and
- breach of any applicable restrictions on competition, solicitation or the use of confidential information.

The LTIP is subject to malus provisions including but not limited to the material misstatement of financial results, a material failure of risk management, serious reputational damage or where a participant contributed to circumstances leading to the Group receiving a notification that it may become subject to any regulatory sanctions.

Annual bonus and LTIP discretions

The Committee will operate the annual bonus and LTIP according to their respective rules and in accordance with the Listing Rules and applicable tax rules. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of these plans. These include (but are not limited to) the following (albeit within the level of award restricted as set out in the policy table above):

- Who participates in the plan;
- The timing of grant of awards;
- The size of awards;
- The choice of performance measures and performance target conditions in respect of each annual award (including the setting of EPS targets and the selection of a TSR comparator group);
- The determination of vesting, including discretion to override formulaic outcomes;
- Whether malus and/or clawback shall be applied to any award and, if so, to the extent to which they shall apply;
- Discretion relating to the measurement of performance in the event of a change of control or reconstruction;
- Determination of a good leaver status (in addition to other specified categories) for incentive plan purposes based on the rules of the plan;
- Adjustments required in certain circumstances (e.g., in the event of a de-merger, special dividend or an alteration to the capital structure of the Company including a capitalisation of reserves or rights issue); and
- The ability to adjust existing performance conditions for exceptional events so that they can still fulfil their original purpose.

Legacy arrangements

The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out above, where the terms of the payment were agreed (i) before the Policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder-approved Directors' Remuneration Policy in force at the time they were agreed; or (ii) at a time when the relevant individual was not a Director of the Company (or other persons to whom the Policy set out above applies) and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes, "payments" include the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" no later than at the time the award is granted.

Differences in remuneration policy for executive directors compared to other employees

The Committee is made aware of pay structures across the wider Group when setting the Remuneration Policy for Executive Directors. The Committee considers the general basic salary increase for the broader employee population when determining the annual salary review for the Executive Directors and the pension is aligned with that offered to the majority of the wider workforce.

Overall, the Remuneration Policy for the Executive Directors is more heavily weighted towards variable pay than for other employees. This ensures that there is a clear link between value created for shareholders and remuneration received by Executive Directors and it recognises that Executive Directors should have the greatest accountability and responsibility for increasing shareholder value.

Approach to recruitment and promotions

The Committee will as a general principle seek to offer a remuneration package to a new executive Director which can secure the best individual for the role while seeking to pay no more than it believes is necessary to make the appointment.

The remuneration package for a new Director will normally be set in accordance with and subject to the limits set out in the Group's approved policy as set out earlier in this report, subject to such modifications as are set out below.

Salary levels for Executive Directors will be set in accordance with the Group's Remuneration Policy, taking into account the experience and calibre of the individual and his/her existing remuneration package.

Where it is appropriate to offer a lower salary initially, a series of increases to the desired salary positioning may be made over subsequent years subject to individual performance and development in the role. Benefits will generally be provided in line with the approved policy. Where necessary the Committee may approve the provision of one-off or ongoing expatriate benefits (e.g. housing, schooling etc.) to facilitate recruitment and ensure that flexibility is retained for the Company to pay for legal fees and other costs incurred by the individual in relation to their appointment. The rate of pension contribution will be aligned to the level available for the majority of the wider workforce at the date of appointment.

The structure of the variable pay element will normally be in accordance with and subject to the limits set out in the Group's approved policy detailed above. Different performance measures may be set initially for the annual bonus in the year an Executive Director joins the Group taking into account the responsibilities of the individual and the point in the financial year that he or she joins the Board. Subject to the rules of the scheme, an LTIP award may be awarded after joining the Group.

If it is necessary to buy-out incentive pay or benefit arrangements or other contractual terms (which would be forfeited on leaving the previous employer) in the case of an external appointment, this would be provided for taking into account the form (cash or shares), timing and expected value (i.e., likelihood of meeting any existing performance conditions) of the remuneration being forfeited. The general policy is that payment would generally be on a "like-for-like" basis unless this is considered by the Committee not to be practical or appropriate.

Share awards may be used to the extent permitted under the Group's existing share plans and the Listing Rules where necessary.

In the case of an internal hire, any outstanding variable pay awarded in relation to the previous role will be allowed to pay out according to its terms of grant or adjusted as considered desirable to reflect the new role.

Fees for a new Chair or Non-Executive Director will be set in line with the approved policy.

Service contracts and payments for loss of office

The Remuneration Committee determines the contractual terms for new Executive Directors, subject to appropriate professional advice to ensure that these reflect best practice.

The Group's policy is that the period of notice for Executive Directors will not exceed 12 months. The employment contracts of the current CEO and the CFO may be terminated on six months' notice by either side. In the event of a director's departure, the Group's policy on termination is as follows:

- The Group will pay any amounts it is required to make in accordance with or in settlement of a director's statutory employment rights;
- The Group will seek to ensure that no more is paid than is warranted in each individual case;
- There is no entitlement to bonus paid following notice of termination unless expressly provided for in an Executive Director's employment contract, but the Group reserves the right to pay a bonus for service to the date of cessation of employment. Such bonus would normally be subject to the same performance conditions as the normal bonus and payable at the normal time;
- The Committee also retains the discretion to meet any reasonable legal fees or outplacement costs or cost of a similar nature if deemed necessary; and
- Following service of notice to terminate employment, the Company may place the executive on garden leave. During this time, the executive will continue to receive salary and benefits (or a sum equivalent to) until the termination of employment.

A Director's service contract may be terminated without notice and without any further payment or compensation, except for sums accrued up to the date of termination, on the occurrence of certain events such as gross misconduct.

If the Group terminates employment in lieu of notice in other circumstances, compensation payable is as provided for in employment contracts which is as follows:

- Eric Born – basic salary together with pension and benefits due for any unexpired period.
- David Arnold – basic salary together with benefits and bonus which would have been payable during the notice period or any unexpired balance thereof. Any bonus payable is subject to performance conditions. Payments may be made in monthly instalments.

The Group may pay salary, benefits and pension in lieu of notice for a new director.

The treatment of unvested awards previously granted under the LTIP upon termination will be determined in accordance with the plan rules.

As a general rule, an LTIP award will lapse upon a participant giving or receiving notice of his/her cessation of employment. However, for certain good leaver reasons including death, ill health, injury, disability, redundancy, agreed retirement, their employing company or business being sold out of the Group, or any other reason at the Committee's discretion after taking into account the circumstances prevailing at the time, awards will normally vest on the normal vesting date subject to the satisfaction of performance conditions and,

unless the Committee determines, otherwise pro-rating the award to reflect the reduced period of time between the commencement of the performance period and the Executive Director's cessation of employment as a proportion of the total performance period. Alternatively, the Committee can decide that the award will vest on the date of cessation, subject to the extent to which the performance conditions have been satisfied at the date of cessation and, unless the Committee determines otherwise, pro-rated to the date of cessation of employment.

Non-Executive Directors

All Non-Executive Directors have letters of appointment with the Company for an initial period of three years, unless otherwise terminated earlier by and at the discretion of either party upon one month's written notice or otherwise in accordance with the Group's Articles of Association and subject to annual re-appointment at the AGM.

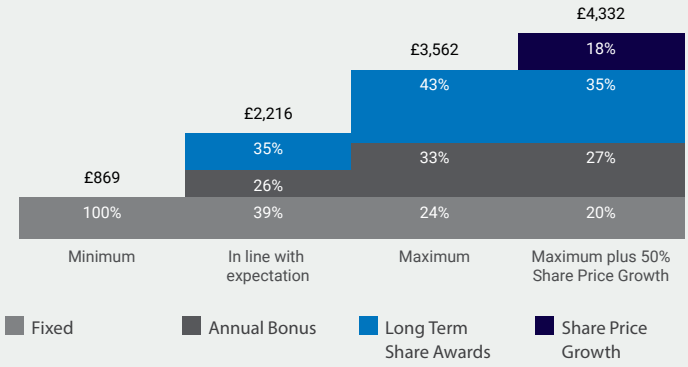
The appointment letters for Non-Executive Directors provide that no compensation is payable on termination other than accrued fees and expenses.

Remuneration scenarios for Executive Directors

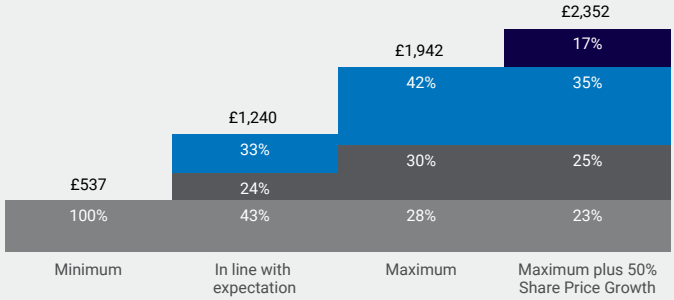
The Group's normal policy results in a significant portion of remuneration received by Executive Directors being dependent on performance.

The chart below shows how the total pay opportunities for 2024 for Executive Directors vary under four performance scenarios – Minimum, In line with Expectation, Maximum and Maximum plus 50 per cent share price growth.

Chief Executive Officer (£'000)



Chief Financial Officer (£'000)



Assumptions

Minimum = fixed pay only (2024 salary, benefits and pension).
In line with expectation (which is not target) = 50 per cent vesting of the annual bonus and LTIP awards.
Maximum = 100 per cent vesting of the annual bonus and LTIP awards.
Maximum plus 50 per cent Share Price Growth = 100 per cent vesting of the annual bonus and LTIP awards plus 50 per cent share price growth.

Note these charts have been updated from those included in the Policy approved by shareholders at the 2023 AGM to reflect the implementation of the Policy in 2024.

Although not required under Irish Companies legislation, this report includes the disclosures required by UK legislation contained in Part 3 of Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, and the disclosures required by 9.8.6R of the Listing Rules. The report also complies with the European Union (Shareholders' Rights) Regulations 2020 introduced in Ireland in March 2020.

Membership of the Remuneration Committee

The Committee currently comprises Mrs. Susan Murray, Chair, Mr. Vincent Crowley, Mr. Paul Hampden Smith, Dr. Rosheen McGuckian, Ms. Avis Darzins and Mr. Mark Robson all of whom are Non- Executive Directors determined by the Board to be independent. Mr. Mark Robson was appointed to the Committee on 5 December 2023.

The Committee members have no personal financial interest, other than as shareholders, in matters to be decided, no potential conflicts of interests arising from cross directorships and no day-to-day involvement in running the business. The Non-Executive Directors are not eligible for pensions and do not participate in the Group's bonus or share schemes. The Committee's Terms of Reference can be found on the Group website.

Mr. Michael Roney, Chair, attended meetings of the Committee during 2023 by invitation and participated in discussions. During the year the Committee consulted with the CEO who was invited to attend part of the meetings of the Committee. The Chair of the Committee was assisted in her work by Mr. Charles Rinn, Company Secretary who attended meetings of the Committee, Ms. Paula Harvey, Group HR Director who is also Secretary of the Committee and Ms. Rebecca McAleavey, Assistant Company Secretary. No Director or the Company Secretary, or the Group HR Director took part in discussions relating to their own remuneration and/or benefits.

Deloitte LLP ("Deloitte") are the Committee's advisor on remuneration matters and fees paid to them during the year were £39,175. Fees were charged on a time and material basis. Deloitte were appointed by the Committee following a competitive tender process.

The Committee is satisfied that the Deloitte team, which provided remuneration advice to the Committee, do not have connections with Grafton Group plc or its Directors that may impair their independence. The Committee reviewed the potential for conflicts of interest and judged that there were appropriate safeguards against such conflicts.

Deloitte also provided other services during the year which were not of a material nature.

During the year Deloitte provided a market practice update to the Committee on remuneration trends and governance. Deloitte also provided advice on the implementation of the Remuneration Policy for 2023 and on other remuneration matters including the new Remuneration Policy that was put to shareholder vote at the 2023 AGM.

The Committee is satisfied that the advice provided by Deloitte is objective and independent. Deloitte are a signatory to the Remuneration Consultants' Code of Conduct which requires its advice to be impartial and Deloitte have confirmed to the Committee its compliance with the Code.

Activity during the year

January 2023
- Determined 2023 salary increase for Chief Financial Officer and the Company Secretary;
- Considered level of potential Bonus Awards for 2022;
- Considered level of potential vesting of 2020 LTIP Awards in 2023;
- 2023 Bonus Scheme structure, measures and targets;
- Initial consideration of 2023 LTIP Awards;
- Reviewed and approved the pension contribution rates for the Chief Executive Officer and Chief Financial Officer; and
- Considered shareholder feedback on the proposed changes to the Remuneration Policy.

February 2023
- Considered and approved the Report of the Remuneration Committee on Directors' Remuneration;
- Determined annual bonus payments for 2022;
- Determined the extent of vesting of the LTIP awards made in 2020;
- Considered shareholder feedback on the proposed changes to the Remuneration Policy;
- Considered and approved the proposed 2023 Remuneration Policy to be put to Shareholders at the 2023 AGM;
- Agreed the quantum of 2023 LTIP awards to be granted to Executive Directors and the Company Secretary;
- Agreed the performance conditions for the 2023 LTIP awards including the EPS range;
- Agreed the ESG targets for Bonus Awards for 2023; and
- Reviewed the CEO Pay Ratio with the wider workforce.

April 2023
- Grant of awards under Save as You Earn Scheme to UK colleagues.

May 2023
- Update on shareholder voting and feedback on AGM resolutions on Annual Report on Remuneration and proposed 2023 Remuneration Policy; and
- Considered an update on the collection and calculation of 2022 carbon emissions data.

September 2023
- Approved the vesting of LTIP awards granted in 2020.

October 2023
- Considered an update from Deloitte on latest executive remuneration trends and corporate governance developments;
- Considered shareholder and proxy advisor feedback received on the 2022 Report of the Remuneration Committee on Directors' Remuneration;
- Considered whether any remuneration benchmarking was required and if the remuneration policy remains appropriate;
- Reviewed share allocation and dilution limits; and
- Determined good leaver status for LTIP awards to below Board level executives.

December 2023
- Considered level of potential Bonus Awards for 2023;
- Considered level of potential vesting of 2021 LTIP Awards in 2024;
- Considered an update on pay across the Group's workforce;
- Determined 2024 salary increases for Chief Executive Officer, Chief Financial Officer and Company Secretary;
- Considered fees payable in the event of the appointment of new Chair;
- 2024 Bonus Scheme structure, measures and financial targets;
- Initial consideration of 2024 LTIP Awards;
- Reviewed Executive Directors' shareholdings against Policy;
- Considered and approved proposed changes of Remuneration Committee Terms of Reference; and
- Reviewed and agreed the Committee proposed timetable and work schedule for 2024.

Single total remuneration figure of Directors' remuneration

The following table sets out the total remuneration for Directors for the year ending 31 December 2023 and the prior year.

	Salary/Fees (a)		Bonus (b)		Pension (c)		Other benefits (d)		Long-term incentive plan (e)		Total	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000	**2023 £'000**	2022 £'000	**2023 £'000**	2022 £'000	**2023 £'000**	2022 £'000	**2023 £'000**	2022 £'000
Executive Directors												
E. Born[(i)]	**740**	70	**182**	–	**67**	2	**30**	4	**–**	–	**1,019**	76
D. Arnold	**450**	431	**92**	209	**41**	86	**27**	29	**156**	424	**766**	1,179
G. Slark[(iii)]	**–**	630	**–**	–	**–**	128	**–**	32	**–**	–	**–**	790
	1,190	1,131	**274**	209	**108**	216	**57**	65	**156**	424	**1,785**	2,045
Non-Executive Directors												
M. J. Roney	**239**	239	**–**	–	**–**	–	**–**	–	**–**	–	**239**	239
P. Hampden Smith	**73**	72	**–**	–	**–**	–	**–**	–	**–**	–	**73**	72
S. Murray	**73**	72	**–**	–	**–**	–	**–**	–	**–**	–	**73**	72
V. Crowley	**63**	62	**–**	–	**–**	–	**–**	–	**–**	–	**63**	62
R. McGuckian	**63**	62	**–**	–	**–**	–	**–**	–	**–**	–	**63**	62
A. Darzins	**63**	57	**–**	–	**–**	–	**–**	–	**–**	–	**63**	57
M. Robson[(ii)]	**5**	–	**–**	–	**–**	–	**–**	–	**–**	–	**5**	–
	579	564	**–**	–	**–**	–	**–**	–	**–**	–	**579**	564
Total Remuneration	**1,769**	1,695	**274**	209	**108**	216	**57**	65	**156**	424	**2,364**	2,609

(i) Mr. E. Born was appointed Chief Executive Officer and joined the Board on 28 November 2022
(ii) Mr. M Robson was appointed to the board on 1 December 2023
(iii) Mr. G. Slark stepped down from the Board on 31 December 2022

The following table sets out the total remuneration for Executive Directors split between fixed and variable pay for the year ending 31 December 2023 and the prior year. Fixed pay includes salary, fees, pension and other benefits. Variable pay includes bonus and Long-term Incentive Plan. The remuneration of Non-Executive Directors is all fixed pay. These fees were not increased in the year.

	Total fixed pay		Total variable pay		Total	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000	**2023 £'000**	2022 £'000
Executive Directors						
E. Born	**837**	76	**182**	–	**1,019**	76
D. Arnold	**518**	546	**248**	633	**766**	1,179
G. Slark	**–**	790	**–**	–	**–**	790
	1,355	1,412	**430**	633	**1,785**	2,045

Comparative figures included in the tables above have been presented on a consistent basis with the current year. Further details on the valuation methodologies applied are set out in notes (a) to (e) on the page opposite. These valuation methodologies are as required by the Regulations and are different from those applied within the financial statements which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU. The total expense relating to the Directors recognised within the income statement in respect of the Long-term Incentive Plan (LTIP) is £662,000 (2022: £379,000).

Notes to the Directors' remuneration table:

(a) This is the amount of salaries and fees earned in respect of the financial year. Non-Executive Directors' fees are payable in Euro and remained unchanged at €72,603. The sterling equivalent amounts to £63,149 on the basis of the average exchange rate for the year of 86.979 pence. Additional fees of €11,594 (sterling equivalent of £10,084) are payable to each of the Chairs of the Audit and Risk Committee and the Remuneration Committee.

(b) This is the amount of bonus earned in respect of the financial year. The amount payable in respect of 2023 will be paid at the end of March 2024. Mr. G. Slark's right to a bonus was forfeited on leaving the Group on 31 December 2022. Mr. Born joined the Group on 28 November 2022 and did not participate in the 2022 bonus scheme.

(c) This is the amount of contribution payable in respect of the financial year by way of a company contribution to a pension scheme or a taxable payment in lieu of pension made through the payroll.

(d) Benefits comprise permanent health and medical insurance and the provision of a company car.

(e) For the year ended 31 December 2023, this is the value of LTIP awards that will vest in May 2024. The vesting of these awards was subject to performance conditions over the period from 1 January 2021 to 31 December 2023. The value of the awards that will vest is based on the average share price of £8.27 for the three months to 31 December 2023. This represents a decrease of £3.74 or 31.1 per cent from the share price of £12.01 at the date of grant. No discretion was applied as a result of this decrease. For the year ended 31 December 2022, this is the value of LTIP awards that vested in September 2023 which has been updated from that disclosed last year to reflect the share price of £8.98 on the date of vesting. The amount disclosed in the 2022 report was £352,000 in respect of Mr. D. Arnold.

Fixed pay in 2023

Salary and fees

Having taken account of both external market developments and internal Group considerations, the Committee agreed in December 2022 that the basic salary of the Chief Financial Officer would increase by 4.4 per cent from 1 January 2023 which reflected the typical level of salary for the wider workforce. The salary of the Chief Executive Officer was not due for review until 1 January 2024 following his appointment in November 2022.

	Salary/Fees		
	2023 £'000	2022 £'000	Change
E. Born[(i)]	**740**	70	**–**
D. Arnold	**450**	431	**4.4%**
G. Slark[(ii)]	**–**	630	**–**

(i) Mr. E. Born was appointed CEO and joined the Board on 28 November 2022
(ii) Mr. G. Slark stepped down from the Board on 31 December 2022

Non-Executive Directors' fees were £63,149 per annum (based on an exchange rate of Stg86.979 pence to 1 Euro) (constant currency: €72,603). Additional fees of €11,594 (sterling equivalent of £10,084) were paid to each of the Chairs of the Audit and Risk Committee and the Remuneration Committee. The fee paid to Mr. Roney, Non- Executive Chair, was £238,553.

Benefits

Benefits comprise permanent health and medical insurance and the provision of a company car.

	Health and Medical Insurance £'000	Provision of a Company car £'000	Total 2023 Taxable Benefits £'000	Total 2022 Taxable Benefits £'000
E. Born	6	24	30	4
D. Arnold	6	21	27	29
G. Slark	–	–	–	32

Pension

Pension benefits comprise either a company contribution to an Executive Director's personal pension plan, a company contribution to the Group defined contribution pension scheme or a taxable non-pensionable cash allowance paid through the payroll in lieu of pension benefit.

	2023 Base Salary	% of salary	**2023 Pension Contribution**	2022 Pension Contribution
E. Born	**740**	9.0%	**67**	2
D. Arnold	**450**	9.0%	**41**	86
G. Slark	**–**	–	**–**	128

The 2022 pension benefit for Mr. Arnold was paid as a taxable non-pensionable cash allowance. Mr. Slark's 2022 pension benefit comprised a payment made to a defined contribution scheme and a taxable cash allowance in lieu. The total pension benefit received by Mr. Slark was £128,040.

The rate of pension contribution is maintained at 9.0 per cent of base salary as implemented on 1 January 2023 and is aligned with the rate available to the majority of the workforce.

Pay for performance

Annual bonus

The maximum bonus opportunity for Mr. Born and Mr. Arnold was 150 per cent and 125 per cent of salary respectively. 65 per cent of the annual bonus was based on operating profit, 25 per cent on return on capital employed and five per cent each for gender diversity and carbon emissions targets, which are described in further detail on page 144.

The tables below analyses the composition of the bonus opportunity for the year (% of salary) for the CEO and CFO:

CEO bonus based on	
Operating profit	97.50%
Return on capital employed	37.50%
Gender Diversity	7.50%
Carbon Emissions	7.50%
	150.00%

CFO bonus based on	
Operating profit	81.25%
Return on capital employed	31.25%
Gender Diversity	6.25%
Carbon Emissions	6.25%
	125.00%

Financial targets were set at the beginning of the year by reference to the Group's budget for 2023. The actual targets and performance against those targets are set out in the table below for 2023:

	Threshold (0% Payable)	Target (50% Payable)	Stretch (100% Payable)	Actual	% of Maximum Payable
Operating profit (£'000)*	£198,712	£214,824	£230,936	£204,281	17.28%
Return on capital employed**	11.59%	12.50%	13.50%	11.60%	0.47%

* Adjusted constant currency operating profit, before property profit, from continuing operations, which increased operating profit as reported by £32,000.
** Based on capital employed in budget/monthly management accounts.

The award for each financial measure was based on a sliding scale from 92.5 per cent to 107.5 per cent of the Group's budget for 2023. No bonus was payable if performance was below a minimum threshold of 92.5 per cent of target. The bonus opportunity then increased on a straight line basis up to 100 per cent of the bonus opportunity on achieving 107.5 per cent of target.

The gender diversity target which was based on increasing the number of female colleagues as a proportion of the Group's workforce by one per cent compared to the outcome for 2022 was not achieved. As at 31 December 2023, the percentage of female colleagues as a proportion of the Group's workforce was 28.0 per cent (2022: 29.17 per cent). As there was a slight decline in the proportion of female employees compared to the outcome for 2022, this target was not achieved and no award is payable for this element of the bonus. The carbon emission target, which was achieved in full, was based on a reduction of 2.5 per cent in emissions per million of revenue at constant prices in 2023 against the outcome for 2022. The Group achieved a 12.2 per cent reduction in Scope 1 and Scope 2 GHG emissions per million of revenue in 2023.

The Committee considered the extent to which these targets were achieved and agreed a payment of 24.53 per cent of salary for Mr. Born out of a maximum bonus opportunity of 150 per cent of salary and 20.44 per cent of salary for Mr. Arnold out of a maximum bonus opportunity of 125 per cent of salary. These bonuses equate to 16.35 per cent of the maximum opportunity. The Committee determined that no changes to these outcomes were required.

Long-term incentive plan ('LTIP')

The Remuneration Committee has the authority to set appropriate criteria for each award. The Committee believes that the LTIP should align management and shareholder interests and assist the Group in the recruitment and retention of senior executives.

LTIP awards with a performance period covering the three years to 31 December 2023

The performance conditions for LTIP awards made to Executive Directors in May 2021 were based on growth in EPS and TSR. Half of the awards to Executive Directors were based on relative TSR versus a comparator group consisting of the constituents of the London Stock Exchange's FTSE 250 Index excluding investment trusts. The other half was based on the Group's adjusted EPS for the financial year ended 31 December 2023. The reported adjusted EPS for the year was 77.9p being in the range of 70.4p to 80.7p. In line with the rules of the LTIP, the Adjusted EPS outcome was calculated based on the number of shares in issue as at the end of 31 December 2020 such that management will not benefit from any share buybacks during the performance period. On this basis, adjusted EPS for 2023 was 69.2p and as this was below the threshold of 70.4 pence, this half of the award will not vest.

The relevant targets and results for the year were as follows:

	50% TSR relative to a peer group		50% Adjusted EPS	
	Performance ranking required	% of element vesting	Performance required	% of element vesting
Below threshold	Below median	0%	Below 70.4p	0%
Threshold	Median	25%	70.4p	25%
Between threshold and stretch	Median-80th percentile	25%-100%	70.4p-80.7p	25%-100%
Stretch or above	Above 80th percentile	100%	Above 80.7p	100%
Actual achieved	55	61.8%	–	0%

Based on the above, 30.9 per cent of the total award granted to the Chief Financial Officer will vest in May 2024. The award made to the former Chief Executive Officer lapsed on giving notice to the Company that he was stepping down from the role.

The following is a summary of the 2021 awards that will vest in May 2024:

Director	Total number of shares granted	Percentage of award vesting (%)	Number of shares vesting	Value of shares vesting (£)[1]
G. Slark (former CEO whose awards lapsed)	101,761	0%	–	–
D. Arnold	60,983	30.9%	18,843	155,832

1 As these awards do not vest until after 17 May 2024 a deemed share price is used to calculate the value of shares vesting. This is taken as the three-month average to 31 December 2023 being £8.27.

LTIP awards granted during the year ended 31 December 2023

The following awards were made during the year ended 31 December 2023:

	Date of grant	Number of nil cost units	% Of base salary	Share price at grant date	Value of award at grant date
E. Born	31 March 2023	166,855	200	£8.87	£1,480,000
D. Arnold	31 March 2023	88,839	175	£8.87	£ 788,003

The 2023 awards to Mr. Born and Mr. Arnold are subject to the achievement of the following TSR and Adjusted EPS performance conditions:

	50% TSR relative to a peer group		50% Adjusted EPS	
	Performance ranking required	% of element vesting	Performance required	% of element vesting
Below threshold	Below median	0%	Below 89.7p	0%
Threshold	Median	25%	89.7p	25%
Between threshold and stretch	Median-80th percentile	25%-100%	89.7-101.6p	25%-100%
Stretch or above	Above 80th percentile	100%	Above 101.6p	100%

The TSR comparator group consists of the constituents of the London Stock Exchange's FTSE 250 Index excluding investment trusts. The Adjusted EPS for 2025 is calculated based on the number of shares in issue at the end of 2022 being 223,401,033 (excluding 500,000 treasury shares) such that management will not benefit from any share buybacks during the period.

In line with best practice and shareholder expectations, the Committee retains discretion to adjust the vesting outcome if it is not considered to be reflective of the underlying financial and/or non-financial performance of the business, the performance of the individual over the performance period or where the outcome is not considered appropriate in the context of the experience of shareholders and other stakeholders.

A holding period of two years will apply to LTIP awards received by Executive Directors that vest, after taking into account any shares sold to pay tax and other statutory obligations in line with the Remuneration Policy. Shares held during the two-year holding period will be deemed to be part of an executive directors' shareholding, for the purposes of monitoring the shareholding guidelines. The vesting period and the holding period will be five years in total. Clawback provisions also apply.

External appointments

The Company recognises that Executive Directors may be approached to become Non-Executive Directors of other companies and that opportunities of this nature can provide valuable experience that benefits the company.

Mr. Arnold is a Non-Executive Director of Crest Nicholson Holdings plc and is permitted to retain his fee for the role which amounted to £63,654 in 2023.

Loss of office payments and payments to past Directors

No loss of office payments or any payments to past Directors were made during the year.

Application of remuneration policy in 2024

Salaries

The Remuneration Policy for 2023 notes there is no prescribed maximum annual salary increase but the Committee will be guided by the general increases for the broader employee population but on occasion may need to recognise an increase in the scale, scope or responsibility of the role.

The Committee approved a salary increase of 4.0 per cent with effect from 1 January 2024 for the Chief Executive Officer and the Chief Financial Officer which was materially lower than average awards of 6.0 per cent to colleagues across the Group.

The following salaries will apply from 1 January 2024:

	2024 Base salary	2023 Base salary	**% Increase**
E. Born	**£769,600**	£740,000	**4.0%**
D. Arnold	**£468,300**	£450,288	**4.0%**

Chair and Non-Executive Directors' fees

Non-Executive Directors' fees are payable in Euro and remained unchanged at €72,603. The sterling equivalent amounts to £63,149 on the basis of the average exchange rate of 86.979 pence. Additional fees of €11,594 (sterling equivalent of £10,084) are payable to each of the Chairs of the Audit and Risk Committee and the Remuneration Committee. Fees payable to Non-Executive Directors for 2024 will remain in line with 2023.

Mr. Ian Tyler was appointed to the board as Independent Non-Executive Director, Chair Designate on 1 March 2024. Mr. Tyler will succeed Mr. Roney as Chair following the conclusion of the 2024 AGM. The Committee approved an annual fee of £250,000 to Mr. Tyler for his role of Chair which is in line with the median level payable by FTSE 250 companies by reference to market capitalization. For the period between appointment as Non-Executive Director and assuming the role of Chair, Mr. Tyler will receive an annual fee of €72,603.

Pension and benefits

Mr. Born and Mr. Arnold will receive taxable pension contributions/ cash allowance in lieu of pension of 9 per cent of salary with effect from 1 January 2024 which are aligned to the level available for the majority of the wider workforce.

Annual bonus

As set out in the 2023 Committee Report, the maximum annual bonus opportunity is 150 per cent of salary for the Chief Executive Officer and 125 per cent for the Chief Financial Officer.

65 per cent of the annual bonus is based on Operating profit, 25 per cent on Return on capital employed and five per cent each for gender diversity and carbon emissions targets. The measures and weightings for 2024 are shown in the table below.

The annual bonus for 2024 will continue to be subject to Gender Diversity and Carbon Reduction targets that will carry a weighting of five per cent each. The carbon emissions target will be based on a reduction of 2.5 per cent in emissions per £ million of revenue at constant prices in 2024 against the outcome for 2023. The gender diversity target will be based on increasing the number of female colleagues as a proportion of a target group of colleagues, being the Group Management Committee, certain Group leadership roles, Business Unit CEOs and their executive committees, regional managers and branch managers across the Group by one per cent from 13.0 per cent to 14.0 per cent by 31 December 2024. The target for 2023 applied to the wider workforce whereas the new 2024 target group encompasses senior leaders and ensures that diversity is targeted at the business operational level.

CEO bonus based on	**% of salary 2024**	% of salary 2023
Operating profit	**97.50%**	97.50%
Return on capital employed	**37.50%**	37.50%
Gender Diversity	**7.50%**	7.50%
Carbon Emissions	**7.50%**	7.50%
	150.00%	150.00%

CFO bonus based on	**% of salary 2024**	% of salary 2023
Operating profit	**81.25%**	81.25%
Return on capital employed	**31.25%**	31.25%
Gender Diversity	**6.25%**	6.25%
Carbon Emissions	**6.25%**	6.25%
	125.00%	125.00%

The operating profit and return on capital employed targets are commercially sensitive and therefore will be disclosed in the 2024 Annual Report.

In line with the Policy, Executive Directors are required to apply 30 per cent of any annual bonus earned after statutory deductions for the purchase of shares in the Group. These shares would be required to be held for two years. Clawback provisions operate as set out in the Remuneration Policy on page 152.

Long-term incentives

Awards to be made in 2024 will be at the same level as 2023 being 200 per cent of salary for the CEO and 175 per cent of salary for the CFO. Vesting of the 2024 award will be based on relative TSR (50 per cent) and on EPS (50 per cent) performance conditions in line with the prior year as follows:

	50% TSR relative to a peer group		50% Adjusted EPS	
	Performance ranking required	% of element vesting	Performance required	% of element vesting
Below threshold	Below median	0%	Below 86.7p	0%
Threshold	Median	25%	86.7p	25%
Between threshold and stretch	Median-80th percentile	25%-100%	86.7-95.8p	25%-100%
Above 80th percentile	Above 80th percentile	100%	95.8p	100%

The TSR performance condition will continue to be measured against a comparator group consisting of the constituents of the London Stock Exchange's FTSE 250 Index excluding investment trusts.

Notwithstanding the achievement of the TSR performance conditions, no shares will vest unless the Committee considers that the overall financial results of the Group have been satisfactory in the circumstances over the performance period.

When setting the 2026 Adjusted EPS target for the 2024 LTIP award, the Committee considered the challenging macro economic environment, the position of the Group in the current construction cycle, a lower level of operating profit budgeted for 2024 and Brokers' forecasts for 2024 and 2025. The Committee has set a target range for 2026 Adjusted EPS of 86.7p at threshold to 95.8p at maximum. The Committee believes that this range is appropriately stretching compared to the Adjusted LTIP EPS performance for 2023 of 78.2p which, in line with prior years, excludes property profit, is adjusted for the number of shares in issue at 31 December 2023 and is also adjusted for a forecast increase in the rate of corporation tax to 21.6 per cent in 2026 which compared to the actual rate of 19.0 per cent in 2023. As noted in the Financial Review on page 61, this increased rate of corporation tax is based on expectations of the balance of profitability across the Group and related tax rates in each of the countries where we operate. The target Adjusted EPS range for 2026 is equivalent to annual compound growth of 3.5 per cent to 7.0 per cent applied to the 2023 base year Adjusted LTIP EPS of 78.2p.

For the purpose of the LTIP award, the Adjusted EPS for 2026 will be calculated based on the number of shares in issue at the end of 2023 (being 205,560,972) such that management will not benefit from any share buybacks during the period.

The Committee also believes that this range is aligned with delivery of the Group's strategic and financial objectives. 25 per cent of the award will vest if the lower end of the adjusted EPS target range of 86.7 is achieved. Where adjusted EPS is between the lower and higher targets in the range, then between 25 per cent and 100 per cent of this part of the award will vest on a straight-line basis.

A holding period of two years will apply to LTIP awards received by Executive Directors that vest, after taking into account any shares sold to pay tax and other statutory obligations in line with the Remuneration Policy. Shares held during the two-year holding period will be deemed to be part of an executive directors' shareholding, for the purposes of monitoring the shareholding guidelines. The vesting period and the holding period will be five years in total.

Relative importance of spend on pay

The following table sets out the percentage change in dividends, share buybacks and overall spend on employee pay in the 2023 financial year compared with the prior year.

	2023 £'000	2022 £'000	Percentage change
Dividends payable	**73,585***	72,747	1.2%
Share buybacks	**155,735**	135,046	15.3%
Employee remuneration costs	**350,925**	337,204	4.1%

* Based on shares in issue as at 29 February 2024

Annual report on Remuneration continued

Percentage change in Directors pay

The table below shows the percentage year-on-year change in the value of salary/fees, annual bonus and benefits for all Directors between the current and previous year compared to that of the average employee. Change is calculated using unrounded pay figures in local currency. Mr. Mark Robson was appointed to the Board on 5 December 2023.

	Salaries or fees (% change)		Benefits (% change)		Bonus (% change)	
	2022 to 2023	2021 to 2022**	2022 to 2023	2021 to 2022	2022 to 2023	2021 to 2022*
E. Born	– %	n/a	n/a	n/a	n/a	n/a
G. Slark (former CEO)	n/a	3.1%	n/a	0.1%	n/a	(100%)
D. Arnold	4.4%	3.1%	(5.3%)	3.2%	(56.0%)	(50.0%)
M. Roney	– %	3.1%	–	–	–	–
P. Hampden Smith***	– %	19.6%	–	–	–	–
S. Murray***	– %	19.6%	–	–	–	–
V. Crowley	– %	3.1%	–	–	–	–
R. McGuckian	– %	3.1%	–	–	–	–
A. Darzins	– %	n/a	–	–	–	–
M. Robson	n/a	n/a	–	–	–	–
Average employee						
Salary, Benefits and Bonus (£)***	4.4%	4.0%				

* Mr. G. Slark's right to a bonus was forfeited on leaving the Group on 31 December 2022.
** 2022 includes additional fees of €11,594 for the Chairs of the Audit and Risk Committee and the Remuneration Committee.
*** Based on average number of persons employed during the year. The increase in constant currency was 3.2 per cent.

CEO pay ratio to the workforce

The table below shows the ratio of the CEO's total remuneration for 2023 and the lower, median and upper quartile full-time equivalent remuneration of the Group's UK employees. The pay ratios for 2022, 2021, 2020 and 2019 are also shown for comparison. Grafton has decided to use Option A as it provides the most statistically accurate method for identifying the pay ratios. Option A requires a company to calculate the total full-time equivalent pay and benefits of all its UK employees for the relevant financial year (using the same methodology as for CEO pay) in order to identify and rank the 25th, 50th and 75th percentiles.

The total remuneration for employees includes wages and salaries, taxable benefits, bonuses, share based payments remuneration and pensions.

The period of analysis is between 1 January and 31 December 2023. The total number of UK colleagues included in the 2023 pay ratio analysis was 4,064. The analysis included colleagues employed at 31 December 2023.

Financial year	Method	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2019	Option A	93:1	77:1	59:1
2020	Option A	68:1	57:1	44:1
2021	Option A	138:1	120:1	90:1
2022	Option A	35:1*	31:1*	26:1*
2023	Option A	43:1	37:1	30:1

Total pay and benefits amounts used to calculate CEO pay ratio

		25th percentile pay ratio		50th percentile pay ratio		75th percentile pay ratio	
Financial year	Method	Total pay and benefits	Total salary	Total pay and benefits	Total salary	Total pay and benefits	Total salary
2023	Option A	£23,919	£22,905	£27,536	£26,254	£34,010	£31,345

For the purpose of calculating the pay ratio, the CEO's remuneration is based on the single figure for 2023 of £1,018,065 which includes all remuneration (salary, pension and benefits).

Details of colleague bonus payments in respect of 2023 is based on bonuses paid in 2023. This is consistent with the calculation method used in previous years. Consistent with our practice in previous years, next year's report will be updated for bonuses paid to colleagues in respect of 2023.

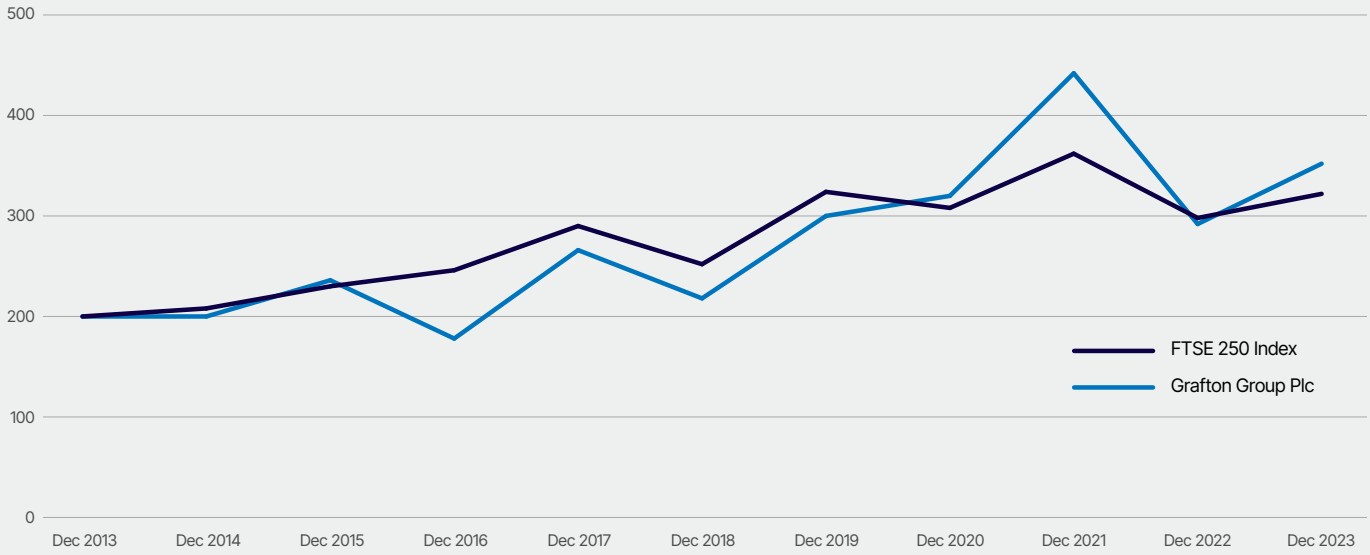
The Committee considers the median pay ratio consistent with the Group's wider policies on employee pay, reward and progression. For example, the Committee reviewed workforce remuneration including base pay, benefits and incentives which was taken into consideration when deciding the pay of Executive Directors and Senior Management. Changes in total remuneration for the CEO are largely as a result of the volatile nature of their variable pay and this is reflected in the variation of the total pay ratio over the period.

* The pay ratio reported for 2022 has been re-calculated to be based on colleague bonuses paid in respect of 2022 such that it is on a like for like basis to the CEO's single figure calculation. No bonus or LTIP was applicable for the 2022 CEO single figure as Mr. Gavin Slark, the former CEO, stepped down from the Board on 31 December 2022 and Mr. Eric Born joined the Group on 28 November 2022.

Performance graph and single total figure of remuneration

Total shareholder return

The graph below compares the TSR performance of Grafton Group plc, assuming dividends are re-invested, with the TSR performance of the FTSE 250 over the period 31 December 2013 to 31 December 2023.



Source: Refinitiv Datastream

This graph shows the value, by 31 December 2023, of £100 invested in Grafton Group plc on 31 December 2013, compared with the value of £100 invested in the FTSE 250 Index on the same date. This comparator group was chosen on the basis that the Company is a constituent of the index and it includes comparable sized businesses. The other points plotted are the values at intervening financial year-ends.

Annual report on Remuneration continued

The table below shows the total remuneration figure for the position of CEO over the ten years to 2023.

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
CEO single total figure of remuneration (£'000)	3,080	2,255	1,692	1,689	2,211	1,852	1,322	2,876	791*	1,019
Annual bonus payout relative to maximum	98%	53%	60%	100%	93%	19%	0%	100%	n/a	16%
LTIP vesting	100%	87%	50%	26%	72%	95%	30%	100%	n/a	n/a

* This is the pro-rated single figure of remuneration for the role of CEO. Mr. E. Born was appointed Chief Executive Officer and joined the Board on 28 November 2022. Mr. G. Slark stepped down from the Board on 31 December 2022. No bonus or LTIP was applicable in 2022.

Statement of shareholder voting

The 2022 Annual Report on Remuneration received the following votes from shareholders at the 2023 AGM:

	Total number of votes	% of votes cast
For	110,868,940	81.01
Against	25,989,020	18.99
Total	136,857,960	100

The number of votes withheld for the Annual Report on Remuneration was 1,205.

The 2023 Directors Remuneration Policy received the following votes from shareholders at the 2023 AGM:

	Total number of votes	% of votes cast
For	133,960,759	97.88
Against	2,896,246	2.12
Total	136,857,005	100

The number of votes withheld for the Remuneration Policy was 2,160.

Directors' and secretary's interests

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

Director	31 December 2023 Grafton Units*	31 December 2022 Grafton Units	Unvested LTIP awards**	Unvested SAYE options***
E. Born	11,300	–	204,106	–
D. Arnold	197,936	190,430	225,814	1,134
M. J. Roney	45,826	45,826	–	–
P. Hampden Smith	45,566	32,990	–	–
V. Crowley	8,000	8,000	–	–
S. Murray	1,500	1,500	–	–
R. McGuckian	5,380	3,455	–	–
A. Darzins	2,406	2,406	–	–
Secretary				
C. Rinn	503,327	486,598	68,740	–

* At 31 December 2023 a Grafton Unit consists of one Ordinary Share of €0.05 in Grafton Group plc.
** Vesting of these awards is subject to performance conditions and includes awards granted in 2021, 2022 and 2023.
*** Option to buy shares at the agreed price within six months of the end of the three-year period 1 June 2025 (1,134 units).

The closing price of a Grafton Unit on 31 December 2023 was 911.10p (31 December 2022: 788.6p) and the price range during the year was between 751.0p and 988.7p (2022: 630.6p and 1255.0p). There have been no changes in the interests of the Directors and Secretary between 31 December 2023 and the date of this report.

To further align the interests of senior management with those of shareholders, Executive Directors are subject to share ownership guidelines. Executive Directors are required to build a holding of shares in the Company with a minimum value of 200 per cent of their salary. Executive Directors are expected to retain half of any shares that vest under the LTIP after taking into account any shares sold to pay tax and other statutory obligations, until this share ownership requirement is fulfilled. In addition, Executive Directors are required to apply 30 per cent of their annual bonus after statutory deductions for the purchase of shares in the Group.

There is normally a two year holding period for shares received from LTIP awards that vest. The two-year holding period will continue to apply after a Director has stepped down from the Board. Executive Directors will normally be expected to maintain a minimum shareholding of 200 per cent of salary (or actual shareholding if lower) for the two years after stepping down from the Board.

Mr. Born held shares at the year-end valued at 0.14 times his salary which reflects his relatively recent appointment as a Director. Mr. Arnold held shares at the year-end valued at 4.0 times his salary. This is based on the closing price of a Grafton Unit on 31 December 2023 of 911.10p.

2020 LTIP awards over 47,182 shares vested in September 2023 in favour of Mr. Arnold who instructed the Company to immediately sell 22,274 of these Grafton Units to meet tax liabilities and brokers commission and he retained the remainder being 24,908 Grafton Units.

Directors' and secretary's interests under the 2011 & 2021 long-term incentive plans

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

			Number of units								
	Grant Date	Share Price on date of Grant	01-Jan-23	Granted	Lapsed	Shares Received	31-Dec-23	EPS Condition	TSR Condition	Performance Period	Vesting Date**
E. Born	29 Nov 2022	£8.059	37,251	–	–	–	37,251	18,625	18,626	1 Jan 22-31 Dec 24	29 Nov 2025
	31 March 2023	£8.87	–	166,855	–	–	166,855	83,427	83,428	1 Jan 23-31 Dec 25	1 April 2026
			37,251	**166,855**	**–**	**–**	**204,106**	**102,052**	**102,054**		
D. Arnold	10 Sept 2020	£7.37	98,709	–	(51,527)	(47,182)*	–	–	–	1 Jan 20-31 Dec 22	10 Sept 2023
	17 May 2021	£12.005	60,983	–	–	–	60,983	30,492	30,491	1 Jan 21-31 Dec 23	17 May 2024
	1 April 2022	£9.9325	75,992	–	–	–	75,992	37,996	37,996	1 Jan 22-31 Dec 24	1 April 2025
	31 March 2023	£8.87	–	88,839	–	–	88,839	44,419	44,420	1 Jan 23-31 Dec 25	1 April 2026
			235,684	**88,839**	**(51,527)**	**(47,182)**	**225,814**	**112,907**	**112,907**		
C. Rinn	10 Sept 2020	£7.37	32,434	–	(16,931)	(15,503)*	–	–	–	1 Jan 20-31 Dec 22	10 Sept 2023
	17 May 2021	£12.005	18,911	–	–	–	18,911	9,456	9,455	1 Jan 21-31 Dec 23	17 May 2024
	1 April 2022	£9.9325	22,462	–	–	–	22,462	11,231	11,231	1 Jan 22-31 Dec 24	1 April 2025
	31 March 2023	£8.87	–	27,367	–	–	27,367	13,683	13,684	1 Jan 23-31 Dec 25	1 April 2026
			73,807	**27,367**	**(16,931)**	**(15,503)**	**68,740**	**34,370**	**34,370**		

* The market price at the date of vesting was £8.9805.
** This is the earliest date for vesting. The actual date of vesting is subject to approval by the Remuneration Committee.

The Group's previous long-term incentive share scheme was approved by shareholders at the 2011 AGM and expired in April 2021. The Grafton Group plc 2021 Long-term Incentive Plan (the "Plan") was approved by shareholders at the Annual General Meeting of the Company held on 28 April 2021 and the first awards made under the Plan were on 17 May 2021.

Susan Murray
Chair of the Remuneration Committee
6 March 2024

Report of the Directors

The Directors present their report to the shareholders together with the audited financial statements for the year ended 31 December 2023.

Group results

Group revenue increased by 0.8 per cent to £2.32 billion from £2.30 billion in 2022. Statutory operating profit was £183.1 million (2022: £264.3 million). Adjusted operating profit of £205.5 million was down 28.1 per cent from £285.9 million last year.

Net finance income was £0.4 million (2022: net expense of £12.6 million). The Net finance income incorporates an interest charge of £15.6 million (2022: £14.9 million) on lease liabilities recognised under IFRS 16.

The income tax expense of £34.8 million (2022: £43.1 million) is equivalent to an effective tax rate of 19.0 per cent of profit before tax (2022: 17.1 per cent).

Basic earnings per share from continuing operations was 69.6 pence (2022: 89.3 pence). Adjusted earnings per share was 77.9 pence (2022: 96.6 pence).

The Group and Company financial statements for the year ended 31 December 2023 are set out in detail on pages 176 to 271 and are deemed to be incorporated in this part of the Report of the Directors together with the Supplementary Information on pages 272 to 285.

Dividends

A final dividend for 2022 of 23.75 pence per ordinary share in Grafton Group plc was paid on 11 May 2023 to shareholders on the register of members at the close of business on 14 April 2023.

An interim dividend for 2023 of 10.0 pence per ordinary share in Grafton Group plc was paid on 20 October 2023 to shareholders on the register of members at the close of business on 22 September 2023.

A final dividend for 2023 of 26.0 pence per ordinary share in Grafton Group plc is proposed for approval by shareholders at the AGM on 2 May 2024 and, if approved, will be paid on 9 May 2024 to shareholders on the register of members at the close of business on 12 April 2024, the record date. The ex-dividend date is 11 April 2024.

Review of the business

Shareholders are referred to the Chair's Statement, Chief Executive Officer's Review, Operating Review and Financial Review and all reports and information included in the Strategic Report on pages 2 to 113 which includes a review of operations and the financial performance of the Group for 2023, the outlook for 2024 and the key performance indicators used to assess the performance of the Group. These are deemed to be incorporated in the Report of the Directors.

Cautionary statement

Certain statements made in this Annual Report are forward looking statements. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual events or results to differ materially from those expressed or implied by these forward-looking statements. They appear in a number of places throughout this Annual Report and include statements regarding the intentions, beliefs or current expectations of Directors and senior management concerning, amongst other things, the results of operations, financial conditions, liquidity, prospects, growth rate and potential growth opportunities, potential operating performance improvements, the effects of competition and the strategy of the overall Group and its individual businesses. You should not place undue reliance on forward looking statements. These forward looking statements are made as at the date of this Directors Report. The Company and its Directors expressly disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise, except as required by law.

The principal risks and uncertainties included on pages 68 to 75 of this Annual Report could cause the Group's results to differ materially from those expressed in forward-looking statements. There may be other risks and uncertainties that the Group is unable to predict at this time or that the Group currently does not expect to have a material adverse effect on its business. These forward-looking statements are made as of the date of this Annual Report.

Board of Directors

Under the Company's Articles of Association, Directors are required to submit themselves to shareholders for election at the Annual General Meeting following their appointment and all Directors are required to submit themselves for re-election at intervals of not more than three years.

However, in line with the provisions contained in the UK Corporate Governance Code, all Directors retired and being eligible offered themselves for re-election at the 2023 Annual General Meeting. All Directors were re-elected to the Board on the same day.

The Board has decided that all Directors seeking re-election should retire at the 2024 Annual General Meeting and offer themselves for re-election, with the exception of Mr. Michael Roney and Mr. Paul Hampden Smith who have each indicated that they will step down from the Board following the conclusion of the 2024 AGM. Mr. Ian Tyler and Mr. Mark Robson will go forward for election at the 2024 AGM.

Share capital

As at 31 December 2023, the share capital of the Company consists of Ordinary Shares of Euro five cent each in Grafton Group plc. The composition of the Company's share capital is set out in Note 18 on page 230.

The Group has in place a number of employee share schemes, the details of which are set out in the Report of the Remuneration Committee on Directors' Remuneration and in Note 31 to the Group Financial Statements.

Annual General Meeting ('AGM')

The AGM of the Company will be held at the Irish Management Institute (IMI) Sandyford Rd, Dublin, D16 X8C3, Ireland at 10.30am on Thursday 2 May 2024. The Notice of Meeting for the 2024 AGM will be made available on the Group's website, www.graftonplc.com. The resolutions to be considered at the Annual General Meeting are summarised below.

Financial statements

To receive and consider the Company's financial statements for the year ended 31 December 2023 together with the reports of the Directors and the Auditors.

Final dividend

Shareholders are being asked to declare a final dividend of 26.0 pence per Ordinary Share for the year ended 31 December 2023 payable on 9 May 2024 to the holders of Ordinary Shares on the register of members at close of business on 12 April 2024.

Election/Re-election of Directors

To elect/re-elect all the directors of the Company except for Mr. Michael Roney and Mr. Paul Hampden Smith.

Continuation in office of auditors

While it is not required under Irish law, an advisory, non-binding resolution is being presented in relation to the continuation of PwC in office as Auditors.

Remuneration of the auditors

As required under Section 381(1)(b) of the Companies Act 2014, a resolution is being presented authorising the Directors to fix the remuneration of the Auditors.

Report of the Remuneration Committee on Directors' remuneration

The Board is proposing to submit the Chair's Annual Statement, and the Annual Report on Remuneration of the Remuneration Committee, as set out on pages 22 to 27 and 156 to 170, to a non-binding advisory vote.

Notice Period for Extraordinary General Meetings

This resolution will, if adopted, maintain the existing authority in the Articles of Association which permits the Company to convene an extraordinary general meeting on 14 days' notice in writing where the purpose of the meeting is to consider an ordinary resolution. As a matter of policy, the 14 days' notice will only be utilised where the Directors believe that it is merited by the business of the meeting and the circumstances surrounding the business of the Meeting.

Authority to allot relevant securities

Shareholders are being asked to renew the Directors' authority to allot and issue any unissued ordinary share capital of the Company. The total number of shares which the Directors may issue under this authority will be limited to one third of the issued share capital of the Company. The Directors have no present intention to make a share issue other than in respect of employee share schemes.

Disapplication of pre-emption rights

At each Annual General Meeting, the Directors seek authority to disapply statutory pre-emption rights in relation to allotments of shares for cash up to an aggregate nominal value for all allotments and all treasury shares representing five per cent of the nominal value of the issued ordinary share capital of the Company as at the date of the Notice of Annual General Meeting. Under the Articles of Association, shareholders are required to renew this power at each year's Annual General Meeting.

Authority to make market purchases of the Company's own shares

At the 2023 Annual General Meeting, shareholders gave the Company and/or any of its subsidiaries authority to make market purchases of up to 10 per cent of the Company's own shares. Shareholders are being asked to renew this authority.

The Directors consider it appropriate to maintain the flexibility that this authority provides. The Directors monitor the Company's share price and may from time to time exercise this power to make market purchases of the Company's own shares, at price levels which they consider to be in the best interests of the shareholders generally, after taking account of the Company's overall financial position. The minimum price which may be paid for any market purchase of the Company's own shares will be the nominal value of the shares and the maximum price which may be paid will be 105 per cent of the then average market price of the shares.

Authority to re-issue treasury shares

Shareholders are being asked to sanction the price range at which any treasury share (that is a share of the Company redeemed or purchased and held by the Company rather than being cancelled) may be re-issued other than on the Stock Exchange. The maximum and minimum prices at which such a share may be re-issued are 120 per cent and 95 per cent respectively of the average market price of a share calculated over the five business days immediately preceding the date of such re-issue.

The authorities which will be sought at the forthcoming AGM to allot relevant securities, disapply pre-emption rights, purchase the Company's Units and re-issue treasury shares will, if granted, expire on the earlier of the date of the Annual General Meeting in 2025 or 15 months after the passing of these resolutions.

Substantial holdings

So far as the Company is aware, the following held shares representing three per cent or more of the ordinary share capital of the Company (excluding treasury shares) at 31 December 2023 and 29 February 2024:

	31 December 2023		29 February 2024	
Name	Holding	%	Holding	%
Mr. Michael Chadwick	21,776,410	10.59	21,776,410	10.76
Blackrock, Inc.	14,732,921	7.17	14,732,921	7.28
Dimensional Fund Advisors LP	10,381,584	5.05	10,381,584	5.13
Vanguard Group, Inc	10,206,117	4.97	10,206,117	5.04
GLG Partners LP	9,492,397	4.62	9,492,397	4.69
abdrn plc	8,274,256	4.03	8,274,256	4.09
JPMorgan Asset Management Holdings Inc.	6,439,451	3.13	6,439,451	3.18

Apart from these holdings, the Company has not been notified at 29 February 2024 or at 31 December 2023 of any interest of three per cent or more in its ordinary share capital.

Directors' and Secretary's interests in the share capital of the Company are set out in the Report of the Remuneration Committee on Directors' Remuneration on page 169.

Report of the Directors continued

Accounting records

The Directors are responsible for ensuring that adequate accounting records are maintained by the Company as required by Sections 281-285 of the Companies Act, 2014. The Directors believe that they have complied with this requirement by providing adequate resources to maintain proper books and accounting records throughout the Group including the appointment of personnel with appropriate qualifications, experience and expertise. The books and accounting records of the Company are maintained at The Hive, Carmanhall Road, Sandyford Business Park, Sandyford, Dublin 18, Ireland.

Takeover regulations 2006

The capital structure of the Company is detailed in Note 18 to the Group Financial Statements. Details of employee share schemes are set out in Note 31. In the event of a change of control, the vesting/conversion/ exercise of share entitlements/options may be accelerated. The Group's borrowing facilities may be required to be repaid in the event of a change of control. The Company's Articles of Association provide that the business of the Company shall be managed by the Directors, who may exercise all such powers of the Company subject to the Companies Act and the Articles of Association. Details of the powers of the Directors in relation to the issuing or buying back by the Company of its shares are set out above. The Company's Memorandum and Articles of Association, which are available on the Company's website, www.graftonplc.com, are deemed to be incorporated in this part of the Report of the Directors.

Corporate governance regulations

As required by company law, the Directors have prepared a Report on Corporate Governance which is set out on pages 119 to 170 and which, for the purposes of Section 1373 of the Companies Act 2014, is deemed to be incorporated in this part of the Report of the Directors. This includes the Report of the Audit and Risk Committee. Details of the capital and employee share schemes are included in Notes 18 and 31 respectively.

Directors compliance statement

It is the policy of the Company to comply with its relevant obligations as defined in the Companies Act 2014. The Directors have drawn up a compliance policy statement as defined in section 225(3)(a) of the Companies Act 2014. Arrangements and structures have been put in place that are, in the directors' opinion, designed to secure a material compliance with the Company's relevant obligations. These arrangements and structures were reviewed by the Company during the financial year. As required by section 225(2) of the Companies Act 2014, the Directors acknowledge that they are responsible for the Company's compliance with its relevant obligations. In discharging their responsibilities under section 225, the Directors relied on the advice of third parties who they believe have the requisite knowledge and experience to advise the Company on compliance with its relevant obligations.

Principal risks and uncertainties

The Company is required under Irish company law to give a description of the principal risks and uncertainties. These principal risks and uncertainties are set out on pages 68 to 75 and are deemed to be incorporated in this section of the Report of the Directors.

Non-financial statement - Transparency regulations 2007 and the European Union (disclosure of non-financial and diversity information by certain large undertakings and groups) regulations 2017

The following are deemed to be incorporated in this part of the Report of the Directors:

Reporting requirement	Location of information	Page
Environmental Matters	Sustainability	82 to 96
Social & Employee Matters	Sustainability	100 to 105
	Our People and Culture	16 to 19
	Stakeholder Engagement	20 and 21
	Note 11 to the Group Financial Statements	218
	Note 6 to the Group Financial Statements	213 to 214
Diversity	Sustainability	104 to 105
	Nomination Committee Report	135 to 141
Human Rights	Sustainability	110
Anti-bribery & Corruption	Sustainability	110
	Audit and Risk Committee Report	130
Business Model	Our Business Model	28
Non-Financial KPIs	Key Performance Indicators	42 and 43
	Sustainability	82 to 113
Principal Risks	Risk Management	68 to 75
Financial Instruments	Note 21 to the Group Financial Statements	236 to 243

Subsidiaries

The Group's principal operating subsidiary undertakings are set out on pages 269 and 270.

Political contributions

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

Events after the balance sheet date

There have been no material events subsequent to 31 December 2023 that would require adjustment to or disclosure in this report, save as disclosed in Note 34 on page 260.

Auditor

The statutory Auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office in accordance with Section 382 (2) of the Companies Act 2014 and a resolution authorising the Directors to fix their remuneration will be submitted to the Annual General Meeting.

Disclosure of information to statutory auditors

In accordance with the provisions of section 330 of the Companies Act 2014, each of the persons who are Directors of the Company at the date of approval of this report confirms that:

- So far as the Director is aware, there is no relevant audit information (as defined in the Companies Act 2014) of which the statutory Auditor is unaware; and
- The Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information (as defined) and to ensure that the statutory Auditor is aware of such information.

On behalf of the Board.

Eric Born
Director
6 March 2024

David Arnold
Director

03 Financial Statements

In this section

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Directors' responsibility statement

The Directors are responsible for preparing the Annual Report and the Group and Company financial statements, in accordance with applicable law and regulations.

Irish law requires the Directors to prepare Group and Company financial statements for each financial year. Under that law, the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and have prepared the Company financial statements in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 101 "Reduced Disclosure Framework" and Irish law).

Under company law the Directors shall not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Group and Company as at the end of the financial year and of the profit or loss of the Group for the financial year.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the Group financial statements have been prepared in accordance with IFRS as adopted by the European Union, and as regards the Company, have been prepared in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 101 "Reduced Disclosure Framework" and Irish law); and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are also required by the Companies Act 2014 and the Listing Rules to include a report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group.

The Directors are responsible for keeping adequate accounting records that are sufficient to:

- correctly record and explain the transaction of the Group and Company;
- enable, at any time, the assets, liabilities, and financial position and profit or loss of the Group and Company to be determined with reasonable accuracy; and
- enable the Directors to ensure that the financial statements comply with the provisions of the Companies Act 2014 and enable those financial statements to be audited.

The Directors are also responsible for safeguarding the assets of the Company and the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website (www.graftonplc.com). Legislation in the Ireland concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

RESPONSIBILITY STATEMENT AS REQUIRED BY THE LISTING RULES AND THE UK CORPORATE GOVERNANCE CODE

Each of the Directors, whose names and functions are listed on pages 116 to 118 of this Annual Report, confirm that, to the best of each person's knowledge and belief:

- the Group financial statements, prepared in accordance with IFRS as adopted by the European Union and the Company financial statements prepared in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 101 "Reduced Disclosure Framework" and Irish law), as applied in accordance with the provisions of the Companies Act 2014, give a true and fair view of the assets, liabilities, and financial position of the Group and Company at 31 December 2023 and of the profit of the Group for the year then ended;
- the Report of the Directors contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Group and that a fair description of the principal risks and uncertainties faced by the Group is provided on pages 68 to 75; and
- the Annual Report and Accounts 2023, taken as a whole, provides the information necessary for shareholders to assess the Company's and Group's position and performance, business model and strategy and is fair, balanced and understandable.

On behalf of the Board

Eric Born
Director

David Arnold
Director

6 March 2024

Independent Auditors' Report to the Members of Grafton Group plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Grafton Group plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the Group's and the Company's assets, liabilities and financial position as at 31 December 2023 and of the Group's profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland (accounting standards issued by the Financial Reporting Council of the UK, including Financial Reporting Standard 101 "Reduced Disclosure Framework" and Irish law); and
- the financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014.

We have audited the financial statements, included within the Annual Report and Accounts 2023 (the "Annual Report"), which comprise:

- the Group Balance Sheet as at 31 December 2023;
- the Company Balance Sheet as at 31 December 2023;
- the Group Income Statement and Group Statement of Comprehensive Income for the year then ended;
- the Group Cash Flow Statement for the year then ended;
- the Group Statement of Changes in Equity for the year then ended;
- the Company Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a description of the accounting policies.

Basis for opinion

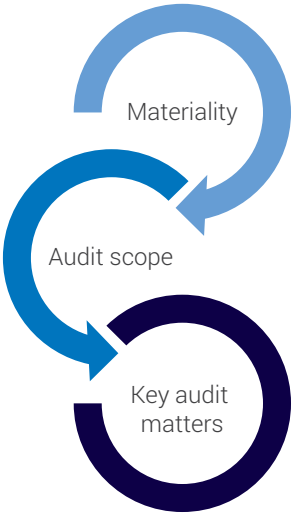
We conducted our audit in accordance with International Standards on Auditing (Ireland) ("ISAs (Ireland)") and applicable law. Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview



Overall materiality
- £8.8 million (2022: £10.5 million) – Group financial statements
- Equates to c. 5% of profit before tax and property profit
- €8.6 million (2022: €8.1 million) – Company financial statements
- Equates to c. 0.4% of total assets.

Performance materiality
- £6.6 million (2022: £7.9 million) – Group financial statements.
- €6.4 million (2022: €6.1 million) – Company financial statements.

Audit scope
- We conducted an audit of the complete financial information of 11 of the Group's 15 reporting components across the United Kingdom, Ireland, the Netherlands and Finland. These accounted for in excess of 90% of the Group's revenue, in excess of 80% of the Group's profit before tax and in excess of 90% of the Group's total assets.

Key audit matters
- Valuation of goodwill.
- Completeness and accuracy of rebate income and valuation of rebate receivables.
- Valuation of inventory.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Independent Auditors' Report to the Members of Grafton Group plc continued

Key audit matter	How our audit addressed the key audit matter
Valuation of goodwill Refer to note 1, Summary of Material Accounting Policies, note 12, Goodwill and note 32, Accounting Estimates and Judgements. As at 31 December 2023 Goodwill amounted to £645.1 million. Goodwill is allocated to five groups of Cash Generating Units ("CGUs") in order to conduct impairment testing. The groups of CGUs represent the lowest level within the Group at which goodwill is monitored for internal management purposes. Goodwill must be tested for impairment on at least an annual basis. The Group tests goodwill for impairment using value-in-use ("VIU") models. The cash flows included in these VIU models are those included in the Board approved budget for 2024 and management forecasts for 2025 to 2028, with long-term growth rates being used to estimate cash flows beyond 2028. As set out in note 12 to the financial statements, impairment testing of goodwill involves a number of areas of judgement and estimates, in particular the revenue growth rate and operating margin assumptions in the years 2024 to 2028, long term growth rates used in estimating cash flows for the purposes of calculating a terminal value and pre-tax discount rates for each CGU. Management determined there to be no impairments during the year. We determined valuation of goodwill to be a key audit matter due to the significance of this asset and as the Directors' assessment of the recoverable amount of goodwill involves complex and subjective judgements.	We agreed the underlying cash flow forecast models for each of the groups of CGUs to the Board approved budget and management forecasts, and checked the mathematical accuracy of the models. We considered the reliability of management's forecasting process by considering how actual results compared to forecasts historically. We critically assessed and challenged management on the key assumptions included in the models, in particular the revenue growth and operating margin assumptions over the period 2024 to 2028. We compared the revenue growth rates to external economic forecasts and considered them to be within reasonable ranges. We assessed the appropriateness of forecast operating margins through comparison to actual historic margins achieved and considering current market conditions. We assessed the appropriateness of the Group's forecast long term growth rates used to calculate terminal values by comparing them to independent sources. With assistance from our in-house valuation experts, we considered the appropriateness of the discount rates applied to each of the groups of CGUs by recalculating an acceptable range of discount rates using observable inputs from independent external sources. We also performed sensitivity analyses on the impact of changes in key inputs and assumptions on the goodwill impairment assessment, focussing on the cash flows, discount rate and the rates of growth assumed by management. Based on the results of these procedures we are satisfied that no impairment charge was required. We assessed the appropriateness of the related disclosures within the financial statements.

Key audit matter	How our audit addressed the key audit matter
Completeness and accuracy of rebate income and valuation of rebate receivables Refer to note 1, Summary of Material Accounting Policies, note 17a, Trade and Other Receivables and note 32, Accounting Estimates and Judgements. The Group has entered into rebate arrangements with a significant number of its suppliers. Supplier rebates received and receivable in respect of goods purchased are deducted from cost of sales in the income statement, or the cost of inventory to the extent that those goods remain in inventory at the year end. Due to the nature of the agreements in place, a significant portion of the Group's supplier rebate income recognised during the year is not finalised or received until after the year end. In addition, in certain businesses of the Group, the process for calculating rebate income requires manual input and use of spreadsheets. We determined this to be a key audit matter as the calculation of supplier rebates recognised in the year and the rebates receivable at 31 December 2023 involves both the use of estimates and manual inputs and is material to the performance and financial position of the Group.	We assessed the reasonableness of the significant estimates made by management in the calculation of rebate income and rebate receivables. We recalculated, on a sample basis, rebate income recognised during the year and year end receivables by reference to supplier agreements and purchases reports. For a sample of suppliers, we independently obtained external confirmation of rebate income and rebates due at 31 December 2023. Where responses were not received, we performed alternative procedures including obtaining rebate agreements and re-computing rebate income and rebate receivables. We also considered the actual results of the collection of rebates during the year, including those relating to the prior year, and after the year end, comparing the amount collected to the related estimated rebates receivable balance. We concluded that the amounts recognised were reasonable. We assessed the appropriateness of the related disclosures within the financial statements.
Valuation of inventory Refer to note 1, Summary of Material Accounting Policies, note 16, Inventories and note 32, Accounting Estimates and Judgements. Inventory, net of provisions at 31 December 2023 amounted to £361.6 million. The inventory provision at 31 December 2023 was £56.0 million. The Group holds a significant number of product lines across its branch network in the UK, Ireland, the Netherlands and Finland. Significant judgement is exercised by management in assessing the level of inventory provision in respect of slow-moving or obsolete inventory. Management assesses the required level of provision based on a model that reflects the age of inventory on hand at year end and other considerations in respect of specific inventory. Where inventory on which rebates have been earned is held at the year end, an appropriate rebate deduction is made from the gross carrying value of that inventory. We determined this to be a key audit matter due to the judgement involved in estimating the inventory provisions across multiple product lines and locations.	We tested the accuracy of inventory ageing reports where they supported the calculation of inventory provisions by selecting a sample of inventory items on hand and testing the aged classification by reference to purchase documentation. We recomputed provisions recorded to assess whether they were in line with Group policy. We assessed the appropriateness of Group policy by reference to the nature, ageing and level of inventory held at year end. We also obtained an understanding from management of plans to liquidate slower moving inventory and we considered the appropriateness of provisions made. We recalculated on a sample basis the rebates allocated to inventory held at year end, by reference to rebate arrangements applying to those purchases. We concluded that the valuation of inventory was reasonable. We assessed the appropriateness of the related disclosures within the financial statements.

Independent Auditors' Report to the Members of Grafton Group plc continued

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group financial statements are a consolidation of 15 reporting components across 4 geographical markets. The Group's accounting process is structured around a local finance function for each of the reporting components. These functions maintain their own accounting records and controls and report to the head office finance team in Dublin.

In establishing the scope of the Group audit, we identified three reporting components as significant, which in our view required an audit of their complete financial information due to their size and financial significance to the Group. A further eight reporting components had an audit of their complete financial information based on our risk assessment, the materiality of the reporting component or statutory audit requirements.

The Group audit team performed analytical procedures at a Group level to assess the risks of material misstatement within the remaining four components.

The components subject to an audit of their full financial information and Group functions accounted for in excess of 90% of the Group's revenue, in excess of 80% of the Group's profit before tax and in excess of 90% of the Group's total assets.

The Group team was responsible for the scope and direction of the audit process. The Group audit team performed the work on four components. PwC ROI and other PwC network firms performed work on seven components under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

The Group audit team attended all 11 of the component audit closing meetings with local management by video conference or in person. We obtained and considered the detailed findings reports from all component teams. In addition, the Group audit team reviewed working papers of the auditors for the significant components.

As part of our audit, we made enquiries of management to understand their assessment of the potential impact of climate change risk on the judgements and estimates used in the Group's financial statements. Management considers that the impact of climate change does not give rise to a material financial statement impact. We used our knowledge of the Group to evaluate management's assessment. In particular, we considered how climate change risks could impact the assumptions made in the forecasts prepared by management. We also considered the consistency of the disclosures in relation to climate change made in the other information within the Annual Report with the financial statements and our knowledge from our audit.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£8.8 million (2022: £10.5 million).	€8.6 million (2022: €8.1 million).
How we determined it	Equates to c. 5% of profit before tax and property profit.	Equates to c. 0.4% (2022: c. 0.4%) of total assets.

	Group financial statements	Company financial statements
Rationale for benchmark applied	We have applied this benchmark as profit before tax is a key accounting benchmark, which is also a key performance indicator for the Group. Given the property profit is not related to the ongoing trading activities we have excluded this in determining the benchmark.	We considered total assets to be the most relevant benchmark as the Company is primarily an investment holding company which holds investments in subsidiaries and receivables from Group companies.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £6.6 million (Group audit) and €6.4 million (Company audit).

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £440,000 (Group audit) (2022: £525,000) and €430,000 (Company audit) (2022: €405,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group and Company's ability to continue to adopt the going concern basis of accounting included evaluating management's budgets and forecasts for the going concern assessment period (being the period of twelve months from the date on which the financial statements are authorised for issue) and challenging the key assumptions. In evaluating these forecasts we considered the Group's historic performance, its past record of achieving strategic objectives and its forecast financial performance and liquidity for the going concern assessment period.

We also considered whether the assumptions underlying the budget and forecasts were consistent with related assumptions used in other areas of the entity's business activities, for example in testing for goodwill impairment; assessed liquidity through the going concern assessment period including considering the Group's available financing and maturity profile of facilities; tested the mathematical integrity of the budgets, forecasts and models and reconciled these to Board approved budgets and forecasts; and reperformed management's sensitivity analysis to assess appropriate downside scenarios.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the Company's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's or the Company's ability to continue as a going concern.

In relation to the Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Independent Auditors' Report to the Members of Grafton Group plc continued

We are required to report if the directors' statement relating to going concern in accordance with Rule 9.8.6R(3) of the Listing Rules of the UK Financial Conduct Authority is materially inconsistent with our knowledge obtained in the audit. We have nothing to report in respect of this responsibility.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report and Accounts 2023 other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Report of the Directors, we also considered whether the disclosures required by the Companies Act 2014 (excluding the information included in the "Non Financial Statement" as defined by that Act on which we are not required to report) have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (Ireland) and the Companies Act 2014 require us to also report certain opinions and matters as described below.

- In our opinion, based on the work undertaken in the course of the audit, the information given in the Report of the Directors (excluding the information included in the "Non Financial Statement" on which we are not required to report) for the year ended 31 December 2023 is consistent with the financial statements and has been prepared in accordance with the applicable legal requirements.
- Based on our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Report of the Directors (excluding the information included in the "Non Financial Statement" on which we are not required to report).

Corporate Governance Statement

The Listing Rules and ISAs (Ireland) require us to review the directors' statements in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code (the "Code") specified for our review. Our additional responsibilities with respect to the Corporate Governance Statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;

- The directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibility Statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Independent Auditors' Report to the Members of Grafton Group plc continued

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to health and safety, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2014 and relevant tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to inappropriate journals that adjust revenue and management bias in significant accounting estimates and judgements. Audit procedures performed by the engagement team included:

- Enquiring of senior management (Group and operating entities), directors, members of the Audit and Risk Committee and Internal Audit of their assessment of the potential fraud risk and their assessment of controls and any incidences of fraud during the year;
- Evaluating the Group's programme and controls designed to address fraud risk;
- Considering remuneration incentive schemes and performance targets for directors and senior management in our assessment of fraud risk;
- Using analytical procedures to identify any unusual or unexpected relationships;
- Assessing whether the judgements made in making key accounting estimates are indicative of a potential bias;
- Identifying journal entries to test based on risk criteria, including manual journals posted to adjust revenue, for all components subject to an audit of their full financial information, and tested the identified entries;
- Considered the results of reporting from component teams relating to compliance with applicable laws and regulations and procedures performed to address assessed fraud risk;
- Incorporating unpredictability into our audit procedures; and
- Maintaining an appropriate level of professional scepticism throughout the audit process.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at:

https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf

This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2014 opinions on other matters

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the Company were sufficient to permit the Company financial statements to be readily and properly audited.
- The Company Balance Sheet is in agreement with the accounting records.

Other exception reporting

Directors' remuneration and transactions

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

Prior financial year Non Financial Statement

We are required to report if the Company has not provided the information required by Regulation 5(2) to 5(7) of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017 in respect of the prior financial year. We have nothing to report arising from this responsibility.

Siobhán Collier
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin
6 March 2024

Group Income Statement
For the year ended 31 December 2023

	Notes	2023 £'000	2022 £'000
Revenue	2	2,319,242	2,301,482
Operating costs	3	(2,137,414)	(2,062,597)
Property profits	4	1,261	25,381
Operating profit		183,089	264,266
Finance expense	7	(24,292)	(21,273)
Finance income	7	24,715	8,690
Profit before tax		183,512	251,683
Income tax charge	9	(34,789)	(43,065)
Profit after tax for the financial year		148,723	208,618
Profit attributable to:			
Owners of the Parent		148,723	208,618
Earnings per ordinary share – basic	11	69.6p	89.3p
Earnings per ordinary share – diluted	11	69.6p	89.2p

On behalf of the Board

Eric Born
Director
6 March 2024

David Arnold
Director

Group Statement of Comprehensive Income
For the year ended 31 December 2023

	Notes	2023 £'000	2022 £'000
Profit after tax for the financial year		148,723	208,618
Other comprehensive income			
Items that are or may be reclassified subsequently to the income statement			
Currency translation effects:			
– on foreign currency net investments		(12,210)	30,741
Fair value movement on cash flow hedges:			
– Effective portion of changes in fair value of cash flow hedges		31	(29)
		(12,179)	30,712
Items that will not be reclassified to the income statement			
Remeasurement gain/(loss) on Group defined benefit pension schemes	30	1,320	(5,040)
Deferred tax on Group defined benefit pension schemes	25	(3)	2,558
		1,317	(2,482)
Total other comprehensive (expense)/income		(10,862)	28,230
Total comprehensive income for the financial year		137,861	236,848
Total comprehensive income attributable to:			
Owners of the Parent		137,861	236,848
Total comprehensive income for the financial year		137,861	236,848

On behalf of the Board

Eric Born
Director
6 March 2024

David Arnold
Director

Group Balance Sheet
As at 31 December 2023

	Notes	2023 £'000	2022 £'000
ASSETS			
Non-current assets			
Goodwill	12	645,062	635,751
Intangible assets	15	138,901	153,712
Property, plant and equipment	13(a)	367,266	354,402
Right–of–use asset	13(b)	401,298	420,115
Investment properties	13(d)	24,609	26,084
Deferred tax assets	25	6,665	8,063
Lease receivable	17(b)	264	453
Retirement benefit assets	30	9,536	4,584
Other financial assets	14	127	129
Total non-current assets		1,593,728	1,603,293
Current assets			
Properties held for sale	13(c)	4,291	4,364
Inventories	16	361,598	399,565
Trade and other receivables	17(a)	262,763	267,694
Finance lease receivable	17(b)	195	196
Fixed term cash deposits	20	200,000	–
Cash and cash equivalents	20	383,939	711,721
Total current assets		1,212,786	1,383,540
Total assets		2,806,514	2,986,833
EQUITY			
Equity share capital	18	7,094	7,870
Share premium account	18	223,861	221,975
Capital redemption reserve	19	2,195	1,389
Revaluation reserve	19	12,186	12,375
Shares to be issued reserve	19	6,562	8,647
Cash flow hedge reserve	19	(6)	(37)
Foreign currency translation reserve	19	75,282	87,492
Retained earnings		1,332,992	1,411,053
Treasury shares held	18	(4,365)	(5,185)
Total equity attributable to owners of the Parent		1,655,801	1,745,579
LIABILITIES			
Non-current liabilities			
Interest – bearing loans and borrowings	20	204,219	253,502
Lease liabilities	20	364,090	389,198
Provisions	23	13,851	15,189
Retirement benefit obligations	30	15,363	15,068
Deferred tax liabilities	25	60,234	61,011
Total non-current liabilities		657,757	733,968
Current liabilities			
Lease liabilities	20	64,888	60,105
Derivative financial instruments	22	5	29
Trade and other payables	24	405,141	420,653
Current income tax liabilities		17,541	20,595
Provisions	23	5,381	5,904
Total current liabilities		492,956	507,286
Total liabilities		1,150,713	1,241,254
Total equity and liabilities		2,806,514	2,986,833

On behalf of the Board

Eric Born
Director
6 March 2024

David Arnold
Director

Group Cash Flow Statement
For the year ended 31 December 2023

	Notes	2023 £'000	2022 £'000
Profit before taxation		183,512	251,683
Finance income	7	(24,715)	(8,690)
Finance expense	7	24,292	21,273
Operating profit		183,089	264,266
Depreciation	13(a)(b)	104,700	94,313
Amortisation of intangible assets	15	21,287	20,295
Share-based payments charge	31	2,127	4,719
Movement in provisions	23	(1,523)	(1,316)
Profit on sale of property, plant and equipment		(475)	(248)
Property profits		(861)	(20,383)
Fair value gains recognised as property profits	13(d)	–	(4,998)
Loss/(gain) on derecognition of leases		234	(475)
Contribution to pension schemes in excess of IAS 19 charge	30	(3,826)	(6,150)
Decrease/(increase) in working capital	26	29,529	(71,273)
Cash generated from operations		334,281	278,750
Interest paid		(23,073)	(21,879)
Income taxes paid	9	(38,391)	(39,529)
Cash flows from operating activities		272,817	217,342
Investing activities			
Inflows			
Proceeds from sale of property, plant and equipment		1,429	845
Proceeds from sale of properties held for sale		2,209	4,238
Proceeds from sale of investment properties		–	23,463
Maturity of fixed term cash deposits		350,000	–
Interest received		24,199	8,690
		377,837	37,236
Outflows			
Acquisition of subsidiary undertakings and businesses (net of cash acquired)	27	(27,908)	(45,978)
Investment in fixed term cash deposits		(550,000)	–
Deferred acquisition consideration paid	26	(2,586)	(4,000)
Investment in intangible assets – computer software	15	(3,963)	(2,522)
Purchase of property, plant and equipment	13(a)	(48,816)	(55,318)
		(633,273)	(107,818)
Cash flows from investing activities		(255,436)	(70,582)
Financing activities			
Inflows			
Proceeds from the issue of share capital		1,916	2,574
Proceeds from borrowings		–	141,722
		1,916	144,296
Outflows			
Repayment of borrowings		(44,494)	(158,909)
Dividends paid	10	(72,569)	(73,868)
Treasury shares purchased	18	(159,458)	(142,981)
Payment of lease liabilities		(67,680)	(58,078)
		(344,201)	(433,836)
Cash flows from financing activities		(342,285)	(289,540)
Net (decrease) in cash and cash equivalents		(324,904)	(142,780)
Cash and cash equivalents at 1 January		711,721	844,663
Effect of exchange rate fluctuations on cash held		(2,878)	9,838
Cash and cash equivalents at 31 December		383,939	711,721
Cash and cash equivalents are broken down as follows:			
Cash at bank and short-term deposits		383,939	711,721

Group Statement of Changes in Equity

	Equity share capital £'000	Share premium account £'000	Capital redemption reserve £'000
Year to 31 December 2023			
At 1 January 2023	7,870	221,975	1,389
Profit after tax for the financial year	–	–	–
Total other comprehensive income			
Remeasurement gain on pensions (net of tax)	–	–	–
Movement in cash flow hedge reserve (net of tax)	–	–	–
Currency translation effect on foreign currency net investments	–	–	–
Total other comprehensive (expense)	–	–	–
Total comprehensive income	–	–	–
Transactions with owners of the Parent recognised directly in equity			
Dividends paid (Note 10)	–	–	–
Issue of Grafton Units	30	1,886	–
Purchase of treasury shares (Note 18)	–	–	–
Cancellation of treasury shares	(806)	–	806
Transfer from treasury shares	–	–	–
Share-based payments charge	–	–	–
Tax on share-based payments	–	–	–
Transfer from shares to be issued reserve	–	–	–
Transfer from revaluation reserve	–	–	–
	(776)	1,886	806
At 31 December 2023	7,094	223,861	2,195

	Equity share capital £'000	Share premium account £'000	Capital redemption reserve £'000
Year to 31 December 2022			
At 1 January 2022	8,570	219,447	643
Profit after tax for the financial year	–	–	–
Total other comprehensive income			
Remeasurement (loss) on pensions (net of tax)	–	–	–
Movement in cash flow hedge reserve (net of tax)	–	–	–
Currency translation effect on foreign currency net investments	–	–	–
Total other comprehensive income	–	–	–
Total comprehensive income	–	–	–
Transactions with owners of the Parent recognised directly in equity			
Dividends paid (Note 10)	–	–	–
Issue of Grafton Units	46	2,528	–
Purchase of treasury shares (Note 18)	–	–	–
Cancellation of treasury shares	(746)	–	746
Share-based payments charge	–	–	–
Tax on share-based payments	–	–	–
Transfer from shares to be issued reserve	–	–	–
Transfer from revaluation reserve	–	–	–
	(700)	2,528	746
At 31 December 2022	7,870	221,975	1,389

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 equity £'000
12,375	8,647	(37)	87,492	1,411,053	(5,185)	1,745,579
–	–	–	–	148,723	–	148,723
–	–	–	–	1,317	–	1,317
–	–	31	–	–	–	31
–	–	–	(12,210)	–	–	(12,210)
–	–	31	(12,210)	1,317	–	(10,862)
–	–	31	(12,210)	150,040	–	137,861
–	–	–	–	(72,569)	–	(72,569)
–	–	–	–	–	–	1,916
–	–	–	–	–	(159,458)	(159,458)
–	–	–	–	(159,591)	159,591	–
–	–	–	–	(687)	687	–
–	2,127	–	–	–	–	2,127
–	345	–	–	–	–	345
–	(4,557)	–	–	4,557	–	–
(189)	–	–	–	189	–	–
(189)	(2,085)	–	–	(228,101)	820	(227,639)
12,186	6,562	(6)	75,282	1,332,992	(4,365)	1,655,801

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 equity £'000
12,519	11,837	(8)	56,751	1,413,737	(3,897)	1,719,599
–	–	–	–	208,618	–	208,618
–	–	–	–	(2,482)	–	(2,482)
–	–	(29)	–	–	–	(29)
–	–	–	30,741	–	–	30,741
–	–	(29)	30,741	(2,482)	–	28,230
–	–	(29)	30,741	206,136	–	236,848
–	–	–	–	(73,868)	–	(73,868)
–	–	–	–	–	–	2,574
–	–	–	–	–	(142,981)	(142,981)
–	–	–	–	(141,693)	141,693	–
–	4,719	–	–	–	–	4,719
–	(1,312)	–	–	–	–	(1,312)
–	(6,597)	–	–	6,597	–	–
(144)	–	–	–	144	–	–
(144)	(3,190)	–	–	(208,820)	(1,288)	(210,868)
12,375	8,647	(37)	87,492	1,411,053	(5,185)	1,745,579

Notes to the Group Financial Statements

1. Summary of Material Accounting Policies

General Information

Grafton Group plc ('Grafton' or 'the Group') is a public limited company incorporated in the Republic of Ireland. The registered number is 8149 and registered office address is The Hive, Carmanhall Road, Sandyford Business Park, Dublin 18, D18 Y2C9. The Group is an international distributor of building materials to trade customers who are primarily engaged in residential repair, maintenance and improvement projects and house building.

Statement of Compliance

The consolidated financial statements of Grafton Group plc have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU"). The IFRSs applied in these financial statements were those effective for accounting periods ending on 31 December 2023.

New Standards, Amendments and Interpretations

A number of new standards and amendments to standards and interpretations were effective for annual periods beginning after 1 January 2023, and have been applied in preparing these financial statements. The following Standards and Interpretations were effective for the Group and parent company in 2023 but did not have a material effect on the results or financial position of the Group or parent company:

- IAS 1 (Amendments) Presentation of Financial Statements (Effective 1 January 2023)
- IAS 8 (Amendments) Accounting Policies, Changes in Accounting Estimates & Errors (Effective 1 January 2023)
- IAS 12 (Amendments) Income Taxes (Effective 1 January 2023)
- IFRS 17 Insurance Contracts (Effective 1 January 2023)

New Standards, Amendments and Interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2024, and have not been applied in preparing these financial statements. The following Standards and Interpretations are not yet effective for the Group and parent company and are not expected to have a material effect on the results or financial position of the Group or parent company:

- IAS 1 (Amendments) Presentation of Financial Statements (Effective 1 January 2024)
- IAS 7 (Amendments) Statement of Cash Flows (Effective 1 January 2024)
- IFRS 7 (Amendments) Financial Instruments (Effective 1 January 2024)
- IFRS 16 (Amendments) Leases (Effective 1 January 2024)
- IAS 21 (Amendments) The Effects of Changes in Foreign Exchange Rates (Effective 1 January 2025)

Basis of Preparation

The consolidated Financial Statements are presented in sterling, rounded to the nearest thousand. As set out in the Directors' Report on Corporate Governance the Directors, having made appropriate enquiries, believe that the Company and the Group as a whole has adequate resources to continue in operational existence for the foreseeable future, being 12 months from the date of approval of the financial statements and, for this reason, they continue to adopt the going concern basis in preparing the financial statements. The Statements have been prepared under the historical cost convention, as modified by the previous revaluation of land and buildings, the measurement at fair value of share-based payments at initial date of award, the measurement at fair value of all derivative financial instruments and the measurement at fair value of investment property. Assets classified as held for sale are stated at the lower of carrying value and fair value less costs to sell. The carrying values of recognised assets and liabilities that are fair value hedged are adjusted to record changes in the fair values attributable to the risks that are being hedged.

The preparation of consolidated financial statements in accordance with IFRS as adopted by the EU requires management to make certain estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expense. Management believes that the estimates and assumptions made are reasonable based on the information available to it at the time that those estimates and assumptions are made. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant in relation to the consolidated financial statements are set out in Note 32 and relate primarily to valuation of inventory, accounting for defined benefit pension schemes, goodwill impairment, rebate income and IFRS 16 "leases".

In preparing the financial statements, the Directors have also considered the current and potential impact of climate change. Costs associated with projects to improve energy efficiency, reduce carbon emissions and to mitigate physical risks on the Group's properties have been absorbed within operating expenses or capital expenditure as appropriate and have not been material during the year. There has been no material impact on the net realisable value of inventory or the net value of fixed assets in this year's financial statements as a result of climate change. The impact of climate change related incentives in executive director bonuses and interest on bank borrowings has not been material. No liabilities have arisen in respect of net zero commitments as at 31 December 2023.

1. Summary of Material Accounting Policies continued

Basis of Preparation continued

These considerations did not have a material impact on the financial reporting judgements and estimates in the current year, specifically in the impairment and going concern analysis. The Group's analysis of the impact of climate change continues to evolve with Grafton committed to reducing its carbon impact.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all subsidiaries drawn up to 31 December each year. The financial year-end of the Group's subsidiaries are coterminous.

Subsidiaries

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control is obtained and they cease to be consolidated from the date on which the Group loses control. The definition of control is when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity.

Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealised gains and income and expenses arising from such transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Revenue Recognition

Revenue comprises the fair value of consideration receivable for goods and services supplied to external customers in the ordinary course of the Group's activities and excludes inter-company revenue and value added tax.

In general, revenue is recognised to the extent that the Group has satisfied its performance obligations to the buyer and the buyer has obtained control of the goods or services being transferred. In the case of sales of goods, this generally arises when products have either been delivered to or collected by a customer and there is no unfulfilled obligation that could affect the acceptance of the products. Service revenue comprises tool hire revenue and is recognised over the period of hire.

Revenues are recorded based on the price specified in the sales invoices/contracts net of actual and estimated returns, rebates and any discounts granted and in accordance with the terms of sale. Accumulated experience is used to estimate returns, rebates and discounts using the expected value method and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses for which discrete financial information is available, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision Maker, being the Board, who is responsible for allocating resources and assessing performance.

Foreign Currency Translation

Functional and Presentation Currency

The consolidated financial statements are presented in sterling. Items included in the financial statements of each of the Group's entities are measured using its functional currency, being the currency of the primary economic environment in which the entity operates which is primarily euro and sterling. The functional currency of the parent company is euro.

Transactions and Balances

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to the relevant functional currency at the rate of exchange ruling at the balance sheet date.

All currency translation differences on monetary assets and liabilities are taken to the income statement except for the effective portion designated as a hedge of a net investment in a foreign operation which is recognised in other comprehensive income.

Notes to the Group Financial Statements continued

1. Summary of Material Accounting Policies continued

Foreign Currency Translation continued

Foreign Operations

The assets and liabilities of foreign operations, including goodwill arising on consolidation, are translated to sterling at the foreign exchange rates ruling at the balance sheet date. Results and cash flows of subsidiaries which do not have sterling as their functional currency are translated into sterling at average exchange rates for the year and the related balance sheets are translated at the rates of exchange ruling at the balance sheet date.

Foreign exchange movements arising on translation of the net investment in a foreign operation, including those arising on long term intra-Group loans deemed to be quasi equity in nature, are recognised directly in other comprehensive income, in the currency translation reserve. The portion of exchange gains or losses on foreign currency borrowings or derivatives used to provide a hedge against a net investment in a foreign operation that is designated as a hedge of those investments is recognised directly in other comprehensive income to the extent that they are determined to be effective. The ineffective portion is recognised immediately in the income statement.

Movements since 1 January 2004, the date of transition to IFRS, are recognised in the currency translation reserve and are reclassified to the income statement on disposal of the related business.

Share Capital and Share Premium

The company's share capital and share premium has been translated from euro into sterling at historic rates of exchange at the dates of transactions.

Exceptional Items and Non-recurring Items

The Group has adopted a policy in relation to its income statement which seeks to highlight significant items within the Group's results. Such items may include significant restructuring provisions, profit or loss on disposal or termination of operations, litigation costs and settlements and impairment of assets. Judgement is used by the Group in assessing the particular items which, by virtue of their scale and nature, should be disclosed in the income statement or related notes. Where exceptional items are not significant for separate presentation, they are disclosed as non-recurring items.

Property profit is disclosed as a separate line item on the face of the Income Statement. Property profit arises when the proceeds, less costs to sell, exceed the carrying value of the disposed property.

Rebate Arrangements

Rebate arrangements are a common component of supplier agreements in the merchanting industry. As part of its on-going business activities, Grafton Group plc entities have entered into such arrangements with a significant number of their suppliers.

Supplier rebates received and receivable in respect of goods which have been sold to the Group's customers are deducted from cost of sales in the income statement. Where goods on which rebate has been earned remain in inventory at the year-end, an appropriate rebate deduction is made from the gross balance sheet carrying value of that inventory. The rebate deduction is only released to the income statement when the goods are ultimately sold. At the year-end the balance sheet includes a balance representing unpaid amounts receivable from suppliers.

Finance Expense

Finance expense comprises interest payable on borrowings calculated using the effective interest rate method, net foreign exchange losses on monetary items and gains and losses on hedging instruments that are recognised in the income statement. The net finance cost of pension scheme obligations is recognised as a finance expense in the income statement. The interest expense component of lease payments is recognised in the income statement using the effective interest rate method. Where appropriate the fair value adjustment to hedged items that are the subject of a fair value hedge is included as a finance expense or finance income. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the income statement as incurred using the effective interest rate method.

Finance Income

Finance income comprises interest income on cash and cash equivalents, fixed term cash deposits, dividend income, gains on the disposal of financial assets, and gains on hedging instruments that are recognised in profit or loss. The net expected return on defined benefit pension scheme plan assets is recognised as finance income in the income statement. Interest income is recognised in the income statement as it accrues using the effective interest rate method.

1. Summary of Material Accounting Policies continued

Business Combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is defined as when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in the income statement. The consideration transferred does not include amounts related to the settlement of the pre-existing relationships. Such amounts are generally recognised in the income statement.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

To the extent that settlement of all or any part of consideration for a business combination is deferred, the fair value of the deferred component is determined through discounting the amounts payable to their present value. Any contingent consideration payable is recognised at fair value at the acquisition date. The fair value of contingent consideration at acquisition date is arrived at through discounting the expected payment to present value and is disclosed as a liability within deferred consideration on acquisition of businesses.

If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in the income statement.

A consideration arrangement contingent upon the continuing employment by the selling shareholders, in which the payments are automatically forfeited if employment terminates, is classified as remuneration for post-combination services, in line with IFRS3.

Goodwill

Goodwill is the excess of the consideration paid over the fair value of the identifiable assets, liabilities and contingent liabilities in a business combination and relates to assets which are not capable of being individually identified and separately recognised.

Goodwill acquired is allocated, at acquisition date, to the groups of Cash Generating Units ("CGUs") expected to benefit from synergies related to the acquisition. Where management reassesses its groups of CGUs, goodwill is reallocated on a relative value basis.

Goodwill is measured at cost less accumulated impairment losses. The CGUs represent the lowest level within the Group at which goodwill is monitored for internal management purposes. These units are no larger than the operating segments determined in accordance with IFRS 8: Operating Segments. Goodwill is subject to impairment testing on an annual basis and at any time during the year if an indicator of impairment exists.

Where the recoverable amount of a cash generating unit is less than the carrying amount, an impairment loss is recognised. Impairment losses arising in respect of goodwill are not reversed once recognised.

Where a business is disposed of from a CGU to which goodwill had been allocated on acquisition, an allocation is made to the disposed business and included in determining the profit or loss arising on disposal. The allocation of goodwill to the disposed business is determined on the basis of the fair value of the disposed business relative to the fair value of the portion of the CGU retained. Fair value of the disposed business is based on the disposal consideration and fair value of the portion of the CGU retained is determined on a value in use basis.

Intangible Assets (Computer Software)

Acquired computer software, including computer software which is not an integrated part of an item of computer hardware, is stated at cost less any accumulated amortisation and any accumulated impairment losses. Cost comprises of purchase price and any other directly attributable costs.

Notes to the Group Financial Statements continued

1. Summary of Material Accounting Policies continued

Intangible Assets (Computer Software) continued

Costs relating to the development of computer software is recognised if it meets the following criteria:

- An asset can be separately identified;
- The ability to use the asset can be demonstrated;
- It is probable that the asset created will generate future economic benefits;
- Adequate resources are available to complete the development of the asset;
- The completion and implementation of the asset is technically feasible;
- It is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- Expenditure attributable to the asset during its development can be measured reliably.

Costs relating to the development of computer software for internal use are capitalised once the recognition criteria outlined above are met.

Computer software is amortised over its expected useful life, which ranges from 4 to 10 years, by charging equal instalments to the income statement from the date the assets are ready for use.

Intangible Assets (other than Goodwill and Computer Software)

An intangible asset, other than goodwill and computer software, is recognised to the extent that it is probable that the expected future economic benefits attributable to the asset will flow to the Group and that its fair value can be measured. The asset is deemed to be identifiable when it is separable (i.e. capable of being divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability) or when it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the Group or from other rights and obligations.

Trade names, customer relationships and technology assets, acquired as part of a business combination, are valued at their fair value at the date control is achieved and are capitalised separately from goodwill if the intangible asset meets the definition of an asset and the fair value can be reliably measured. Brand related intangible assets are amortised on a straight-line basis over the period of their expected useful economic lives, which ranges from 2 to 20 years. The useful economic life used to amortise intangible assets relates management's estimate of the period over which economic benefit will be derived from the asset.

Intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The carrying value of intangible assets is reviewed for impairment at each reporting date and is also subject to impairment testing when events or changes in circumstances indicate that the carrying values may not be recoverable.

Property, Plant and Equipment

Property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses. The Group's freehold properties in Ireland were revalued to fair value in 1998 and are measured on the basis of deemed cost being the revalued amount at the date of that revaluation less accumulated depreciation. The valuations were deemed to be cost for the purposes of transition to IFRS as adopted by the EU.

Property, plant and equipment are depreciated over their useful economic life on a straight line basis at the following rates:

Freehold buildings	50 – 100 years
Freehold land	Not depreciated
Leasehold improvements/buildings	Lease term or up to 100 years
Plant and machinery	5 – 20 years
Motor vehicles	5 – 10 years
Plant hire equipment	4 – 10 years

The residual value and useful lives of property, plant and equipment are reviewed and adjusted if appropriate at each balance sheet date.

On disposal of property, plant and equipment, the cost and related accumulated depreciation and impairments are removed from the balance sheet and the net amount, less any proceeds, is taken to the income statement.

1. Summary of Material Accounting Policies continued

Property, Plant and Equipment continued

The carrying amounts of the Group's property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised whenever the carrying amount of an asset or its cash generation unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent costs are included in an asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of replacing the item can be reliably measured. All other repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Leases

Identification of Leases

The identification of leases involves judgement as IFRS 16 defines a lease as a contract (or part of a contract) that, for a period of time in exchange for consideration, conveys the right to:

- Control an identified asset;
- Obtain substantially all economic benefits from use of the asset; and
- Direct the use of the asset.

Lease Term

The lease term is the non-cancellable period for which the Group has the right to use an underlying asset together with:

- Periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option; and
- Periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option. This assessment involves the exercise of judgement by the Group.

Initial Measurement of Lease Liability

The lease liability is initially measured at the present value of the lease payments that are payable for the lease term, discounted using the incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments);
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees (e.g. if the fair value of the asset at the end of the lease term is below an agreed amount, the lessee would pay to the lessor an amount equal to the difference between the fair value and agreed amount);
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability does not include variable elements which are dependent on external factors, e.g. payments that are based on turnover. Instead, such variable elements are recognised directly in the income statement.

Judgements applied include determining the lease term for those leases with termination or extension options and the discount rate used which is based on incremental borrowing rate. Such judgements could impact the lease term and significantly the resultant lease liability and right-of-use asset recognised.

Where a lease agreement contains a clause to restore the asset to a specified condition i.e. dilapidation costs, the Group recognises a provision for dilapidations under IAS 37 in its balance sheet.

Notes to the Group Financial Statements continued

1. Summary of Material Accounting Policies continued

Leases continued

Initial Measurement of Right-of-Use Asset

The right-of-use asset comprises the amount of the initial measurement of the lease liability, adjusted for:

- Any lease payments made at or before the commencement date, less any lease incentives; and
- Any initial direct costs incurred by the Group.

In addition, where the Group subleases a headlease (or part thereof) to a third party and such sublease is deemed by the Group to be a finance sublease, the right-of-use asset relating to sublease is derecognised and a finance lease receivable is recognised.

Subsequent Measurement of Lease Liability

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Subsequent Measurement of Right-of-Use Asset

After initial measurement, the right-of-use assets are measured at cost less accumulated depreciation, adjusted for:

- Any impairment losses in accordance with IAS 36 Impairment of Assets; and
- Any remeasurement of the lease liability.

Right-of-use assets are depreciated over the shorter period of the lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

Lease modifications

A lease modification is a change to the original terms and conditions of the lease. The effective date of the modification is deemed to be the date when both parties agree to a lease modification.

A lease modification is accounted for as a separate lease if:

- The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- The consideration for the lease increases by an amount commensurate with the standalone price for the increase in scope of the lease.

If both criteria are met, the Group adopts the accounting policy on the initial recognition and measurement of lease liabilities and right-of-use assets.

If a change in the lease terms does not meet the test outlined above, the Group must modify the initially recognised components of the lease contract.

1. Summary of Material Accounting Policies continued

Leases continued

Sublease Accounting

Where the Group acts as a lessor, the sublease is classified as a finance lease or an operating lease. A lease is deemed to be a finance lease where the lease transfers substantially all the risks and rewards incidental to the ownership of the underlying asset. Otherwise, the lease is deemed to be an operating lease.

Where the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. The Group assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

If the head lease is not a short term lease or low-value lease and the sublease is deemed to be a finance lease, the Group recognises a lease liability relating to the head lease but does not recognise a corresponding right-of-use asset. Instead, the Group recognises a finance lease debtor relating to the sublease.

Investment Properties

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

When the use of a property changes from owner occupied or held for sale to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain on this remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in Other Comprehensive Income and presented in the revaluation reserve. Any loss is recognised in profit or loss.

Assets Held for Sale

Non-current assets that are expected to be recovered principally through sale rather than continuing use and meet the IFRS 5 criteria are classified as held for sale. These assets are shown in the balance sheet at the lower of their carrying amount and fair value less any costs to sell. Impairment losses on initial classification as non-current assets held for sale and subsequent gains or losses on re-measurement are recognised in the income statement.

Investments

Investments, other than investments in joint ventures and associates, are stated in the balance sheet at fair value with changes in fair value recognised directly in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit and loss following derecognition of the investment. Dividends from such investments are recognised in the income statement and are reported as non-operating items.

Where investments are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date. Where it is impracticable to determine fair value in accordance with IFRS 13, unquoted equity investments are recorded at historical cost and are included within financial assets on this basis in the Group balance sheet. They are assessed for impairment annually.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in, first-out principle and includes all expenditure incurred in acquiring the inventories and bringing them to their present location and condition. Raw materials and purchased finished goods are valued on the basis of purchase cost on a first-in, first-out basis. In the case of manufactured finished goods and work-in-progress, cost includes direct materials, direct labour and attributable overheads based on normal operating capacity and excludes borrowing costs. Net realisable value is the estimated proceeds of sale less all further costs to completion and less all costs to be incurred in marketing, selling and distribution.

Notes to the Group Financial Statements continued

1. Summary of Material Accounting Policies continued

Trade and Other Receivables and Payables

Trade and other receivables and payables are stated at amortised cost (less any impairment losses), which approximates to fair value given the short term nature of these assets and liabilities.

Trade receivables are carried at original invoice amount less an allowance for potentially uncollectable debts. Provision is made using the expected credit loss model which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and days past due.

Bad debts are written-off in the income statement when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and the commencement of legal proceedings.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances held for the purposes of meeting short term cash commitments and money market instruments which are readily convertible to a known amount of cash. Where money market instruments are categorised as cash equivalents, the related balances have an original maturity of three months or less. Cash balances and bank overdrafts held by the Group are carried at amortised cost. Money market instruments are classified and measured at fair value through profit or loss. The carrying amount of these assets and liabilities approximates to their fair value.

For the purposes of the Group cash flow statement, bank overdrafts are netted against cash and cash equivalents where the overdrafts are repayable on demand and form an integral part of cash management.

Where there is a master netting agreement in place that grants the Group the legal right to set-off and management has intention to settle on a net basis with each bank, bank overdrafts are off-set against cash and cash equivalents. Where off-setting criteria has not been met, bank overdrafts are included within current interest-bearing loans and borrowings in the Group balance sheet.

Derivative Financial Instruments and Hedging Activities

Derivative financial instruments, principally interest rate and currency swaps/forwards, are used in certain circumstances to hedge the Group's exposure to foreign exchange and interest rate risks arising from its financing activities.

Derivative financial instruments are recognised initially at fair value and thereafter are subsequently re-measured at their fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of interest rate and currency swaps/forwards is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest and currency exchange rates and the current creditworthiness of the swapped counterparts.

The method of recognising the resulting gain or loss on re-measurement to fair value depends on whether the derivative is designated as a hedging instrument. Where derivatives are not designated or do not fulfil the criteria for hedge accounting, changes in fair values are reported in the income statement. Where derivatives qualify for hedge accounting, recognition of the resulting gains or losses depends on the nature of the item being hedged. The Group designates certain derivatives for various purposes in hedge relationships in one or more of the following types of relationships:

(i) Fair value hedge: Hedges of the fair value of recognised liabilities;
(ii) Cash flow hedge: Hedges of a particular risk associated with a highly probable forecast transaction; or
(iii) Net investment hedge: Hedges of a net investment in a foreign operation.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of the hedged items.

(i) Fair Value Hedge

Any gain or loss stemming from the re-measurement of the hedging instrument to fair value is reported in the income statement. In addition, any gain or loss on the hedged item which is attributable to the fair value movement in the hedged risk is adjusted against the carrying amount of the hedged item and reflected in the income statement.

1. Summary of Material Accounting Policies continued

Derivative Financial Instruments and Hedging Activities continued

(i) Fair Value Hedge continued

Where a derivative financial instrument is used to economically hedge the foreign exchange exposure of a recognised monetary asset or liability, hedge accounting is not applied and any gain or loss accruing on the hedging instrument is recognised as finance income or expense in the income statement.

If the hedge no longer meets the criteria for hedge accounting, hedge accounting ceases and the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

(ii) Cash Flow Hedges

The effective part of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and presented in the cash flow hedge reserve in equity with the ineffective portion being reported as finance expense or income in the income statement. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised in other comprehensive income are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss. For cash flow hedges, other than those covered by the preceding statements, the associated cumulative gain or loss is removed from other comprehensive income and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the income statement.

Hedge accounting is discontinued when a hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. The cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is transferred to the income statement in the period.

(iii) Hedge of Net Investment in Foreign Operation

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and presented in the foreign currency translation reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within finance income or finance expense. Cumulative gains and losses remain in equity until disposal or partial disposal of the net investment in the foreign operation at which point the related differences are reclassified to the income statement as part of the overall gain or loss on sale.

Interest-Bearing Loans and Borrowings

All loans and borrowings are initially recorded at fair value, net of related transaction costs. After initial recognition, current and non-current interest-bearing loans and borrowings are measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method. Amortised cost includes any issue costs and any discount or premium on settlement. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Provisions

A provision is recognised on a discounted basis when the Group has a present (either legal or constructive) obligation as a result of a past event and it is probable that a transfer of economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount required to settle the obligation. A provision for restructuring is recognised when the Group has approved a restructuring plan and the restructuring has commenced. A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting its obligations under the contract. The provision is measured at the lower of the present value of the expected cost of terminating the contract and the present value of the expected net cost of continuing with the contract.

Notes to the Group Financial Statements continued

1. Summary of Material Accounting Policies continued

Retirement Benefit Obligations

Obligations to the defined contribution pension plans are recognised as an expense in the income statement as service is received from the relevant employees. The Group has no legal or constructive obligation to pay further contributions in the event that these plans do not hold sufficient assets to provide retirement benefits.

The Group operates a number of defined benefit pension schemes, all of which have been closed to both new members and future accrual, which require contributions to be made to separately administered funds. The Group's net obligation in respect of defined benefit pension schemes is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan asset is deducted. The discount rate employed in determining the present value of the schemes' liabilities is determined by reference to market yields at the balance sheet date on high quality corporate bonds for a term consistent with the currency and term of the associated post-employment benefit obligations.

The net surplus or deficit arising in the Group's defined benefit pension schemes are shown within either non-current assets or liabilities on the face of the Group Balance Sheet. The deferred tax impact of pension scheme surpluses and deficits is disclosed separately within deferred tax assets or liabilities as appropriate. The Group recognises actuarial gains and losses immediately in other comprehensive income.

Any increase in the present value of the plans' liabilities expected to arise from employee service during the period is charged to operating profit. The Group determines net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the period. Differences between the income recognised based on the discount rate and the actual return on plan assets, together with the effect of changes in the current or prior assumptions underlying the liabilities are recognised in other comprehensive income. When the benefits of a defined benefit plan are improved, the portion of the increased benefit relating to past service by employees is recognised as a past service cost in the income statement at the earlier of the date when the plan amendment occurs and when the related restructuring costs are recognised. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

Share-Based Payment Transactions

The 2011 and 2021 Long Term Incentive Plans ("LTIP") and the SAYE Scheme for UK employees enables employees to acquire shares in the Company subject to the conditions of these schemes. New units are issued to satisfy obligations under the SAYE scheme. Entitlements under the LTIP may be satisfied by the issue of units or by a market purchase of units. The fair value of share entitlements at the grant date is recognised as an employee expense in the income statement over the vesting period with a corresponding increase in equity. The fair value is determined by an external valuer using a binomial model. Share entitlements granted by the Company are subject to certain non-market based vesting conditions. Non-market vesting conditions are not taken into account when estimating the fair value of entitlements as at the grant date. The expense for share entitlements shown in the income statement is adjusted to reflect the number of awards for which the related non-market based vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related non-market based vesting conditions at the vesting date. The proceeds received by the Company on the vesting of share entitlements are credited to share capital and share premium when the share entitlements are converted or issued.

Government Grants

Government grants and assistance are recognised at their fair value in the income statement when there is a reasonable assurance that the grant will be received and all attaching conditions have been complied with. When the grant relates to an expense item, it is recognised in operating costs within the income statement over the period necessary to match on a systematic basis to the costs that it is intended to compensate. Where the grant relates to a non-current asset, the value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset.

Income Tax

Income tax in the income statement represents the sum of current tax and deferred tax.

Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income.

1. Summary of Material Accounting Policies continued

Income Tax continued

Current tax is based on taxable profit and represents the expected tax payable for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes certain items that are not tax deductible including property depreciation. The Group's liability for current tax is calculated using rates that have been enacted or substantially enacted at the balance sheet date. The Group's income tax charge reflects various allowances and reliefs and planning opportunities available in the tax jurisdictions in which the Group operates. The determination of the Group's charge for income tax in the income statement requires estimates to be made, on the basis of professional advice, in relation to certain matters where the ultimate outcome may not be certain and where an extended period may be required before such matters are determined. The amount shown for current taxation reflects tax uncertainties and is based on the Directors' estimate of (i) the most likely amount; or (ii) the expected value of the probable outflow of economic resources that will be required. The estimates for income tax included in the financial statements are considered appropriate but no assurance can be given that the final determination of these matters will not be materially different to the estimates included in the financial statements. Whilst it is possible, the Group does not currently anticipate that any such differences could have a material impact on the income tax provision and profit for the period in which such a determination is made nor does it expect any significant impact on its financial position in the near term. This is based on the Group's knowledge and experience, as well as the profile of the individual components which have been reflected in the current tax liability, the status of the tax audits, enquiries and negotiations in progress at each year-end, previous claims and any factors specific to the relevant tax environments.

Deferred tax is provided, using the liability method, on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled based on rates that have been enacted or substantially enacted at the balance sheet date.

Deferred tax assets and liabilities are not recognised for the following temporary differences:

- Goodwill that is not deductible for tax purposes;
- Temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or taxable profit or loss; and
- Temporary differences associated with investments in subsidiaries in which case deferred tax is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit would be available to allow all or part of the deferred tax asset to be utilised.

Share Capital

Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Repurchase of Share Capital

When share capital recognised as equity is purchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity.

Dividends

Dividends on ordinary shares are recognised as a liability in the Group's financial statements in the period in which they are declared by the Company. In the case of interim dividends, these are considered to be declared when they are paid. In the case of final dividends these are declared when authorised by the shareholders in General Meeting.

Earnings Per Share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for treasury shares held. Diluted EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding adjusted for treasury shares held and for the effects of all dilutive potential ordinary shares related to employee share schemes.

Notes to the Group Financial Statements continued

2. Segment Information

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Chief Operating Decision Maker, being the Board, in order to allocate resources to the segments and to assess their performance. Three reportable segments have been identified, Distribution, Retailing and Manufacturing.

The Distribution segment is engaged in the distribution of building and plumbing materials primarily to professional trades people engaged in residential repair, maintenance and improvement projects and also in residential and other new build construction from a network of 326 branches in the UK, Ireland, the Netherlands and Finland.

The aggregation of operating segments into the Distribution segment reflects, in the opinion of management, the similar economic characteristics within each of these segments as well as the similar products and services offered and supplied and the classes of customers. This is assessed by reference to gross margins and long term growth rates of the segments.

The Retailing segment operates Ireland's largest DIY and home improvement business from a network of 35 stores that supply mainly retail customers with a wide range of products for DIY and for the home and garden.

The Manufacturing segment comprises the largest manufacturer of dry mortar in Great Britain operating from 10 plants, an industry leading manufacturer and distributor of bespoke staircases in the UK operating from one manufacturing facility and a plastics manufacturing business in Ireland.

Information regarding the results of each operating segment is included in this note. Performance is measured based on segment operating profit/ (loss) as included in the internal management reports that are reviewed by the Group's Chief Operating Decision Maker. Segment operating profit is used to measure performance as such information is the most relevant in evaluating the results of the Group's segments.

No segment is over reliant on any major customer and credit risk is well diversified as disclosed in Note 17. Segment results, assets and liabilities include all items directly attributable to a segment.

Segment capital expenditure is the total amount incurred during the period to acquire segment assets that are expected to be used for more than one accounting period.

2. Segment Information continued

Group Income Statement

	2023 £'000	2022 £'000
Revenue		
UK distribution	818,112	838,644
Ireland distribution	631,034	618,297
Netherlands distribution	351,474	336,703
Finland distribution	139,783	143,197
Total distribution	1,940,403	1,936,841
Retailing	258,197	244,021
Manufacturing	135,298	133,805
Less: inter-segment revenue – manufacturing	(14,656)	(13,185)
Total revenue	2,319,242	2,301,482
Segmental operating profit before non-recurring items, intangible amortisation arising on acquisitions and other acquisition related items		
UK distribution	47,251	81,826
Ireland distribution	60,930	70,474
Netherlands distribution	33,416	37,641
Finland distribution	14,196	20,321
Total distribution	155,793	210,262
Retailing	32,728	32,575
Manufacturing	30,269	27,403
	218,790	270,240
Reconciliation to consolidated operating profit		
Central activities	(14,541)	(13,453)
	204,249	256,787
Property profits	1,261	25,381
Operating profit before non-recurring items, intangible amortisation arising on acquisitions and other acquisition related items	205,510	282,168
Non-recurring items*	–	3,690
Operating profit before intangible amortisation arising on acquisitions and other acquisition related items	205,510	285,858
Acquisition related items**	(2,730)	(2,306)
Amortisation of intangible assets arising on acquisitions	(19,691)	(19,286)
Operating profit	183,089	264,266
Finance expense	(24,292)	(21,273)
Finance income	24,715	8,690
Profit before tax	183,512	251,683
Income tax expense	(34,789)	(43,065)
Profit after tax for the financial year	148,723	208,618

* In 2022, a non-recurring curtailment gain of £3.7 million arose on closure to future accrual of a defined benefit pension scheme in Ireland (Note 30).

** Acquisition related items comprise deferred consideration payments relating to the retention of former owners of businesses acquired, transaction costs and expenses, professional fees, adjustments to previously estimated earn outs and customer relationships asset impairment charges.

Notes to the Group Financial Statements continued

2. Segment Information continued

The amount of revenue by geographic area is as follows:

	2023 £'000	2022 £'000
Revenue*		
United Kingdom	929,821	951,557
Ireland**	898,164	870,025
Netherlands	351,474	336,703
Finland	139,783	143,197
Total revenue – continuing operations	2,319,242	2,301,482

* Service revenue, which relates to plant and equipment hire and is recognised over time, amounted to £11.5 million for the year (2022: £9.4 million)

** Grafton Group plc is domiciled in the Republic of Ireland and the revenues from external customers in Ireland were £898.2m (2022: £870.0m)

The analysis of geographic revenue above is the same whether it is based on location of assets or customers.

Group Balance Sheet

	2023 £'000	2022 £'000
Segment assets		
Distribution	1,914,204	1,952,691
Retailing	169,342	198,295
Manufacturing	122,701	111,350
	2,206,247	2,262,336
Unallocated assets		
Deferred tax assets	6,665	8,063
Retirement benefit assets	9,536	4,584
Other financial assets	127	129
Fixed term cash deposits	200,000	–
Cash and cash equivalents	383,939	711,721
Total assets	2,806,514	2,986,833

	2023 £'000	2022 £'000
Segment liabilities		
Distribution	648,830	667,579
Retailing	174,020	189,925
Manufacturing	30,501	33,545
	853,351	891,049
Unallocated liabilities		
Interest bearing loans and borrowings (non-current)	204,219	253,502
Retirement benefit obligations	15,363	15,068
Deferred tax liabilities	60,234	61,011
Current income tax liabilities	17,541	20,595
Derivative financial instruments (current)	5	29
Total liabilities	1,150,713	1,241,254

2. Segment Information continued
Other segment information

	Year Ended 31 December							
	Distribution		Retailing		Manufacturing		Group	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Property, plant & equipment additions	39,318	46,107	3,938	3,085	5,560	6,126	48,816	55,318
Property, plant & equipment acquired^	6,447	4,659	–	–	505	–	6,952	4,659
Right-of-use assets additions^	13,210	27,021	30	33	113	4,917	13,353	31,971
Right-of-use assets acquired^	820	2,745	–	–	–	–	820	2,745
Investment in intangible assets	2,491	1,451	472	369	1,000	702	3,963	2,522
Intangible assets acquired	–	20,594	–	–	4,890	–	4,890	20,594
Depreciation on property, plant & equipment	30,975	26,575	4,045	4,147	3,961	3,449	38,981	34,171
Depreciation on right-of use assets	48,311	43,125	16,095	15,790	1,313	1,227	65,719	60,142
Amortisation of intangible assets	18,461	18,107	612	130	2,214	2,058	21,287	20,295

Additional geographic analysis
The following is a geographic analysis of the information presented above.

	UK		Ireland		Netherlands		Finland		Group	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Property, plant & equipment additions	22,144	32,458	17,997	16,138	6,371	4,386	2,304	2,336	48,816	55,318
Property, plant & equipment acquired^	2,085	1,319	3,824	2,119	–	1,221	1,043	–	6,952	4,659
Right-of-use assets additions^	2,755	18,347	4,663	6,056	4,603	4,026	1,332	3,542	13,353	31,971
Right-of-use assets acquired^	748	980	41	–	–	1,765	31	–	820	2,745
Investment in intangible assets	1,304	1,005	801	369	1,393	376	465	772	3,963	2,522
Intangible assets acquired	4,890	1,789	–	12,586	–	6,219	–	–	4,890	20,594
Segment non-current assets*	774,001	759,642	450,249	462,143	217,210	226,141	136,135	142,787	1,577,595	1,590,713
Properties held for sale									4,291	4,364
Inventories									361,598	399,565
Trade and other receivables									262,763	267,694
Total segment assets									2,206,247	2,262,336
Segment liabilities	370,950	385,655	359,011	378,718	82,737	86,948	40,653	39,728	853,351	891,049

* Excludes deferred tax assets, retirement benefit assets and other financial assets but includes current finance lease receivables.
^ Prior year comparatives have been updated to conform to the current year presentation.

Notes to the Group Financial Statements continued

3. Operating Costs and Income

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

	2023 Total £'000	2022 Total £'000
Decrease/(increase) in inventories (Note 26)	37,821	(34,664)
Purchases and consumables	1,430,054	1,467,492
Staff costs before non-recurring items (Note 6)	350,925	337,204
Auditors' remuneration – Group and subsidiaries	1,325	1,250
Auditors' remuneration – Audit services provided by other firms	126	97
Depreciation (Note 13a)	38,981	34,171
Depreciation on right-of-use assets (Note 13b)	65,719	60,142
Lease rentals and other hire charges (Note 13b)	1,310	1,847
Amortisation of intangible assets (Note 15)	21,287	20,295
Profit on disposal of property, plant and equipment	(475)	(248)
Acquisition related costs	2,730	2,306
Selling, distribution and administrative expenses	187,611	172,705
	2,137,414	2,062,597

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

	2023 £'000	2022 £'000
Audit services		
– Group Auditor – PwC Ireland	763	738
– Other network firm – PwC	537	470
	1,300	1,208
Other assurance services*		
– Group Auditor – PwC Ireland	23	13
– Other network firm – PwC	2	10
	25	23
Auditors' remuneration – audit and other assurance services	1,325	1,231
Other non-audit services		
– Group Auditor – PwC Ireland	–	19
– Other network firm – PwC	–	–
	–	19
Tax advisory services		
– Group Auditor – PwC Ireland	–	–
– Other network firm – PwC	–	–
	–	–
Total (including expenses)		
– Group Auditor – PwC Ireland	786	770
– Other network firm – PwC	539	480
	1,325	1,250

* Other assurance services primarily relates to the review of the Group's interim results.

4. Property Profits, Non-Recurring Items and Exceptional Items

Property Profits

The property profit of £1.3 million (2022: £25.4 million) relates to profit on property disposals of £0.9 million (2022: £20.4 million) and fair value gains of £Nil (2022: £5.0 million). The property profit realised in 2023 includes £0.4 million which was the recovery of an amount which had been provided against in the previous year.

In 2023, the Group disposed of two Irish properties and one UK property (2022: six UK properties and one Irish property).

The fair value gain of £5.0 million in 2022 related to three investment properties in the UK and three investment properties in Ireland.

Non-Recurring Items

In 2022, a non-recurring curtailment gain of £3.7 million arose on closure to future accrual of a defined benefit pension scheme in Ireland (Note 30).

Exceptional Items

There were no exceptional items recognised in 2023 or 2022.

5. Directors' Remuneration, Pension Entitlements and Interests

	2023 £'000	2022 £'000
Emoluments	2,208	2,185
Benefits under Long Term Incentive Plan ("LTIP")*	156	424
Total emoluments	2,364	2,609
Emoluments above include the following:		
Pension payments/contributions**	108	216
	108	216

* For the year ended 31 December 2023, this is the value of LTIP awards that will vest in May 2024. The vesting of these awards was subject to performance conditions over the period from 1 January 2021 to 31 December 2023. The value of the awards is based on the average share price of £8.27 for the three months to 31 December 2023. For the year ended 31 December 2022, this is the value of LTIP awards that vested in September 2023. The value of this award has been updated from that disclosed last year to reflect the share price of £8.98 on the date of vesting.

** This is the amount of contribution payable in respect of the financial year by way of a company contribution to a pension scheme or a taxable payment in lieu of pension made through the payroll. This amount is accruing to two directors at 31 December 2023 (2022: two).

Further unaudited information on Directors' remuneration, pension entitlements and interests in shares and share entitlements is presented in the Report of the Remuneration Committee on Directors' Remuneration on pages 142 to 155.

6. Employment

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

	2023 Total	2022 Total
Distribution	7,161	7,071
Retailing	1,287	1,415
Manufacturing	354	318
Holding company	22	22
	8,824	8,826

Notes to the Group Financial Statements continued

6. Employment continued

The aggregate remuneration costs of employees were:

	2023 Total £'000	2022 Total £'000
Wages and salaries	302,325	290,958
Social welfare costs	34,784	34,316
Share based payments charge	2,127	4,719
Defined benefit pension (Note 30)	(252)	(1,737)
Defined contribution pension and related costs	11,941	8,948
Staff costs charged to operating profit	350,925	337,204
Net finance cost on pension scheme obligations (Note 30)	398	108
Charged to income statement	351,323	337,312
Remeasurement (gain)/loss on pension schemes (Note 30)	(1,320)	5,040
Total employee benefit cost	350,003	342,352

The share-based payments charge was derived on the basis of the Group's expectation of the number of shares likely to vest having regard to the service, the historic performance of the Group over the period since the share entitlements were granted and the forecast performance over the remaining life of share awards.

Total capitalised costs in 2023 were £Nil (2022: £Nil).

Key Management

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

	2023	2022
Number of individuals*	10	10

	2023 £'000	2022 £'000
Short term employee benefits	2,475	2,377
Share-based payment charge	761	541
Retirement benefits expense	133	275
Charged to operating profit	3,369	3,193

* 2023 excludes Gavin Slark who left the Group on 31 December 2022. Mark Robson joined the Group on 1 December 2023.

7. Finance Expense and Finance Income

	2023 £'000	2022 £'000
Finance expense:		
Interest on bank loans, US senior notes and overdrafts	8,331*	5,591*
Interest on lease liabilities	15,563*	14,919*
Net finance cost on pension scheme obligations	398	108
Foreign exchange loss	–	655
	24,292	21,273
Finance income:		
Interest income on bank deposits	(24,199)*	(8,690)*
Foreign exchange gain	(516)	–
	(24,715)	(8,690)
Net finance (income)/expense recognised in income statement	(423)	12,583

* Net bank and US senior note interest income of £15.9 million (2022: £3.1 million). Including interest on lease liabilities, net interest income was £0.3 million income (2022: £11.8 million net interest expense).

	2023 £'000	2022 £'000
Amounts relating to items not at fair value through income statement		
– Total finance expense on financial liabilities	23,894	21,273
– Total finance income on financial assets	(24,199)	(8,690)
Recognised directly in other comprehensive income		
Currency translation effects on foreign currency net investments	(12,210)	30,741
Effective portion of changes in fair value of cash flow hedges	31	(29)
	(12,179)	30,712

8. Foreign Currencies

The results and cash flows of the subsidiaries with euro functional currencies have been translated into sterling using the average exchange rate for the year. The balance sheets of subsidiaries with euro functional currencies have been translated into sterling at the rate of exchange ruling at the balance sheet date.

The average sterling/euro rate of exchange for the year ended 31 December 2023 was Stg86.98 pence (2022: Stg85.28 pence). The sterling/euro exchange rate at 31 December 2023 was Stg86.91 pence (2022: Stg88.69 pence).

Notes to the Group Financial Statements continued

9. Income Tax

(a) Income tax recognised in income statement

	2023 £'000	2022 £'000
Current tax expense		
Irish corporation tax	12,884	14,001
UK and other corporation tax	22,041	28,318
	34,925	42,319
Deferred tax expense		
Irish deferred tax relating to the origination and reversal of temporary differences	(4)	(55)
Deferred tax expense resulting from change in tax rates	13	367
UK and other deferred tax expense relating to the origination and reversal of temporary differences	(145)	434
	(136)	746
Total income tax expense in income statement	34,789	43,065

Taxation

The income tax expense of £34.8 million (2022: £43.1 million) was equivalent to an effective tax rate of 19.0 per cent on profit (2022: 17.1 per cent). This is a blended rate of corporation tax on profits in the four countries where the Group operates. The increase in the effective rate reflects an increase in the UK rate of corporation tax to 25 per cent with effect from 1 April 2023 from the 19 per cent rate that prevailed prior to that date. The tax rate is impacted by the disallowance of a tax deduction for certain overheads including depreciation on property.

Taxation paid in 2023 was £38.4 million (2022: £39.5 million).

The amount shown for current taxation reflects tax uncertainties and is based on the Directors' estimate of: (i) the most likely amount; or (ii) the expected value, 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.

(b) Reconciliation of Effective Tax Rate

	2023 £'000	2022 £'000
Profit before tax	183,512	251,683
Profit before tax multiplied by the Irish standard rate of tax of 12.5% (2022: 12.5%)	22,939	31,460
Effects of:		
Expenses not deductible for tax purposes	2,299	1,159
Differences in effective tax rates on overseas earnings	10,312	10,887
Effect of change in tax rates	13	367
Items not previously recognised for deferred tax	(1,481)	(3,203)
Other differences	707	2,395
Total income tax expense in income statement	34,789	43,065

(c) Deferred Tax Recognised Directly in Equity/Other Comprehensive Income

	2023 £'000	2022 £'000
Actuarial movement on pension schemes (Note 30)	3	(2,558)
Employee share schemes	(345)	1,312
	(342)	(1,246)

Deferred income tax liabilities have not been recognised for any taxes that would be payable on the unremitted earnings of certain subsidiaries as it is probable that any temporary differences will not reverse in the foreseeable future.

9. Income Tax continued

Taxation continued

(d) Pillar Two - Global Minimum Top-Up Tax

The Group is within the scope of the global minimum top-up tax under the OECD Pillar Two model rules. Pillar Two legislation was enacted in Ireland, the jurisdiction in which Grafton Group plc is incorporated, during 2023.

Under the new legislation, the Group is liable to pay a top-up tax for the difference between the Pillar Two effective tax rate per jurisdiction and the 15 per cent minimum rate. Specific adjustments envisaged in the Pillar Two legislation can give rise to different effective tax rates compared to those calculated for IFRS purposes.

Since the newly enacted legislation in Ireland is only effective for the Group from 1 January 2024, there is no current tax impact for the year ended 31 December 2023. The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and will account for it as a current tax when it is incurred.

The Group expects to be subject to the top-up tax in relation to its operations in Ireland, where the standard statutory tax rate is 12.5 per cent. The proportion of the Group's profit before tax for the year ended 31 December 2023 which relate to its operations in Ireland is approximately 50 per cent, with the average effective tax rate under IFRS applicable to those profits during 2023 being 14.4 per cent. The proportion of the Group's profit before tax which is subject to the top-up tax and its exposure to Pillar Two income taxes from 2024 onwards will depend on factors such as future revenues, costs and foreign currency exchange rates.

Based on the current profile of the Group's operations, Pillar Two legislation is not expected to have a material impact on the financial statements of the Group. The Group continue to monitor changes in law and guidance as they apply to Grafton Group plc.

10. Dividends

	2023 £'000	2022 £'000
Group		
Final dividend for 2022 of 23.75p per Grafton Unit – paid 11 May 2023	51,611	–
Interim dividend for 2023 of 10.0p per Grafton Unit – paid 20 October 2023	20,958	–
Final dividend for 2021 of 22.0p per Grafton Unit – paid 5 May 2022	–	52,732
Interim dividend for 2022 of 9.25p per Grafton Unit – paid 7 October 2022	–	21,136
	72,569	73,868

A final dividend for 2021 of 22.0p per share was paid on 5 May 2022 in the amount of £52.7 million.

An interim dividend for 2022 of 9.25p per share was paid on 7 October 2022 in the amount of £21.1 million. The final dividend for 2022 of 23.75p per share was paid on 11 May 2023 in the amount of £51.6 million.

An interim dividend for 2023 of 10.0p per share was paid on 20 October 2023 in the amount of £21.0 million.

A final dividend for 2023 of 26.0p per share will be paid to all holders of Grafton Units on the Company's Register of Members at the close of business on 12 April 2024 (the 'Record Date'). The Ex-dividend date is 11 April 2024. The cash consideration will be paid on 9 May 2024. A liability in respect of the final dividend has not been recognised at 31 December 2023, as there was no obligation to pay any dividends at the end of the year.

Notes to the Group Financial Statements continued

11. Earnings Per Share – Group

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

	2023 £'000	2022 £'000
Numerator for basic, adjusted and diluted earnings per share:		
Profit after tax for the financial year	148,723	208,618
Numerator for basic and diluted earnings per share	148,723	208,618
Profit after tax for the financial year	148,723	208,618
Amortisation of intangible assets arising on acquisitions	19,691	19,286
Tax relating to amortisation of intangible assets arising on acquisitions	(4,415)	(4,329)
Acquisition related items	2,730	2,306
Tax on acquisition related items	(229)	(235)
Numerator for adjusted earnings per share	166,500	225,646

Denominator for basic and adjusted earnings per share:

	Number of Grafton Units	Number of Grafton Units
Weighted average number of Grafton Units in issue	213,802,819	233,517,016
Dilutive effect of options and awards	24,688	423,503
Denominator for diluted earnings per share	213,827,507	233,940,519
Earnings per share (pence)		
– Basic	69.6	89.3
– Diluted	69.6	89.2
Adjusted earnings per share (pence)*		
– Basic	77.9	96.6
– Diluted	77.9	96.5

* The term "Adjusted" means before exceptional items, amortisation of intangible assets arising on acquisitions and acquisition related items.

The weighted average potential employee share entitlements over 526,329 Grafton Units (2022: 616,223) which are currently anti-dilutive are not included in the above calculation for diluted earnings per share and adjusted diluted earnings per share.

12. Goodwill

Cost	2023 £'000	2022 £'000
At 1 January	635,751	599,810
Arising on acquisitions (Note 27)	15,786	18,965
Translation adjustment	(6,475)	16,976
At 31 December	645,062	635,751

Cash Generating Units

Goodwill arising as part of a business combination is allocated to groups of cash generating units ("CGUs") for the purpose of impairment testing based on the Group's existing business segments or, where appropriate, recognition of a new CGU. The CGUs represent the lowest level at which goodwill is monitored for internal management purposes and are not larger than the operating segments determined in accordance with IFRS 8, Operating Segments. A total of seven CGUs (2022: seven), of which goodwill has been allocated to five, have been identified and these are analysed between the three reportable segments as follows:

12. Goodwill continued

	Cash Generating Units		Goodwill	
	2023 Number	2022 Number	2023 £'000	2022 £'000
Distribution	4	4	607,797	607,296
Retailing	1	1	–	–
Manufacturing*	2	2	37,265	28,455
	7	7	645,062	635,751

* Goodwill is allocated to one Manufacturing CGU.

Goodwill Acquired

Goodwill acquired during the year in the amount of £15.8 million (2022: £19.0 million) was allocated to the Ireland and UK distribution CGUs and the UK manufacturing CGU. Goodwill on these acquisitions reflects the anticipated purchasing and operational synergies to be realised as part of the enlarged Group. Intangible assets which formed part of the acquisition consideration are detailed in Note 15.

Impairment Testing

Goodwill is subject to impairment testing on an annual basis at 31 December and additionally during the year if an indicator of impairment is considered to exist. The recoverable amount of each cash generating unit is determined based on value-in-use calculations. The carrying value of each cash generating unit was compared to its estimated value-in-use. There were no impairments during the year (2022: £Nil). Total accumulated impairment losses at 31 December 2023 amounted to £Nil (2022: £Nil).

Value-in-use Calculations

The value-in-use is calculated on the basis of estimated future cash flows discounted to present value. Estimated future cash flows were determined by reference to the budget for 2024 and management forecasts for each of the following years from 2025 to 2028 inclusive. The terminal value was calculated using a long term nominal growth rate in respect of the years after 2028. The estimates of future cash flows were based on consideration of past experience together with an assessment of the future prospects of each of the businesses within the CGUs. The assumptions used are also referenced against external industry data, where available.

The key assumptions used in the value-in-use calculations are the nominal revenue growth rate, the discount rate and the long term growth rate. The pre-tax discount rates used were based on the Group's estimated weighted average cost of capital, adjusted to reflect risks associated with each CGU.

The revenue compound annual growth rate (CAGR) ranged from 0.7 per cent to 4.4 per cent (2022: 2.9 per cent to 6.6 per cent). The pre-tax discount rates range from 10.6 per cent to 14.6 per cent (2022: 11.7 per cent to 13.4 per cent). In determining the terminal value of the value-in-use, it was assumed that cash flows after the first five years will increase at a nominal long term growth rate of 2.5 per cent (2022: 2 per cent). The rate assumed was based on an assessment of the likely long term growth prospects of the individual CGUs.

Significant Goodwill Amounts

A summary of the allocated goodwill and the assumptions (all nominal) relating to the recoverable amounts of these CGUs is shown below:

	UK Distribution		Irish Distribution		Netherlands Distribution		Finland Distribution		UK Manufacturing	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Goodwill (£'000)	289,929	285,385	166,426	167,503	115,684	118,054	35,758	36,354	37,265	28,455
Recoverable amount basis	Value-in-use	Value-in-use	Value-in-use	Value-in-use	Value-in-use	Value-in-use	Value-in-use	Value-in-use	Value-in-use	Value-in-use
Revenue growth rate average*	4.4%	3.9%	3.8%	4.5%	4.2%	3.8%	4.2%	2.9%	0.7%	6.6%
Long-term growth rate	2.5%	2.0%	2.5%	2.0%	2.5%	2.0%	2.5%	2.0%	2.5%	2.0%
Discount rate (pre-tax)	13.1%	13.2%	10.9%	11.7%	10.6%	12.1%	11.2%	12.2%	14.6%	13.4%

* CAGR for the years 2023 - 2028 (2022: CAGR for the years 2022 - 2027).

Notes to the Group Financial Statements continued

12. Goodwill continued

Sensitivity Analysis

The value-in-use calculations are sensitive to changes in the key assumptions of the revenue growth rate, the discount rate and the long-term growth rate. While management believes that the value-in-use assumptions are prudent, a sensitivity analysis was performed based on reasonable changes in each of the three key assumptions in each CGU. No reasonably possible change in any of the key assumptions would cause the carrying amount to exceed the recoverable amount in the CGUs.

13. Property, Plant and Equipment, Right-of-Use Asset, Properties Held for Sale and Investment Properties

13. (a) Property, Plant and Equipment

	Freehold land and buildings £'000	Leasehold improvements/ buildings £'000	Plant and Machinery* £'000	Motor Vehicles £'000	Total £'000
Year ended 31 December 2023					
Opening net book amount	154,548	66,951	107,626	25,277	354,402
Additions	3,927	2,894	32,927	9,068	48,816
Arising on acquisitions (Note 27)	5,923	22	688	319	6,952
Disposals	–	(60)	(730)	(164)	(954)
Depreciation charge (Note 3)	(2,644)	(8,491)	(21,893)	(5,953)	(38,981)
Reclassification from right-of-use assets (Note 13b)	750	–	–	–	750
Exchange adjustment	(2,357)	(131)	(1,119)	(112)	(3,719)
Closing net book amount	160,147	61,185	117,499	28,435	367,266
At 31 December 2023					
Cost	209,987	127,696	313,198	57,740	708,621
Accumulated depreciation & impairment loss	(49,840)	(66,511)	(195,699)	(29,305)	(341,355)
Net book amount	160,147	61,185	117,499	28,435	367,266
Year ended 31 December 2022					
Opening net book amount	146,362	62,306	85,799	24,828	319,295
Additions	1,083	11,128	37,567	5,540	55,318
Arising on acquisitions	3,140	579	534	406	4,659
Disposals	–	(43)	(457)	(97)	(597)
Depreciation charge	(2,587)	(7,372)	(18,523)	(5,689)	(34,171)
Reclassification from investment properties	423	–	–	–	423
Exchange adjustment	6,127	353	2,706	289	9,475
Closing net book amount	154,548	66,951	107,626	25,277	354,402
At 31 December 2022					
Cost	202,570	125,719	298,804	52,218	679,311
Accumulated depreciation & impairment loss	(48,022)	(58,768)	(191,178)	(26,941)	(324,909)
Net book amount	154,548	66,951	107,626	25,277	354,402

* This also includes plant hire equipment.

The Group's freehold and long leasehold properties located in the Republic of Ireland were professionally valued as at December 1998 by professional valuers in accordance with the Appraisal and Valuation Manual of the Society of Chartered Surveyors. Property acquired/purchased after December 1998 is stated at cost or deemed cost. Previous valuations, which were made on an open market for existing use basis, were deemed to be cost for the purpose of the transition to IFRS as adopted by the EU. The remaining properties, which are located in the United Kingdom, the Netherlands and Finland, are included at cost less depreciation.

13. Property, Plant and Equipment, Right-of-Use Asset, Properties Held for Sale and Investment Properties continued

13. (b) Right-Of-Use Asset

	Property & Land Leases £'000	Vehicles £'000	Other Assets £'000	Total £'000
Year ended 31 December 2023				
Opening balance at 1 January 2023	410,074	9,833	208	420,115
Additions*	5,847	7,097	409	13,353
Arising on acquisitions (Note 27)	820	–	–	820
Depreciation charge (Note 3)	(60,603)	(5,011)	(105)	(65,719)
Disposals	(2,084)	(347)	(2)	(2,433)
Reclassification to property, plant and equipment (Note 13a)**	(750)	–	–	(750)
Remeasurements*	39,866	65	19	39,950
Translation adjustment	(3,885)	(149)	(4)	(4,038)
Closing net book amount	389,285	11,488	525	401,298
Year ended 31 December 2022				
Recognised at 1 January 2022	411,055	9,409	790	421,254
Additions	27,209	4,744	18	31,971
Arising on acquisitions	2,745	–	–	2,745
Depreciation charge	(55,600)	(4,480)	(62)	(60,142)
Disposals	(1,975)	(334)	–	(2,309)
Remeasurements	16,111	115	(548)	15,678
Translation adjustment	10,529	379	10	10,918
Closing net book amount	410,074	9,833	208	420,115

* Right-of-use asset additions relate to new lease contracts entered into during the year and mainly arise due to leases entered into for replacement vehicle leases, new store locations and new lease contracts agreed for existing stores. Right-of-use asset remeasurements have mainly arisen due to the finalisation of rent reviews and the reassessment of extension options available to the Group on a number of property leases that will now be exercised.

** The right-of-use asset transfer to property, plant and equipment relates to one property for which a purchase option was exercised during the year.

The carrying value of assets, which the Group sublease as operating leases and generate income from, amounted to £16.4 million (2022: £17.6 million). Cashflow exposures relating to extension options and termination options, which are not reflected in the measurement of lease liabilities are £Nil (2022: Nil).

The average lease term is 7.5 years (2022: 7.6 years). The average remaining lease term at 31 December 2023 is 3.4 years (2022: 3.6 years).

The amounts recognised in the income statement include:

	2023 Total £'000	2022 Total £'000
Depreciation expense on right-of-use assets (Note 3)	65,719	60,142
Interest expense on lease liabilities (Note 7)	15,563	14,919
Expense relating to short term leases (Note 3)	1,016	1,355
Expense relating to leases of low-value assets (Note 3)	62	200
Expense relating to variable lease payments not included in measurements of lease liability (Note 3)	232	292
Income from subleasing right-of-use assets – operating leases	959	1,006

The total cash outflow for leases amounted to £83.2 million (2022: £73.0 million).

There have been no sale and leaseback transactions in the current year.

The undiscounted lease amounts to be received on an annual basis, in relation to the sublease operating lease income, is £0.9 million for year one, £0.8 million for year two, £0.3 million for year three, £0.2 million for years four and five and £0.1 million for year six onwards with total income from subleasing right-of-use assets amounting to £2.5 million (2022: £2.5 million).

13. Property, Plant and Equipment, Right-of-Use Asset, Properties Held for Sale and Investment Properties continued

13. (c) Properties Held for Sale

	Carrying Amount £'000
At 1 January 2022	6,125
Transfers to property, plant and equipment	(423)
Disposals	(1,549)
Translation adjustment	211
At 31 December 2022	4,364
Transfers from investment properties	1,348
Disposals	(1,348)
Translation adjustment	(73)
At 31 December 2023	4,291

During the year, one UK held for sale property and two Irish properties were sold. Two Irish properties were transferred from investment properties. The total number of properties held for sale at 31 December 2023 was two (2022: three), of which one (2022: two) is located in the UK and one (2022: one) in Ireland. These properties are shown in the balance sheet at the lower of their carrying amount and fair value less any disposal costs. One property is included at a fair value of £3.5 million (2022: one property at £3.6 million).

Properties held for sale are not used in the course of business and are available for immediate sale in their present condition subject to terms that are usual and customary for properties of this nature. The individual properties were being actively marketed at the year end and the Group is committed to its plan to sell these properties in an orderly manner.

13. (d) Investment Properties

	Fair Value £'000
At 1 January 2022	26,527
Fair value gains	4,998
Disposals	(5,769)
Translation adjustment	328
At 31 December 2022	26,084
Transfers to properties held for sale	(1,348)
Translation adjustment	(127)
At 31 December 2023	24,609

During the year, the Group transferred two Irish investment properties to held for sale. The total number of investment properties at 31 December 2023 was 11 (2022: 13) of which six (2022: six) are located in the UK and five (2022: seven) in Ireland. These properties are being held with a view to enhancing their value.

Investment properties of £24.6 million, which are separately classified in non-current assets, are carried at fair value in the financial statements. The valuation techniques used included a review of the market value of comparable transactions that were recently completed or on the market and the services of independent registered property appraisers. In cases where there are no recent precedent transactions, valuations were based on estimated rental yields, consideration of residual value and consultations with external agents who have knowledge of local property markets.

13. Property, Plant and Equipment, Right-of-Use Asset, Properties Held for Sale and Investment Properties continued

13. (e) Fair Value Hierarchy – Properties Held for Sale Carried at Fair Value and Investment Properties

As noted in the Group's accounting policies on page 203, properties held for sale are held at the lower of carrying amount and fair value less costs to sell. Investment properties are carried at fair value. Fair value is defined as the price that would be received if the asset was sold in an orderly transaction between market participants based on the asset's highest and best use. Valuations are reviewed each year by the Directors with movements in fair value recognised in the income statement.

The Group reviewed its property assets during the year. Properties held for sale comprise land and buildings in the UK and Ireland. Investment properties, comprising land and buildings located in the UK and Ireland, are held for capital appreciation and or rental income and are not occupied by the Group for trading purposes. This also includes parts of properties which are sub-let to third parties. Properties held for sale comprise properties that are held at a carrying amount of £0.8 million (2022: £0.8 million) and properties held at a fair value of £3.5 million (2022: £3.6 million). Investment properties are held at a fair value of £24.6 million (2022: £26.1 million).

In general, valuations have been undertaken having regard to comparable market transactions between informed market participants.

Due to very limited transactions for properties of a similar nature in the UK and Ireland, the valuations of a number of properties were completed using other methods. These valuations were determined internally with reference to local knowledge, valuation techniques and the exercise of judgement following consultation with property advisers with recent experience of the location and nature of the properties being valued together with the valuation of comparable properties listed in the marketplace.

Property valuations are derived from data which is not publicly available and for these reasons, the valuations of the Group's property portfolio is classified as level 3 as defined by IFRS 13.

The following is a summary of valuation methods used in relation to the Group's held for sale and investment properties which are carried at fair value:

At 31 December 2023

	Independent valuations £'000	Comparable market transactions £'000	Offers from third parties £'000	Total 2023 £'000
Properties Held for Sale				
Distribution segment	–	3,529	–	3,529

	Independent valuations* £'000	Comparable market transactions £'000	Other methods £'000	Total 2023 £'000
Investment Properties				
Distribution segment	14,862	6,276	–	21,138
Manufacturing segment	3,471	–	–	3,471
Total	18,333	6,276	–	24,609

* £11.6 million of the independent valuations were obtained in December 2022.

Notes to the Group Financial Statements continued

13. Property, Plant and Equipment, Right-of-Use Asset, Properties Held for Sale and Investment Properties continued

13. (e) Fair Value Hierarchy – Properties Held for Sale Carried at Fair Value and Investment Properties continued

At 31 December 2022

	Independent valuations £'000	Comparable market transactions £'000	Offers from third parties £'000	Total 2022 £'000
Properties Held for Sale				
Distribution segment	–	3,602	–	3,602

	Independent valuations £'000	Comparable market transactions £'000	Other methods £'000	Total 2022 £'000
Investment Properties				
Distribution segment	14,862	7,680	–	22,542
Manufacturing segment	–	2,336	1,206	3,542
Total	14,862	10,016	1,206	26,084

The following table shows a reconciliation from the opening balance to the closing 2023 balance for level 3 fair values:

	Properties held for sale 2023 £'000	Investment properties 2023 £'000
Balance at beginning of year	4,364	26,084
Transfers from investment properties to properties held for sale	1,348	(1,348)
Disposals	(1,348)	–
Foreign exchange movement	(73)	(127)
Balance at end of year	4,291	24,609
Recorded at fair value	3,529	24,609
Recorded at cost	762	–
Total	4,291	24,609

The following table shows a reconciliation from the opening balance to the closing 2022 balance for level 3 fair values:

	Properties held for sale 2022 £'000	Investment properties 2022 £'000
Balance at beginning of year	6,125	26,527
Transfers to property, plant and equipment	(423)	–
Disposals	(1,549)	(5,769)
Fair value gains and losses*	–	4,998
Foreign exchange movement	211	328
Balance at end of year	4,364	26,084
Recorded at fair value	3,602	26,084
Recorded at cost	762	–
Total	4,364	26,084

* During 2022, a fair value gain of £5.0 million was recognised on six properties. Three of these were properties which were retained by the Group following the agreement to divest the traditional merchanting business in Great Britain. These three properties have a fair value of £14.9 million. The value of these properties were uplifted by £4.2 million in 2022. An additional fair value gain of £0.8 million was also recognised on three Irish investment properties.

13. Property, Plant and Equipment, Right-of-Use Asset, Properties Held for Sale and Investment Properties continued

13. (e) Fair Value Hierarchy – Properties Held for Sale Carried at Fair Value and Investment Properties continued

Valuation Techniques and Significant Unobservable Inputs

The following tables show the valuation techniques used in measuring the fair value of properties held for sale and investment properties and the significant unobservable inputs used. Where market transactions are present, the comparable market transaction method is used for land and buildings held for sale or capital appreciation.

Properties Held for Sale

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Comparable market transactions – price per acre: The value is based on comparable market transactions after discussion with independent agents and/or with reference to other information sources.	**UK Urban** • Parcel of development land price under offer at £3.8m per acre. **Ireland – Urban (major cities)** • Comparable industrial or development land prices of £259,000 per acre (2022: £267,000 per acre).	**The estimated fair value would increase/(decrease) if:** • Comparable market prices per acre were higher/(lower).

Investment Properties

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Comparable market transactions – price per square metre: The value is based on comparable market transactions after discussion with independent registered property appraisers and/or with reference to other information sources.	**Ireland – Urban** • Comparable warehouse market prices of £1,076 per square metre (2022: £1,098 per square metre). **Ireland – Regional** • Comparable warehouse market prices of £518 per square metre (2022: £529 per square metre). • Comparable commercial/residential use development land prices of £42,000 per acre. **UK – Regional (excluding major cities)** • Comparable warehouse market price of £350 per square metre (2022: £350 per square metre). • Comparable residential market prices of dilapidated residential in the region of £50,000 (2022: £50,000). **UK – Urban** • Comparable market prices for industrial development sites of £1.5 million per acre (2022: £1.5 million).	**The estimated fair value would increase/(decrease) if:** • Comparable market prices per square metre were higher/(lower).

Notes to the Group Financial Statements continued

13. Property, Plant and Equipment, Right-of-Use Asset, Properties Held for Sale and Investment Properties continued

13. (e) Fair Value Hierarchy – Properties Held for Sale Carried at Fair Value and Investment Properties continued

Investment Properties continued

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Independent valuations: The value is based on the opinion of independent registered property appraisers	Ireland • Two properties were valued by independent property assessors during 2023. The total value was £3.5m. UK • One property was independently valued by an independent property advisor in December 2023 and two properties in December 2022. The total value was £14.9 million (2022: £14.9 million).	

14. Other Financial Assets

	Other Investments £'000
At 1 January 2022	126
Translation adjustment	3
At 31 December 2022	129
Translation adjustment	(2)
At 31 December 2023	127

Other investments represent sundry equity investments at cost less provision for impairment.

15. Intangible Assets

	Computer Software £'000	Trade Names £'000	Customer Relationships & Technology £'000	Total £'000
Cost				
At 1 January 2022	7,567	35,606	142,209	185,382
Additions	2,522	–	–	2,522
Acquisitions (Note 27)	–	2,889	17,705	20,594
Translation adjustment	258	1,570	6,676	8,504
At 1 January 2023	10,347	40,065	166,590	217,002
Additions	3,963	–	–	3,963
Acquisitions (Note 27)	–	691	4,199	4,890
Translation adjustment	(109)	(597)	(2,509)	(3,215)
At 31 December 2023	14,201	40,159	168,280	222,640
Amortisation				
At 1 January 2022	3,566	5,191	32,298	41,055
Charge for the year	1,009	3,562	15,724	20,295
Translation adjustment	107	284	1,549	1,940
At 1 January 2023	4,682	9,037	49,571	63,290
Charge for the year	1,596	3,843	15,848	21,287
Translation adjustment	(47)	(126)	(665)	(838)
At 31 December 2023	6,231	12,754	64,754	83,739
Net book amount				
At 31 December 2023	7,970	27,405	103,526	138,901
At 31 December 2022	5,665	31,028	117,019	153,712

Customer relationships, technology and trade names arise from business combinations (Note 27) and are amortised over their estimated useful lives. The average remaining amortisation period is 7.1 years (2022: 8.1 years).

The amortisation expense of £21.3 million (2022: £20.3 million) has been charged in operating costs in the income statement. Amortisation on acquired intangibles amounted to £19.7 million (2022: £19.3 million).

Notes to the Group Financial Statements continued

16. Inventories

	2023 £'000	2022 £'000
Raw materials	5,866	6,805
Finished goods	2,211	2,862
Goods purchased for resale	353,521	389,898
	361,598	399,565

The inventory provision at 31 December 2023 was £56.0 million (2022: £47.2 million).

Movement in Impairment Provision

	2023 £'000	2022 £'000
At 1 January	47,157	41,943
Utilised/released during year	(1,869)	(2,349)
Acquired during the year	–	1,536
Additional provision	11,437	4,392
Translation adjustment	(710)	1,635
At 31 December	56,015	47,157

17. Trade and Other Receivables and Finance Lease Receivables

17. (a) Trade and Other Receivables

	2023 £'000	2022^ £'000
Amounts falling due within one year:		
Trade receivables	173,938	179,481
Other receivables	66,352	66,066
	240,290	245,547
Prepayments	22,473	22,147
	262,763	267,694

^ Consistent with Note 21, prior year comparatives have been updated to conform to the current year presentation, in line with the requirements of IFRS 9.

The carrying amount of trade and other receivables represents the maximum credit exposure. Other receivables primarily includes rebates receivable. Rebates receivable, included in other receivables, amounted to £58.6 million (2022: £60.4 million).

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

	Carrying Amount	
	2023 £'000	2022^ £'000
United Kingdom	73,385	75,539
Ireland	96,518	98,502
Netherlands	49,213	50,105
Finland	21,174	21,401
	240,290	245,547

^ Consistent with Note 21, prior year comparatives have been updated to conform to the current year presentation, in line with the requirements of IFRS 9.

Credit risk is well diversified over a broad customer base with only a small number of accounts with balances in excess of £100,000 that collectively account for a small proportion of total trade receivables. A number of businesses also have credit insurance policies in place which provide cover for the most significant amounts receivable from customers in the UK and Ireland.

17. Trade and Other Receivables and Finance Lease Receivables continued

17. (a) Trade and Other Receivables continued

The ageing of total trade and other receivables, under the expected credit loss model, at 31 December 2023 was:

	Gross Value £'000	Impairment £'000	Carrying Amount £'000	Weighted Average Loss Rate %
Not Past Due	214,550	(1,040)	213,510	0.5%
Past Due				
0-30 days	38,291	(598)	37,693	1.6%
30-60 days	9,531	(3,571)	5,960	37.5%
+60 days	9,958	(4,358)	5,600	43.8%
	57,780	(8,527)	49,253	14.8%
	272,330	(9,567)	262,763	3.5%

The ageing of total trade and other receivables at 31 December 2022 was:

	Gross Value £'000	Impairment £'000	Carrying Amount £'000	Weighted Average Loss Rate %
Not Past Due	229,077	(2,183)	226,894	1.0%
Past Due				
0-30 days	36,716	(4,137)	32,579	11.3%
30-60 days	8,024	(2,059)	5,965	25.7%
+60 days	5,295	(3,039)	2,256	57.4%
	50,035	(9,235)	40,800	18.5%
	279,112	(11,418)	267,694	4.1%

Movement in Impairment Provision

	2023 £'000	2022 £'000
At 1 January	11,418	9,990
Written-off during the year	(3,299)	(910)
Additional provision	1,602	1,875
Acquired during the year	–	71
Translation adjustment	(154)	392
At 31 December	9,567	11,418

17. (b) Finance Lease Receivables

Finance lease receivables are presented in the balance sheet as follows:

	2023 £'000	2022 £'000
Lease receivables:		
Lease receivables – falling due within one year	195	196
Lease receivables – falling due after more than one year	264	453
	459	649

Notes to the Group Financial Statements continued

17. Trade and Other Receivables and Finance Lease Receivables continued

17. (b) Finance Lease Receivables continued

The maturity profile of the Group's finance lease receivables can be summarised as follows:

	2023 £'000	2022 £'000
Lease receivables:		
Due within one year	195	196
Between one and two years	154	190
Between two and three years	110	150
Between three and four years	–	113
Between four and five years	–	–
After five years	–	–
	459	649

The average remaining lease term is 2.1 years (2022: 3.1 years). The finance income on the finance lease receivable recognised during the year amounted to £Nil (2022: £0.1 million).

18. Share Capital and Share Premium

Group and Company

	2023 €'000	2022 €'000
Authorised:		
Equity shares		
306 million ordinary shares of 5c each (2022: 306 million)	15,300	15,300
	15,300	15,300

Year Ended 31 December 2023

	Issue Price	Number of Shares	2023 Nominal Value £'000
Issued and fully paid:			
Ordinary shares – nominal value of €0.05			
At 1 January		223,901,033	7,870
Issued under UK SAYE scheme*		321,284	14
2011 Long Term Incentive Plan			
September 2020 LTIP Award	Nil	377,688	16
Share Buyback			
Share Buyback – Programme 2		(6,587,790)	(286)
Share Buyback – Programme 3		(6,004,286)	(261)
Share Buyback – Programme 4		(5,569,269)	(243)
Share Buyback – LTIP Awards		(377,688)	(16)
At 31 December		206,060,972	7,094
Total nominal share capital issued			7,094

* Refer to Note 31 which outlines the issue price of the 2022, 2020 and the 2019 SAYE Schemes.

18. Share Capital and Share Premium continued

Group and Company continued

Year Ended 31 December 2022

	Issue Price	Number of Shares	2022 Nominal Value £'000
Issued and fully paid:			
Ordinary shares – nominal value of €0.05			
At 1 January		240,071,630	8,570
Issued under UK SAYE scheme*		414,711	14
2011 Long Term Incentive Plan			
April 2019 LTIP Award	Nil	796,902	32
Share Buyback			
Share Buyback – Programme 1		(12,282,711)	(525)
Share Buyback – Programme 2		(4,302,597)	(189)
Share Buyback – LTIP Awards		(796,902)	(32)
At 31 December		223,901,033	7,870
Total nominal share capital issued			7,870

* Refer to Note 31 which outlines the issue price of the 2020, 2019 and the 2018 SAYE Schemes.

Share Premium

Group	2023 £'000	2022 £'000
At 1 January	221,975	219,447
Premium on issue of shares under UK SAYE scheme	1,886	2,528
At 31 December	223,861	221,975

Grafton Units Issued and Cancelled During 2023

The number of Grafton Units issued during the year under the Group's Executive Share Schemes and the UK SAYE scheme was 698,972 (2022: 1,211,613). Costs relating to the issues were £Nil (2022: £Nil). The number of Grafton units cancelled during the year was 18,539,033 (2022: 17,382,210). The total consideration received, excluding the share buybacks, amounted to £1,916,000 (2022: £2,574,000).

Grafton Units

At an Extraordinary General Meeting on 21 January 2021, shareholders approved a resolution relating to the surrender and cancellation of the 'A' Ordinary Shares and the purchase of the 'C' Ordinary Shares and related waiver of rights. These changes took effect from 6.00pm on 7 March 2021. From that date and as at 31 December 2022 and 31 December 2023, a Grafton Unit comprised one ordinary share of Euro five cent in Grafton Group plc.

Ordinary Shares

The holders of ordinary shares are entitled to attend, speak and vote at all General Meetings of the Company.

Simplification of Grafton Unit

The Grafton Unit was simplified with effect from 7 March 2021 and now comprises 1 ordinary share of Euro five cent in Grafton Group plc.

Treasury Shares

The Group holds 500,000 (2022: 500,000) Grafton Units at a cost of £3,897,000 (2022: £3,897,000) as treasury shares. At 31 December 2023, the Group also held 50,000 shares (2022: 115,109 shares) purchased but not cancelled as part of the share buyback programme at a cost of £0.5 million as noted below (2022: £0.9 million).

Notes to the Group Financial Statements continued

18. Share Capital and Share Premium continued

Treasury Shares continued

Share Buyback Programme

The movement in treasury shares as a result of the buybacks is noted below:

	Purchase of Shares £'000	Transaction Costs £'000	Total Purchase of Shares* £'000	Cancellation of Shares £'000	Transfer from Treasury Shares** £'000	Total Movement £'000
Buyback Programme 1	100,000	284	100,284	(100,000)	(284)	-
LTIP Awards 2022	7,563	16	7,579	(7,563)	(16)	-
Buyback Programme 2	93,316	187	93,503	(93,316)	(187)	-
Buyback Programme 3	50,000	100	50,100	(50,000)	(100)	-
LTIP Awards 2023	3,408	7	3,415	(3,408)	(7)	-
Buyback Programme 4	47,465	93	47,558	(46,997)	(93)	468
Total	301,752	687	302,439	(301,284)	(687)	468

* Including transaction costs.

** At 31 December 2023, the share buyback programmes 1, 2 and 3, and the LTIP purchase and cancellation, were fully completed and the related transactions costs have been transferred from treasury shares to retained earnings, totalling £0.7 million.

	Purchase of Shares £'000	Transaction Costs £'000	Total Purchase of Shares* £'000	Cancellation of Shares £'000	Transfer from Treasury Shares £'000	Total Movement £'000
Year ended 31 December 2022	142,609	372	142,981	(141,693)	-	1,288
Year ended 31 December 2023	159,143	315	159,458	(159,591)	(687)	(820)
Total	301,752	687	302,439	(301,284)	(687)	468

Buyback Programme 1

On 28 April 2022, the Group announced its intention to introduce a share buyback programme for a maximum aggregate consideration of up to £100 million. The Buyback commenced on 9 May 2022 and ended on 12 September 2022. At 31 December 2022, the Group had purchased 12,282,711 shares in aggregate for cancellation at a total cost of £100.3 million, including transaction costs. All shares were cancelled by 31 December 2022.

LTIP Purchase and Cancellation 2022

In addition to the above, on 3 May 2022 and 4 May 2022, the Group purchased and cancelled 796,902 Grafton Units to offset the dilutive effect of issuing new shares to satisfy share award obligations under the Company's Long Term Incentive Plan. The total consideration was £7.6 million, including transaction costs.

Buyback Programme 2

Following completion of the first share buyback programme the Group announced on 10 November 2022 its intention to commence a second share buyback programme and to buy back ordinary shares (the "Shares") on the Group's behalf for a maximum aggregate consideration of up to £100 million. The Buyback commenced on 10 November 2022 and ended on 18 April 2023.

At 31 December 2022, the Group had purchased 4,417,706 shares in aggregate for cancellation at a total cost of £35.1 million through the second buyback programme, including transaction costs. However, due to timing, only 4,302,597 were cancelled at 31 December 2022 and the remaining 115,109 shares purchased for £0.9 million were cancelled in early January 2023. In 2023, the Group purchased an additional 6,472,681 shares for cancellation at a total cost of £58.4 million, including transaction costs. The total aggregate consideration, including transaction costs, for the second buyback programme was £93.5 million.

Buyback Programme 3

The Group announced on 4 May 2023 its intention to commence a third share buyback programme and to buy back ordinary shares (the "Shares") on the Group's behalf for a maximum aggregate consideration of up to £50 million. The Buyback commenced on 12 May 2023 and ended on 30 August 2023. The Group purchased 6,004,286 shares in aggregate for cancellation at a total cost of £50.1 million, including transaction costs.

18. Share Capital and Share Premium continued

Treasury Shares continued

Share Buyback Programme continued

LTIP Purchase and Cancellation 2023

On 12 September 2023, the Group purchased and cancelled 377,688 Grafton Units to offset the dilutive effect of issuing new shares to satisfy share award obligations under the Company's Long Term Incentive Plan. The total consideration was £3.4 million, including transaction costs.

Buyback Programme 4

The Group announced on 31 August 2023 its intention to commence a fourth share buyback programme and to buy back ordinary shares (the "Shares") on the Group's behalf for a maximum aggregate consideration of up to £50 million. The Buyback commenced on the same day. At 31 December 2023, the Group had purchased 5,619,269 shares in aggregate for cancellation at a total cost of £47.6 million, including transaction costs. However, due to timing, only 5,569,269 were cancelled at 31 December 2023 and the remaining 50,000 shares purchased for £0.5 million were cancelled in January 2024. On 8 December 2023, the Group announced an extension of this programme and to increase the maximum aggregate consideration by a further £50 million to a total of £100 million.

Details of shares bought back since 31 December 2023 are included in Note 34.

19. Group Statement of Changes in Equity

The capital redemption reserve is a legal reserve which arose from the purchase of 'A' ordinary shares, the redemption of redeemable shares in prior years and the buy-back and cancellation of shares.

The revaluation reserve was created as a result of a revaluation of Irish properties in 1998.

The shares to be issued reserve comprises amounts expensed in the income statement in connection with share-based payments, net of transfers to retained earnings on the exercise of share entitlements and the lapsing of such entitlements.

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

The foreign currency translation reserve arises from the currency effect on translation of the investment in subsidiaries with euro functional currencies as adjusted for foreign currency borrowings and derivatives designated as net investment hedges.

Notes to the Group Financial Statements continued

20. Interest-Bearing Loans and Borrowings

	2023 £'000	2022 £'000
Non-current liabilities		
Euro bank loans	65,597	112,108
US senior notes	138,622	141,394
Total interest-bearing loans and borrowings	204,219	253,502
Lease liabilities	364,090	389,198
	568,309	642,700
Current liabilities		
Lease liabilities	64,888	60,105
	64,888	60,105

The decrease in non-current interest bearing loans and borrowings largely reflects loan repayments in 2023 and a foreign exchange movement on translation of the Group's euro denominated bank loans/US senior notes into sterling at the year end.

Maturity of financial liabilities

The maturity profile of the Group's interest-bearing financial liabilities (bank debt, loan notes and lease liabilities) can be summarised as follows:

	Bank loans 2023 £'000	US senior notes 2023 £'000	Lease liabilities 2023 £'000	Total 2023 £'000	Bank loans 2022 £'000	US senior notes 2022 £'000	Lease liabilities 2022 £'000	Total 2022 £'000
Due within one year	–	–	64,888	64,888	–	–	60,105	60,105
Between one and two years	–	–	63,929	63,929	–	–	58,688	58,688
Between two and three years	–	–	59,518	59,518	–	–	57,609	57,609
Between three and four years	–	–	53,666	53,666	–	–	53,375	53,375
Between four and five years	65,597	69,311	47,330	182,238	112,108	–	47,812	159,920
After five years	–	69,311	139,647	208,958	–	141,394	171,714	313,108
	65,597	138,622	428,978	633,197	112,108	141,394	449,303	702,805
Derivatives				5				29
Gross debt				633,202				702,834
Fixed term cash deposits				(200,000)				–
Cash and cash equivalents				(383,939)				(711,721)
Net debt/(cash)				49,263				(8,887)

Net cash, excluding the impact of leases, amounted to £379.7 million (2022: £458.2 million).

20. Interest-Bearing Loans and Borrowings continued

Maturity of financial liabilities continued

The following table indicates the effective interest rates at 31 December 2023 in respect of interest bearing financial assets and financial liabilities and the periods during which they re-price.

	Effective Interest Rate	Total £'000	6 months or less £'000	6 to 12 months £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
Euro deposits	3.67%	113,005	113,005	–	–	–	–
Sterling deposits	5.20%	68,132	68,132	–	–	–	–
Cash at bank	0.00% - 5.25%	202,802	202,802	–	–	–	–
Total cash and cash equivalents		383,939	383,939	–	–	–	–
Fixed term cash deposits:							
Sterling deposits*	5.60%	200,000	200,000	–	–	–	–
Total fixed term cash deposits		200,000	200,000	–	–	–	–
Floating rate debt:							
Euro loans	4.97%	(65,597)	(65,597)	–	–	–	–
Total floating rate debt		(65,597)	(65,597)	–	–	–	–
Fixed rate debt:							
Lease liabilities	3.63%	(428,978)	(32,444)	(32,444)	(63,929)	(160,514)	(139,647)
US senior notes	2.49%	(138,622)	–	–	–	(69,311)	(69,311)
Total fixed rate debt		(567,600)	(32,444)	(32,444)	(63,929)	(229,825)	(208,958)
Derivatives		(5)	(5)	–	–	–	–
Total net (debt)/cash		(49,263)	485,893	(32,444)	(63,929)	(229,825)	(208,958)

* Fixed term cash deposits have a maturity date greater than three months at inception but less than three months at the balance sheet date.

Borrowing Facilities and US Senior Notes

At 31 December 2023, the Group had bilateral loan facilities of £336.9 million (2022: £340.7 million) with four relationship banks which all mature in August 2028.

The revolving loan facilities of £336.9 million with four established relationship banks were put in place in August 2022 for a term of five years to August 2027. The arrangements included two one-year extension options exercisable at the discretion of Grafton and the four banks. The first one-year extension was agreed and exercised during the year and these facilities are now repayable in August 2028. This is sustainability linked debt funding and includes an incentive connected to the achievement of carbon emissions, workforce diversity and community support targets that are fully aligned to the Group's sustainability strategy.

The Group had an undrawn committed borrowing facility at 31 December 2023 of £269.7 million (2022: £226.9 million) in respect of which all conditions precedent were met. The Group had liquidity of £849.6 million at 31 December 2023 (2022: £934.6 million) of which £579.9 million (2022: £707.7 million) was held in accessible cash and £269.7 million (2022: £226.9 million) in undrawn revolving bank facilities.

Notes to the Group Financial Statements continued

20. Interest-Bearing Loans and Borrowings continued

In September 2018, the Group raised €160 million (31 December 2023: £139.1 million before costs; 31 December 2022: £141.9 million before costs) through an issue of unsecured senior notes in the US Private Placement market with ten and twelve year maturities at an average fixed annual coupon of 2.5 per cent and used the proceeds received to refinance existing debt. The issue of these notes diversified the Group's sources of funding by re-entering the US Private Placement market, extended the maturity profile of debt and provided greater certainty over the cost of debt for an extended period at attractive rates.

The average maturity of committed bank facilities and unsecured senior notes at 31 December 2023 was 4.9 years (2022: 5.2 years).

The following table indicates the effective interest rates at 31 December 2022 in respect of interest bearing financial assets and financial liabilities and the periods in which they re-price.

	Effective Interest Rate	Total £'000	6 months or less £'000	6 to 12 months £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
Euro deposits	0.00%	3,099	3,099	–	–	–	–
Sterling deposits	3.27%	467,030	467,030	–	–	–	–
Cash at bank	0.00% – 3.50%	241,592	241,592	–	–	–	–
Total cash and cash equivalents		711,721	711,721	–	–	–	–
Floating rate debt:							
Euro loans	3.02%	(112,108)	(112,108)	–	–	–	–
Total floating rate debt		(112,108)	(112,108)	–	–	–	–
Fixed rate debt:							
Lease liabilities	3.33%	(449,303)	(30,053)	(30,052)	(58,688)	(158,796)	(171,714)
US senior notes	2.49%	(141,394)	–	–	–	–	(141,394)
Total fixed rate debt		(590,697)	(30,053)	(30,052)	(58,688)	(158,796)	(313,108)
Derivatives		(29)	(29)	–	–	–	–
Total net cash/(debt)		8,887	569,531	(30,052)	(58,688)	(158,796)	(313,108)

21. Financial Instruments and Financial Risk

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

At 31 December 2023

	Fair value through OCI £'000	Fair value through P&L £'000	Amortised cost £'000	Total carrying value £'000
Other financial assets*	127	–	–	127
Trade and other receivables*	–	–	240,290	240,290
Lease receivables*	–	–	459	459
Fixed term cash deposits*	–	–	200,000	200,000
Cash and cash equivalents*	–	–	383,939	383,939
	127	–	824,688	824,815
Foreign currency forwards	(5)	–	–	(5)
Euro bank loans**	–	–	(65,597)	(65,597)
US senior notes**	–	–	(138,622)	(138,622)
Lease liabilities*	–	–	(428,978)	(428,978)
Trade and other payables*	–	–	(357,604)	(357,604)
Deferred consideration on acquisition of businesses	–	(4,890)	–	(4,890)
	(5)	(4,890)	(990,801)	(995,696)

* The Group has not disclosed the fair values of financial instruments such as short term receivables and payables because their carrying value closely approximates fair value.

** The fair value of euro bank loans was £67.2 million and the fair value of US senior notes was £129.7 million.

21. Financial Instruments and Financial Risk continued

At 31 December 2022

	Fair value through OCI £'000	Fair value through P&L £'000	Amortised cost £'000	Total carrying value £'000
Other financial assets*	129	–	–	129
Trade and other receivables*^	–	–	245,547	245,547
Lease receivables*	–	–	649	649
Cash and cash equivalents*	–	–	711,721	711,721
	129	–	957,917	958,046
Foreign currency forwards	(29)	–	–	(29)
Euro bank loans**	–	–	(112,108)	(112,108)
US senior notes**	–	–	(141,394)	(141,394)
Lease liabilities*	–	–	(449,303)	(449,303)
Trade and other payables*^	–	–	(371,387)	(371,387)
Deferred consideration on acquisition of businesses^	–	(5,229)	–	(5,229)
	(29)	(5,229)	(1,084,192)	(1,089,450)

* The Group has not disclosed the fair values of financial instruments such as short term receivables and payables because their carrying value closely approximates fair value.
** The fair value of euro bank loans was £113.8 million and the fair value of US senior notes was £126.6 million.
^ Prior year comparatives have been updated to conform to the current year presentation, in line with the requirements of IFRS 9.

Fair Value

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Set out below is an analysis of financial instruments carried at fair value, by valuation method. The different levels in the fair value hierarchy have been defined as follows:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included within level 1 that are observable, either directly or indirectly.
Level 3: inputs that are not based on observable market data.

Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

Trade and Other Receivables/Trade and Other Payables

- For receivables and payables with a remaining life of less than six months or demand balances, fair value is the amount that is payable contractually less an impairment provision where appropriate.

Deferred Consideration on Acquisition of Businesses

- The fair value of deferred consideration is calculated assuming a probability of payout, which will be based on achievement of EBITDA targets, and discounted to present value using market derived discount rates.

Cash and Cash Equivalents and Fixed Term Cash Deposits

- For cash and cash equivalents, all of which have a remaining maturity of less than three months from the balance sheet date, the carrying amount is a reasonable approximation of fair value. For fixed term cash deposits, all of which have a maturity date greater than three months at inception but less than three months at the balance sheet date, the carrying amount is a reasonable approximation of fair value. At 31 December 2023, £4.0 million of cash (2022: £4.0 million) is retained in the event of a default by the Group on a letter of credit. This arrangement can be replaced at any time.

Other Financial Assets

- Certain of the Group's financial assets are comprised of investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Such investments are measured at cost less provision for impairment where appropriate and applicable.

Derivative Instruments (Interest Rate Swaps & Foreign Currency Forwards)

- The fair values of interest rate swaps and foreign currency forwards are calculated as the present value of the estimated future cash flows based on the terms and maturity of each contract and using the spot, forward currency rates and market interest rates as applicable for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty where appropriate.

Notes to the Group Financial Statements continued

21. Financial Instruments and Financial Risk continued

Fair Value continued

Interest Bearing Loans and Borrowings

- For floating rate interest bearing loans and borrowings with a contractual repricing date of less than six months, the nominal amount is deemed to reflect fair value. For loans with repricing dates of greater than six months, the fair value is calculated based on the present value of the expected future principal and interest cash flows discounted at interest rates effective at the balance sheet date and adjusted for credit spread.

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

	2023 Level 2 £'000	2023 Level 3 £'000	2023 Total £'000
Liabilities measured and recognised at fair value			
Other derivative instruments - designated as hedging instruments	(5)	–	(5)
Deferred consideration on acquisition of businesses	–	(4,890)	(4,890)
Liabilities not measured at fair value			
Liabilities at amortised cost			
US senior notes	(129,686)	–	(129,686)

	2022 Level 2 £'000	2022 Level 3 £'000	2022 Total £'000
Liabilities measured and recognised at fair value			
Other derivative instruments - designated as hedging instruments	(29)	–	(29)
Deferred consideration on acquisition of businesses^	–	(5,229)	(5,229)
Liabilities not measured at fair value			
Liabilities at amortised cost			
US senior notes	(126,605)	–	(126,605)

^ Prior year comparatives have been updated to conform to the current year presentation, in line with the requirements of IFRS 9.

Level 2 Fair Values

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Financial assets and liabilities measured at fair value			
Foreign currency forwards	The fair value of foreign currency forwards is calculated as the present value of the estimated future cashflows based on observable yield curves, spot and forward currency rates	Not applicable	Not applicable
Financial assets and liabilities not held at fair value			
Other financial liabilities*	Discounted cash flows	Not applicable	Not applicable

* Other financial liabilities include Euro bank loans and US senior notes.

21. Financial Instruments and Financial Risk continued

Fair Value continued

Level 3 Fair Values

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Financial assets and liabilities measured at fair value			
Deferred consideration	The fair value of deferred consideration is calculated assuming a probability of payout, which will be based on achievement of EBITA/EBITDA targets, and discounted to present value using market derived discount rates. The fair value assumes achievement of targets but is sensitive to change in the assessed probability of achieving targets.	Not applicable	Not applicable

Risk Exposures and Group Treasury Policy

The Group's operations expose it to various financial risks that include credit risk, liquidity risk, currency risk and interest rate risk. The Group's treasury policies, which are regularly reviewed, are designed to reduce financial risk in a cost-efficient way. A limited number of foreign currency spot contracts, foreign exchange swaps, foreign currency forwards and interest rate swaps are undertaken periodically to hedge underlying interest rate, fair value and currency exposures and it is Board policy to manage these risks in a non-speculative manner.

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk;
- Currency risk; and
- Interest rate risk.

The manner in which the Group is exposed to each of these risks and the risk management policies applied are discussed below. The Board of Directors has the overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies. The Board and the Audit and Risk Committee have reviewed the process for identifying, evaluating and managing the significant risks affecting the business.

Credit Risk

Credit risk arises from credit granted to customers. Credit risk also arises on cash and cash equivalents, fixed term cash deposits and derivative financial instruments with banks and financial institutions.

Exposure to credit risk is monitored on an ongoing basis. The Group's exposure to customer credit risk is diversified over a large customer base and the incidence of default by customers is tightly managed by Business Unit credit control teams. Credit insurance is in place, subject to annual renewal, to cover major exposures in the UK and Irish merchanting businesses. Credit evaluations are performed regularly. New customers are subject to initial credit checks that include trade and bank references and are generally subject to restricted credit limits prior to developing a credit history.

Due to the established nature of the businesses, a high proportion of customers have long-standing trading relationships with Group companies. These established customers are reviewed regularly for financial strength and the appropriateness of their credit limit.

The Group establishes a provision for impairment that represents its estimate of losses in respect of trade and other receivables. The main components of this provision are a specific loss component that relate to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

Notes to the Group Financial Statements continued

21. Financial Instruments and Financial Risk continued

Credit Risk continued

Cash and short term bank deposits are invested with a range of banks, all with original maturities of less than three months at 31 December 2023. Fixed term cash deposits have a maturity date greater than three months at inception but a remaining maturity of less than three months at the balance sheet date.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

The maximum exposure to credit risk at 31 December 2023 and 31 December 2022 was:

	2023 £'000	2022^ £'000
Trade and other receivables	240,290	245,547
Fixed term cash deposits	200,000	–
Cash and cash equivalents	383,939	711,721
	824,229	957,268

^ Prior year comparatives have been updated to conform to the current year presentation, in line with the requirements of IFRS 9.

Additional disclosures in relation to the Group's exposure to credit risk arising from trade and other receivables is set out in Note 17.

The maximum exposure to credit risk for cash and cash equivalents, based on the domicile of the parent bank, at the reporting date was:

	Carrying Amount	
	2023 £'000	2022 £'000
United Kingdom	212,664	588,348
Republic of Ireland	86,931	94,241
Netherlands	11,381	10,065
Finland	21,282	14,017
France	51,681	5,050
	383,939	711,721

The majority of the Group's cash on deposit and cash balances is held with financial institutions that have an upper investment grade credit rating.

	2023 £'000	2022 £'000
Gross amounts of cash and cash equivalents	468,530	711,866
Amounts set off in the balance sheet*	(84,591)	(145)
Net amounts of cash and cash equivalents in the balance sheet	383,939	711,721

* The Group has netting arrangements in place with Bank of Ireland and HSBC Bank with cash balances and overdrawn positions being netted.

The maximum exposure to credit risk for fixed term cash deposits, based on the domicile of the parent bank, at the reporting date was:

	Carrying Amount	
	2023 £'000	2022 £'000
United Kingdom	200,000	–

21. Financial Instruments and Financial Risk continued

Foreign Currency Risk Management

Transactional foreign exchange risk arises from foreign currency transactions, assets and liabilities. Group operations manage foreign exchange trading risks against their functional currencies. The majority of trade conducted by the Group's Irish, Dutch and Finnish businesses is in euro. Sterling is the principal currency for the Group's UK businesses. Currency risks are regularly monitored and managed by utilising forward foreign currency contracts as appropriate for settling liabilities arising from the purchase of goods for resale in non-functional currencies. The majority of transactions entered into by Group entities are denominated in functional currencies and no significant level of hedging is required.

A proportion of the Group's net worth is denominated in euro. This is reflected in profit after tax reserves retained in euro denominated trading and finance companies which gives rise to translation differences on conversion to sterling. Borrowings made in a non-functional currency are swapped into a functional currency.

Sensitivity Analysis

A ten per cent strengthening of the sterling exchange rate against the euro exchange rate at the balance sheet date would have decreased equity and profit after tax by the amount shown below. This assumes that all variables, in particular the results and financial position of each euro functional currency entity and interest rates, remained constant. A ten per cent weakening of the sterling exchange rate against the euro exchange rate would have an equal and opposite effect on the amounts shown below on the basis that all variables remain constant.

	Equity £'000	Profit after tax £'000
31 December 2023		
10% strengthening of sterling currency against the euro	**(71,567)**	**(7,756)**
31 December 2022		
10% strengthening of sterling currency against the euro	(66,235)	(9,424)

Hedging

The Group has exposure to changes in interest rates on certain debt instruments and can hedge an element of this risk by entering into interest rate swaps. There were no contracts outstanding at 31 December 2023 (2022: £Nil).

Interest Rate Risk

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

In September 2018, the Group raised €160 million (31 December 2023: £139.1 million before costs) through an issue of unsecured senior notes in the US Private Placement market with ten and twelve year maturities at an average fixed annual coupon of 2.5 per cent and used the proceeds received to refinance existing debt. The issue of these notes diversified the Group's sources of funding by re-entering the US Private Placement market, extended the maturity profile of debt and provided greater certainty over the cost of debt for an extended period at attractive rates. The Group is also exposed to interest rate risk on its deposits.

Cash Flow Sensitivity Analysis for Variable Rate Debt Instruments

A reduction of 50 basis points in interest rates at the reporting date would have increased profit before tax and equity by £0.3 million (2022: £0.6 million) on the basis of the Group's gross debt of £633.2 million at 31 December 2023. £65.6 million of the gross debt is exposed to variable rates with the interest rate on the US senior notes of £138.6 million and the implicit interest rate on lease liabilities of £429.0 million is fixed. An increase of 50 basis points, on the same basis, would have an equal and opposite effect.

Capital Management

The capital structure of the Group comprises share capital, reserves and net debt.

The overall approach is to optimise shareholder value by leveraging the balance sheet to an appropriate level having regard to economic and trading conditions in the Group's markets, the level of internal cash generation, credit conditions generally and interest rates payable.

Notes to the Group Financial Statements continued

21. Financial Instruments and Financial Risk continued

Capital Management continued

The Group's capital structure is kept under ongoing review and the debt component is actively managed with a view to maintaining diversified sources of funding, significant undrawn facilities and cash deposits.

The Directors monitor the Company's share price and may from time to time exercise their powers to make market purchases of the Company's own shares, at price levels which they consider to be in the best interests of the shareholders generally, after taking account of the Company's overall financial position.

The principal bank covenants are a net debt to equity ratio limit of 85 per cent, EBITDA interest cover of 3 times, which excludes interest on lease liabilities, and a minimum shareholders' equity of £1.0 billion at 31 December 2023. The US notes covenants, which are tested on a pre-IFRS 16 basis, are a net debt to equity ratio limit of 85 per cent, EBITDA interest cover of 4 times and a minimum shareholders' equity of £1.3 billion at 31 December 2023.

At 31 December 2023 the net debt/(cash) to equity ratio was 3.0 per cent (2022: negative 0.5 per cent) as the Group was in a net debt position of £49.3 million (2022: net cash of £8.9 million). Shareholders' equity was £1.66 billion (2022: £1.75 billion). EBITDA for the year was £311.8 million (2022: £381.2 million) and underlying EBITDA interest cover for 2023 was not applicable as the Group had net credit interest in the year (2022: 32.2 times).

Funding and Liquidity

The Group has cash resources at its disposal through the holding of fixed term cash deposits of £200.0 million (2022: £Nil) and cash balances of £383.9 million at the year end (2022: £711.7 million) which together with undrawn bank facilities of £269.7 million (2022: £226.9 million) and cash – flow from operation provides flexibility in financing its operations.

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

31 December 2023

	Carrying Amount £'000	Contractual Cash Flow* £'000	Within 1 Year £'000	Between 1 and 2 Years £'000	Between 2 and 5 Years £'000	Greater Than 5 Years £'000
Non-Derivative Financial Liabilities						
Bank loans	65,597	82,725	3,396	3,387	75,942	–
US senior notes	138,622	158,831	3,456	3,456	79,366	72,553
Lease liabilities	428,978	503,382	79,389	76,187	184,894	162,912
Trade and other payables	357,604	357,604	357,604	–	–	–
Deferred consideration on acquisition of businesses	4,890	6,811	2,604	3,407	800	–
Derivative Financial Instruments						
Other derivatives	5	5	5	–	–	–
	995,696	1,109,358	446,454	86,437	341,002	235,465

* Includes interest based on the rates in place at 31 December 2023.

31 December 2022

	Carrying Amount £'000	Contractual Cash Flow* £'000	Within 1 Year £'000	Between 1 and 2 Years £'000	Between 2 and 5 Years £'000	Greater Than 5 Years £'000
Non-Derivative Financial Liabilities						
Bank loans	112,108	129,796	3,480	3,490	122,826	–
US senior notes	141,394	165,611	3,526	3,526	10,579	147,980
Lease liabilities	449,303	520,654	73,104	69,947	181,688	195,915
Trade and other payables^	371,387	371,387	371,387	–	–	–
Deferred consideration on acquisition of businesses^	5,229	6,600	2,609	1,330	2,661	–
Derivative Financial Instruments						
Other derivatives	29	29	29	–	–	–
	1,079,450	1,194,077	454,135	78,293	317,754	343,895

* Includes interest based on the rates in place at 31 December 2022.
^ Prior year comparatives have been updated to conform to the current year presentation, in line with the requirements of IFRS 9.

21. Financial Instruments and Financial Risk continued
Funding and Liquidity continued

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

31 December 2023

	Carrying Amount £'000	Expected Cash Flow £'000	6 Months or Less £'000	6 to 12 Months £'000	1 to 2 Years £'000	2 to 3 Years £'000	3 to 4 Years £'000	4 to 5 Years £'000
Other derivatives	(5)	(5)	(5)	–	–	–	–	–

31 December 2022

	Carrying Amount £'000	Expected Cash Flow £'000	6 Months or Less £'000	6 to 12 Months £'000	1 to 2 Years £'000	2 to 3 Years £'000	3 to 4 Years £'000	4 to 5 Years £'000
Other derivatives	(29)	(29)	(29)	–	–	–	–	–

22. Derivatives

	2023 £'000	2022 £'000
Included in current liabilities and current assets:		
Fair value of other derivatives	(5)	(29)

The movement in derivatives at 31 December 2023 is due to the movement in their fair values.

Nature of Derivative Instruments as at 31 December 2023

	Hedge Period	Nature of hedging instrument	Notional payable amount of contracts outstanding £'000	Notional receivable amount of contracts outstanding £'000	Fair value asset £'000	Fair value liability £'000
Foreign Currency Forwards*	December 2023 – January 2024	Forward purchase of foreign currency liabilities	1,280	1,280	–	(5)

* The fair value of foreign currency forwards (derivative financial instruments) are shown as current liabilities of £5,000 in the balance sheet.

Nature of Derivative Instruments as at 31 December 2022

	Hedge Period	Nature of hedging instrument	Notional payable amount of contracts outstanding £'000	Notional receivable amount of contracts outstanding £'000	Fair value asset £'000	Fair value liability £'000
Foreign Currency Forwards*	December 2022 – January 2023	Forward purchase of foreign currency liabilities	925	925	–	(29)

* The fair value of foreign currency forwards (derivative financial instruments) are shown as current liabilities of £29,000 in the balance sheet.

Notes to the Group Financial Statements continued

23. Provisions

	2023 £'000	2022 £'000
Non-current liabilities		
Insurance provision	7,448	8,910
Dilapidations provision	4,925	4,709
Other provisions	1,478	1,570
	13,851	15,189
Current liabilities		
Insurance provision	2,482	2,972
Dilapidations provision	–	–
Disposal provisions	1,366	1,394
Other provisions	1,533	1,538
	5,381	5,904

	Insurance		Dilapidations	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
At 1 January	11,882	12,550	4,709	4,396
Charge in year	2,642	2,960	329	264
Utilised	–	–	(69)	(65)
Released	(1,728)	(2,798)	–	–
Paid during the year	(2,628)	(1,475)	–	–
Foreign exchange	(238)	645	(44)	114
At 31 December	9,930	11,882	4,925	4,709
Non-current	7,448	8,910	4,925	4,709
Current	2,482	2,972	–	–

	Disposal Provisions		Other Provisions		Total	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000
At 1 January	1,394	1,321	3,108	3,232	21,093	21,499
Charge in year	–	–	–	–	2,971	3,224
Utilised	–	–	–	(115)	(69)	(180)
Released	–	–	(69)	(87)	(1,797)	(2,885)
Paid during the year	–	–	–	–	(2,628)	(1,475)
Foreign exchange	(28)	73	(28)	78	(338)	910
At 31 December	1,366	1,394	3,011	3,108	19,232	21,093
Non-current	–	–	1,478	1,570	13,851	15,189
Current	1,366	1,394	1,533	1,538	5,381	5,904

Insurance Provision

The insurance provision relates to actual obligations under the self-insurance elements of the Group's overall insurance arrangements which are subject to limits in respect of both individual and aggregate claims. This provision was based on an independent actuarial valuation. The provision principally covers the combined public and employer liability claims for the Group's businesses. The Group has third party insurance cover above specific limits for individual claims and has an overall maximum aggregate payable for all claims for any one year. Given the nature of employer and public liability claims, the timing of cash outflows can vary significantly. The outflow arising from the payment of claims in 2024 is expected to be at a similar level to 2023. Based on historical experience, it is the Directors best estimate that the balance of claims which are provided for at 31 December 2023 will be paid over a two to six year period.

23. Provisions continued

Insurance Provision continued

The incurred but not reported ("IBNR") element of the insurance provision is classified as non-current as the normal cycle for settlement of such claims is likely to be more than 12 months from the year end.

Claims no longer being challenged by the Group are classified as current liabilities at year end. The Group no longer has an unconditional right to defer payment and it is only the timing of the payment that is uncertain.

Claims in legal process are classified as non-current liabilities at year end as the Group does not control the extent and duration of the legal process, and hence, it does not appear that it has an unconditional right to defer settlement.

Dilapidations Provision

The dilapidations provision covers the cost of reinstating certain Group properties at the end of the lease term. This is based on the terms of individual leases which set out the conditions relating to the return of property. The timing of the outflows will match the ending of the relevant leases which ranges from two to 20 years.

Disposals Provision

The disposal provision covers the future legal costs in relation to the disposal of the Belgium business.

Other Provisions

Other provisions relate to restructuring, pension contributions, legal provisions, deferred consideration and Waste Electrical & Electronic Equipment ("WEEE") provisions. None of these are individually material to require separate disclosure in the financial statements.

24. Trade and Other Payables

	2023 £'000	2022^ £'000
Trade payables	264,490	266,204
Accruals	93,114	105,183
	357,604	371,387
Social welfare	2,210	2,226
Employee income tax	6,351	6,319
Value added tax	34,086	35,492
Deferred consideration on acquisition of businesses	4,890	5,229
	405,141	420,653

^ Consistent with Note 21, prior year comparatives have been updated to conform to the current year presentation, in line with the requirements of IFRS 9.

Analysis of Deferred Consideration on Acquisition of Businesses

	2023 £'000	2022^ £'000
At 1 January	5,229	4,980
Acquisitions (Note 27)	2,323	4,181
Changes in estimates	–	(145)
Paid during the year	(2,586)	(4,000)
Translation adjustment	(76)	213
	4,890	5,229

Notes to the Group Financial Statements continued

25. Deferred Taxation

Recognised Deferred Tax Assets and Liabilities

	Assets 2023 £'000	Liabilities 2023 £'000	Net (assets)/ liabilities 2023 £'000	Assets 2022 £'000	Liabilities 2022 £'000	Net (assets)/ liabilities 2022 £'000
Property, plant and equipment	(991)	30,211	29,220	(413)	27,281	26,868
Employee share schemes	(883)	–	(883)	(909)	–	(909)
Other items	(2,136)	1,122	(1,014)	(3,540)	1,147	(2,393)
Intangibles	–	28,901	28,901	–	32,583	32,583
Pension	(2,655)	–	(2,655)	(3,201)	–	(3,201)
(Assets)/Liabilities	(6,665)	60,234	53,569	(8,063)	61,011	52,948

The movement in the net deferred tax liability reflects a decrease in the deferred tax asset on the pension scheme deficit and an increase in the deferred tax liability in respect of property, plant and equipment offset by a decrease in the deferred liability on intangibles and a decrease in the deferred tax asset on other items.

At 31 December 2023, there were unrecognised deferred tax assets in relation to capital losses of £0.7 million (31 December 2022: £0.7 million), trading losses of £1.1 million (31 December 2022: £1.1 million) and deductible temporary differences of £5.2 million (31 December 2022: £6.9 million).

Deferred tax assets were not recognised in respect of certain capital losses as they can only be recovered against certain classes of taxable profits. The Directors believe that it is not probable that such profits will arise in the foreseeable future. The trading losses arose in entities that have incurred losses in recent years and the Directors believe that it is not probable there will be sufficient taxable profits in the relevant entities against which they can be utilised. Separately, the Directors believe that it is not probable the deductible temporary differences will be utilised.

Analysis of Net Deferred Tax (Asset)/Liability – 2023

	Balance 1 Jan 23 £'000	Recognised in profit or loss £'000	Recognised in equity/other comprehensive income £'000	Foreign exchange retranslation £'000	Arising on acquisitions £'000	Balance 31 Dec 23 £'000
Property, plant and equipment	26,868	1,974	–	(330)	708	29,220
Employee share schemes	(909)	371	(345)	–	–	(883)
Other items	(2,393)	1,382	–	(3)	–	(1,014)
Intangibles	32,583	(4,415)	–	(490)	1,223	28,901
Pension	(3,201)	552	3	(9)	–	(2,655)
	52,948	(136)	(342)	(832)	1,931	53,569

25. Deferred Taxation continued

Analysis of Net Deferred Tax (Asset)/Liability – 2022

	Balance 1 Jan 22 £'000	Recognised in profit or loss £'000	Recognised in equity/other comprehensive income £'000	Foreign exchange retranslation £'000	Arising on acquisitions £'000	Balance 31 Dec 22 £'000
Property, plant and equipment	23,243	2,783	–	852	(10)	26,868
Employee share schemes	(2,309)	88	1,312	–	–	(909)
Other items	(3,623)	1,235	–	(5)	–	(2,393)
Intangibles	31,934	(4,329)	–	1,376	3,602	32,583
Pension	(1,636)	969	(2,558)	24	–	(3,201)
	47,609	746	(1,246)	2,247	3,592	52,948

26. Movement in Working Capital

	Inventory £'000	Trade and other receivables £'000	Trade and other payables £'000	Total £'000
At 1 January 2022	344,172	233,486	(419,111)	158,547
Translation adjustment	13,168	8,709	(14,548)	7,329
Acquisitions (Note 27)	7,561	8,788	(5,695)	10,654
Deferred acquisition consideration (Note 27)	–	–	(5,197)	(5,197)
Deferred acquisition consideration paid	–	–	4,000	4,000
Movement in 2022	34,664	16,711	19,898	71,273
At 1 January 2023	399,565	267,694	(420,653)	246,606
Translation adjustment	(5,511)	(3,549)	5,705	(3,355)
Acquisitions (Note 27)	5,365	2,840	(2,970)	5,235
Deferred acquisition consideration (Note 27)	–	–	(2,323)	(2,323)
Deferred acquisition consideration paid	–	–	2,586	2,586
Movement in 2023	(37,821)	(4,222)	12,514	(29,529)
At 31 December 2023	361,598	262,763	(405,141)	219,220

Notes to the Group Financial Statements continued

27. Acquisition of Subsidiary Undertakings and Businesses

On 12 June 2023, the Group acquired the trade and certain assets of Clady Timber Limited ("Clady Timber"), a distributor of timber and building materials operating from a single branch in Portglenone, County Antrim. This acquisition is incorporated in the UK Distribution segment and extends market coverage for MacBlair in Northern Ireland.

On 3 July 2023, the Group acquired B. MacNamee, a distributor of building materials, timber, hardware, power tools, plumbing and electrical products from a single branch in Strabane, County Tyrone. This acquisition is incorporated in the UK Distribution segment and further extends market coverage for MacBlair in Northern Ireland.

On 19 July 2023, Grafton Group plc acquired an IKH partner store in Kouvolan, a city in southeastern Finland. This acquisition is incorporated in the Finland Distribution segment.

On 31 October 2023, the Group acquired Rooney's Homevalue Limited ("Rooney's"), a distributor of building materials and DIY products from a single location in Kells, County Meath. This acquisition will extend geographic coverage of the fragmented building materials distribution market into an important town within the Dublin commuter belt. It is incorporated in the Ireland Distribution segment.

On 4 December 2023, the Group acquired TA Windows Limited, trading as Wooden Windows, a business which produces high performance timber windows and doors from a single unit in Stoke-on-Trent in the UK. This acquisition is incorporated in the UK Manufacturing segment and will further enhance the StairBox offering.

None of these acquisitions were individually material for separate disclosure under IFRS3.

The fair value of the net assets acquired have been determined on a provisional basis. Goodwill on the acquisition reflects the anticipated cashflows to be realised as part of the enlarged Group.

The fair values of assets and liabilities acquired in 2023 are set out below:

	Total £'000
Property, plant and equipment (Note 13a)	6,952
Right-of-use asset (Note 13b)	820
Intangible assets – technology (Note 15)	4,199
Intangible assets – trade names (Note 15)	691
Inventories (Note 26)	5,365
Trade and other receivables (Note 26)	2,840
Trade and other payables (Note 26)	(2,970)
Lease liability	(820)
Corporation tax liability	(701)
Deferred tax liability (Note 25)	(1,931)
Cash acquired	8,253
Net assets acquired	22,698
Goodwill (Note 12)	15,786
Consideration	38,484
Satisfied by:	
Cash paid	36,161
Deferred consideration (Note 26)	2,323
	38,484
Net cash outflow – arising on acquisitions	
Cash consideration	36,161
Less: cash and cash equivalents acquired	(8,253)
	27,908

27. Acquisition of Subsidiary Undertakings and Businesses continued

Acquisitions would have contributed revenue of £23.8 million (unaudited) and operating profit of £2.1 million (unaudited) in the year ended 31 December 2023 on the assumption that they had been acquired on 1 January. Acquisitions completed in 2023 contributed revenues of £6.2 million and operating profit of £0.3 million for the period from the date of acquisition until the year end.

In 2023, the Group incurred acquisition costs of £0.9 million (2022: £0.4 million). These have been included in operating costs in the Group Income Statement.

The fair value of identifiable net assets acquired in 2023 was £22.7 million (2022: £38.1 million).

	Fair Value £'000	Consideration £'000	Goodwill £'000
Total acquisitions	22,698	38,484	15,786

Any adjustments to provisional fair value of assets and liabilities including recognition of any newly identified assets and liabilities, will be made within 12 months of respective acquisition dates. There were no adjustments processed during the year to the fair value of business combinations completed during the year ended 31 December 2022.

Deferred consideration is payable within three years from the date of acquisition. In addition to this deferred consideration, the Group has an agreement for three of the acquisitions to make further payments to certain selling shareholders who, as part of the agreement, are required to remain in employment with the Group for the deferred period.

28. Reconciliation of Net Cash Flow to Movement in Net (Debt)/Cash

	2023 £'000	2022 £'000
Net (decrease) in cash and cash equivalents	(324,904)	(142,780)
Net movement in fixed term cash deposits	200,000	–
Net movement in derivative financial instruments	24	(21)
Lease liabilities acquired with subsidiaries	(820)	(2,745)
Movement in debt and lease financing	61,260	30,981
Change in net (debt) resulting from cash flows	(64,440)	(114,565)
Translation adjustment	6,290	(15,578)
Movement in net (debt) in the year	(58,150)	(130,143)
Net cash at 1 January	8,887	139,030
Net (debt)/cash at 31 December	(49,263)	8,887

Analysis of Net Debt – 2023

	Balance 1 Jan 23 £'000	Cashflow £'000	Acquisition (Note 27) £'000	Non-cash movements £'000	Translation adjustment £'000	Balance 31 Dec 23 £'000
Cash and cash equivalents	711,721	(333,157)	8,253	–	(2,878)	383,939
Fixed term cash deposits	–	200,000	–	–	–	200,000
Interest bearing loans and borrowings:						
Non-current liabilities	(253,502)	44,494	–	–	4,789	(204,219)
Total interest-bearing loans and borrowings	(253,502)	44,494	–	–	4,789	(204,219)
Lease liabilities	(449,303)	83,243	(820)	(66,477)	4,379	(428,978)
Derivatives – current	(29)	24	–	–	–	(5)
Net cash/(debt)	8,887	(5,396)	7,433	(66,477)	6,290	(49,263)

Notes to the Group Financial Statements continued

28. Reconciliation of Net Cash Flow to Movement in Net (Debt)/Cash continued

Analysis of Net Cash – 2022

	Balance 1 Jan 22 £'000	Cashflow £'000	Acquisition (Note 27) £'000	Non-cash movements £'000	Translation adjustment £'000	Balance 31 Dec 22 £'000
Cash and cash equivalents	844,663	(148,659)	5,879	–	9,838	711,721
Interest bearing loans and borrowings:						
Non-current liabilities	(172,601)	(68,763)	–	–	(12,138)	(253,502)
Current liabilities	(84,030)	85,950	–	–	(1,920)	–
Total interest-bearing loans and borrowings	(256,631)	17,187	–	–	(14,058)	(253,502)
Lease liabilities	(448,994)	72,997	(2,745)	(59,203)	(11,358)	(449,303)
Derivatives – current	(8)	(21)	–	–	–	(29)
Net cash	139,030	(58,496)	3,134	(59,203)	(15,578)	8,887

29. Capital Expenditure Commitments

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

	2023 £'000	2022 £'000
Contracted for	12,753	16,933
Not contracted for	48,718	53,017
	61,471	69,950

Capital expenditure commitments are analysed by geography in the table below:

	2023 £'000	2022 £'000
UK	27,500	34,344
Ireland	22,788	23,465
Netherlands	8,484	9,181
Finland	2,699	2,960
	61,471	69,950
Amounts relating to intangibles included above	9,980	8,851

30. Pension Commitments

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

The actuarial reports are not available for public inspection.

IAS 19 – Employee Benefits

The Group operates three defined benefit schemes in Ireland and one defined benefit scheme in the UK (the "DB Schemes"). All schemes are closed to new entrants and to future accrual.

Two Irish schemes were closed to future accrual of DB benefits in March 2023 and May 2023 respectively. This followed the closure of an Irish scheme to future accrual of DB benefits in November 2022. The UK scheme was also closed to future accrual of DB benefits in 2020.

An Annuity Buy-In transaction took place on the 12 December 2023 in which the Irish DB schemes fully insured their benefit obligation in respect of pensioners at that date.

The DB Schemes are administered by trusts that are legally separated from the Group. The Trustees of the DB Schemes are required by law to act in the interest of the members of the DB Schemes. The Trustees of the DB Schemes are responsible for the investment policy of the schemes.

30. Pension Commitments continued

Under the DB Schemes, employees are entitled to receive an annual payment on attainment of normal retirement age, which in Ireland is 67 or 68 depending on year of birth and in the UK is age 65 for the majority of benefits. The level of benefit payable depends on length of service. In the case of schemes closed to accrual, it depends on future revaluation from the date members ceased accruing benefits up to retirement. Salary for pension purposes is integrated with the State Pension. The DB Schemes provide post-retirement pension increases in the UK only and spouse's death in retirement pensions in both Ireland and the UK. No other post-retirement benefits are provided to employees.

The Group also provides other long term benefits to qualifying employees in the Netherlands which are unfunded and included in the liabilities shown.

Defined Benefit Pension Schemes – Principal Risks

Through its defined benefit pension schemes the Group is exposed to a number of risks the most significant of which are detailed below:

Asset Volatility

Under IFRS the assets of the Group's defined benefit pension schemes are reported at fair value. The majority of the schemes' assets comprise of bonds and investments in diversified growth funds which may fluctuate significantly from one reporting period to the next.

Discount Rates

The discount rates used in calculating the present value of scheme liabilities are determined by reference to market yields at the balance sheet date of high-quality corporate bonds consistent with the currency and term of the retirement benefit obligations. Changes to the discount rates can have a very significant impact on the amount of defined benefit scheme liabilities.

Price Inflation

Some of the Group's pension obligations are inflation linked. Higher price inflation will lead to higher liabilities.

Longevity Risk

In the majority of cases the Group's defined benefit pension schemes provide benefits for life. Increases in life expectancy will therefore give rise to higher liabilities.

The nature of these risks is not materially different across all schemes.

Financial Assumptions

The financial assumptions used to calculate the retirement benefit liabilities under IAS 19 were as follows:

	At 31 Dec 2023 Irish schemes	At 31 Dec 2023 UK schemes	At 31 Dec 2022 Irish schemes	At 31 Dec 2022 UK schemes
Valuation method	Projected Unit	Projected Unit	Projected Unit	Projected Unit
Rate of increase in salaries*	N/A	N/A	3.80%	N/A
Rate of increase of pensions in payment	–	2.90%	–	3.10%
Rate of revaluation of non-retired member benefits up to retirement	1.95%-2.05%	2.40%	2.45%-2.50%	2.60%
Discount rate	3.15%	4.50%	3.70%	4.80%
Inflation rate increase**	2.05%	2.40%/3.00%	2.60%	2.60%/3.20%

* Following the closure to accrual of the UK scheme and the Irish schemes, benefits in those schemes are no longer linked to final salary. Instead, accrued benefits up to the date of closure revalue in line with inflation, subject to certain caps. The assumption for the rate of increase in salaries shown at 31 December 2022 for the Irish Schemes only applies to the schemes that were still open to accrual at that date.

** The inflation assumption shown for the UK is based on both the Consumer Price Index (CPI) and the Retail Price Index (RPI).

Notes to the Group Financial Statements continued

30. Pension Commitments continued

Financial Assumptions continued

The future life expectancy at age 65 for males and females (currently aged 55 and 65), inherent in the mortality tables used for the 2023 and 2022 year end IAS 19 disclosures are as follows:

2023 Mortality (years)		Ireland	UK	2022 Mortality (years)		Ireland	UK
Future Pensioner aged 65:	Male	22.4	20.7	Future Pensioner aged 65:	Male	23.3	21.5
	Female	25.0	23.5		Female	25.9	24.1
Current Pensioner aged 65:	Male	21.9	20.3	Current Pensioner aged 65	Male	22.6	20.9
	Female	24.3	22.8		Female	25.0	23.4

Scheme Assets

The assets in these schemes are analysed below:

	%	2023 £'000	%	2022 £'000
UK equities	1	1,296	1	2,174
Overseas (non-UK) equities	9	17,546	18	34,614
Government bonds	24	46,116	27	51,619
Corporate bonds	15	28,724	18	33,763
Property	1	2,330	1	2,536
Diversified growth funds	16	31,965	23	45,104
Liability driven investment ("LDI")	14	27,357	11	20,381
Annuity buy-in	19	38,256	–	–
Cash	1	1,514	1	2,107
	100	195,104	100	192,298
Actuarial value of liabilities		(200,931)		(202,782)
Deficit in the schemes		(5,827)		(10,484)

Represented by:

Retirement benefit assets		9,536		4,584
Retirement benefit obligations		(15,363)		(15,068)
		(5,827)		(10,484)

The net pension scheme deficit of £5,827,000 is shown in the Group balance sheet at 31 December 2023 as (i) retirement benefit obligations (non-current liabilities) of £15,363,000 of which £14,554,000 relates to a UK scheme and £809,000 to a Euro scheme and (ii) retirement benefit assets (non-current assets) of £9,536,000 relating to the other Euro schemes.

The net pension scheme deficit of £10,484,000 is shown in the Group balance sheet at 31 December 2022 as (i) retirement benefit obligations (non-current liabilities) of £15,068,000 of which £14,236,000 relates to a UK scheme and £832,000 relates to a Euro scheme and (ii) retirement benefit assets (non-current assets) of £4,584,000 relating to the other Euro schemes.

The retirement benefit assets have been recognised in accordance with IFRIC 14 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' as it has been determined that the Group has an unconditional right to a refund of the surplus assets if the schemes are run off until the last member has left the scheme.

30. Pension Commitments continued

Scheme Assets continued

The return on plan assets was £14.4 million (£13.1 million after deducting the effect of the buy-in referred to below). (2022: loss of £93.3 million due to the fall in the values of liability driven investments, bonds and equities that was almost matched by the reduction in liabilities).

In December 2023, the Trustees of the three Irish defined benefit pension schemes purchased annuities from one of Ireland's leading life insurance companies to match the benefits being paid to existing pensioners. Under these contracts the insurer will reimburse the schemes for payments to these pensioners into the future. These insurance contracts are held by the trustees of the three schemes and represent assets of the schemes. This transaction has reduced the Company's exposure to pension risk by removing the longevity and investment risk associated with this portion of the Company's Defined Benefit liabilities. In future years' reporting, the value of the liabilities relating to these pensioners will exactly match the value of the associated annuity contracts. The cost of purchasing the annuities was €44.7 million. This compares to the value of the pensions on the transaction date of €43.3 million, determined in accordance with the IAS19 accounting standard. The difference between these two values has been allowed for in the remeasurement item relating to the "Return on assets excluding interest income".

The actual return on plan assets is set out below:

	2023 £'000	2022 £'000
Return on plan assets excluding interest income	6,450	(97,848)
Interest income on plan assets	7,917	4,519
Return on plan assets excluding impact of buy-in	14,367	(93,329)
Less: effect of annuity buy-in (2023: €1.4 million)	(1,252)	–
Actual return on plan assets	13,115	(93,329)

Plan assets are comprised as follows:

	2023 Quoted £'000	2023 Unquoted* £'000	2023 Total £'000	2022^ Quoted £'000	2022^ Unquoted* £'000	2022 Total £'000
Equity – UK	–	1,296	1,296	–	2,174	2,174
Equity – Other	–	17,546	17,546	–	34,614	34,614
Bonds – Government	–	46,116	46,116	–	51,619	51,619
Bonds – Corporate	–	28,724	28,724	–	33,763	33,763
Property	–	2,330	2,330	–	2,536	2,536
Cash	–	1,514	1,514	–	2,107	2,107
Diversified growth funds	–	31,965	31,965	–	45,104	45,104
Annuity buy-in	–	38,256	38,256	–	–	–
LDI	–	27,357	27,357	–	20,381	20,381
Total	–	195,104	195,104	–	192,298	192,298

* Assets are holdings in unitised funds where the underlying assets are liquid/quoted investments.

^ The presentation of prior year plan assets have been updated to conform to the current year classification of the scheme assets.

Sensitivity of Pension Liability to Judgements/Assumptions

Assumption	Change in Assumptions	Impact on Scheme Liabilities
Discount rate	Increase by 0.25% / Decrease by 0.25%	Reduce by 3.6% / Increase by 3.9%
Rate of inflation	Increase by 0.25%	Increase by 1.6%
Life expectancy	Increase by 1 year	Increase by 3.4%

The above sensitivity analysis is derived through changing an individual assumption while holding all other assumptions constant.

Notes to the Group Financial Statements continued

30. Pension Commitments continued

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

	Year Ended 31 December					
	Assets		Liabilities		Net asset/(deficit)	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000	2023 £'000	2022 £'000
At 1 January	192,298	283,705	(202,782)	(295,176)	(10,484)	(11,471)
Interest income on plan assets	7,917	4,519	–	–	7,917	4,519
Contributions by employer	3,574	4,413	–	–	3,574	4,413
Contributions by members	23	458	(23)	(458)	–	–
Benefit payments	(11,773)	(8,812)	11,773	8,812	–	–
Current service cost	–	–	(57)	(1,962)	(57)	(1,962)
Curtailment gain	–	–	403	–	403	–
Curtailment gain – non-recurring	–	–	–	3,690	–	3,690
Other long term (expense)/credit	–	–	(41)	9	(41)	9
Interest cost on scheme liabilities	–	–	(8,315)	(4,627)	(8,315)	(4,627)
Administration costs	(53)	–	–	–	(53)	–
Remeasurements						
Actuarial (loss)/gain arising from						
– experience variations	–	–	(978)	(2,369)	(978)	(2,369)
– financial assumptions	–	–	(7,432)	98,087	(7,432)	98,087
– demographic assumptions	–	–	4,532	(2,910)	4,532	(2,910)
Return on plan assets excluding interest income	5,198	(97,848)	–	–	5,198	(97,848)
Translation adjustment	(2,080)	5,863	1,989	(5,878)	(91)	(15)
At 31 December	195,104	192,298	(200,931)	(202,782)	(5,827)	(10,484)
Related deferred tax asset (net)					2,655	3,201
Net pension liability					(3,172)	(7,283)

Expense/(Credit) Recognised in Income Statement

	2023 £'000	2022 £'000
Current service cost	57	1,962
Curtailment gain	(403)	–
Curtailment gain – non-recurring *	–	(3,690)
Other long term benefit (credit)/expense	41	(9)
Administration costs	53	–
Total operating (credit)	(252)	(1,737)
Net finance costs on pension scheme obligations	398	108
Total expense/(credit) recognised in income statement	146	(1,629)

* In 2022, a non-recurring curtailment gain of £3.7 million arose on closure to future accrual of a defined benefit pension scheme in Ireland

Recognised Directly in Other Comprehensive Income

	2023 £'000	2022 £'000
Remeasurement gain/(loss) on pensions	1,320	(5,040)
Deferred tax on pensions	(3)	2,558
	1,317	(2,482)

30. Pension Commitments continued

Actuarial Valuations – Funding Requirements

In Ireland, the DB schemes are assessed against the Funding Standard (the statutory minimum funding requirement). Funding Proposals were in place for all schemes and these have now ended. Two Irish defined benefit pension schemes were closed to future accrual during the year, on 31 March 2023 and 31 May 2023 respectively when alternative arrangements were put in place. As at 31 December 2023, all Irish DB schemes are closed to future accrual. Ongoing funding valuations of the Schemes are required every three years. The next ongoing funding valuations are due to be completed with an effective date of 1 January 2025. In the interim, funding recommendations are due to be prepared setting out the recommended contributions to the schemes for the calendar year 2024 allowing for the fact that they will be nil. The schemes are closed to future accrual.

The Irish DB Schemes hold annuity contracts to insure the benefit obligation in respect of their members who were pensioners on 12 December 2023. No other explicit external contracts have been entered into to provide liability matching such as longevity swaps or annuity purchase.

In the UK, the DB schemes are subject to the Statutory Funding Objective under the Pensions Act 2004. Valuations of the DB Schemes are carried out at least once every three years to determine whether or not the Statutory Funding Objectives are met. As part of the process, the Group must agree with the Trustees of the DB Schemes the contributions to be paid to address any shortfalls against the Statutory Funding Objectives. The next valuation for the UK scheme is 31 December 2023 and this is currently being carried out.

The contributions expected to be paid to the Group's UK defined benefit schemes in 2024 total approximately £1.6 million.

In prior years, where some schemes were open to future accrual, employees paid contributions equal to a percentage of pensionable salary. The percentage payable varied by scheme. Triennial actuarial valuations were carried out to determine the Group's contribution rate required under the schemes.

Average Duration and Scheme Composition

	Ireland		UK	
	2023	2022	2023	2022
Average duration of defined benefit obligation (years)	15.00	16.00	13.00	14.00

Allocation of Total Defined Benefit Obligation by Participant

	2023	2022
Active plan participants	0%	5%
Deferred plan participants	58%	53%
Retirees	42%	42%
	100%	100%

Notes to the Group Financial Statements continued

31. Share Based Payments

The Group's employee share schemes are equity settled share based payments as defined in IFRS 2 Share Based Payments. The total share based payments expense for the year charged to the income statement was £2,127,000 (2022: £4,719,000), analysed as follows:

	2023 £'000	2022 £'000
LTIP	1,450	4,312
UK SAYE Scheme	677	407
	2,127	4,719

Details of the schemes operated by the Group are set out below:

Long Term Incentive Plan ("LTIP")

The Group's 2011 long term incentive share scheme expired in April 2021. The Grafton Group plc 2021 Long Term Incentive Plan (the "plan") was approved by shareholders at the AGM of the Company held on 28 April 2021. Details of the plan are set out in the Report of the Remuneration Committee on Directors' Remuneration on pages 142 to 155. Awards over 807,889 Grafton Units were granted under the 2021 Plan on 31 March 2023 (2022: 706,305 on 1 April 2022 and 37,251 on 29 November 2022).

A summary of the awards granted on 31 March 2023, 1 April 2022 and 29 November 2022 is set out below:

Grant date	LTIP 2023 31 March 2023	LTIP 2022 29 Nov 2022	LTIP 2022 1 April 2022
Share price at date of award	£8.87	£8.06	£9.93
Exercise price	N/A	N/A	N/A
Number of employees	161	1	178
Number of share awards	807,889	37,251	706,305
Vesting period	3 years	3 years	3 years
Expected volatility	33.0%	33.1%	48.0%
Award life	3 years	3 years	3 years
Expected life	3 years	3 years	3 years
Risk free rate	3.61%	3.19%	1.43%
Expected dividends expressed as dividend yield	3.53%	4.02%	2.32%
Valuation model – EPS Valuation model – TSR	Black Scholes/ Monte–Carlo	Black Scholes/ Monte–Carlo	Black Scholes/ Monte–Carlo
Fair value of share award – EPS component	£7.98	£7.14	£9.26
Fair value of share award – TSR component	£5.36	£2.11	£4.65

The expected volatility, referred to above, is based on volatility over the last 3 years. The expected life is equal to the vesting period. The risk free rate of return is the yield on bonds from the Bank of England for a term consistent with the life of the award at the grant date. The fair values of share awards granted under the 2021 Plan were determined taking account of peer group total share return volatility together with the above assumptions.

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

	2023 Number	2022 Number
Outstanding at 1 January	1,454,899	2,139,304
Granted in year	807,889	743,556
Forfeited#	(494,867)	(562,602)
Expired unvested	(15,260)	(68,457)
Exercised	(377,688)	(796,902)
Outstanding at 31 December	1,374,973	1,454,899

Share entitlements forfeited by employees who have left the Group and have no further entitlements under the scheme. Share awards totalling 393,282 were forfeited by Gavin Slark on his resignation as CEO in 2022.

31. Share Based Payments continued

Long Term Incentive Plan ("LTIP") continued

At 31 December 2023 and 31 December 2022 none of the LTIPs were exercisable as the conditions for exercise were not fulfilled before the year-end.

UK SAYE Scheme

Options over 625,903 (2022: 727,248) Grafton Units were outstanding at 31 December 2023, pursuant to the 2023 and the existing 2022 and 2020 three year saving contracts under the Grafton Group (UK) plc 2011 Approved SAYE Plan and the Grafton Group plc 2021 SAYE Plan at a price of £6.83, £7.93 and £5.78 respectively. These options are normally exercisable within a period of six months after the third anniversary of the savings contract, being June 2026 for the 2023 SAYE scheme, June 2025 for the 2022 SAYE scheme and December 2023 for the 2020 SAYE scheme.

The number of Grafton Units issued during the year under the 2018 SAYE Scheme was Nil (2022: 81,667) and the total consideration received amounted to £Nil (2022: £541,000). Options forfeited in the year were Nil (2022: 14,597).

The number of Grafton Units issued during the year under the 2019 SAYE Scheme was 33,470 (2022: 164,887) and the total consideration received amounted to £208,000 (2022: £1,019,000). Options forfeited in the year were 3,071 (2022: 51,441).

The number of Grafton Units issued during the year under the 2020 SAYE Scheme was 287,429 (2022: 168,157) and the total consideration received amounted to £1,675,000 (2022: £968,000). Options forfeited in the year were 19,900 (2022: 286,128).

The number of Grafton Units issued during the year under the 2022 SAYE Scheme was 385 (2022: Nil) and the total consideration received amounted to £3,000 (2022: £Nil). Options forfeited in the year were 73,129 (2022: 41,047).

The number of Grafton Units issued during the year under the 2023 SAYE Scheme was Nil and the total consideration received amounted to £Nil. Options forfeited in the year were 35,193.

A reconciliation of options granted under the 2018 SAYE, which was under the Grafton Group (UK) plc 2011 SAYE Plan, is as follows:

	Number	2022 Option price £
Outstanding at 1 January	96,264	6.58
Granted	–	–
Forfeited	(14,597)	6.58
Exercised	(81,667)	6.58
Outstanding at 31 December	–	

A reconciliation of options granted under the 2019 SAYE, which was under the Grafton Group (UK) plc 2011 SAYE Plan, is as follows:

	Number	2023 Option price £	Number	2022 Option price £
Outstanding at 1 January	36,541	6.33	252,869	6.33
Granted	–	–	–	–
Forfeited	(3,071)	6.33	(51,441)	6.33
Exercised	(33,470)	6.33	(164,887)	6.33
Outstanding at 31 December	–		36,541	

Notes to the Group Financial Statements continued

31. Share Based Payments continued

UK SAYE Scheme continued

A reconciliation of options granted under the 2020 SAYE, which was under the Grafton Group (UK) plc 2011 SAYE Plan, is as follows:

	2023 Number	2023 Option price £	2022 Number	2022 Option price £
Outstanding at 1 January	366,513	5.78	820,798	5.78
Granted	–	–	–	–
Forfeited	(19,900)	5.78	(286,128)	5.78
Exercised	(287,429)	5.78	(168,157)	5.78
Outstanding at 31 December	59,184		366,513	

A reconciliation of options granted under the 2022 SAYE, which was under the Grafton Group plc 2021 SAYE Plan, is as follows:

	2023 Number	2023 Option price £	2022 Number	2022 Option price £
Outstanding at 1 January	324,194	7.93	–	–
Granted	–	–	365,241	7.93
Forfeited	(73,129)	7.93	(41,047)	7.93
Exercised	(385)	7.93	–	–
Outstanding at 31 December	250,680		324,194	

A reconciliation of options granted under the 2023 SAYE, which was under the Grafton Group plc 2021 SAYE Plan, is as follows:

	2023 Number	2023 Option price £
Outstanding at 1 January	–	–
Granted	351,232	6.83
Forfeited	(35,193)	6.83
Exercised	–	–
Outstanding at 31 December	316,039	

There were no SAYE grants in 2021.

The weighted average share price for the period was £8.58 (2022: £8.76).

At 31 December 2023 none of the 2023 or the 2022 UK SAYE shares were exercisable other than as permitted under the applicable Plan rules. The weighted average remaining life is 2.1 years (2022: 1.8 years).

32. Accounting Estimates and Judgements

In the opinion of the Directors, the following significant judgement was exercised in the preparation of the financial statements:

Recognition of Surplus on Defined Benefit Pension Schemes

Where a surplus on a defined benefit scheme arises, the rights of the trustees to prevent the group obtaining a refund of that surplus in the future are considered in determining whether it is necessary to restrict the amount of the surplus that is recognised. The ROI defined benefit scheme is in surplus under IAS 19 valuation methodology as at 31 December 2023. The directors are satisfied that these amounts meet the requirements of recoverability on the basis that paragraph 11 (b) of IFRIC 14 applies, enabling a refund of the surplus assuming the gradual settlement of the scheme liabilities over time until all members have left the scheme, and a surplus of £9.5 million has been recognised.

32. Accounting Estimates and Judgements continued

In the opinion of the Directors, the key sources of estimation uncertainty were as follows:

Goodwill

The Group has capitalised goodwill of £645.1 million at 31 December 2023 (2022: £635.8 million) as detailed in Note 12. Goodwill is required to be tested for impairment at least annually or more frequently if changes in circumstances or the occurrence of events indicate potential impairment exists. The Group uses value-in-use calculations to determine the recoverable amount of cash generating units containing goodwill. Value-in-use is calculated as the present value of future cash flows. In calculating value-in-use, management estimation is required in forecasting cash flows of the segments and in selecting an appropriate discount rate and the nominal growth rate in perpetuity.

Retirement Benefit Obligations

The Group operates a number of defined benefit retirement plans which are as set out in Note 30. The Group's total obligation in respect of defined benefit plans is calculated by independent, qualified actuaries and updated at least annually and totals £200.9 million at 31 December 2023 (2022: £202.8 million). Plan assets at 31 December 2023 amounted to £195.1 million (2022: £192.3 million) giving a net scheme deficit of £5.8 million (2022: £10.5 million). The size of the obligation is sensitive to actuarial assumptions. The key assumptions are the discount rate, the rate of inflation, life expectancy, pension benefits and rate of salary increases. The sensitivities of the principal assumptions used to measure defined benefit pension scheme obligations are set out in Note 30.

Rebate Income

Rebate arrangements with suppliers are a common feature of trading in the distribution industry and the Group has agreements with individual suppliers related to purchases of goods for resale.

Rebates are accounted for as a deduction from the cost of goods for resale and are recognised in the financial statements based on the amount that has been earned in respect of each individual supplier up to the balance sheet date. Rebates receivable are determined using established methodologies and are only recognised in the income statement where there is an agreement in place with an individual supplier, any related performance conditions have been met and the goods have been sold to a third-party customer.

Rebates receivable from individual suppliers are typically calculated by applying an agreed percentage to the purchase price shown on the supplier invoice for products purchased for resale. A small proportion of rebates receivable are based on volumes purchased with certain supplier agreements providing for a stepped increase in rebates if purchases reach predetermined targets within a specified time period.

The majority of rebate arrangements cover a calendar year which coincides with the financial year of the Group and this reduces the requirement to estimate purchase volumes from suppliers when estimating rebates receivable at the year-end. Where estimation is used in the calculation of rebates receivable it is done on a consistent and prudent basis, based upon management's knowledge and experience of the suppliers and historic collection trends.

Rebates are classified in the balance sheet as follows:

Inventories

- The carrying value of inventories at the balance sheet date is reduced to reflect rebates receivable relating to inventory that has not been sold at the balance sheet date.

Trade and Other Receivables

- The amount of rebate receivable at the balance sheet date is classified as other receivables and separately disclosed in Note 17, Trade and Other Receivables.

Trade and Other Payables

- Where the Group has the legal right to set-off rebates receivable against amounts owing to individual suppliers, any rebates receivable at the balance sheet date are netted against amounts payable to these suppliers and the amount, if material, is separately disclosed in Note 24, Trade and Other Payables.

Notes to the Group Financial Statements continued

32. Accounting Estimates and Judgements continued

Valuation of Inventory

Inventory comprises raw materials, finished goods and goods purchased for resale. Provisions are made against slow moving, obsolete and damaged inventories for which the net realisable value is estimated to be less than cost. Determining the net realisable value of the wide range of products held in many locations requires estimation to be applied to determine the likely saleability of products and the potential prices that can be achieved. In arriving at any provisions for net realisable value, the Directors take into account the age, condition, quality of the products in stock and recent sales trends. The actual realisable value of inventory may differ from the estimated value on which the provision is based. The Group held provisions in respect of inventory balances at 31 December 2023 amounting to £56.0 million (2022: £47.2 million).

IFRS 16 "Leases"

Where the Group has an option to extend or terminate a lease, management uses its judgement to determine whether such an option would be reasonably certain to be exercised. Management considers all facts and circumstances, including past practice and costs that would be incurred if an option were to be exercised, to help them determine the lease term. Management have also applied judgements in assessing the discount rate, which are based on the incremental borrowing rate. Such judgements could impact lease terms and associated lease liabilities. The Group availed of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and the guidance in IFRIC 4 will continue to be applied to those leases entered into or modified before 1 January 2019.

Valuation of Investment Property

The fair values derived are based on current estimated market values for the properties, being the amount that would be received from a sale of the assets in an orderly transaction between market participants. The valuation of the Group's investment property portfolio is inherently subjective as it requires among other factors, the estimation of the expected rental income in to the future, an assessment of a property's ability to remain attractive to existing and prospective tenants in a changing market and a judgement to be reached on the attractiveness of a building, its location and the surrounding environment. Further detail on the determination of fair value of investment properties is set out in note 13.

33. Related Party Transactions

The principal related party transactions that require disclosure under IAS 24: Related Party Disclosures relate to subsidiaries, key management personnel and post-employment benefit plans.

Subsidiaries

Sales to and purchases from, together with outstanding payables and receivables to and from, subsidiaries are eliminated in the preparation of the consolidated financial information in accordance with IFRS 10, Consolidated Financial Statements.

Key Management Personnel

The term key management personnel for 2023 is the Board of Grafton Group plc and the Company Secretary/Group Financial Controller. The cost of key management personnel is analysed in Note 6 to the Group Financial Statements. The Report of the Remuneration Committee on Directors' Remuneration on pages 142 to 155 provides detailed disclosure ('unaudited') for 2023 and 2022 of salaries, fees, performance-related pay, pension allowance, other benefits and entitlements to awards granted under the Group's 2011 and 2021 LTIP schemes.

Post-Employment Benefit Plans

Pension commitments to existing and former employees under defined benefit pension scheme arrangements are disclosed in Note 30 to the Group Financial Statements.

34. Events after the Balance Sheet Date

The Company bought back, for cancellation, 3.6 million shares at a cost of £33.9 million between 1 January 2024 and 5 March 2024. There have been no other material events subsequent to 31 December 2023 that would require adjustment to or disclosure in this report.

35. Approval of Financial Statements

The Board of Directors approved the Group Financial Statements on pages 190 to 271 on 6 March 2024.

Company Balance Sheet
As at 31 December 2023

	Notes	2023 €'000	2022 €'000
Fixed assets			
Intangible assets	4(a)	463	169
Tangible assets	4(a)	817	31
Right-of-use asset	4(b)	1,513	1,743
Financial assets	5	948,314	1,048,006
Total fixed assets		951,107	1,049,949
Current assets			
Debtors	6	959,985	977,308
Cash at bank and in hand		119,049	10,286
Total current assets		1,079,034	987,594
Creditors: amounts falling due within one year	7	(967,242)	(949,427)
Net current assets		111,792	38,167
Total assets less current liabilities		1,062,899	1,088,116
Creditors: amounts falling due after one year	7	(1,551)	(1,519)
Net assets		1,061,348	1,086,597
Capital and reserves			
Called-up share capital	10	10,303	11,195
Share premium account	10	315,955	313,786
Capital redemption reserve		2,774	1,848
Shares to be issued reserve		7,983	10,797
Profit and loss account		730,618	756,175
Treasury shares held		(6,285)	(7,204)
Shareholders' equity		1,061,348	1,086,597

There was a profit after tax of €236.9 million (2022: profit of €40.6 million) attributable to the parent undertaking for the financial year.

On behalf of the Board.

Eric Born
Director
6 March 2024

David Arnold
Director

Company Statement of Changes in Equity

	Equity share capital €'000	Share premium account €'000	Capital redemption reserve €'000	Shares to be issued reserve €'000	Profit and loss account €'000	Treasury shares €'000	Total equity €'000
Year to 31 December 2023							
At 1 January 2023	11,195	313,786	1,847	10,797	756,175	(7,204)	1,086,596
Profit after tax for the financial year	–	–	–	–	236,943	–	236,943
Total other comprehensive income							
Remeasurement loss on pensions (net of tax)	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	236,943	–	236,943
Transactions with owners of the Company recognised directly in equity							
Dividends paid	–	–	–	–	(83,442)	–	(83,442)
Issue of Grafton Units	35	2,169	–	–	–	–	2,204
Purchase of treasury shares	–	–	–	–	–	(183,380)	(183,380)
Cancellation of treasury shares	(927)	–	927	–	(184,299)	184,299	–
Share based payments charge	–	–	–	2,427	–	–	2,427
Transfer from shares to be issued reserve	–	–	–	(5,241)	5,241	–	–
	(892)	2,169	927	(2,814)	(262,500)	919	(262,191)
At 31 December 2023	10,303	315,955	2,774	7,983	730,618	(6,285)	1,061,348
Year to 31 December 2022							
At 1 January 2022	12,003	310,820	978	12,869	960,193	(5,746)	1,291,117
Profit after tax for the financial year	–	–	–	–	40,576	–	40,576
Total other comprehensive income							
Remeasurement loss on pensions (net of tax)	–	–	–	–	–	–	–
Total comprehensive income	–	–	–	–	40,576	–	40,576
Transactions with owners of the Company recognised directly in equity							
Dividends paid	–	–	–	–	(86,338)	–	(86,338)
Issue of Grafton Units	62	2,966	–	–	–	–	3,028
Purchase of treasury shares	–	–	–	–	–	(167,324)	(167,324)
Cancellation of treasury shares	(870)	–	870	–	(165,866)	165,866	–
Share based payments charge	–	–	–	5,538	–	–	5,538
Transfer from shares to be issued reserve	–	–	–	(7,610)	7,610	–	–
	(808)	2,966	870	(2,072)	(244,594)	(1,458)	(245,096)
At 31 December 2022	11,195	313,786	1,848	10,797	756,175	(7,204)	1,086,597

Notes to the Company Financial Statements

1. Basis of Preparation

The financial statements have been prepared on a going concern basis under the historical cost convention in accordance with the Companies Act 2014 and Generally Accepted Accounting Practice in the Republic of Ireland (Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101)). Note 2 describes the principle accounting policies under FRS 101, which have been applied consistently.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Comparative period reconciliations for tangible fixed assets and intangible assets;
- The option to take tangible and intangible assets at deemed cost;
- Disclosures in respect of transactions with wholly-owned subsidiaries;
- Disclosures in respect of financial risk management;
- Disclosure of key management compensation;
- Certain requirements of IAS 1 Presentation of Financial Statements;
- Disclosures required by IFRS 7 Financial Instrument Disclosures;
- Disclosures required by IFRS 13 Fair Value Measurement;
- Certain disclosures required by IFRS 16 Leases; and
- The effects of new but not yet effective IFRSs.

As the consolidated financial statements of Grafton Group plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosure:

- IFRS 2 Share Based Payments in respect of group settled share-based payments.

In accordance with Section 304(2) of the Companies Act 2014, the income statement and related notes of the parent undertaking have not been presented separately in these financial statements.

2. Accounting Policies

Key Accounting Policies which involve Estimates, Assumptions and Judgements

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Financial Assets

Investments in subsidiaries are stated at cost less any accumulated impairment and are reviewed for impairment if there are any indicators that the carrying value may not be recoverable.

Loans Receivable and Payable

Intercompany loans receivable and payable are initially recognised at fair value. These are subsequently measured at amortised cost, less any provision for impairment.

Other Material Accounting Policies

Operating Income and Expense

Operating income and expense arises from the Company's principal activities as a holding company for the Group and are accounted for on an accruals basis.

Foreign Currencies

The functional and presentation currency of the Company is euro. Transactions in foreign currencies are translated at the rates of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into euro at the rates of exchange ruling at the balance sheet date, with a corresponding charge or credit to the profit and loss account.

Share Issue Expenses

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Notes to the Company Financial Statements continued

2. Accounting Policies continued

Other Material Accounting Policies continued

Share-based Payments

The Company has applied the requirements of Section 8 of FRS 101. The accounting policy applicable to share-based payments is addressed in detail on page 206 of the Consolidated Financial Statements.

IFRS 16 Leases

The accounting policy applicable to IFRS 16 leases is addressed in detail on pages 201 to 203 of the Consolidated Financial Statements.

Treasury Shares

Own equity instruments (i.e. Ordinary Shares) acquired by the Company are deducted from equity and presented on the face of the Company Balance Sheet. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's Ordinary Shares.

Dividends

Dividends on Ordinary Shares are recognised as a liability in the Company's Financial Statements in the period in which they are approved by the shareholders of the Company.

Dividend Income

Dividend income is recognised when the right to receive payment is established.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Property, plant and equipment are depreciated over their useful economic life on a straight line basis in line with Group policy as noted in Note 1 to the Consolidated Financial Statements.

Intangible Assets (Computer Software)

Acquired computer software is stated at cost less any accumulated amortisation and any accumulated impairment losses. Cost comprises of purchase price and any other directly attributable costs. Computer software is recognised in line with the criteria as outlined in Note 1 to the Consolidated Financial Statements.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances held for the purpose of meeting short term cash commitments and investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. Bank overdrafts are included within creditors falling due within one year in the Company Balance Sheet.

3. Statutory and Other Information

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

	2023 €'000	2022 €'000
Statutory audit (refer to Note 3 of Group Financial Statements)	83	81
Depreciation (Note 4a)	60	32
Depreciation on right-of-use assets (Note 4b)	332	188
Intangible asset amortisation (Note 4a)	84	74
Directors' remuneration	3,299	3,005

The interest expense on lease liabilities in the year was €82,000 (2022: €6,000).

The Directors' remuneration is set out in detail in the Report of the Remuneration Committee on Directors' Remuneration on pages 142 to 155.

3. Statutory and Other Information continued

The average number of persons employed by the Company during the year was 22 (2022: 22).

	2023 €'000	2022 €'000
The aggregate remuneration costs of employees were:		
Wages and salaries	5,910	4,606
Social welfare costs	241	285
Share-based payments charge	1,182	1,384
Defined contribution and pension related costs	335	567
Charged to operating profit	7,668	6,842
Net finance cost on pension scheme obligations	–	–
Charged to income statement	7,668	6,842
Actuarial loss on pension scheme	–	–
Total employee benefit cost	7,668	6,842

4. Tangible, Intangible and Right-of-Use Assets

4. (a) Tangible and Intangible Assets

	Plant and Equipment 2023 €'000	Intangible Assets 2023 €'000
Company Cost		
At 1 January	3,228	550
Additions	846	378
At 31 December	4,074	928
Depreciation		
At 1 January	3,197	381
Charge for year	60	84
At 31 December	3,257	465
Net book amount		
At 31 December	817	463
At 1 January	31	169

4. (b) Right-of-Use Asset

	Right-of-Use Asset* €'000
Year ended 31 December 2022	
Opening balance at 1 January 2022	420
Additions	1,549
Depreciation charge	(188)
Disposals	–
Remeasurements	(38)
Closing net book amount	1,743
Year ended 31 December 2023	
Opening balance at 1 January 2023	1,743
Additions	84
Depreciation charge	(332)
Disposals	–
Remeasurements	18
Closing net book amount	1,513

* The lease term remaining as at 31 December 2023 is 3.3 years (2022: 3.0 years).

Notes to the Company Financial Statements continued

5. Financial Assets

	Other Investments €'000	Investments in subsidiary undertakings €'000	Total €'000
At 1 January 2022	14	937,053	937,067
Additions	–	107,496	107,496
Disposals	–	(607)	(607)
Capital contribution – share-based payments	–	4,050	4,050
At 31 December 2022	14	1,047,992	1,048,006
Additions*	–	405,234	405,234
Disposals**	–	(104,546)	(104,546)
Impairments***	–	(401,434)	(401,434)
Capital contribution – share-based payments	–	1,054	1,054
At 31 December 2023	14	948,300	948,314

* Additions in the year relate to investments in a number of the Group's subsidiary holding companies, some of which were acquired from other group companies.
** One subsidiary entity was disposed intragroup during the year.
*** The carrying values of investments in a number of non-trading group subsidiaries were impaired, some of which were placed into liquidation during the year.

Other investments represent sundry equity investments at cost less provision for impairment.

6. Debtors

	2023 €'000	2022 €'000
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	956,581	973,559
Current income tax	884	–
Deferred tax	–	17
Other receivables	217	1,728
	957,682	975,304

	2023 €'000	2022 €'000
Amounts falling due after one year:		
Other receivables	2,303	2,004

7. Creditors

	2023 €'000	2022 €'000
Amounts falling due within one year:		
Trade and other payables	717	–
Accruals	6,801	7,175
Lease liability*	151	230
Bank overdraft	97,331	–
Amounts owed to subsidiary undertakings	862,242	942,022
	967,242	949,427

	2023 €'000	2022 €'000
Amounts falling due after one year:		
Deferred tax	16	–
Lease liability*	1,535	1,519
	1,551	1,519

* The Company's incremental borrowing rate applied to the lease liability as at 31 December 2023 was 5.2 per cent (2022: 4.9 per cent).

7. Creditors continued

The maturity analysis of the lease liability is as follows:

	2023 €'000	2022 €'000
Year 1	151	230
Year 2	195	44
Year 3	201	172
Year 4	140	176
Year 5	191	125
After year 5	808	1,002

8. Deferred Taxation

Recognised Deferred Tax (Assets) and Liabilities

	Assets 2023 €'000	Liabilities 2023 €'000	Net (assets)/ liabilities 2023 €'000	Assets 2022 €'000	Liabilities 2022 €'000	Net (assets)/ liabilities 2022 €'000
Other items	–	16	16	(17)	–	(17)

	Balance 1 Jan 23 €'000	Recognised in income €'000	Recognised in other comprehensive income €'000	Foreign exchange retranslation €'000	Arising on acquisitions €'000	Balance 31 Dec 23 €'000
Other items	(17)	33	–	–	–	16

	Balance 1 Jan 22 €'000	Recognised in income €'000	Recognised in other comprehensive income €'000	Foreign exchange retranslation €'000	Arising on acquisitions €'000	Balance 31 Dec 22 €'000
Other items	(43)	26	–	–	–	(17)

9. Pension Commitments

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

The actuarial reports are not available for public inspection.

IAS 19 – Employee Benefits

An actuarial valuation was updated to 31 December 2023 by a qualified independent actuary.

Financial Assumptions

The financial assumptions used to calculate the retirement benefit liabilities under IAS 19 were as follows:

	At 31 Dec 2023 Company scheme	At 31 Dec 2022 Company scheme
Valuation Method	Projected Unit	Projected Unit
Rate of increase of pensions in payment	–	–
Discount rate	3.15%	3.70%
Inflation rate increase	2.05%	2.60%

Notes to the Company Financial Statements continued

9. Pension Commitments continued

The Company's obligations to the scheme at the end of 2023 and 2022 were limited to providing a pension to an executive who retired in 2009 on a fixed pension.

	Year ended 31 December					
	Assets		Liabilities		Net asset/(deficit)	
	2023 €'000	2022 €'000	2023 €'000	2022 €'000	2023 €'000	2022 €'000
At 1 January	939	1,221	(939)	(1,221)	–	–
Interest income on plan assets	33	14	–	–	33	14
Benefit payments	(76)	(76)	76	76	–	–
Interest cost on scheme liabilities	–	–	(33)	(14)	(33)	(14)
Remeasurement gains/(losses)	31	(220)	(31)	220	–	–
At 31 December	927	939	(927)	(939)	–	–
Related deferred tax asset (net)					–	–
Net pension liability					–	–

No contributions are expected to be paid to the Company's defined benefit scheme in 2023 (2022: €Nil).

10. Share Capital and Share Premium

Details of equity share capital and share premium are set out below and in Note 18 to the Group Financial Statements.

	Issue Price	Number of Shares	2023 Nominal Value €'000	2022 Nominal Value €'000
Issued and fully paid:				
Ordinary shares				
At 1 January		223,901,033	11,195	12,003
Issued under UK SAYE scheme*		321,284	16	21
2011 Long Term Incentive Plan				
September 2020 LTIP Awards	Nil	377,688	19	41
Share Buyback				
Share Buyback – Programme 1		–	–	(614)
Share Buyback – Programme 2		(6,587,790)	(330)	(215)
Share Buyback – Programme 3		(6,004,286)	(300)	–
Share Buyback – Programme 4		(5,569,269)	(278)	–
Share Buyback – LTIP Awards		(377,688)	(19)	(41)
At 31 December		206,060,972	10,303	11,195
Total nominal share capital issued			10,303	11,195

* Refer to Note 31 to the Group Financial Statements which outlines the issue price of the SAYE Schemes.

Share Premium

Company	2023 €'000	2022 €'000
At 1 January	313,786	310,820
Premium on issue of shares under UK SAYE scheme	2,169	2,966
At 31 December	315,955	313,786

11. Share-Based Payments

Details of Share-Based Payments are set out in Note 31 of the Group Financial Statements.

12. Related Party Transactions

The principal related party transactions that require disclosure under IAS 24: Related Party Disclosures relate to subsidiaries and post-employment benefit plans.

Subsidiaries

The consolidated accounts of the Company and its subsidiaries include the following transactions that have been eliminated on consolidation:

- Management charges made by the Company to its subsidiaries of €8.0 million (2022: €8.5 million) for the year ended 31 December 2023;
- Loans, which are repayable on demand, were granted to and by the Company to its subsidiaries; and
- Dividend income in the year of €286.6 million (2022: €54.4 million) was received from Group subsidiary companies.

Post-Employment Benefit Plans

Pension commitments to existing and former employees under defined benefit pension scheme arrangements are disclosed in Note 9 to the Company Financial Statements.

13. Principal Operating Subsidiaries

The principal operating subsidiaries operating in Ireland are:

Name of Company	Nature of Business	Registered Office
Chadwicks Group Limited	Building materials distribution	c/o Grafton Group plc, The Hive, Carmanhall Road, Sandyford Business Park, Dublin 18, D18 Y2C9
Woodie's DIY Limited	DIY, home and garden retailing	c/o Grafton Group plc, The Hive, Carmanhall Road, Sandyford Business Park, Dublin 18, D18 Y2C9

The Company owns 100 per cent of the share capital of its principal operating subsidiary undertakings operating in Ireland.

The principal operating subsidiaries operating in the United Kingdom are:

Name of Company	Nature of Business	Registered Office
Macnaughton Blair Limited	Building materials distribution	10 Falcon Road, Belfast, BT12 6RD, Northern Ireland
Selco Trade Centres Limited	Building materials distribution	First Floor, Boundary House, 2 Wythall Green Way, Wythall, Birmingham, B47 6LW
LSDM Limited	Building materials distribution	Ground Floor, Boundary House 2 Wythall Green Way, Wythall, Birmingham, United Kingdom, B47 6LW
CPI Mortars Limited	Mortar manufacturing	Oak Green House, 250-256 High Street, Dorking, Surrey, RH4 1QT
TG Lynes Limited	Building materials distribution	Ground Floor, Boundary House 2 Wythall Green Way, Wythall, Birmingham, United Kingdom, B47 6LW
AVC (Stairbox) Limited	Wooden staircase manufacturing	Oak Green House, 250-256 High Street, Dorking, Surrey, RH4 1QT

The Company owns 100 per cent of the share capital of its principal subsidiary undertakings operating in the UK.

Notes to the Company Financial Statements continued

13. Principal Operating Subsidiaries continued

The principal operating subsidiaries in the Netherlands are:

Name of Company	Nature of Business	Registered Office
Isero B.V.	Ironmongery, tools and fixings distribution	Dirk Verheulweg 3, 2742 JR, Waddinxveen, The Netherlands
Gunters en Meuser B.V.	Ironmongery, tools and fixings distribution	Egelantiersgracht 2-6, 1015 RL Amsterdam, the Netherlands
Polvo B.V.	Ironmongery, tools and fixings distribution	Tradeboulevard 5 a, 4761RL Zevenbergen, the Netherlands
GKL Ventilatie Techniek B.V.	Ventilation systems	Touwbaan 1 H, 2352CZ Leiderdorp

The Company owns 100 per cent of the share capital of its principal subsidiary undertakings operating in the Netherlands.

The principal operating subsidiaries in Finland are:

Name of Company	Nature of Business	Registered Office
IKH Oy	Technical trades distribution	Keskustie 26, 61850 Kauhajoki, Finland
IKH Retail Oy	Technical trades distribution	Keskustie 26, 61850 Kauhajoki, Finland

The Company owns 100 per cent of the share capital of its principal subsidiary undertakings operating in Finland.

14. Section 357 Guarantees

Each of the following Irish registered subsidiaries of the Company, whose registered office is c/o Grafton Group plc, The Hive, Carmanhall Road, Sandyford Business Park, Dublin 18, D18 Y2C9 (company number: 8149) may avail of the exemption from filing its statutory financial statements for the year ended 31 December 2023 as permitted by section 357 of the Companies Act 2014 and, if any these Irish registered subsidiaries of the Company elects to avail of this exemption, there will be in force an irrevocable guarantee from the Company in respect of all commitments entered into by such wholly-owned subsidiary, including amounts shown as liabilities (within the meaning of section 357 (1) (b) of the Companies Act 2014) in such wholly-owned subsidiary's statutory financial statements for the year ended 31 December 2023:

Athina Limited, Beralt Developments Limited, Cardston Properties Limited, Chadwicks Group Limited, Chadwicks Holdings Limited, Chadwicks Limited, Cork Builders Providers Limited, CPI Limited, Daly Brothers (North-East) Limited, Davies Limited, Deltana Limited, Denningco Limited, Eddie's Hardware Limited, Grafton Group European Holdings Limited, Grafton Group Finance plc, Grafton Group Management Services Limited, Grafton Group Investments UC, Grafton Group Holdings UC, Grafton Group Secretarial Services Limited, Grafton Group Treasury Limited, Haylen Investments Limited, Heiton Buckley Limited, Heiton Group plc, Jarkin Properties Limited, Jarsen Distribution Limited, Lacombe Properties Limited, Panelling Centre Limited, Plumbland Limited, Powlett Properties Limited, Resadale Properties Limited, Sitetech Building Products Limited, Stettler Properties Limited, Telford Group Limited, Telfords (Portlaoise) Limited, Tiska Limited, Titanium Limited, Topez Limited, Weeksbury Limited, Woodies DIY (Irl) Limited and Woodie's DIY Limited

15. Other Guarantees

The Company has declared and assumes joint and several liability for any obligations arising from the legal acts of Grafton Holding Netherlands BV, Isero B.V., Gunters en Meuser B.V., Polvo B.V., Polvo Real Estate B.V., GKL Ventilatie Techniek B.V. and Regts B.V., in accordance with article 2:403 paragraph (f) of the Dutch Civil Code and such declarations will be filed at the Dutch commercial register (Kamer van Koophandel) in accordance with article 2:403 paragraph (g).

The Company has given guarantees in respect of the bank borrowings of subsidiary undertakings which amounted to €237.3 million at the balance sheet date. The guarantee is over bank debt of €77.3 million and US senior notes of €160.0 million. The Company has also guaranteed certain property lease obligations of subsidiary undertakings.

16. Approval of Financial Statements

The Board of Directors approved the Company Financial Statements in respect of the year ended 31 December 2023 on 6 March 2024.

04 Supplementary Information

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Supplementary Financial Information
Not covered by Independent Auditors' Report

Alternative Performance Measures

Certain financial information set out in this consolidated year end financial statements is not defined under International Financial Reporting Standards ("IFRS"). These key Alternative Performance Measures ("APMs") represent additional measures in assessing performance and for reporting both internally and to shareholders and other external users. The Group believes that the presentation of these APMs provides useful supplemental information which, when viewed in conjunction with IFRS financial information, provides readers with a more meaningful understanding of the underlying financial and operating performance of the Group.

None of these APMs should be considered as an alternative to financial measures drawn up in accordance with IFRS.

The key Alternative Performance Measures ("APMs") of the Group are set out below. As amounts are reflected in £'m some non-material rounding differences may arise. Numbers that refer to 2022 are available in the 2022 Annual Report.

The term "Adjusted" means before exceptional items and acquisition related items. These items do not relate to the underlying operating performance of the business and therefore to enhance comparability between reporting periods and businesses, management do not take these items into account when assessing the underlying profitability of the Group.

Acquisition related items comprise deferred consideration payments relating to the retention of former owners of businesses acquired, transaction costs and expenses, professional fees, adjustments to previously estimated earn outs, impairment charges related to intangible assets recognised on acquisition of businesses and goodwill impairment charges. Customer relationships, technology and brands amortisation and any associated tax are considered by management to form part of the total spend on acquisitions or are non-cash items resulting from acquisitions and therefore are also included as adjusting items.

APM	Description
Adjusted Operating Profit/ EBITA	Profit before amortisation of intangible assets arising on acquisitions, acquisition related items, exceptional items, net finance expense and income tax expense.
Adjusted Operating Profit/ EBITA Before Property Profit	Profit before profit on the disposal of Group properties, amortisation of intangible assets arising on acquisitions, acquisition related items, exceptional items, net finance expense and income tax expense.
Adjusted Operating Profit/ EBITA Margin Before Property Profit	Adjusted operating profit/EBITA before property profit as a percentage of revenue.
Adjusted Profit Before Tax	Profit before amortisation of intangible assets arising on acquisitions, acquisition related items, exceptional items and income tax expense.
Adjusted Profit After Tax	Profit before amortisation of intangible assets arising on acquisitions, acquisition related items and exceptional items but after deducting the income tax expense.
Capital Turn	Revenue for the previous 12 months divided by average capital employed (where capital employed is the sum of total equity and net debt at each period end).
Constant Currency	Constant currency reporting is used by the Group to eliminate the translational effect of foreign exchange on the Group's results. To arrive at the constant currency change, the results for the prior period are retranslated using the average exchange rates for the current period and compared to the current period reported numbers.
Dividend Cover	Group earnings per share divided by the total dividend per share for the Group.

APM	Description
EBITDA	Earnings before exceptional items, acquisition related items, net finance expense, income tax expense, depreciation and intangible assets amortisation. EBITDA (rolling 12 months) is EBITDA for the previous 12 months.
EBITDA Interest Cover	EBITDA divided by net bank/loan note interest.
Free Cash Conversion	Free cash flow as a percentage of adjusted operating profit.
Free Cash Flow	Cash generated from operations less replacement capital expenditure (net of disposal proceeds), less interest paid (net), income taxes paid and payment of lease liabilities.
Gearing	The Group net (cash)/debt divided by the total equity attributable to owners of the Parent times 100, expressed as a percentage.
Like-for-like Revenue	Like-for-like revenue is a measure of underlying revenue performance for a selected period. Branches contribute to like-for-like revenue once they have been trading for more than twelve months. Acquisitions contribute to like-for-like revenue once they have been part of the Group for more than 12 months. When branches close, or where a business is disposed of, revenue from the date of closure, for a period of 12 months, is excluded from the prior year result.
Liquidity	The Group's accessible cash, including any undrawn revolving bank facilities.
Net (Debt)/Cash	Net (debt)/cash comprises current and non-current interest-bearing loans and borrowings, lease liabilities, fixed term cash deposits, cash and cash equivalents and current and non-current derivative financial instruments (net).
Operating Profit/EBIT Margin	Profit before net finance expense and income tax expense as a percentage of revenue.
Return On Capital Employed	Adjusted operating profit divided by average capital employed (where capital employed is the sum of total equity and net debt at each period end) times 100.
Adjusted Earnings Per Share	A measure of underlying profitability of the Group. Adjusted profit after tax is divided by the weighted average number of Grafton Units in issue, excluding treasury shares.

Adjusted Operating Profit/EBITA Before Property Profit

	2023 £'m	2022 £'m
Revenue	2,319.2	2,301.5
Operating profit	183.1	264.3
Property (profit)	(1.3)	(25.4)
Acquisition related items	2.7	2.3
Amortisation of intangible assets arising on acquisitions	19.7	19.3
Adjusted operating profit/EBITA before property profit	204.2	260.5
Adjusted operating profit/EBITA margin before property profit	8.8%	11.3%

Operating Profit/EBIT Margin

	2023 £'m	2022 £'m
Revenue	2,319.2	2,301.5
Operating profit	183.1	264.3
Operating profit/EBIT margin	7.9%	11.5%

Supplementary Financial Information continued
Not covered by Independent Auditors' Report

Adjusted Operating Profit/EBITA & Margin

	2023 £'m	2022 £'m
Operating profit	183.1	264.3
Acquisition related items	2.7	2.3
Amortisation of intangible assets arising on acquisitions	19.7	19.3
Adjusted operating profit/EBITA	205.5	285.9
Adjusted operating profit/EBITA margin	8.9%	12.4%

Adjusted Profit Before Tax

	2023 £'m	2022 £'m
Profit before tax	183.5	251.7
Acquisition related items	2.7	2.3
Amortisation of intangible assets arising on acquisitions	19.7	19.3
Adjusted profit before tax	205.9	273.3

Adjusted Profit After Tax

	2023 £'m	2022 £'m
Profit after tax for the financial year	148.7	208.6
Acquisition related items	2.7	2.3
Tax on acquisition related items	(0.2)	(0.2)
Amortisation of intangible assets arising on acquisitions	19.7	19.3
Tax on amortisation of intangible assets arising on acquisitions	(4.4)	(4.3)
Adjusted profit after tax	166.5	225.6

Capital Turn

	2023 £'m	2022 £'m
Revenue	2,319.2	2,301.5
Average capital employed	1,720.9	1,658.6
Capital turn – times	1.3	1.4

Dividend Cover

	2023 £'m	2022 £'m
Group adjusted EPS – basic (pence)	77.9	96.6
Group dividend (pence)	36.0	33.0
Group dividend cover – times	2.2	2.9

Reconciliation of Profit to EBITDA

	2023 £'m	2022 £'m
Profit after tax for the financial year	148.7	208.6
Acquisition related items	2.7	2.3
Net finance (income)/expense	(0.4)	12.6
Income tax expense	34.8	43.1
Depreciation	104.7	94.3
Intangible asset amortisation	21.3	20.3
EBITDA	311.8	381.2

EBITDA Interest Cover

	2023 £'m	2022 £'m
EBITDA	311.8	381.2
Net bank/loan note interest including interest on lease liabilities	(0.3)	11.8
EBITDA interest cover – times	N/A	32.2

EBITDA Interest Cover (excluding interest on lease liabilities)

	2023 £'m	2022 £'m
EBITDA	311.8	381.2
Net bank/loan note interest excluding interest on lease liabilities	(15.9)	(3.1)
EBITDA interest cover – times	N/A	N/A

Free Cash Flow

	2023 £'m	2022 £'m
Cash generated from operations	334.3	278.8
Replacement capital expenditure	(27.4)	(33.2)
Proceeds on sale of property, plant and equipment	1.4	0.8
Proceeds on sale of properties held for sale/investment properties	2.2	27.7
Interest received	24.2	8.7
Interest paid	(23.1)	(21.9)
Payment of lease liabilities	(67.7)	(58.1)
Income taxes paid	(38.4)	(39.5)
Free cash flow	205.6	163.3

Free Cash Conversion

	2023 £'m	2022 £'m
Free cash flow	205.6	163.3
Adjusted operating profit	205.5	285.9
Free cash conversion	100%	57%

Gearing

	2023 £'m	2022 £'m
Total equity attributable to owners of the Parent	1,655.8	1,745.6
Group net debt/(cash)	49.3	(8.9)
Gearing	3.0%	N/A

Supplementary Financial Information continued
Not covered by Independent Auditors' Report

Liquidity

	2023 £'m	2022 £'m
Cash and cash equivalents	383.9	711.7
Fixed term cash deposits	200.0	–
Less: cash held against letter of credit	(4.0)	(4.0)
Accessible cash	579.9	707.7
Undrawn revolving bank facilities	269.7	226.9
Liquidity	849.6	934.6

Cash Outflow on Dividends and Share Buyback, excluding transaction costs

	2023 £'m	2022 £'m
Dividend payment	72.6	73.9
Purchase of treasury shares, excluding transaction costs	159.1	142.6
Exclude LTIP share purchase	(3.4)	(7.6)
Cash outflow on dividends and share buyback, excluding transaction costs	228.3	208.9

Like for like revenue

	2023 £'m	2022 £'m
2022/2021 revenue	2,301.5	2,109.9
Organic growth	(32.3)	47.2
Organic growth – new branches	11.3	17.8
Total organic growth	(21.0)	65.0
Acquisitions	12.1	134.4
Foreign exchange	26.6	(7.8)
2023/2022 revenue	2,319.2	2,301.5
Like-for-like movement (organic growth, excluding new branches, as % prior year revenue)	(1.4%)	2.2%

Net (Debt)/Cash

	2023 £'m	2022 £'m
Cash and cash equivalents	383.9	711.7
Interest-bearing loans (non-current)	(204.2)	(253.5)
Interest-bearing loans (current)	–	–
Lease liabilities (non-current)	(364.1)	(389.2)
Lease liabilities (current)	(64.9)	(60.1)
Derivatives	(0.0)	(0.0)
Fixed term cash deposits	200.0	–
Net (Debt)/Cash	(49.3)	8.9

Net Debt/(Cash) to EBITDA

	2023 £'m	2022 £'m
EBITDA	311.8	381.2
Net debt/(cash)	49.3	(8.9)
Net debt/(cash) to EBITDA – times	0.16	(0.02)

Return on Capital Employed

	2023 £'m	2022 £'m
Operating profit	183.1	264.3
Acquisition related items	2.7	2.3
Amortisation of intangible assets arising on acquisitions	19.7	19.3
Adjusted operating profit	205.5	285.9
Total equity – current period end	1,655.8	1,745.6
Net debt/(cash) – current period end	49.3	(8.9)
Capital employed – current period end	1,705.1	1,736.7
Total equity – prior period end	1,745.6	1,719.6
Net (cash) – prior period end	(8.9)	(139.0)
Capital employed – prior period end	1,736.7	1,580.6
Average capital employed	1,720.9	1,658.6
Return on capital employed	11.9%	17.2%

Net cash – Before IFRS 16 leases

	2023 £'m	2022 £'m
Net (debt/)cash – after IFRS 16 Leases	(49.3)	8.9
IFRS 16 Lease Liability	429.0	449.3
Net cash – before IFRS 16 Leases	379.7	458.2

Grafton Group plc Financial History – 2003 to 2023*

Group Income Statements	2023 £'m	2022 £'m	2021 £'m	2020 £'m	2019 £'m	2018 £'m	2017 £'m	2016 £'m
Revenue	2,319.2	2,301.5	2,109.9	2,509.1	2,672.3	2,952.7	2,715.8	2,507.3
Operating profit	204.2	260.5	271.2	190.7	197.9	189.6	160.9	137.1
Operating margin %	8.8%	11.3%	12.9%	7.6%	7.4%	6.4%	5.9%	5.5%
Restructuring (costs)/credit	–	–	–	(24.7)	0.0	(1.9)	0.0	(19.7)
Intangible amortisation on acquisitions & acquisition related items	(22.4)	(21.6)	(18.8)	(8.9)	(7.0)	(5.1)	(2.8)	(2.2)
Property profit	1.3	25.4	16.7	2.6	6.9	4.9	2.7	4.9
Net finance income/(expense)	0.4	(12.6)	(19.4)	(26.9)	(25.1)	(6.1)	(6.4)	(5.9)
Profit before taxation	183.5	251.7	249.8	132.7	172.6	181.3	154.5	114.2
Taxation	(34.8)	(43.1)	(43.0)	(25.2)	(28.7)	(30.9)	(26.6)	(21.1)
Profit after taxation	148.7	208.6	206.8	107.5	143.9	150.4	127.8	93.1

Group Balance Sheets	2023 £'m	2022 £'m	2021 £'m	2020 £'m	2019 £'m	2018 £'m	2017 £'m	2016 £'m
Capital employed								
Goodwill and intangibles	784.0	789.5	744.1	820.0	761.1	726.0	646.1	610.8
Property, plant and equipment and ROU Asset	768.6	774.5	740.6	999.5	1,023.2	521.6	504.4	461.7
Financial assets	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Net current assets**	200.8	224.7	142.3	100.3	173.6	161.7	136.3	141.5
Other net non-current liabilities	(48.4)	(52.1)	(46.5)	(97.9)	(61.5)	(59.8)	(49.4)	(52.6)
	1,705.1	1,736.7	1,580.6	1,822.0	1,896.5	1,349.6	1,237.5	1,161.5
Financed as follows:								
Shareholders' equity	1,655.8	1,745.6	1,719.6	1,467.0	1,362.7	1,296.5	1,174.6	1,062.1
Non-controlling interest	–	–	–	–	–	–	–	3.1
Net debt/(cash)	49.3	(8.9)	(139.0)	355.0	533.8	53.1	62.9	96.3
	1,705.1	1,736.7	1,580.6	1,822.0	1,896.5	1,349.6	1,237.5	1,161.5
Other Information								
Net (cash)/debt pre-IFRS 16	(379.7)	(458.2)	(588.0)	(181.9)	(7.8)	53.1	62.9	96.3
Acquisitions & investments	27.9	46.0	123.3	47.5	92.6	73.8	40.4	11.9
Purchase of fixed assets and investment in intangible assets	52.8	57.8	43.6	35.2	52.4	73.6	81.4	60.4
	80.7	103.8	166.9	82.7	145.0	147.4	121.8	72.3
Depreciation and intangible amortisation	126.0	114.6	115.1	121.4	114.8	49.0	43.5	38.1

Financial Highlights	2023	2022	2021	2020	2019	2018	2017	2016
Adjusted EPS*** (pence)	77.9	96.6	93.0	56.7	62.8	66.0	54.9	47.7
Dividend/share purchase per share (pence)	36.0	33.0	30.5	14.5	19.0	18.0	15.5	13.8
Cash flow per share (pence)	128.5	138.4	134.5	96.0	108.8	83.9	72.4	64.0
Net assets per share (pence)	805.5	781.4	717.8	613.7	573.0	545.3	495.0	449.5
Underlying EBITDA interest cover (times)	N/A	32.2	18.0	11.9	12.1	48.0	48.4	37.9
Dividend/share purchase cover	2.2	2.9	3.0	3.9	3.3	3.7	3.5	3.5
Net debt to shareholders' funds	3%	(1%)	(8%)	24%	39%	4%	5%	9%
ROCE	11.9%	17.2%	19.4%	10.4%	10.8%	15.0%	13.6%	12.5%

* The summary financial information is stated under IFRS. The financial years 2019-2023 are presented as the post-IFRS 16 reported balances.

** Excluding net debt/(cash).

*** Before amortisation of intangible assets arising on acquisitions, exceptional items and acquisition related items in 2021, 2022 and 2023. Before amortisation of intangible assets arising on acquisitions in 2020 and exceptional items. Before amortisation of intangible assets arising on acquisitions in 2019. Before amortisation of intangible assets arising on acquisitions and profit/(loss) on disposal of Group businesses in 2018. Before amortisation of intangible assets arising on acquisitions in 2017. Before exceptional items and amortisation of intangible assets arising on acquisitions in 2016. Before pension credit, asset impairment and amortisation of intangible assets arising on acquisitions in 2015 (restated).

2015 £'m	2014 £'m	2013 £'m	2012 £'m	2011 £'m	2010 £'m	2009 £'m	2008 £'m	2007 £'m	2006 £'m	2005 £'m	2004 £'m	2003 £'m
2,212.0	2,081.7	1,899.8	1,760.8	1,782.5	1,719.4	1,763.8	2,128.5	2,193.3	2,000.0	1,798.1	1,270.5	1,035.2
121.5	110.1	77.2	59.1	47.5	41.5	21.3	92.7	180.4	165.4	146.2	109.3	80.1
5.5%	5.3%	4.1%	3.4%	2.7%	2.4%	1.2%	4.4%	8.2%	8.3%	8.1%	8.6%	7.7%
–	–	2.8	(21.2)	(27.8)	(13.2)	(17.0)	(13.7)	–	–	–	–	–
(0.5)	–	–	–	–	–	–	–	–	–	–	–	–
6.7	–	–	–	–	–	–	–	5.0	25.9	6.6	5.1	2.4
(7.9)	(8.9)	(12.3)	(12.9)	(10.8)	(6.4)	7.8	(28.0)	(24.0)	(21.4)	(21.4)	(15.5)	(11.9)
120.3	101.2	67.7	25.0	8.9	21.9	12.1	51.0	161.4	169.9	131.4	98.9	70.6
(23.8)	(21.2)	(5.6)	6.6	(6.7)	33.0	(0.2)	(5.1)	(21.0)	(22.0)	(17.8)	(13.5)	(10.6)
96.5	80.0	62.1	31.6	2.2	54.9	11.9	45.9	140.4	147.9	113.6	85.4	60.0

2015 £'m	2014 £'m	2013 £'m	2012 £'m	2011 £'m	2010 £'m	2009 £'m	2008 £'m	2007 £'m	2006 £'m	2005 £'m	2004 £'m	2003 £'m
554.2	485.9	481.0	476.2	474.9	479.7	489.3	516.0	448.7	400.3	375.4	174.2	148.6
430.1	423.4	413.4	458.3	471.9	489.6	537.1	603.2	516.1	460.8	427.1	286.4	244.4
0.1	0.1	0.1	0.2	0.1	3.4	3.5	0.2	0.6	0.3	0.2	33.2	23.7
149.6	112.8	136.5	133.7	121.2	122.2	122.6	193.0	256.9	225.4	207.8	137.6	139.9
(31.3)	(40.6)	(23.0)	(85.9)	(58.4)	(22.8)	(56.4)	(69.9)	(35.7)	(35.8)	(52.4)	(35.8)	(19.9)
1,102.7	981.6	1,008.0	982.5	1,009.7	1,072.1	1,096.1	1,242.5	1,186.6	1,051.0	958.1	595.6	536.7
985.7	902.3	870.3	813.5	821.0	852.5	809.7	827.6	783.0	681.1	557.7	349.4	317.0
3.4	4.0	4.0	4.1	–	–	–	–	–	–	–	–	–
113.6	75.3	133.7	164.9	188.7	219.6	286.4	414.9	403.6	369.9	400.4	246.2	219.7
1,102.7	981.6	1,008.0	982.5	1,009.7	1,072.1	1,096.1	1,242.5	1,186.6	1,051.0	958.1	595.6	536.7
113.6	75.3	133.7	164.9	188.7	219.6	286.4	414.9	403.6	369.9	400.4	246.2	219.7
98.6	33.1	5.9	17.6	11.1	2.1	6.1	22.4	61.0	59.4	326.7	60.2	152.3
51.6	46.9	24.7	23.0	30.6	8.2	11.0	62.6	71.7	84.8	68.8	60.3	48.0
150.2	80.0	30.6	40.6	41.7	10.3	17.1	85.0	132.7	144.2	395.5	120.5	200.3
33.1	32.5	31.5	33.9	37.1	40.1	44.7	45.0	40.4	37.8	34.5	23.5	26.0

2015	2014	2013	2012‡	2011	2010	2009	2008	2007	2006	2005	2004	2003
41.2	34.4	22.3	15.1	13.4	15.9	4.8	25.6	57.7	53.2	46.4	38.1	31.2
12.5	10.8	8.5	7.0	6.5	6.0	4.5	11.9	15.1	12.8	10.8	8.8	7.3
54.9	48.4	39.5	29.9	24.9	44.8	26.6	39.6	74.1	68.4	60.4	49.1	40.6
419.0	387.9	374.4	350.6	354.1	368.5	351.0	359.5	341.2	284.7	234.9	163.7	149.1
27.3	19.4	11.0	8.6	6.4	10.0	5.6	4.5	8.2	10.2	9.4	9.9	9.1
3.3	3.2	2.6	2.2	2.1	2.6	1.1	2.1	3.8	4.2	4.3	4.3	4.3
12%	8%	15%	20%	23%	26%	35%	50%	52%	54%	72%	70%	69%
12.2%	11.1%	7.8%	6.1%	4.6%	3.8%	1.8%	7.6%	16.1%	16.5%	18.8%	19.3%	17.1%

Corporate Information

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Solicitors	Arthur Cox, Dublin & Belfast A&L Goodbody, Dublin Squire Patton Boggs, London Allen & Overy, Amsterdam
Bankers	Bank of Ireland HSBC Bank plc ABN AMRO Bank N.V. Barclays Bank plc
Stockbrokers	Goodbody, Dublin Numis Securities Limited (trading as Deutsche Numis), London
Auditors	PricewaterhouseCoopers
Company Registration Number	8149

Financial Calendar 2024

Final Results for 2023	7 March 2024
Annual General Meeting 2024	2 May 2024
Half-Year Results for 2024	29 August 2024

Final Dividend for 2023	
Record date	12 April 2024
Payment date	9 May 2024

Annual General Meeting 2024

The Annual General Meeting of the Company will be held at the Irish Management Institute (IMI), Sandyford Rd, Dublin, D16 X8C3, Ireland at 10.30am on Thursday 2 May 2024.

Glossary of Terms

AGM	Annual General Meeting
APM	Alternative Performance Measure
BAME	Black, Asian and Minority Ethnic
BES 6001	Framework Standard for Responsible Sourcing
BRR	Business Risk Register
bps	Basis Points
BU	Business Unit
CA14	Companies Act 2014
CBAM	Carbon Borders Adjustment Mechanism
CDP	Carbon Disclosure Project
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	Cash Generating Unit
CNG	Compressed Natural Gas
CO_2e	Carbon Dioxide Equivalent
CPC	Construction Products Certification
CPI	Consumer Price Index
CRR	Corporate Risk Register
CSR	Corporate Social Responsibility
CSRD	Corporate Sustainability Reporting Directive
DB Schemes	Defined Benefit Schemes
D&I	Diversity and Inclusion
EBITA	Profit before amortisation of intangible assets arising on acquisitions, acquisition related items, exceptional items, net finance expense and income tax expense
EBITDA	Earnings before exceptional items, acquisition related items, net finance expense, income tax expense, depreciation and intangible assets amortisation
EFRAG	European Financial Reporting Advisory Group
EGM	Extraordinary General Meeting
EMS	Environmental Management Services
EPD	Environmental Production Declaration
EPS	Earnings per Share
ERP	Enterprise Resource Planning
ESG	Environmental, Social, Governance
ESRS	European Sustainability Reporting Standards
FRS	Financial Reporting Standard

Glossary of Terms continued

FSC	Forest Stewardship Council
FVOCI	Fair Value through Other Comprehensive Income
FVPL	Fair Value through Profit or Loss
GAAP	Generally Accepted Accounting Principles
GDPR	EU General Data Protection Regulation
GFR	Goods For Resale
GHG	Greenhouse Gas
Grafton	Grafton Group plc
GRC	Group Risk Committee
HVO	Hydrogenated Vegetable Oil
IAS	International Accounting Standards
IAASA	Irish Auditing and Accounting Supervisory Authority
IBNR	Incurred But Not Reported
IEA	International Energy Agency
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IGBC	Irish Green Building Council
IOSH	Institution of Occupational Safety and Health
IPCC	International Panel on Climate Change
IR	Investor Relations
ISAs (Ireland)	International Standards on Auditing (Ireland)
KPI	Key Performance Indicators
LDI	Liability Driven Investment
LGBTQI+	Lesbian, Gay, Bisexual, Transgender, Queer or Questioning, Intersex and more
LSDM Limited	Leyland SDM Limited
LTIFR	Lost Time Injury Frequency Rate
LTIP	Long Term Incentive Plan
OCI	Other Comprehensive Income
PDMR	Persons Discharging Managerial Responsibilities
PEFC	Programme for the Endorsement of Forest Certification
PPE	Property, Plant & Equipment
QQI	Quality and Qualifications Ireland
RCP	Representative Concentration Pathway
Record Date	The date on which holders of Grafton Units must be on the Company's Register of Members at the close of business to be eligible to receive a dividend payment
RMI	Repair, Maintenance and Improvement

RNS	Regulatory News Services
ROCE	Return on Capital Employed
ROUA	Right Of Use Asset
RPI	Retail Price Index
SAYE	Save As You Earn
SBTi	Science Based Targets initiative
SDGs	Sustainable Development Goals
SHEQ	Safety, Health, Environment and Quality
SKU	Stock-Keeping Unit
Solar PV	Solar Photovoltaic
TCFD	Task Force on Climate-related Financial Disclosures
The Code	2018 UK Corporate Governance Code
The Company	Grafton Group plc
The Group	Grafton Group plc and its subsidiaries
TSR	Total Shareholder Return
Unit/Grafton Unit	A Grafton Unit, comprising one ordinary share of 5 cents each in Grafton Group plc
VIU	Value-In-Use
WEEE	Waste Electrical and Electronic Equipment

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