Grafton Group plc
Half Year Report
For the Six Months ended 30 June 2016

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£m [1]	H1 2016	H1 2015	Change
Revenue	**1,228**	1,084	+13%
Adjusted[2,3]			
Operating profit before property profit	**64.8**	55.1	+18%
Operating profit	**68.4**	61.2	+12%
Profit before tax	**65.0**	57.9	+12%
Earnings per share – basic	**22.3p**	20.2p	+10%
Statutory results			
Operating profit	**66.1**	61.2	+8%
Profit before tax	**62.8**	57.9	+8%
Earnings per share – basic	**21.5p**	20.2p	+6%
Dividend	**4.75p**	4.50p	+6%
Net debt	**95.7**	51.1	+£44.6m
Return on capital employed[3]	**12.1%**	12.2%	(10bps)

(1) As amounts are reflected in £'m some non-material rounding differences may arise
(2) The term "adjusted" means before intangible asset amortisation on acquisitions and restructuring costs
(3) Additional information in relation to these Alternative Performance Measures (APMs) is set out on pages 31 to 36

Highlights

- Revenue up 13% to £1.23 billion (12% in constant currency) – growth was broadly split between existing business and acquisitions
- Adjusted Group operating profit before property profit growth of 18% to £64.8m (2015: £55.1m) reflected strong contributions from Ireland, the recent acquisition of Isero in the Netherlands and Selco in the UK
- Adjusted Group operating margin before property profit increased by 20bps to 5.3%
- Ongoing investment in Selco store opening programme - 50% increase in store numbers expected in the three years to June 2017
- Robust cash generation from operations of £108.0 million (2015: £73.2 million)
- 6% increase in dividend in line with progressive dividend policy
- Investment of £40.1 million on acquisitions and capital expenditure in H1 to support future growth
- Challenging backdrop in UK merchanting market but organisational restructuring to provide sustainable benefits in 2017
- Net debt of £95.7m was £17.9m lower than at 31 December 2015 resulting in gearing of 9%

Gavin Slark, Chief Executive Officer commented:

"*Despite the more uncertain and competitive market conditions in the UK, Grafton continued to make good progress in its key markets enabling the Group to record revenue, profit and earnings per share growth as well as strong cash generation. Both Ireland and the Netherlands continue to show strong growth with ongoing development opportunities. Grafton will continue to invest in areas of its business which combine good long term growth prospects and the opportunity to improve the Group's operating margin and return on capital employed*."

Webcast Presentation of Results

A results presentation hosted by Gavin Slark and David Arnold to analysts and investors will take place today 31 August 2016 at 9.30 am (GMT) at the London Stock Exchange, 10 Paternoster Square, London EC4M 7LS. A live webcast will be available on www.graftonplc.com/webcast/ and we recommend you register in advance. A recording of this webcast will also be available to replay later in the day. The results presentation can be viewed/downloaded at http://www.graftonplc.com

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Cautionary Statement
Certain statements made in this announcement are forward-looking statements. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual events or results to differ materially from those expressed or implied by these forward looking statements. They appear in a number of places throughout this announcement and include statements regarding the intentions, beliefs or current expectations of Directors and senior management concerning, amongst other things, the results of operations, financial condition, liquidity, prospects, growth, strategies and the businesses operated by the Group. The Directors do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

Half Year Report
For the Six Months Ended 30 June 2016

Group Results

Grafton made further progress in the half year delivering a solid improvement in profit against a back-drop of mixed economic and market conditions. Growth in profitability was driven by exposure to the strengthening economies of Ireland and the Netherlands and development activity undertaken over the last two years.

In the UK, performance contrasted between the continuing growth in profitability of Selco and the more challenging markets faced by the traditional UK merchanting businesses. Progressively weaker trading conditions were encountered during the period at a time of increased uncertainty in the lead up to the UK's EU referendum.

The Group continued to invest in new Selco stores to support medium to long term growth and implemented a number of initiatives in the traditional merchanting business in the UK that have helped mitigate some of the competitive pressures in the market. In view of these tougher market conditions, which are expected to continue in the second half, some organisational restructuring was undertaken in the first half year (exceptional restructuring costs of £1.2m) with further measures planned in the second half. These measures will provide sustainable benefits in 2017 and result in an exceptional charge of circa £20.0 million for the year. These steps are expected to result in a relatively modest cash outflow in 2016 and will be cash positive following the associated reduction in working capital and disposal of properties.

In Ireland, the merchanting business benefitted from its leading market position and strong growth in the residential repair maintenance and improvement (RMI) market and the early stages of recovery in the new housing and commercial property markets.

The Netherlands merchanting business acquired in November 2015 performed strongly supported by the ongoing recovery in the economy and housing market.

In Belgium, the merchanting business continued to encounter weak markets.

The DIY Retailing business in Ireland performed well as a result of management actions combined with increased household spending in the sector.

The UK mortar business performed strongly despite an easing of house building activity.

The Group remains in a very strong financial position with significant cashflow from operations, low debt and a strong balance sheet with net worth (total equity) exceeding £1.0 billion for the first time. Net debt fell by £17.9 million to £95.7 million from £113.6 million at 31 December 2015.

Dividend

The interim dividend approved has been increased by 6 per cent to 4.75p from 4.50p. This increase is in line with the Board's progressive dividend policy which is based on increasing dividends as earnings grow.

Outlook

Grafton will continue to invest in areas of its business which provide good long term growth prospects

and the opportunity to improve the Group's operating margin and return on capital employed.
It is still too early to assess the likely impact on the UK economy of the vote to leave the European Union. Following weak trading in June, demand in the UK Merchanting business was relatively flat during July and August with markets remaining very price competitive. We are progressing a number of initiatives with a focus on cost control and the implementation of measures that will provide long term sustainable benefits and performance improvements.

In Ireland, the economy has continued to perform strongly and the outlook remains positive driven by job creation and increased disposable income. This should support increased spending in the housing RMI and DIY markets. The gradual recovery underway in the house building and commercial construction markets should continue and support revenue growth in the Irish merchanting business. Belgium continues to be a challenging environment whilst trading conditions in the Netherlands merchanting market are expected to be positive in line with recent trends as the recovery in the economy and housing market is sustained.

Average daily like-for-like revenue growth in the seasonally quieter period from 1 July to 21 August 2016 was 1.8 per cent for the Group. The UK merchanting business reported marginally positive growth in average daily like-for-like revenue while growth of 11.2 per cent in the Irish merchanting business was in line with the first half. Revenue growth of 3.6 per cent in the Retailing business in Ireland was in line with expectations and the rate of growth in average daily like-for-like revenue in the Manufacturing business recovered to 9.1 per cent.

Operating Review

Merchanting Segment **(92% of Group Revenue)**

	H1 2016 £'m	H1 2015 £'m	% change
Revenue	**1,124.9**	993.2	+13.3%
Adjusted[1] operating profit before property profit[2]	**62.2**	55.2	+12.7%
Adjusted[1] operating profit margin before property profit[2]	**5.53%**	5.56%	(3bps)

UK Merchanting

	H1 2016 £'m	H1 2015 £'m	% change
Revenue	**884.0**	816.7	+8.2%
Adjusted[3] operating profit before property profit	**46.9**	47.4	(0.9%)
Adjusted[3] operating profit margin before property profit	**5.31%**	5.80%	(49bps)

Growth of 3.3 per cent in average daily like-for-like revenue was driven by increased activity in the residential RMI and new build markets. Price deflation was estimated at 1.3 per cent and like-for-like merchanting volumes increased by circa 4.6 per cent. New branches, implants, acquisitions and branch consolidations contributed revenue growth of 4.9 per cent.

[1] Before intangible asset amortisation on acquisitions of £1.1m (2015: £Nil) and restructuring costs of £1.2m (2015: £Nil).
[2] Additional information in relation to these Alternative Performance Measures (APM's) is set out on pages 31 to 36.
[3] Before intangible asset amortisation on acquisitions of £0.4m (2015: £Nil) and restructuring costs of £1.2m (2015: £Nil).

Positive initiatives across a number of areas mitigated the effects of competitive pricing pressure in the traditional merchanting business and reduced the overall gross margin decline to 20 basis points.

Selco Builders Warehouse achieved strong market share gains from developing its branch network organically combined with a rate of growth in like-for-like revenue in the established branches that was well ahead of the market. Selco is now firmly positioned as the UK's fourth largest builders merchanting brand after Buildbase. It's unique, trade only product and service model is primarily focused on customers engaged in small residential RMI projects.

Good progress was achieved in the London area branches which contributed three quarters of revenue. Demand was also strong in the larger conurbations of Birmingham and Manchester where the business also has well-established market positions.

Selco's profit performance was very strong and ahead of the prior year. Investment was made to support a step-up in the opening of new branches to leverage the success of the model, the roll-out of small plant hire in all branches and investment in a 'Click and Collect' service that enables customers who order on-line to collect products purchased from any branch within one trading hour.

The five branches opened last year performed ahead of plan and the business continued to build on its development strategy with the opening of branches in Watford and Chessington in the first half. New branches will open in Wolverhampton and Portsmouth in September. We anticipate opening at least six branches in total in 2016 and five in the first half of 2017. By the end of June 2017, the development programme will have seen a fifty per cent increase in the number of branches in three years.

Buildbase like-for-like revenue growth was modest in the half year as solid gains in the first quarter were partially offset by a weaker second quarter. The construction market became progressively more competitive towards the end of the half year. Downward pressure on prices was partially offset by trading initiatives and procurement gains resulting in an overall small decline in the gross margin. Investment to support an upgrade of the businesses ERP system and hardware together and an element of wage inflation increased operating costs in the like-for-like business. Rollout of the new ERP system will commence during 2017 and is expected to provide a significant opportunity to improve business processes and management information.

The smaller merchanting acquisitions made during 2015 and earlier this year made good profit contributions in line with pre-acquisition expectations. The Hirebase and Electricbase implant initiatives delivered good revenue gains across the branch network and improved profitability. Buildbase operating profit was in line with the prior year with a lower organic result offset by contributions from its growth initiatives.

Buildbase Civils encountered continuing competitive market conditions. Gross margin pricing pressure together with weaker volumes led to a material reduction in operating profit on the prior year. Actions have been taken to reduce the cost base including merging the management team into the Buildbase infrastructure and transferring two Civils branches to established Buildbase branch properties.

Plumbase revenue was flat as like-for-like growth was offset by branch closures and the consolidation of branches into properties shared with other UK merchanting brands. The domestic heating market was very competitive due to relatively low volume growth and the addition of new capacity in established and new trade formats. A small decline in the gross margin was due to the mix effect of a higher proportion of revenue from the contract installer market. There was a strong focus on pricing discipline in a competitive market and on controlling variable costs in response to demanding market conditions. There was an overall decline in performance in the half year.

The Group's UK bathroom distribution business increased operating profit on the prior year.

Plumbworld, the on-line bathroom retailing business, delivered strong growth in revenue which combined with tight control of costs resulted in a significant improvement in performance.

T.G. Lynes, a distributor of pipeline and mechanical engineering products acquired in March 2015, performed strongly providing a high quality platform for developing a strong position in the mechanical services market in London and the South East in conjunction with the Plumbase Industrial branches in the region.

Macnaughton Blair, the market leading merchanting business in Northern Ireland, reported unchanged operating profit. A major refurbishment of the businesses' flagship branch in Belfast completed in July better positions the business to service its residential and commercial customer base in the City. Modest growth in the Northern Ireland economy was supported by an improvement in the labour market and a pick-up in earnings. Activity levels were relatively subdued in the residential new build and RMI markets.

Irish Merchanting

	H1 2016 £'m	H1 2015 £'m	% change	Constant currency
Revenue	**158.3**	132.1	+19.8%	+12.6%
Operating profit	**10.7**	7.5	+43.5%	+35.1%
Operating profit margin	**6.77%**	5.66%	+111bps	

Revenue was up by 12.6 per cent in constant currency. Operating profit increased by 35.1 per cent to €13.8 million (2015: €10.2 million) in constant currency.

Strong market leadership from the highly experienced management team leveraged the Group's strengths to outperform the recovering market in Ireland. Trading from a national network of branches, the business used the breadth of its product range and customer service proposition to consolidate its market leadership position and grew average daily like-for-like revenue by 11.7 per cent.

The Chadwicks and Heiton Buckley brands emerged from the downturn with significant spare capacity in the branch network which has been used to support strong organic revenue growth in recent years. Strong leverage from higher revenue has delivered good growth in operating profit and this trend continued through the half year. There was a small product mix related decline in the gross margin due to increased revenue from the energy sector.

The merchanting business in Ireland experienced a strong improvement in market conditions due to a significant increase in investment in the construction sector. Growth was primarily concentrated on the residential RMI market. The ongoing recovery in the economy also stimulated demand in other segments of the market. Transactions in the secondary housing market were subdued at 2.1 per cent of the housing stock. The rate of increase in house prices moderated in a tight market which saw the stock of houses for sale decline.

The recovery in house building increased from a very low base. There was a considerable shortfall in housing supply with output running at close to half the level of potential demand. Housebuilding activity was concentrated on small scheme developments in the Greater Dublin Area and on the construction of single dwellings in provincial locations.

The recovery in the broader economy has driven demand for commercial and industrial properties leading to an increase in the number of new-build and refurbishment projects underway and planned. Activity in the merchanting market was also supported by public sector capital investment in the roads network, water services, transport and telecommunications.

The six store In-House kitchens business increased operating profit due to favourable market conditions and cost reduction measures implemented in the prior year. In view of the increasingly trade nature of the customer base and change in reporting lines, the In-House kitchens business was transferred from the retailing to Irish merchanting with effect from 1 January 2016. The 2015 comparatives, where applicable, have been updated to reflect this transfer.

Netherlands merchanting reported revenue of £41.5 million and operating profit before amortisation of £4.7 million, an operating margin of 11.3 per cent. Local currency revenue was €53.3 million and operating profit before amortisation was €6.0 million. Amortisation of intangibles amounted to €0.8m.

The **Isero** business, which was acquired in November 2015, is a leading specialist distributer of tools and fixings trading from 39 branches under the Gerritse, Breur Ceintuurbaan and Van der Winkel brands. The timing of the acquisition at an early stage in the recovery was positive as the Dutch economy and housing market continued to perform strongly.

Isero operates in an unconsolidated segment of the Netherlands merchanting market where there are opportunities to strengthen the branch footprint through organic development and acquisitions and to increase exposure to the growing RMI market. The first greenfield branch opening under Grafton ownership was recently completed in North Amsterdam and the business is well positioned to take advantage of other growth opportunities. The Group is very pleased with the progress of Isero and with the commitment of its management team to the future growth and development of the business.

Increased consumer spending in the Netherlands was driven by positive sentiment among households, increased private sector employment, higher real disposable incomes and rising house prices. The recovery in the housing market accelerated this year in response to pent-up demand and a sustained decline in mortgage interest rates which has improved affordability. The pace of growth in housing transactions at 25 per cent was much stronger than market expectations and there was also a sharp increase in housebuilding following a long period of under supply.

Belgium Merchanting

	H1 2016 £'m	H1 2015 £'m	% change	Constant currency
Revenue	**41.2**	44.4	(7.4%)	(13.3%)
Operating profit	**(0.1)**	0.4	(132.9%)	(131.8%)
Operating profit margin	**(0.29%)**	0.82%	(111bps)	

Revenue declined by 13.3 per cent in constant currency. Average daily like-for-like revenue fell 7.4 per cent and disposal of the non-core readymix operation in June 2015 also contributed to the decline in revenue.

Trading in the merchanting market was adversely affected by weakness in the Belgium economy which slowed in the first quarter due to a decline in consumer confidence and spending and the terrorist attacks in Brussels in March. Overall revenue and profitability was maintained in line with the prior year in branches focused on supplying residential RMI and small scale construction projects. The larger branches in Brussels and Flanders experienced difficult market conditions due to a sharp decline in residential, commercial and civils projects. Cost reduction initiatives are being implemented to reduce the cost base of the business in response to the change in market conditions.

Retailing Segment (6% of Group Revenue)

	H1 2016 £'m	H1 2015 £'m	% change	Constant currency
Revenue	**73.1**	64.2	+13.8%	+6.4%
Operating profit	**3.1**	0.6	+404.9%	+288.2%
Operating profit margin	**4.22%**	0.95%	+327bps	

Retailing revenue increased by 6.4 per cent in constant currency to €93.7 million (2015: €88.0 million). Woodie's average daily like-for-like revenue increased by 6.4 per cent. Constant currency operating profit increased to €3.9 million (2015: €1.0 million).
The Woodie's management team have significantly re-focused the business over the last three years to a more customer centred, service driven proposition. There was an encouraging level of revenue growth in the four stores which were refurbished last year and a further three stores in Dublin were refurbished during the half year. The refurbishment programme, which will be extended to a further five stores in the second half, is designed to improve the medium term performance of the business and maintain Woodie's strong market leadership position in the Irish DIY market.

Consolidation of the supplier network generated economies in procurement and increased the gross margin. The appointment of a new logistics partner led to an improvement in supply chain management and product availability. The strong operating profit progress was due to high operating leverage on increased revenue, an increase in the gross margin and tight control of a relatively fixed cost base.

The recovery in retail sales that extended into the DIY sector in the second half of 2015 continued in the half year. The improvement in market conditions was driven by a strongly performing Irish economy with a range of indicators pointing to good growth in domestic demand. An improvement in the labour market, moderate growth in incomes and consumer confidence at relatively high levels were key factors behind the growth in the market.

Manufacturing Segment (2% of Group Revenue)

	H1 2016 £'m	H1 2015 £'m	% change	Constant currency
Revenue (excluding inter-segment revenue)	**30.4**	26.3	+15.3%	+14.9%
Operating profit	**5.7**	4.5	+28.7%	+28.4%
Operating profit margin	**18.85%**	16.89%	+196bps	

CPI EuroMix, the market leader in the supply of dry mortar in Great Britain, increased revenue by 14.2 per cent to £28.4 million (2015: £24.8 million). Average daily like-for-like revenue from the nine established mortar plants was ahead by 0.6 per cent in the half year. Strong growth in the first quarter revenue was driven by robust underlying demand for new homes supported by the availability of mortgages at low interest rates and the Help to Buy equity loan scheme. This growth was partially offset by weaker volumes in the second quarter as the rate of house building activity moderated.

Good growth in volumes and strong management action on pricing and operational efficiencies, including improved fleet utilisation contributed to a significant improvement in operating profit and positively impacted the operating margin. In July 2015, the Group acquired Carlton, a packaged mortar products business, to increase CPI's capabilities in this segment of the market and is very pleased with its performance to date.

MFP, a manufacturer of PVC drainage and roofline products based in Dublin, performed strongly assisted by increased activity in the residential RMI and new build markets and new contracts in the wind farm sector with like-for-like revenue growth of 25.0 per cent in the half year.

Financial Review

Property

The asset backing of freehold property is a key balance sheet strength. While the majority of the portfolio is used for trading purposes, the Group has historically earned profits and realised cash flow from the disposal of surplus property. This trend continued in the half year when a profit of £3.5 million (2015: £6.1 million) was realised from the disposal of a number of UK properties for £5.4 million.

The value of properties held for resale and actively marketed and properties held with a view to enhancing their development potential was £29.0 million.

Pensions

Defined contribution style funding arrangements apply to over 90 per cent of the Group's employees. Defined benefit pensions schemes have 700 current employees and 1,800 deferred members and pensioners.

The IAS 19 pre-tax deficit on the defined benefit pension schemes increased by £29.6 million to £46.2 million (31 December 2015: £16.6 million). The increase in the deficit related to changes in financial assumptions that included an increase in the present value of scheme liabilities by £32.2 million due to the rates used to discount liabilities declining in line with movements in corporate bond yields. UK scheme liabilities were discounted at 3.2 per cent, a decline of 75 basis points and Irish scheme liabilities were discounted at 1.5 per cent, a decline of 85 basis points. There was a gain of £5.3 million from lower inflation and salary growth assumptions.

Experience losses of £3.0 million were mainly due to members leaving service. Asset gains were £1.6 million and there was a reduction in the deficit by £1.3 million due to contributions paid exceeding the pension expense in the period.

Net Finance Income and Expense

The net finance charge for the year was £3.3 million (2015: £3.3 million). Net bank and loan rate interest declined to £2.4 million from £2.9 million due to the refinancing of bank debt completed in March 2016, lower average net debt for the year and a decline in money market interest rates. The net finance cost of defined benefit pension scheme obligations fell to £0.2 million from £0.4 million. There was a net foreign exchange charge of £0.5 million included in the net finance expense charge for the period which compares to a gain of £0.2 million in the prior year.

Taxation

The tax charge for the year of £12.2 million is equivalent to an effective rate of 19.4 per cent. This was lower than the underlying rate of 20 per cent due to the use of a previously unrecognised deferred tax asset to offset the majority of taxable profit arising on the disposal of properties in the UK. The underlying effective rate of 20 per cent forecast for 2016 reflects the blended rate of corporation tax on profits in the UK, Ireland and the Netherlands, the disallowance of a tax deduction for certain overheads including depreciation on property charged in arriving at profit before tax. There was a reduction in the UK rate of corporation tax to 20 per cent with effect from 1 April 2015 and a further reduction in this rate takes effect in two stages to 19 per cent from 1 April 2017 and 17 per cent from 1 April 2020.

Capital Expenditure and Intangible Assets

Capital and development expenditure on property plant and equipment amounted to £22.4 million (2015: £15.7 million). The focus of development expenditure in the amount of £12.1 million (2015: £10.8 million) was on organic growth opportunities, principally on four new Selco stores and major branch development projects. Asset replacement expenditure of £10.3 million (2015: £4.9 million) included the purchase of motor vehicles, routine branch refurbishment and replacement of plant and equipment hired to customers.

An investment of £5.8 million (2015: £3.5m) was made in intangible assets related to updating IT systems and infrastructure to support a number of UK businesses, principally Buildbase.

Net Debt

Net debt at 30 June 2016 was £95.7 million, a decline of £17.9 million from £113.6 million at 31 December 2015. The Group's debt is principally denominated in euros to provide a hedge against euro denominated assets. Sterling exchange rate weakness increased euro denominated net debt by £28.7 million on translation into sterling at the end of the period. The gearing ratio declined to 9 per cent (31 December 2015: 12 per cent). EBITDA[5] interest cover[4] was 35.4 times (31 December 2015: 27.3 times) and net debt was 0.56 times[5] EBITDA (31 December 2015: 0.70 times).

Financing

The level of undrawn facilities at 30 June 2016 was £208.0 million (31 December 2015: £115.7 million) which together with the Group's surplus cash balances and deposits (£206.8 million at 30 June 2016) and strong cash flow from operations provide appropriate funding headroom and financing flexibility. In March 2016 the Group completed an amendment and extension of its loan facilities to improve terms and refresh the maturity date. Bilateral loan facilities for £434 million were extended to March 2021 with five existing relationship banks and two one-year extension options were also agreed. These arrangements were timed to take advantage of more favourable market conditions for pricing on drawn and undrawn facilities. The Group also entered into a revolving loan facility for £58 million on similar terms with a new relationship bank. These arrangements provide certainty of finance over a longer period on more competitive terms.

Shareholders' Equity

Shareholders' equity increased by £26.4 million to £1.01 billion at 30 June 2016 (31 December 2015: £985.7 million). Profit after tax increased equity by £50.6 million and dividend payments reduced equity by £18.8 million. The increase in the defined benefit pension scheme deficit reduced shareholders equity by £24.3 million. There was a currency gain of £16.2 million on conversion of euro denominated assets, net of related euro debt, into sterling at the Euro/Sterling exchange rate of Stg82.65p (31 December 2015: Stg73.40p).

Return on Capital Employed and Asset Turn

Return on Capital Employed (ROCE) declined by 10 basis points to 12.1% (2015: 12.2%) and capital

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[4] Additional information in relation to these Alternative Performance Measures (APM's) is set out on pages 31 to 36.

turn[5] declined to 2.1 times (2015: 2.2 times). The Group is committed to achieving increased returns for shareholders based on a combination of an improvement in operating performance and the more efficient deployment of capital to generate higher returns.

Principal Risks and Uncertainties

The primary risks and uncertainties affecting the Group over the remainder of the year are set out on pages 56 to 58 of the 2015 Annual Report.

Since publication of the 2015 Annual Report, the UK vote to leave the European Union has created significant uncertainty about the near term outlook and prospects for the UK economy. As noted in the outlook above, it is still too early to assess the likely impact on the UK economy of the vote to leave the European Union or the extent to which any possible fall in investment and a potentially softer housing market could impact employment and household spending.

It could take up to two years and possibly longer until the UK leaves the EU. The uncertainty during this period could negatively impact the UK economy, reduce demand in the Group's markets and adversely affect the financial performance of the Group. The Board and management will continue to consider the impact on the Group's businesses, monitor developments on an ongoing basis and take appropriate action to help mitigate the consequences of any decline in demand in its markets.

[5] Additional information in relation to these Alternative Performance Measures (APM's) is set out on pages 31 to 36.

Grafton Group plc

Group Condensed Income Statement
For the six months ended 30 June 2016

Continuing activities	**Notes**	**2016 (Unaudited) £'000**	2015 (Unaudited) £'000
Revenue	2	**1,228,356**	1,083,705
Operating costs		**(1,164,585)**	(1,028,630)
Property profits	3	**3,537**	6,090
Operating profit before exceptional items		**67,308**	61,165
Exceptional items	3	**(1,200)**	-
Operating profit		**66,108**	61,165
Finance expense	4	**(4,200)**	(3,941)
Finance income	4	**854**	672
Profit before tax		**62,762**	57,896
Income tax expense	17	**(12,204)**	(10,884)
Profit after tax for the financial period		**50,558**	47,012
Profit attributable to:			
Owners of the Parent		**50,656**	46,937
Non-controlling interests	8	**(98)**	75
Profit after tax for the financial period		**50,558**	47,012
Earnings per ordinary share - basic	5	**21.5p**	20.2p
Earnings per ordinary share - diluted	5	**21.4p**	20.0p

Grafton Group plc

Group Condensed Statement of Comprehensive Income

For the six months ended 30 June 2016

	Notes	**Six months to 30 June 2016 (Unaudited) £'000**	Six months to 30 June 2015 (Unaudited) £'000
Profit after tax for the financial period		**50,558**	47,012
Other comprehensive income			
Items that may be reclassified subsequently to the income statement			
Currency translation effects			
- on foreign currency net investments		**15,486**	(10,013)
- on foreign currency borrowings designated as net investment hedges		**760**	(1,103)
Fair value movement on cash flow hedges:			
- Effective portion of changes in fair value of cash flow hedges		**(612)**	60
- Net change in fair value of cash flow hedges transferred from equity		**102**	21
Deferred tax on cash flow hedges		**70**	(11)
		15,806	(11,046)
Items that will not be reclassified to the income statement			
Actuarial (loss)/gain on Group defined benefit pension schemes	**13**	**(28,367)**	12,560
Deferred tax on Group defined benefit pension schemes	**13**	**4,115**	(1,936)
		(24,252)	10,624
Total other comprehensive income		**(8,446)**	(422)
Total comprehensive income for the financial period		**42,112**	46,590
Total comprehensive income attributable to:			
Owners of the Parent		**42,210**	46,515
Non-controlling interests	**8**	**(98)**	75
Total comprehensive income for the financial period		**42,112**	46,590

Grafton Group plc

Group Condensed Balance Sheet as at 30 June 2016

	Notes	30 June 2016 (Unaudited) £'000	30 June 2015 (Unaudited) £'000	31 Dec 2015 (Audited) £'000
ASSETS				
Non-current assets				
Goodwill	**15**	**557,645**	474,231	521,521
Intangible assets	**16**	**41,260**	9,103	32,640
Property, plant and equipment	**9**	**453,986**	415,550	430,116
Investment properties	**9**	**19,388**	19,120	17,797
Deferred tax assets	**17**	**21,434**	18,807	17,905
Retirement benefit assets	**13**	**497**	671	744
Derivative financial instruments	**11**	**-**	37	-
Other financial assets		**124**	122	122
Total non-current assets		**1,094,334**	937,641	1,020,845
Current assets				
Properties held for sale	**9**	**9,648**	9,041	10,805
Inventories	**10**	**294,941**	275,201	276,229
Trade and other receivables	**10**	**422,141**	366,802	355,752
Cash and cash equivalents	**11**	**206,807**	190,043	211,565
Total current assets		**933,537**	841,087	854,351
Total assets		**2,027,871**	1,778,728	1,875,196
EQUITY				
Equity share capital		**8,447**	8,348	8,405
Share premium account		**210,239**	206,641	209,810
Capital redemption reserve		**621**	621	621
Revaluation reserve		**13,594**	13,747	13,674
Shares to be issued reserve		**8,250**	7,661	9,168
Cash flow hedge reserve		**(794)**	34	(354)
Foreign currency translation reserve		**68,010**	46,889	51,764
Retained earnings		**707,596**	654,721	696,479
Treasury shares held		**(3,897)**	(3,897)	(3,897)
Equity attributable to owners of the Parent		**1,012,066**	934,765	985,670
Non-controlling interests	**8**	**3,252**	4,102	3,350
Total equity		**1,015,318**	938,867	989,020
LIABILITIES				
Non-current liabilities				
Interest-bearing loans and borrowings	**11**	**300,481**	239,664	323,393
Provisions		**18,467**	18,739	17,875
Retirement benefit obligations	**13**	**46,678**	19,423	17,367
Derivative financial instruments	**11**	**962**	-	404
Deferred tax liabilities	**17**	**36,284**	29,222	32,670
Total non-current liabilities		**402,872**	307,048	391,709
Current liabilities				
Interest-bearing loans and borrowings	**11**	**1,029**	1,478	1,326
Trade and other payables	**10**	**575,152**	507,047	465,914
Current income tax liabilities	**17**	**25,280**	18,427	19,640
Provisions		**8,220**	5,861	7,587
Total current liabilities		**609,681**	532,813	494,467
Total liabilities		**1,012,553**	839,861	886,176
Total equity and liabilities		**2,027,871**	1,778,728	1,875,196

Grafton Group plc

Group Condensed Cash Flow Statement

For the six months ended 30 June 2016

	Notes	Six Months to 30 June 2016 (Unaudited) £'000	Six Months to 30 June 2015 (Unaudited) £'000
Profit before taxation		**62,762**	57,896
Finance income		**(854)**	(672)
Finance expense		**4,200**	3,941
Operating profit		**66,108**	61,165
Depreciation	9	**16,928**	15,928
Amortisation of intangible assets	16	**1,470**	160
Share-based payments charge		**2,540**	2,196
Movement in provisions		**(1,363)**	(831)
Profit on sale of property, plant and equipment		**(52)**	(399)
Profit on sale of properties held for sale		**(3,537)**	(6,090)
Profit on sale of group businesses		**-**	(404)
Contributions to pension schemes in excess of IAS 19 charge	13	**(1,330)**	(736)
Decrease in working capital	10	**27,247**	2,219
Cash generated from operations		**108,011**	73,208
Interest paid		**(4,088)**	(2,854)
Income taxes paid		**(5,621)**	(7,963)
Cash flows from operating activities		**98,302**	62,391
Investing activities			
Inflows			
Proceeds from sale of property, plant and equipment	9	**969**	1,950
Proceeds from sale of properties held for sale	9	**5,370**	332
Proceeds from sale of group businesses (net)		**-**	2,280
Interest received		**854**	493
		7,193	5,055
Outflows			
Acquisition of subsidiary undertakings and businesses (net of cash)	14	**(11,859)**	(23,706)
Investment in intangible asset – computer software	16	**(5,832)**	(3,506)
Purchase of property, plant and equipment	9	**(22,360)**	(15,716)
		(40,051)	(42,928)
Cash flows from investing activities		**(32,858)**	(37,873)
Financing activities			
Inflows			
Proceeds from the issue of share capital		**471**	83
Proceeds from borrowings		**63,818**	17,846
		64,289	17,929
Outflows			
Repayment of borrowings		**(120,316)**	(3,430)
Dividends paid	6	**(18,825)**	(16,282)
Movement on finance lease liabilities		**(196)**	(489)
Redemption of loan notes payable net of derivatives		**-**	(11,649)
		(139,337)	(31,850)
Cash flows from financing activities		**(75,048)**	(13,921)
Net (decrease)/ increase in cash and cash equivalents		**(9,604)**	10,597
Cash and cash equivalents at 1 January		**211,565**	182,360
Effect of exchange rate fluctuations on cash held		**4,846**	(2,914)
Cash and cash equivalents at the end of the period		**206,807**	190,043
Cash and cash equivalents are broken down as follows:			
Cash at bank and short-term deposits		**206,807**	190,043

Grafton Group plc

Group Condensed Statement of Changes in Equity

	Equity share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Shares to be issued reserve £'000	Cash Flow hedge reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Treasury shares £'000	Total £'000	Non-Controlling Interests £'000	Total equity £'000
Six months to 30 June 2016 (Unaudited)												
At 1 January 2016	**8,405**	**209,810**	**621**	**13,674**	**9,168**	**(354)**	**51,764**	**696,479**	**(3,897)**	**985,670**	**3,350**	**989,020**
Profit after tax for the financial period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**50,656**	**-**	**50,656**	**(98)**	**50,558**
Total other comprehensive income												
Remeasurement (loss) on pensions (net of tax)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(24,252)**	**-**	**(24,252)**	**-**	**(24,252)**
Movement in cash flow hedge reserve (net of tax)	**-**	**-**	**-**	**-**	**-**	**(440)**	**-**	**-**	**-**	**(440)**	**-**	**(440)**
Currency translation effect on foreign currency net investments	**-**	**-**	**-**	**-**	**-**	**-**	**15,486**	**-**	**-**	**15,486**	**-**	**15,486**
Currency translation effect on foreign currency borrowings designated as net investment hedges	**-**	**-**	**-**	**-**	**-**	**-**	**760**	**-**	**-**	**760**	**-**	**760**
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**	**(440)**	**16,246**	**(24,252)**	**-**	**(8,446)**	**-**	**(8,446)**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(440)**	**16,246**	**26,404**	**-**	**42,210**	**(98)**	**42,112**
Transactions with owners of the Company recognised directly in equity												
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(18,825)**	**-**	**(18,825)**	**-**	**(18,825)**
Issue of Grafton Units (net of issue expenses)	**42**	**429**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**471**	**-**	**471**
Share based payments charge	**-**	**-**	**-**	**-**	**2,540**	**-**	**-**	**-**	**-**	**2,540**	**-**	**2,540**
Transfer from shares to be issued reserve	**-**	**-**	**-**	**-**	**(3,458)**	**-**	**-**	**3,458**	**-**	**-**	**-**	**-**
Transfer from revaluation reserve	**-**	**-**	**-**	**(80)**	**-**	**-**	**-**	**80**	**-**	**-**	**-**	**-**
	42	**429**	**-**	**(80)**	**(918)**	**-**	**-**	**(15,287)**	**-**	**(15,814)**	**-**	**(15,814)**
At 30 June 2016	**8,447**	**210,239**	**621**	**13,594**	**8,250**	**(794)**	**68,010**	**707,596**	**(3,897)**	**1,012,066**	**3,252**	**1,015,318**
Six months to 30 June 2015 (Unaudited)												
At 1 January 2015	8,309	206,597	621	13,822	7,834	(36)	58,005	610,998	(3,897)	902,253	4,027	906,280
Profit after tax for the financial period	-	-	-	-	-	-	-	46,937	-	46,937	75	47,012
Total other comprehensive income												
Remeasurement gain on pensions (net of tax)	-	-	-	-	-	-	-	10,624	-	10,624	-	10,624
Movement in cash flow hedge reserve (net of tax)	-	-	-	-	-	70	-	-	-	70	-	70
Currency translation effect on foreign currency net investments	-	-	-	-	-	-	(10,013)	-	-	(10,013)	-	(10,013)
Currency translation effect on foreign currency borrowings designated as net investment hedges	-	-	-	-	-	-	(1,103)	-	-	(1,103)	-	(1,103)
Total other comprehensive income	-	-	-	-	-	70	(11,116)	10,624	-	(422)	-	(422)
Total comprehensive income	-	-	-	-	-	70	(11,116)	57,561	-	46,515	75	46,590
Transactions with owners of the Company recognised directly in equity												
Dividends paid	-	-	-	-	-	-	-	(16,282)	-	(16,282)	-	(16,282)
Issue of Grafton Units (net of issue expenses)	39	44	-	-	-	-	-	-	-	83	-	83
Share based payments charge	-	-	-	-	2,196	-	-	-	-	2,196	-	2,196
Transfer from shares to be issued reserve	-	-	-	-	(2,369)	-	-	2,369	-	-	-	-
Transfer from revaluation reserve	-	-	-	(75)	-	-	-	75	-	-	-	-
	39	44	-	(75)	(173)	-	-	(13,838)	-	(14,003)	-	(14,003)
At 30 June 2015	8,348	206,641	621	13,747	7,661	34	46,889	654,721	(3,897)	934,765	4,102	938,867

Grafton Group plc

Group Condensed Statement of Changes in Equity (Continued)

	Equity Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Shares to be issued reserve £'000	Cash Flow hedge reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Treasury shares £'000	Total £'000	Non-Controlling Interests £'000	Total equity £'000
Year to 31 December 2015 (Audited)												
At 1 January 2015	8,309	206,597	621	13,822	7,834	(36)	58,005	610,998	(3,897)	902,253	4,027	906,280
Profit after tax for the financial year	-	-	-	-	-	-	-	97,179	-	97,179	(677)	96,502
Total other comprehensive income												
Remeasurement gain on pensions (net of tax)	-	-	-	-	-	-	-	11,150	-	11,150	-	11,150
Movement in cash flow hedge reserve (net of tax)	-	-	-	-	-	(318)	-	-	-	(318)	-	(318)
Currency translation effect on foreign currency net investments	-	-	-	-	-	-	(5,362)	-	-	(5,362)	-	(5,362)
Currency translation effect on foreign currency borrowings designated as net investment hedges	-	-	-	-	-	-	(879)	-	-	(879)	-	(879)
Total other comprehensive income	-	-	-	-	-	(318)	(6,241)	11,150	-	4,591	-	4,591
Total comprehensive income	-	-	-	-	-	(318)	(6,241)	108,329	-	101,770	(677)	101,093
Transactions with owners of the Company recognised directly in equity												
Dividends paid	-	-	-	-	-	-	-	(26,797)	-	(26,797)	-	(26,797)
Issue of Grafton Units (net of issue expenses)	96	3,213	-	-	-	-	-	-	-	3,309	-	3,309
Share based payments charge	-	-	-	-	4,461	-	-	-	-	4,461	-	4,461
Deferred tax on share based payments	-	-	-	-	674	-	-	-	-	674		674
Transfer from shares to be issued reserve	-	-	-	-	(3,801)	-	-	3,801	-	-	-	-
Transfer from revaluation reserve	-	-	-	(148)	-	-	-	148	-	-	-	-
	96	3,213	-	(148)	1,334	-	-	(22,848)	-	(18,353)	-	(18,353)
At 31 December 2015	8,405	209,810	621	13,674	9,168	(354)	51,764	696,479	(3,897)	985,670	3,350	989,020

Grafton Group plc
Notes to Condensed Consolidated Half Year Financial Statements for the six months ended 30 June 2016

1. General Information

The condensed consolidated half year financial statements for the six months ended 30 June 2016 are unaudited but have been reviewed by the auditor whose report is set out on pages 38 and 39.

The financial information presented in this report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union. These condensed consolidated half year financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements in respect of the year ended 31 December 2015 that are available on the Company's website www.graftonplc.com.

The condensed consolidated half year financial statements presented do not constitute full statutory accounts. The financial information included in this report in relation to the year ended 31 December 2015 does not comprise statutory annual financial statements within the meaning of section 295 of the Companies Act 2014. Those 2015 annual financial statements have been filed with the Registrar of Companies and the audit report thereon was unqualified and did not contain any matters to which attention was drawn by way of emphasis.

Basis of Preparation, Accounting Policies, Estimates

(a) Basis of Preparation and Accounting Policies

The condensed consolidated half year financial statements have been prepared in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, the related Transparency Rules of the Central Bank of Ireland and with IAS 34 Interim Financial Reporting as adopted by the European Union. They do not include all the information and disclosures necessary for a complete set of IFRS compliant financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes to the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2015.

The accounting policies applied by the Group in the condensed consolidated half year financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2015.

Having made 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. Having reassessed the principal risks, the directors considered it appropriate to adopt the going concern basis of accounting in preparing its condensed interim financial statements.

The euro sterling exchange rates for the six months ended 30 June 2016 and 2015 and for the year ended 31 December 2015 are set out below:

	30 June 2016	30 June 2015	31 December 2015
€/£ exchange rate – average rates	0.7788	0.7323	0.7259
€/£ exchange rate – closing rates	0.8265	0.7114	0.7340

The financial statements are reported in GBP (Sterling) which is the functional currency of the majority of the Group's business.

Basis of Preparation, Accounting Policies and Estimates (Continued)

(a) Basis of Preparation and Accounting Policies (continued)

The group has applied the following standards and amendments for the first time in the reporting period commencing 1 January 2016:

- Disclosure initiative – amendments to IAS 1;
- Amendments to IAS 19, 'Employee benefits', on defined benefit plans;
- Clarification of acceptable methods of depreciation and amortisation – Amendments to IAS 16 and IAS 38;
- Annual improvements to IFRSs 2010 – 2012 cycle; and
- Annual improvements to IFRSs 2012 – 2014 cycle.

The adoption of these amendments did not have any impact on the current period or any prior period. Other changes to IFRS which became effective for the Group in 2015 did not have an effect on the condensed consolidated half year financial statements or they are not currently relevant for the Group.

(b) Estimates

The preparation of half-yearly financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated half year financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2015.

2. Segmental Analysis

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

	Six months to 30 June 2016 (Unaudited) £'000	Six months to 30 June 2015 (Unaudited) *£'000
Revenue		
Merchanting	**1,124,921**	993,167
Retailing	**73,075**	64,210
Manufacturing	**36,273**	30,964
Less: Inter-segment revenue - manufacturing	**(5,913)**	(4,636)
	1,228,356	1,083,705
Segment operating profit**		
Merchanting	**65,781**	61,310
Retailing	**3,085**	611
Manufacturing	**5,723**	4,446
	74,589	66,367
Reconciliation to consolidated operating profit**		
Central activities	**(6,214)**	(5,202)
Exceptional items – restructuring costs	**(1,200)**	-
Intangible amortisation on acquisitions	**(1,067)**	-
Operating profit	**66,108**	61,165
Finance expense	**(4,200)**	(3,941)
Finance income	**854**	672
Profit before tax	**62,762**	57,896
Income tax	**(12,204)**	(10,884)
Profit after tax for the financial period	**50,558**	47,012

The amount of revenue by geographic area is as follows:

	Six months to 30 June 2016 (Unaudited) £'000	Six months to 30 June 2015 (Unaudited)* £'000
Revenue		
United Kingdom	**912,348**	841,494
Ireland	**233,374**	197,792
Netherlands	**41,484**	-
Belgium	**41,150**	44,419
	1,228,356	1,083,705

Operating segment assets are analysed below:

	30 June 2016 (Unaudited) £'000	30 June 2015 (Unaudited)* £'000
Segment assets		
Merchanting	**1,698,432**	1,482,570
Retailing	**56,835**	48,423
Manufacturing	**43,742**	38,055
	1,799,009	1,569,048
Unallocated assets		
Deferred tax assets	**21,434**	18,807
Retirement benefit assets	**497**	671
Other financial assets	**124**	122
Derivative financial instruments	**-**	37
Cash and cash equivalents	**206,807**	190,043
Total assets	**2,027,871**	1,778,728

2. Segmental Analysis (continued)

Operating segment liabilities are analysed below:

	30 June 2016 (Unaudited) £'000	30 June 2015 (Unaudited)* £'000
Segment liabilities		
Merchanting	**538,736**	480,270
Retailing	**46,483**	37,467
Manufacturing	**16,620**	13,910
	601,839	531,647
Unallocated liabilities		
Interest bearing loans and borrowings (current and non- current)	**301,510**	241,142
Retirement benefit obligations	**46,678**	19,423
Derivative financial instruments	**962**	-
Deferred tax liabilities	**36,284**	29,222
Current tax liabilities	**25,280**	18,427
Total liabilities	**1,012,553**	839,861

** In view of the increasingly trade nature of the customer base and change in reporting lines, the In-House kitchens business was transferred from retailing to merchanting with effect from 1 January 2016. The 2015 comparatives, where applicable, have been updated to reflect this transfer.*

*** Segment operating profit is operating profit including property profit but before central activities, intangible amortisation on acquisitions and exceptional items.*

3. Property Profits & Exceptional Items

Within property profits in 2016 was a property profit of £3.5m (2015: £6.1m) relating to the disposal of 6 UK properties.

Exceptional items of £1.2m (2015: £Nil) relate to restructuring costs within the traditional UK Merchanting business.

4. Finance Expense and Finance Income

	Six months to 30 June 2016 (Unaudited) £'000		Six months to 30 June 2015 (Unaudited) £'000	
Finance expense				
Interest on bank loans and overdrafts	**(3,274)**	**	(3,285)	**
Interest on loan notes	**-**	**	(95)	**
Net change in fair value of cash flow hedges transferred from equity	**(102)**		(21)	
Interest on finance leases	**(99)**		(105)	
Net finance cost on pension scheme obligations	**(234)**		(435)	
Foreign exchange loss	**(491)**		-	
	(4,200)		(3,941)	
Finance income				
Foreign exchange gain	**-**		154	
Fair value movement on derivatives (Cross Currency Interest Rate Swaps (CCIRS) not in hedging relationships)	**-**		25	
Interest income on bank deposits	**854**	**	493	**
	854		672	
Net finance expense	**(3,346)**		**(3,269)**	

** *Net bank/loan note interest of £2.4 million (June 2015: £2.9 million).*

5. Earnings per Share

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

	Half Year 30 June 2016 (Unaudited) £'000	Half Year 30 June 2015 (Unaudited) £'000
Numerator for basic, adjusted and diluted earnings per share:		
Profit after tax for the financial year	**50,558**	47,012
Non-controlling interest	**98**	(75)
Numerator for basic and diluted earnings per share	**50,656**	46,937
Exceptional items – restructuring costs	**1,200**	
Tax relating to exceptional items – restructuring costs	**(240)**	
Intangible amortisation on acquisitions	**1,067**	-
Tax relating to intangible amortisation on acquisitions	**(236)**	-
Numerator for adjusted earnings per share	**52,447**	46,937

	Number of Grafton Units	Number of Grafton Units
Denominator for basic and adjusted earnings per share:		
Weighted average number of Grafton Units in issue	**235,580,556**	232,879,283
Effect of potential dilutive Grafton Units	**686,480**	2,318,205
Denominator for diluted earnings per share	**236,267,036**	235,197,488
Earnings per share (pence)		
- Basic	**21.5p**	20.2p
- Diluted	**21.4p**	20.0p
Adjusted earnings per share (pence)		
- Basic	**22.3p**	20.2p
- Diluted	**22.2p**	20.0p

6. Dividends

The payment in 2016 of a second interim dividend for 2015 of 8.0 pence on the 'C' Ordinary shares in Grafton Group (UK) plc from UK-sourced income amounted to £18.8 million (2015: £16.3 million).

An interim dividend for 2016 of 4.75 pence per share will be paid on the 'C' Ordinary Shares in Grafton Group (UK) plc from UK-sourced income to all holders of Grafton Units on the Company's Register of Members at the close of business on 9 September 2016 (the 'Record Date'). The cash consideration will be paid on 7 October 2016. A liability in respect of the interim dividend has not been recognised at 30 June 2016, as there was no present obligation to pay the dividend at the half-year.

7. Exchange Rates

The results and cash flows of subsidiaries with euro functional currencies have been translated into sterling using the average exchange rate for the half-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 six months ended 30 June 2016 was Stg77.88p (six months to 30 June 2015: Stg73.23p). The sterling/euro exchange rate at 30 June 2016 was Stg82.65p (30 June 2015: Stg71.14p and 31 December 2015: Stg73.40p).

8. Non-Controlling Interests

The Group holds a 65 per cent controlling interest in YouBuild NV (formerly BMC Groep NV, a Belgian entity) that is accounted for as a subsidiary undertaking with a non-controlling interest.

9. Property, Plant and Equipment, Properties Held for Sale and Investment Properties

	Property, plant and equipment	Properties held for sale	Investment properties
Net book value	**£'000**	**£'000**	**£'000**
As at 1 January 2016	**430,116**	**10,805**	**17,797**
Additions	**22,360**	**-**	**-**
Acquisitions (note 14)	**5,800**	**-**	**-**
Depreciation	**(16,928)**	**-**	**-**
Disposals	**(917)**	**(1,833)**	**-**
Transfer to properties held for sale	**(317)**	**317**	**-**
Currency translation adjustment	**13,872**	**359**	**1,591**
As at 30 June 2016	**453,986**	**9,648**	**19,388**

There was no material change in the fair value of investment properties or properties held for sale following an internal review undertaken by the Group Property Director. The determination of fair value and the valuation techniques used, including significant unobservable inputs, at 30 June 2016, are set out in Note 13 to the Group's 2015 Annual Report.

The number of investment properties remained unchanged at 19 from 31 December 2015 of which 4 are located in the United Kingdom and 15 in Ireland.

Six properties held for sale were sold during the period and one property was transferred from property, plant & equipment leaving the number of properties held for sale at 21 properties of which 18 are located in the United Kingdom, two in Ireland and one in Belgium.

At 30 June 2016, the Group had significant contractual commitments amounting to £1.5m.

10. Movement in Working Capital

	Inventory £'000	Trade and other receivables £'000	Trade and other payables £'000	Total £'000
At 1 January 2016	**276,229**	**355,752**	**(465,914)**	**166,067**
Currency translation adjustment	**10,592**	**9,901**	**(16,698)**	**3,795**
Interest accrual and other movements	**-**	**-**	**(110)**	**(110)**
Acquisitions through business combinations (note 14)	**872**	**1,853**	**(3,300)**	**(575)**
Movement in 2016	**7,248**	**54,635**	**(89,130)**	**(27,247)**
At 30 June 2016	**294,941**	**422,141**	**(575,152)**	**141,930**

11. Interest-Bearing Loans, Borrowings and Net debt

	30 June 2016 £'000	30 June 2015 £'000	31 Dec 2015 £'000
Non-current liabilities			
Bank loans	**297,802**	237,010	320,814
Finance leases	**2,679**	2,654	2,579
Total non-current interest bearing loans and borrowings	**300,481**	239,664	323,393
Current liabilities			
Bank loans and overdrafts	**637**	1,120	977
Finance leases	**392**	358	349
Total current interest bearing loans and borrowings	**1,029**	1,478	1,326
Derivatives-non current			
Included in non-current assets	**-**	(37)	-
Included in non-current liabilities	**962**	-	404
Total derivatives	**962**	(37)	404
Cash and cash equivalents	**(206,807)**	(190,043)	(211,565)
Net debt	**95,665**	51,062	113,558

The following table shows the fair value of financial assets and liabilities including their level in the fair value hierarchy. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	30 June 2016 Total £'000	31 Dec 2015 Total £'000
Liabilities measured at fair value		
Designated as hedging instruments		
Interest rate swaps (Level 2)	**962**	404
Liabilities not measured at fair value		
Liabilities at amortised cost		
Bank loans	**298,439**	321,791
Finance leases	**3,071**	2,928
	301,510	324,719

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

Financial assets and liabilities recognised at amortised cost

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

Financial assets and liabilities carried at fair value

All of the Group's financial assets and liabilities which are carried at fair value are classified as Level 2 in the fair value hierarchy. There have been no transfers between levels in the current period. Fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used. The fair values of interest rate swaps are calculated as the present value of the estimated future cash flows based on the terms and maturity of each contract and using 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.

Investment properties and properties held for sale

Investment properties of £19.4 million which are separately classified in non-current assets are carried at fair value in the financial statements. An internal review undertaken by the Group Property Director was used to determine fair values. The valuation techniques used were the market value of comparable transactions recently completed or on the market. In cases where there are no recent precedent transactions, valuations were based on estimated rental yields and consultations with external agents who have knowledge of local property markets. The Group is satisfied that there is no fair value movement in the period.

The carrying value of properties held for sale of £9.6 million are shown in the balance sheet at the lower of their carrying amount and fair value less any disposal costs. 7 properties are included at a fair value of £4.8 million and have been valued on the basis set out in the foregoing paragraph.

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

	30 June 2016 £'000	30 June 2015 £'000
Net (decrease)/increase in cash and cash equivalents	**(9,604)**	10,597
Net (decrease)/increase in derivative financial instruments	**(507)**	196
Loans disposed with group businesses	**-**	181
Cash-flow from movement in debt and lease financing	**56,694**	(2,278)
Change in net debt resulting from cash flows	**46,583**	8,696
Currency translation adjustment	**(28,690)**	15,558
Movement in net debt in the period	**17,893**	24,254
Net debt at 1 January	**(113,558)**	(75,316)
Net debt at end of the period	**(95,665)**	(51,062)
Gearing[6]	**9%**	5%

[6] Additional information in relation to these Alternative Performance Measures (APM's) is set out on pages 31 to 36.

13. Retirement Benefits

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

	Irish Schemes		UK Schemes	
	At 30 June 2016	At 31 Dec 2015	**At 30 June 2016**	At 31 Dec 2015
Rate of increase in salaries	**2.30%***	2.60%*	**0.00%****	0.00%**
Rate of increase of pensions in payment	**-**	-	**3.10%**	3.35%
Discount rate	**1.50%**	2.35%	**3.20%**	3.95%
Inflation	**1.10%**	1.40%	**2.25%*****	2.50%***

*2.30% applies from 2 January 2019 (31 December 2015: 2.60% from 2 January 2019)

** Pensionable salaries are not adjusted for inflation

*** The inflation assumption shown for the UK is based on the Consumer Price Index (CPI)

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

	Assets		Liabilities		Net asset/(deficit)	
	Half year 30 June 2016	Year to 31 Dec 2015	**Half year 30 June 2016**	Year to 31 Dec 2015	**Half year 30 June 2016**	Year to 31 Dec 2015
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
At 1 January	**186,807**	189,203	**(203,430)**	(222,163)	**(16,623)**	(32,960)
Acquired in year	**-**	-	**-**	(397)	**-**	(397)
Interest income on plan assets	**3,075**	5,394	**-**	-	**3,075**	5,394
Contributions by employer	**2,431**	2,787	**-**	-	**2,431**	2,787
Contributions by members	**357**	1,074	**(357)**	(1,074)	**-**	-
Benefit payments	**(3,010)**	(6,603)	**3,010**	6,603	**-**	-
Current service cost	**-**	-	**(1,250)**	(2,488)	**(1,250)**	(2,488)
Other employee benefit expense	**-**	-	**149**	-	**149**	-
Past service credit – non-recurring	**-**	-	**-**	2,945	**-**	2,945
Past service credit	**-**	-	**-**	128	**-**	128
Interest cost on scheme liabilities	**-**	-	**(3,309)**	(6,291)	**(3,309)**	(6,291)
Re-measurements						
Actuarial gains/(loss) from:						
-experience variations	**-**	-	**(2,989)**	2,491	**(2,989)**	2,491
-financial assumptions	**-**	-	**(26,944)**	10,041	**(26,944)**	10,041
-demographic assumptions	**-**	-	**-**	920	**-**	920
Return on plan assets excluding interest income	**1,566**	(310)	**-**	-	**1,566**	(310)
Currency translation adjustment	**10,375**	(4,738)	**(12,662)**	5,855	**(2,287)**	1,117
At 30 June	**201,601**	186,807	**(247,782)**	(203,430)	**(46,181)**	(16,623)
Related deferred tax asset (net)					**6,865**	2,599
Net pension liability					**(39,316)**	(14,024)

13. Retirement Benefits (continued)

The net pension scheme deficit of £46,181,000 is shown in the Group balance sheet as retirement benefit obligations (non-current liabilities) of £46,678,000 of which £29,322,000 is related to the Euro schemes, £17,356,000 to a UK scheme and retirement benefit assets (non-current assets) of £497,000 of which £97,000 is related to a Euro scheme and £400,000 to a UK scheme.

The 2015 net pension scheme deficit of £16,623,000 is shown in the Group balance sheet as retirement benefit obligations (non-current liabilities) of £17,367,000 of which £10,125,000 is related to the Euro schemes and £7,242,000 to one UK scheme and retirement benefit assets (non-current assets) of £744,000 of which £216,000 is related to a Euro scheme and £528,000 to a UK scheme.

14. Acquisitions of Subsidiary Undertakings and Businesses

On 5 January 2016, the Group completed the acquisition of the entire share capital (100%) of T Brewer & Co. Limited ("T Brewer"), a London based specialist timber business that trades from 3 branches in Clapham, Enfield and Amersham. The Group also acquired 100% of the share capital of Allsand Supplies Limited ("Allsands") on 1 February 2016. Allsands is a single branch general builders Merchanting business located in Larkfield, Kent. Both acquisitions were in the merchanting segment.

Details of the acquisitions made in 2015 are disclosed in the Group's 2015 Annual Report.

The provisional fair value of assets and liabilities acquired are set out below:

	2016 £'000
Property, plant and equipment	**5,800**
Intangible assets – customer relationships	**2,590**
Intangible assets – trade names	**225**
Inventories	**872**
Trade and other receivables	**1,853**
Trade and other payables	**(3,300)**
Corporation tax	**(291)**
Deferred tax (liability)	**(1,270)**
Cash acquired	**2,586**
Net assets acquired	**9,065**
Goodwill	**5,380**
Consideration	**14,445**
Satisfied by:	
Cash paid	**14,445**
Net cash outflow – arising on acquisitions	
Cash consideration	**14,445**
Less: Cash and cash equivalents acquired	**(2,586)**
	11,859

The fair value of the net assets acquired have been determined on a provisional basis. Goodwill on these acquisitions reflects the anticipated purchasing and operational synergies to be realised as part of the enlarged Group.

Acquisitions completed in 2016 contributed revenue of £9.9 million and operating profit of £0.9 million for the periods between the dates of acquisition and 30 June 2016. If the acquisitions had occurred on 1 January 2016 they would have contributed revenue of £10.3 million and operating profit of £0.5 million in the half-year.

Acquisition–related costs amounting to £0.3 million have been included in operating costs in the Group Condensed Income Statement.

15. Goodwill

Goodwill is subject to impairment testing on an annual basis and more frequently if an indicator of impairment is considered to exist. The Board is satisfied that the carrying value of goodwill has not been impaired.

	Goodwill £'000
As at 1 January 2016	**521,521**
Arising on acquisitions (note 14)	**5,380**
Currency translation adjustment	**30,744**
As at 30 June 2016	**557,645**

16. Intangible Assets

	Computer Software £'000	Trade Names £'000	Customer Relationships £'000	Total £'000
Net Book Value				
As at 1 January 2016	**15,299**	**2,277**	**15,064**	**32,640**
Additions	**5,832**	**-**	**-**	**5,832**
Arising on acquisitions (note 14)	**-**	**225**	**2,590**	**2,815**
Amortisation	**(403)**	**(133)**	**(934)**	**(1,470)**
Currency translation adjustment	**4**	**185**	**1,254**	**1,443**
As at 30 June 2016	**20,732**	**2,554**	**17,974**	**41,260**

The computer software asset of £20.7 million at 30 June 2016 (2015: £15.3m) reflects the cost of the Group's investment on upgrading the IT systems and infrastructure that supports a number of UK businesses as part of a multi-year programme of investment.

The amortisation expense of £1.5m for the period to end June 2016 (2015 H1: £Nil) has been charged in 'operating costs' in the income statement. Amortisation on acquired intangibles amounted to £1.1m (2015 H1: £Nil).

17. Taxation

The headline rate of corporation tax of 19.4 per cent is lower than the underlying tax rate of 20.0 per cent as a previously unrecognised deferred tax asset has been utilised against a UK taxable profit arising on the disposal of properties during the half year to 30 June 2016. The underlying tax rate of 20.0 per cent (2015: 21.0 per cent) for the half year ended 30 June 2016 is based on an estimate of the weighted average expected underlying tax rate for the full financial year. This underlying expected tax rate reflects estimates of cash tax payable and a non-cash charge due to the unwinding of deferred tax assets. The underlying expected tax rate of 20.0 per cent reflects the mix of profits between the UK, Ireland, the Netherlands and Belgium and the disallowance of a tax deduction for certain overheads charged in arriving at profit including depreciation on buildings. The UK corporation tax rate reduced from 21 per cent to 20 per cent from 1 April 2015. The UK rate will be reduced further in stages to 19 per cent from 1 April 2017 and 18 per cent from 1 April 2020. On 16 March 2016 an announcement was made to make a further planned reduction to 17 per cent to take effect from 1 April 2020 although this has not been substantially enacted at 30 June 2016.

The liability shown for current taxation includes a liability for tax uncertainties and is based on the Directors best probability weighted estimate of the probable outflow of economic resources that will be required. As with all estimates, the actual outcome may be different to the current estimate.

17. Taxation (continued)

Accounting estimates and judgements

Management is required to make judgements and estimates in relation to taxation provisions and exposures. In the ordinary course of business, the Group is party to transactions for which the ultimate tax determination may be uncertain. As the Group is subject to taxation in a number of jurisdictions, an open dialogue is maintained with Revenue Authorities with a view to the timely agreement of tax returns. The amounts provided/recognised for tax are based on management's estimate having taken appropriate professional advice. If the final determination of these matters is different from the amounts that were initially recorded such differences could materially impact the income tax and deferred tax provisions and assets in the period in which the determination was made.

Deferred tax

At 30 June 2016, there were unrecognised deferred tax assets in relation to capital losses of £1.1 million (31 December 2015: £1.6 million), trading losses of £1.1 million (31 December 2015: £0.9 million) and deductible temporary differences of £4.0 million (31 December 2015: £3.8 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 and the Directors cannot foresee such profits arising in the foreseeable future with reasonable certainty. The trading losses and deductible temporary differences arose in entities that have incurred losses in recent years and the Directors have no certainty as to when there will be sufficient taxable profits in the relevant entities against which they can be utilised.

18. Related Party Transactions

There have been no related party transactions or changes in the nature and scale of related party transactions from those described in the 2015 Annual Report that materially affected the financial position or the performance of the Group during the half-year to 30 June 2016. Key management personnel were paid dividends in respect of their shareholding in the Group, as described on page 76 of the 2015 Annual Report.

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

LTIP awards were made over 837,007 Grafton Units on 14 April 2016. The fair value of the awards of £5.5 million will be charged to the income statement over the vesting period of three years, subject to vesting conditions. The 2015 Annual Report discloses details of the LTIP scheme.

20. Issue of Shares

During the year 881,392 Grafton Units were issued under the 2011 Grafton Group Long Term Incentive Plan (LTIP) on the vesting of the 2013 grant. A further 191,793 Grafton Units were issued under the Group's Savings Related Share Option Scheme (SAYE) to eligible UK employees.

21. Events after the Balance Sheet Date

Further organisational restructuring in the traditional merchanting business is planned for the second half of 2016. These measures will be cash positive and are expected to result in an exceptional charge of circa £20.0 million for the year. There have been no other material events subsequent to 30 June 2016 that would require adjustment to or disclosure in this report.

22. Board Approval

These condensed consolidated half year financial statements were approved by the Board of Grafton Group plc on 30 August 2016.

Certain financial information set out in this consolidated half year financial statements are 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 our 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")[7] of the Group are set out below:

APM	Description
Adjusted operating profit	Profit before intangible asset amortisation on acquisitions, exceptional items, net finance expense and income tax expense
Adjusted operating profit before property profit	Profit before profit on the disposal of Group properties, intangible asset amortisation on acquisitions, exceptional items, net finance expense and income tax expense
Adjusted operating profit margin before property profit	Adjusted operating profit before property profit as a percentage of revenue
Adjusted profit before tax	Profit before intangible asset amortisation on acquisitions, exceptional items and income tax expense
Adjusted profit after tax	Profit before intangible asset amortisation on acquisitions 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.

[7] As amounts are reflected in £'m some non-material rounding differences may arise. Numbers referenced to 31/12/2015 are available in the 2015 Annual Report.

EBITDA	Earnings before exceptional 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
Gearing	The Group net debt divided by the total equity times 100.
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. 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 of the equivalent month.
Operating profit margin	Profit before net finance expense and income tax expense as a percentage of revenue
Return on Capital Employed	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 Operating Profit before Property Profit		
	H1 2016 £'m	H1 2015 £'m
Operating profit	**66.1**	61.2
Property profit	**(3.5)**	(6.1)
Exceptional items charged in operating profit	**1.2**	-
Intangible asset amortisation on acquisitions	**1.1**	-
Adjusted operating profit	**64.8**	55.1
Revenue	**1,228.4**	1,083.7
Adjusted operating profit margin before property profit	**5.3%**	5.1%

Operating Profit Margin		
	H1 2016 £'m	H1 2015 £'m
Operating profit	**66.1**	61.2
Revenue	**1,228.4**	1,083.7
Operating profit margin	**5.4%**	5.6%

Adjusted Operating Profit		
	H1 2016 £'m	H1 2015 £'m
Operating profit	**66.1**	61.2
Exceptional items charged in operating profit	**1.2**	-
Intangible asset amortisation on acquisitions	**1.1**	-
Adjusted operating profit	**68.4**	61.2

Adjusted Profit before Tax		
	H1 2016 £'m	H1 2015 £'m
Profit before tax	**62.8**	57.9
Exceptional items charged in operating profit	**1.2**	-
Intangible asset amortisation on acquisitions	**1.1**	-
Adjusted profit before tax	**65.0**	57.9

Adjusted Profit after Tax		
	H1 2016 £'m	H1 2015 £'m
Profit after tax for the financial period	**50.6**	47.0
Exceptional items charged in operating profit	**1.2**	-
Related tax on exceptional items	**(0.2)**	-
Intangible asset amortisation on acquisitions	**1.1**	-
Related tax on intangible asset amortisation on acquisitions	**(0.2)**	-
Adjusted profit after tax	**52.3**	47.0

Reconciliation of Profit to EBITDA

	H1 2016 £'m	31/12/2015 £'m	H1 2015 £'m
Profit after tax for the financial period	**50.6**	96.5	47.0
Exceptional items charged in operating profit	**1.2**	-	-
Income tax expense	**12.2**	23.8	10.9
Net finance expense	**3.3**	7.9	3.3
Intangible asset amortisation	**1.5**	0.9	0.2
Depreciation	**16.9**	32.2	15.9
EBITDA	**85.7**	161.3	77.3

Net debt to EBITDA

	H1 2016 £'m	31/12/2015 £'m
EBITDA (rolling 12 months)	**169.8**	161.3
Net debt	**95.7**	113.6
Net debt to EBITDA (times)	**0.56**	0.70

EBITDA Interest Cover

	H1 2016 £'m	31/12/2015 £'m
EBITDA	**85.7**	161.3
Net bank/loan note interest	**2.4**	5.9
EBITDA interest cover (times)	**35.4**	27.3

Gearing

	H1 2016	H1 2015
	£'m	£'m
Group net debt	**95.7**	51.1
Total equity	**1,015.3**	938.9
Gearing (%)	**9%**	5%

Return on Capital Employed

	H1 2016	H1 2015
	£'m	£'m
Operating profit (rolling 12 months) to end June	**133.2**	120.7
Non-recurring defined benefit pension credit (H2 2015)	**(3.0)**	-
Non-recurring asset impairment charge – Belgium (H2 2015)	**1.5**	-
Exceptional items charged in operating profit (H1 2016)	**1.2**	-
Intangible asset amortisation on acquisitions (H1 2016)	**1.1**	-
Adjusted Operating profit (rolling 12 months) to end June	**134.0**	120.7
Total equity - current period end	**1,015.3**	938.9
Net debt - current period end	**95.7**	51.1
Capital employed - current period end	**1,111.0**	989.9
Total equity - prior period end	**989.0**	906.3
Net debt - prior period end	**113.6**	75.3
Capital employed - prior period end	**1,102.6**	981.6
Average capital employed	**1,106.8**	985.8
Return on capital employed (%)	**12.1%**	12.2%

Capital Turn		
	H1 2016	H1 2015
Revenue H2 - prior period	**1,128.3**	1,066.4
Revenue H1 - current period	**1,228.4**	1,083.7
Total revenue for previous 12 months	**2,356.6**	2,150.1
Average capital employed	**1,106.8**	985.8
Capital turn (times)	**2.1**	2.2

Responsibility Statement in Respect of the Six Months Ended 30 June 2016

The Directors, whose names and functions are listed on pages 42 and 43 in the Group's 2015 Annual Report, are responsible for preparing this interim management report and the condensed consolidated half year financial statements in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, the related Transparency Rules of the Central Bank of Ireland and with IAS 34, Interim Financial Reporting as adopted by the European Union.

The Directors confirm that, to the best of their knowledge:

- the condensed consolidated interim financial statements for the half year ended 30 June 2016 have been prepared in accordance with the international accounting standard applicable to interim financial reporting, IAS 34 as adopted by the EU;

- the interim management report includes a fair review of the important events that have occurred during the first six months of the financial year, and their impact on the condensed consolidated interim financial statements for the half year ended 30 June 2016, and a description of the principal risks and uncertainties for the remaining six months;

- the interim management report includes a fair review of related party transactions that have occurred during the first six months of the current financial year and that have materially affected the financial position or the performance of the Group during that period, and any changes in the related party transactions described in the last annual report that could have a material effect on the financial position or performance of the Group in the first six months of the current financial year.

On behalf of the Board:

Gavin Slark
Chief Executive Officer

David Arnold
Chief Financial Officer

Independent review report to Grafton Group plc

Report on the condensed consolidated half year financial statements

Our conclusion

We have reviewed the condensed consolidated half year financial statements, as set out on pages 13 to 30 and as defined below, in the half year report of Grafton Group plc for the six months ended 30 June 2016. Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated half year financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Transparency (Directive 2004/109/EC) Regulations.

This conclusion is to be read in the context of what we say in the remainder of this report.

What we have reviewed

The condensed consolidated half year financial statements, which are prepared by Grafton Group plc, comprise:

- the Group condensed balance sheet as at 30 June 2016;
- the Group condensed income statement and Group condensed statement of comprehensive income for the period then ended;
- the Group condensed statement of cash flows for the period then ended;
- the Group condensed statement of changes in equity for the period then ended; and
- the explanatory notes to the condensed consolidated half year financial statements on pages 19 to 30.

As disclosed in note 1, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The condensed consolidated half year financial statements included in the half year report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Transparency (Directive 2004/109/EC) Regulations 2007.

What a review of condensed consolidated half year financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom and Ireland. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

Independent review report to Grafton Group plc - continued

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the half year report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated half year financial statements.

Responsibilities for the condensed consolidated half year financial statements and the review

Our responsibilities and those of the directors

The half year report, including the condensed consolidated half year financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half year report in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007.

Our responsibility is to express to the company a conclusion on the condensed consolidated half year financial statements in the half year report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Transparency (Directive 2004/109/EC) Regulations 2007 and for no other purpose. We do not, in giving this conclusion, 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.

PricewaterhouseCoopers
Chartered Accountants
30 August 2016
Dublin

(a) The maintenance and integrity of the Grafton Group plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the condensed consolidated half year financial statements since they were initially presented on the website.

(b) Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.