
Heiton Holdings plc
Annual Report 2001

Contents

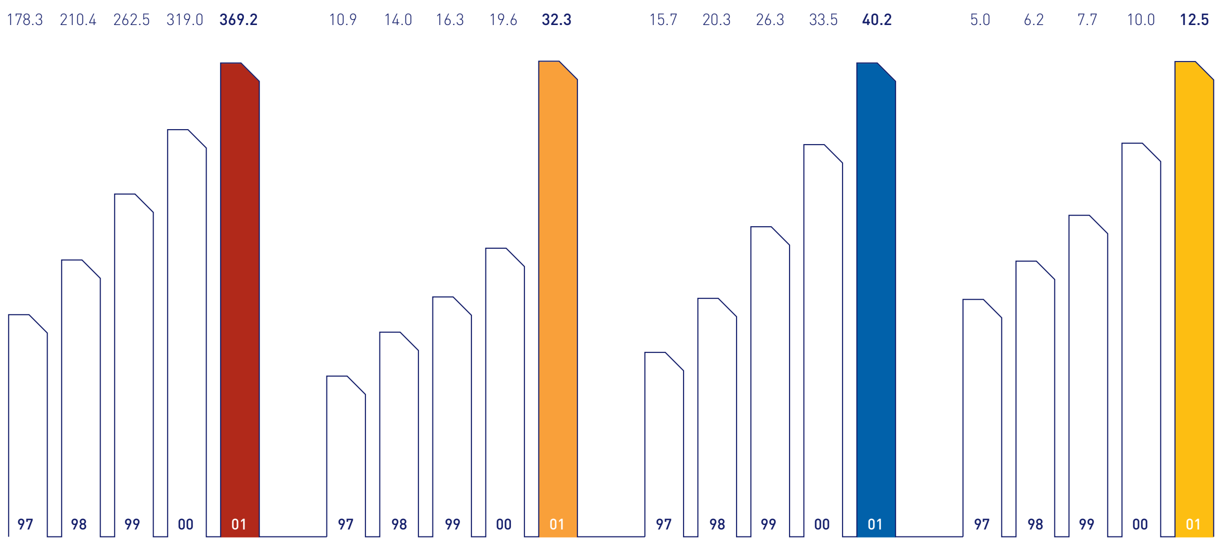
Financial Highlights

	2001 €m	2000 €m	% change
Turnover	**369.2**	319.0	+15.8%
Operating Profit	**26.3**	22.8	+15.7%
Profit before Tax *	**32.3**	19.6	+65.0%
Cash Inflow from Operations	**26.9**	22.1	+22.0%
Development Expenditure	**29.0**	25.1	+15.7%

	2001	2000	% change
Earnings per share	**40.2c**	33.5c	+19.9%
Dividends per share	**12.5c**	10.0c	+25.0%
Net assets per share	**251.7c**	205.3c	+22.6%

	2001	2000
Interest Cover *	**8.8**	7.2
Dividend Cover *	**4.3**	3.2
Debt Equity Ratio	**41.6%**	54.1%
Return on Capital Employed *	**16.3%**	11.3%

* Includes exceptional items

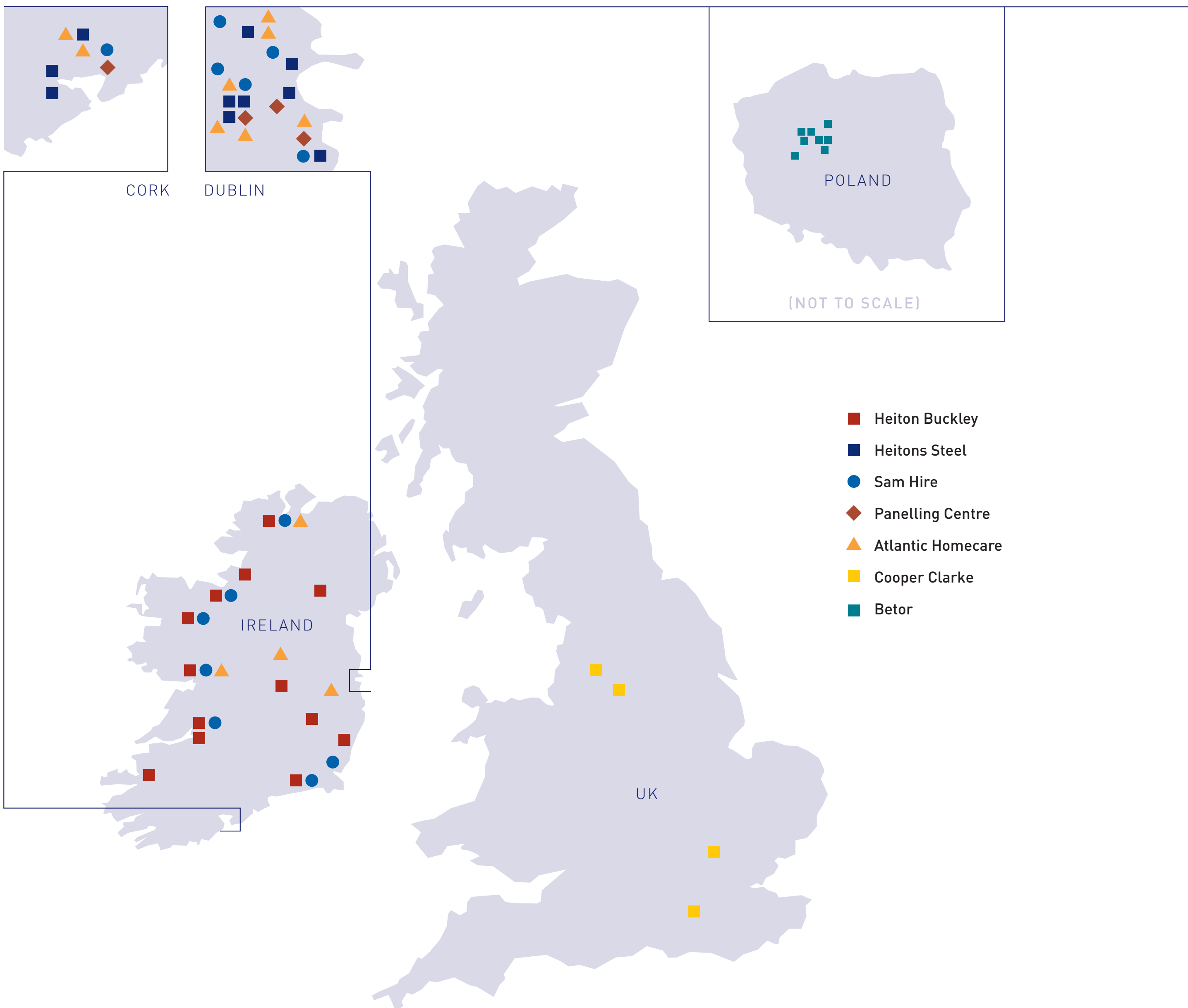


TURNOVER €M PROFIT BEFORE TAX €M EARNINGS PER SHARE €c DIVIDENDS PER SHARE €c

Operational Profile

Heiton Holdings plc is a leading Irish industrial group, with core businesses operating in builders merchanting (including plant and tool hire), steel stockholding and homecare/DIY. The group employs nearly 1,600 people at 57 locations throughout the Republic of Ireland and the United Kingdom. The group's shares are listed on both the Irish and London Stock Exchanges.

Staff Numbers - average	**2001**	**2000**
Builders Merchants & Steel	719	753
Sam Hire	148	139
Atlantic Homecare	414	303
The Panelling Centre	83	43
Cooper Clarke Group Limited	217	226
Total	1,581	1,464



The group operates its Irish builders merchants businesses under the name of "Heiton Buckley Builders Merchants".The builders merchants product range includes a complete range of building and related products, such as timber, softwoods, hardwoods and sheet materials, bricks, cement, plaster, plumbing etc. The group is the market leader in Ireland in the builders merchants business.

The Group operates a steel stockholding business under the name "Heiton Steel". The product range of this business includes steel plates, beams, tubes and merchant bars. In addition the group specialises in the cutting and bending of reinforcing bar steel for infrastructural, civil engineering and environmental projects.

The group is the market leader in Ireland in the steel stockholding business.

Sam Hire is the largest plant and tool hire company in Ireland currently operating from 13 outlets. The products include a comprehensive range of small plant and tools for hire as well as a mobile platform hire business.

The homecare/DIY retail business trades under the "Atlantic Homecare" name from 12 locations. Currently a strong No.2 in market share, Atlantic Homecare offers a comprehensive and value for money product range within its departments, which include paints/wallpaper, furniture, garden centres, housewares, lighting, hardware/tools etc.

The Panelling Centre operates from three locations in the Dublin area and one in Cork. The Panelling Centre is a leading distributor of products used in kitchen construction as well as supplying panels for general DIY building projects.

The group operates in the UK under the name "Cooper Clarke Group Limited" and "Willis Builders Merchants Limited"

The business is principally focused on the distribution of commodity and branded products to the UK building industry with a particular focus on drainage and ground engineering products. Cooper Clarke operates from three locations, two in the North West and one just South of London. Willis Builders Merchants is based North of London and has a strong market presence in the South East Region.

The group acquired a 30% interest in Betor Sklady Budowlane Sp.z.o.o., a Polish builders merchants and readymix provider in May 2001. Betor operates from 8 branches in Western Poland and employs some 130 staff. The company has been in operation since 1990 and occupies a leading position in Torun and Bydgoszcz, two of the largest towns in that region.

Chairman's Statement

Richard Keatinge Chairman

Continued Growth

Group turnover, pre tax profits and earnings per share have again reached record levels. Adjusted Group earnings per share grew by 19.9% to €40.2c in the year to April 2001 driven by Group turnover growth of 15.8% to €369.2 million. Pre tax profits (before exceptionals) were €22.2 million, a 13.2% increase on last year. This reflects very strong performances in the Irish businesses and a more difficult year in the UK Additionally, there was an exceptional gain on property disposal of €10.1 million. Operating cash flows from the business were strong with EBITDA up 52% to €44.8 million resulting in a year-end debt level of €50.5 million.

Dividends

The Board is recommending a final dividend of €6.7c, bringing the total dividend for the year to €12.5c, an increase of 25% on last year. This brings the compound growth of dividend payments to 26% per annum since 1994.

Strategic Focus

Our stated strategy is to maximise shareholder returns through enhancing our market position and improving operational performance in each of our core businesses. These objectives are achieved through a combination of organic growth and acquisitions, and, in particular, through:

- expanding market share and profitability in all of the Irish businesses
- focusing on specialist sectors of the UK market
- building on our presence in the Polish market
- further value-enhancing acquisitions
- focusing on cash, asset utilisation (including property value realisation) and creation of shareholder value.

The group has delivered in each of these key areas during the last financial year through operational improvements, acquisitions and asset realisation. Pursuit of this strategy has produced a compound growth of EPS before goodwill and exceptional items of 26.5% since 1996.

The results demonstrate that Heitons is delivering on its stated strategic objective to achieve above average returns for shareholders.

Board of Directors

Stephen O'Connor retired as Chairman and resigned his Board position on 30th April 2001. He served as Chairman of Heiton Holdings since 1994. Under his stewardship the Group consistently reported record growth in turnover and profits with turnover multiplying by over four times since 1994. The Board would like to take this opportunity to thank Mr O'Connor for the very significant contribution he has played in the development of the Company. As incoming Chairman, I look forward to building further on the progress already achieved under his tenure.

Niall Carroll has announced his intention not to seek re-election to the Board at the forthcoming Annual General Meeting on 6th September 2001. Mr Carroll has been a Non-Executive Director of the Company since 1985. I wish to thank him for his long service and for the valuable contribution which he has made to the development of the Company during his 16 years service.

Rory O'Mahony, Chief Operations Director - Ireland, intends to resign from the company with effect from 31st August to progress private business interests. During his time with the company, Rory has made a significant contribution to positioning the Irish operations for profitable growth and has established an excellent management team to bring the business forward. Rory will remain on the Board as a non-executive director until January 2002.

Corporate Identity

During the year, we undertook a comprehensive review of the Company's corporate identity and its relevance to our current business activities. It is proposed, following this appraisal, that a new name and identity will be introduced.

The company name will change to Heiton Group plc from Heiton Holdings plc to better reflect the integrated nature of the business. The new corporate identity will be presented to shareholders at the AGM which takes place on Thursday, 6th September 2001.

Directors Remuneration

In 1998, a remuneration scheme for executive Directors was introduced which links executive remuneration to the generation of shareholder value. This scheme includes a base salary structure designed to be at the lower end of comparable peer group levels.

Chairman's Statement continued

This is coupled with a performance-linked bonus scheme that offers the potential for above peer-group earnings. Therefore the scheme contains a well incentivised remuneration package for executives, and offers higher rewards for improved Group performance. In May 2000, a similar scheme was introduced for top managers within the Group. Details can be found in the Directors' Report and the Financial Review.

The Board believes that this scheme aligns the interests of management with those of shareholders.

Corporate Governance

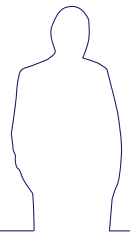
We have adopted the "Internal Control: Guidance for Directors on the Combined Code" (Turnbull Report), introduced by the Institute of Chartered Accountants in England and Wales in September 1999. The report identifies procedures and practices for the management of all business risks which are significant to the fulfilment of Group objectives.

These guidelines are consistent with both the requirements of the Combined Code and the related Listing Rules of the UK Listing Authority and the Irish Stock Exchange. A detailed statement is contained in the Directors' Report.

Management and Staff

A number of strategic appointments were made during the year to strengthen the team at both Group and divisional level. In particular, key appointments were made to build the management teams at Cooper Clarke, Atlantic Homecare and in Poland.

Staff throughout the organisation contributed to a successful performance again in 2001. As newly appointed Chairman, I would like to thank all staff for the commitment shown during the year. This is a people business, which relies on the talent and goodwill of our staff. I wish to acknowledge this and assure our staff and our shareholders that we are determined to further develop our people. I look forward to meeting more of the staff during the coming year.



Outlook

The results demonstrate that Heitons is delivering on its stated strategic objective to achieve above average returns for shareholders.

Whilst there is evidence of a slowdown in economic activity in Ireland your company remains well positioned to capitalise on any growth in the Construction Industry.

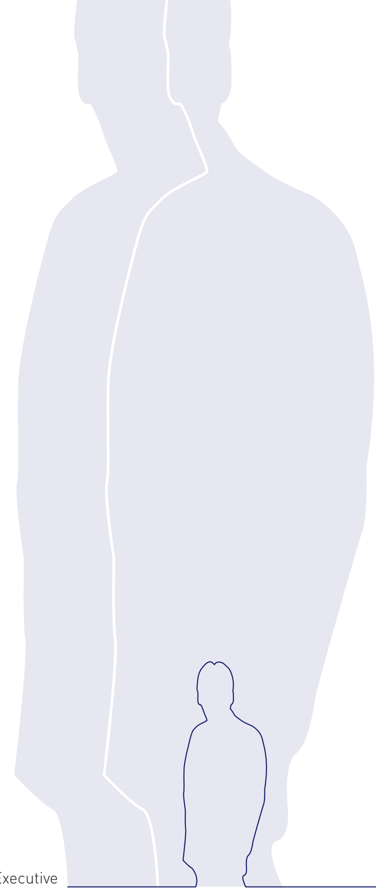
While GDP is estimated to rise by 6% in 2001 and a further 6% in 2002 construction expenditure, which increased by 8% in 2000, is expected to grow significantly more slowly in the current year as housing completions will not match the levels of prior years. Consumer expenditure, will remain at high levels which will underpin our growth aspirations in the retail and RMI (repairs, maintenance and improvements) segments of our business. Pressure on margin is increasing with the combination of reduced volume growth and higher cost inflation. This will be an area of close attention for executives during the coming year.

We are focused on strengthening our market position across all business areas. In Builders Merchanting, Steel and Hire this will largely be achieved organically, through product and category expansion. Atlantic will build on the strong store opening programme. We are currently expanding the Panelling Centre across our builders merchants network and expect to announce further openings later this year. We are confident that we can improve the performance in the UK where we now have a committed and determined management team who are keen to drive this business forward. We will continue to seek out complementary acquisitions in each market.

Overall, the outlook for your Company is very positive and we look forward to building on our successful performance in the coming year.

Richard Keatinge
Chairman
4th July 2001

Chief Executive's Review



Leo Martin Chief Executive

Highlights

Turnover increased by 15.8% to €369.2 million and operating profit rose to €26.3 million, an increase of 15.7%. On an annualised basis compound growth of operating profit since 1997 has averaged 22%. These strong results reflect the Group's sound business strategy and demonstrate continued growth driven by above average performances across all of our Irish divisions.

Group Strategy

Our objective is to deliver above average returns to shareholders from all of our operations both organically and through acquisitions in Ireland and internationally. The performance during the year under review reflects our commitment to that objective.

We will continue to invest in improving and enhancing geographic presence, product range and service levels across all of our core businesses. These measures will ensure that we will enhance our market position and are well placed to sustain growth over the medium to long-term.

Tangible evidence of delivery of these objectives includes:

- Acquisition of Tullamore Hardware in June 2000.
- Three new store openings for Atlantic Homecare with Newbridge, Mullingar and Liffey Valley all opening in the year under review and the announcement of two further store openings – Swords and Letterkenny – since the year end.
- Sam Hire has again delivered a very strong performance in a year which was dominated by consolidation in the hire business.
- The Panelling Centre delivered very strong growth in its first full year since acquisition. A new store was opened in Cork in September 2000 demonstrating our commitment to product and geographic enhancement.
- New structures were put in place in the UK to reinstate the growth of profitability and deliver the Business Plan.
- Commencement of the non-core property sale programme with the disposal of our Builders Merchant site at Ringsend for €13.7 million and successful relocation of the business to East Road.

- Expansion of our geographic coverage in specialist drainage in the UK with the bolt on acquisition of Willis Builders Merchants Limited, in Essex.
- Extension of our geographic presence internationally through our first investment in Poland by the acquisition of a 30% shareholding in Betor Sklady Budowlane Sp.z.o.o. (Betor), a builders merchant and readymix provider based in Western Poland.

Ireland

External factors such as the slow down in the US economy and the impact of Foot and Mouth disease have caused economic growth in Ireland to slow. However, the outlook still remains positive with forecasters indicating a GDP growth level of approximately 6% for 2001 and 2002. Growth in the construction sector, however, is likely to be somewhat lower for 2001 largely due to a declining housing market following government intervention aimed at reducing demand.

Housing completions are expected to be below last year but remain above 40,000 units. The DIY and Repairs, Maintenance and Improvements (RMI) sectors, underpinned by the trend towards home enhancement, continue to register high levels of growth, fuelled by buoyant disposable income.

The importance of the full implementation of the €52 billion National Development Plan (NDP) is widely acknowledged as being central to sustaining growth levels in the economy. An efficient infrastructure and transportation network are critical for the development of the country. The outlook for social housing under the NDP is progressing in line with the government's commitment to providing 5,000 housing units this year. Labour supply remains a key bottleneck to growth in the construction sector. Construction activity arising from the implementation of the NDP will provide opportunities for market share expansion and enhanced profits for Heitons.

together
we're better

Heiton Buckley

This is the largest division within the Group and is the leader in its market sector, operating from 22 locations nation-wide. Tullamore Hardware, acquired just over a year ago, has been fully integrated and recorded a very positive contribution this year.

Throughout this division we remain focused on enhancing the product range and strengthening customer service through effective category and supply chain management. The best practice operational system introduced in 2000 is already having a positive impact.

In 2001, we integrated all our Builders Merchants outlets under the new Heiton Buckley brand and are now rolling out the change programme.

In February, the Group announced the disposal of our builders merchants site at Ringsend with the business being relocated to a leased facility at East Road.

The outlook for this division remains positive. The market, albeit growing at a slower pace than in recent years, remains reasonably buoyant. Growth will be derived from continued focus on effective cost management, the integration of new product lines and services in key locations as well as identification of appropriate acquisition opportunities. We are confident that this business will continue to deliver excellent results.

Steel

The steel business recorded yet another excellent performance in a very difficult year given the impact of Foot and Mouth disease on agri-sector demand. The strategy for this business is to develop value added product solutions and to maximise growth opportunities by deriving sales from cross-selling through our merchants branch network. An innovative reinforcing mesh product will be produced for sale in July and a shot blasting, priming and cutting facility is scheduled to open in Ashfield in September 2001.

Sam Hire

In a year of consolidation following the integration of Sam Access, in 2000, the hire business, operating from 13 branches nation-wide, delivered a strong performance. Turnover increased by 13%. We will continue to grow and develop the hire business through the expansion of the capacity of existing outlets and, where appropriate, through bolt-on acquisitions.

Turnover	€million 2001	€million 2000	% change
Ireland			
Heiton Buckley	**214.9**	189.6	+13%
Steel	**25.9**	23.7	+9%
Sam Hire	**13.5**	11.9	+13%
Atlantic Homecare	**42.6**	31.3	+36%
Panelling Centre	**17.0**	1.1	
	313.9	257.6	+22%
UK	**55.3**	61.4	-10%
Total	**369.2**	319.0	+16%

shop from home

Atlantic Homecare

Our aggressive programme of expanding into new retail locations and upgrading existing outlets has proven highly successful. Atlantic recorded turnover growth of 36% in the year under review. This is the fourth successive year of double digit growth at Atlantic Homecare.

Key developments during the year included new store openings at prime retail locations in Newbridge, Mullingar and Liffey Valley. All outlets are trading strongly and generating a positive contribution. Two additional stores, in Airside near Swords and in Letterkenny have been opened since the year end. An upgrade of our existing outlets at Pouladuff Road and Mallow Road in Cork in the current year has also been completed.

This brings the number of stores to 12 from 7 in 1999 with an overall increase in retail floor space of 140,000 sq. ft. To support the ongoing expansion of Atlantic Homecare, we also strengthened the management team with the appointment of an Operations Director and a Director of Marketing, Buying and E-Commerce.

Our venture with Buy4Now, the online retail store has now been in operation for almost nine months. Buy4Now has added a new distribution channel to our business and is performing well. Against the backdrop of fierce competition in the DIY sector, these developments have served to strengthen our market position.

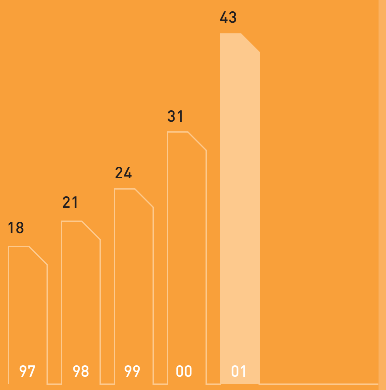
The outlook for the homecare and DIY business in Ireland is positive, driven by higher disposable incomes, ongoing increases in consumer expenditure and a rapid growth in the number of households.

The programme of upgrading and expanding Atlantic Homecare's outlets will continue. We will identify and open new retail locations, while simultaneously focussing on increasing returns from all of our outlets through product development, category enhancement and supply chain management.

Panelling Centre

The Panelling Centre has been successfully integrated into the Group following our acquisition of this business in April 2000. Overall it has met our targets in its first year of trading. A new branch was opened in Cork in September 2000 which brings to four the number of branches in Ireland. We will continue to exploit opportunities with Heiton Buckley to provide a Panelling Centre presence in our builders merchants outlets and to maximise cross selling opportunities. Expansion opportunities for The Panelling Centre have been identified both in terms of new marketing concepts and increased geographic penetration.

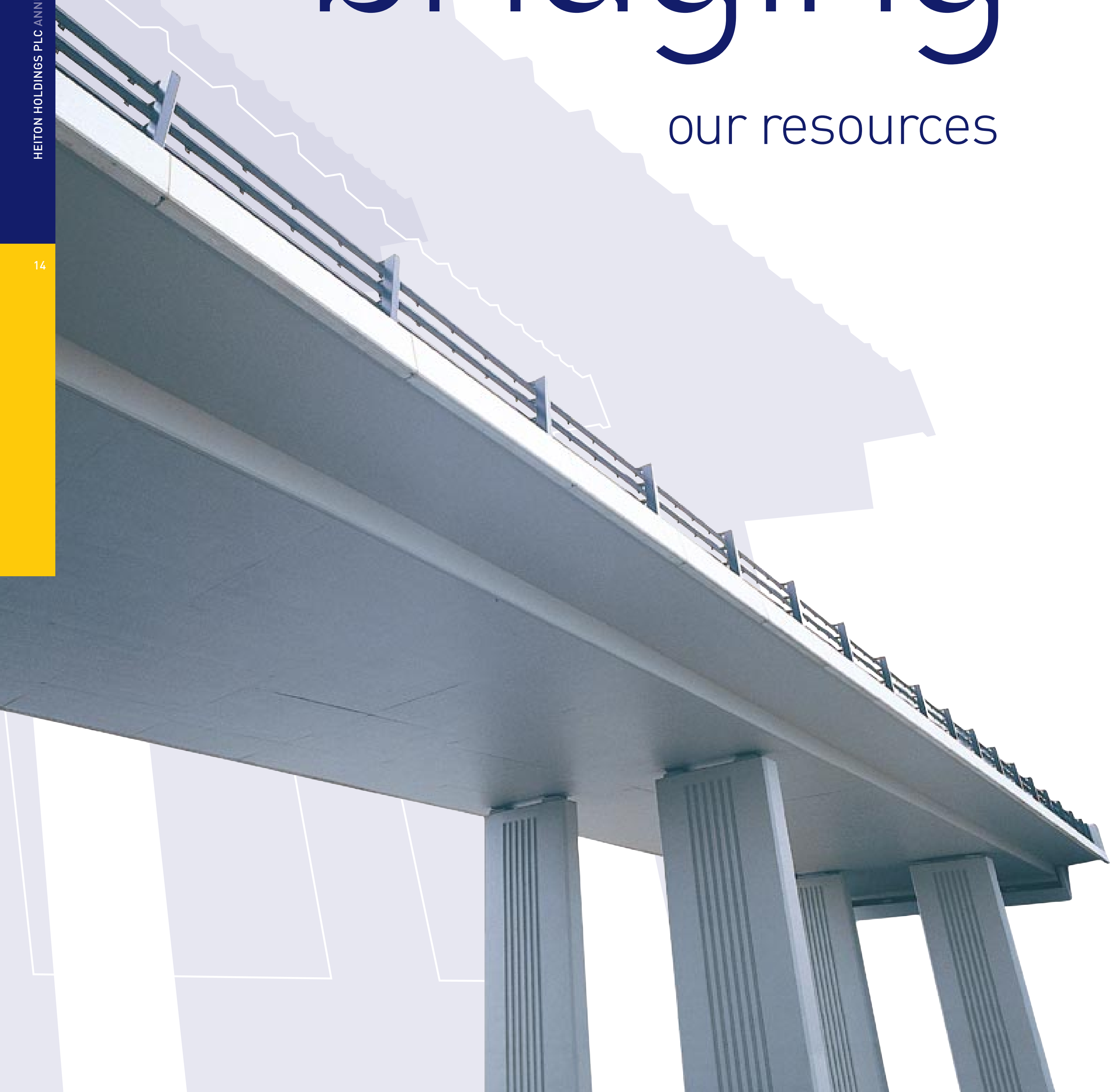
ATLANTIC HOMECARE
5 YEAR TURNOVER SUMMARY €M



The Panelling Centre Cork Branch, Ireland.

bridging

our resources



United Kingdom

In the UK, GDP growth was 3% while construction growth amounted to 1.6% in 2000. The outlook for 2001 is GDP growth of 2.6% with construction projected to grow by 2.5% driven primarily by RMI and infrastructure while housing is forecast to decline by 3%.

Trading at Cooper Clarke has been difficult due to adverse conditions in the UK market notably the impact of the fuel strike, floods and foot and mouth disease. In addition, Cooper Clarke has experienced a year of transition with the introduction and bedding down of a new management team. The new management team, appointed in the last financial year, has made strides in the development of the business. These include consolidating the Southern division from two sites onto one with the closure of Guildford. In addition, new manufacturing facilities were commissioned in January 2001 for the production of Ecoblock and Geofin products.

Finally, the Group also announced the acquisition of Willis Builders Merchants Limited in Braintree, Essex in May 2001 for a consideration of stg£1.6 million (€2.6 million). Willis is primarily involved in the distribution of drainage products and has a similar profile to Cooper Clarke.

This acquisition builds Heitons' share of the specialist drainage market in the UK, giving us greater exposure to the important South East of England market, an area which accounts for almost 40% of total construction spend in the UK. The acquisition is expected to be value enhancing in the current financial year.

Key Developments

Property

In line with our stated commitment to exploit the potential of our property portfolio and to realise additional value for our shareholders, we announced the disposal of our Builders Merchant site in Ringsend to Green Property in February 2001 for €13.7 million. The business at Ringsend has been successfully transferred to a leased facility north of the Liffey.

Further opportunities for the disposal of properties where they exist will also be exploited. Current projects include Mullingar, where planning permission for 125 houses has been secured, and Ballyshannon. The funds yielded from these disposals will be used in the pursuit of our overall strategy, improving and enhancing geographic presence, product range and service levels across all of our core businesses.

Cooper Clarke & Willis locations in the UK

Betor Sklady Budowlane locations in Poland

Bridgdek, a combined kerb and drainage system has been developed by Cooper Clarke to efficiently remove surface water run-off on highways and bridges that would, if not collected and discharged, create hazardous driving conditions.
A unique patented design feature incorporated within the body of the main channel provides the ideal solution. Bridgdek, promoted as a dual surface and sub-surface drainage channel has been successfully used on many Irish, UK and overseas projects.

Poland

Key economic indicators such as GDP are still showing growth although the rate of growth has slowed and is forecast at 3% in 2001 down from c. 4% in 2000. This reflects in particular a slowing in domestic demand due to the high interest rates which the government has imposed in their efforts to bring inflation down to single figures. Construction activity has also slowed. However, with inflation under control, prospects are good for a fall in interest rates. This factor combined with anticipated financial support in advance of EU entry represents a positive backdrop for a pickup in construction activity in the coming years.

The Group announced the purchase of a 30% stake in Betor in May 2001. Betor is based in Torun in Western Poland and operates eight branches spread mainly between Torun, Bydgoszcz and Poznan with a population coverage of over 1.5 million people. In the year to 31 December 2000, Betor reported turnover in excess of €15.3 million.

The terms for the purchase include an option to increase this to 100% providing an opportunity to expand our presence in the market as the business develops and prospects improve. We have put our own management team in place in Betor to work alongside local management in order to transfer expertise and generate efficiencies as quickly as possible.

The long term potential of this investment is positive. In particular, the Polish residential market which is currently slow (building less than 100,000 houses p.a. for a population of 38m) is expected to advance substantially with the anticipated growth in the economy to satisfy pent-up demand. Investing in an existing operator enables us to manage a staged expansion in this market depending on market conditions.

E-commerce

Following the successful implementation of our business to consumer online programme with the development of Buy4Now, we are actively developing a strategy for the use of internet technology. Individual businesses within the Group have begun to implement B2B solutions but the current project intends to produce a plan for long term competitive advantage by enhancing our offer to customers and streamlining our relationship with suppliers.

Health and Safety

It is our policy to conduct our business in compliance with all Health and Safety Authority regulations and standards.

Environment

It is our policy to conduct our business activities in an environmentally responsible manner. This includes;

- Compliance with national and EU legislation on the environment.
- Development and delivery of products and services in a manner that is not detrimental to the environment or the health and safety of employees, personnel on and in our premises and the general public.
- Seeking to improve environmental performance continuously with respect to minimising waste and emissions and conserving energy and natural resources.
- Where relevant, practising recovery and recycling of waste streams.

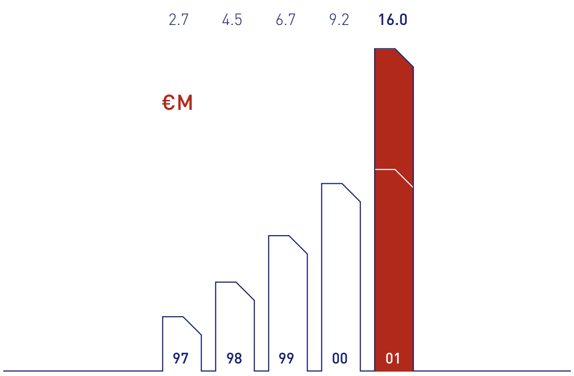
Financial Review

Economic Profit

Economic Profit measures the value created by the Group after deducting a charge for the Group's cost of capital. The cost of capital is the charge levied on the assets invested by shareholders in the Group. Shareholder's investment is based on the average capital employed (including purchased goodwill) in the Group over the year. The cost of capital charge is based on the cost of the mix of shareholder equity and debt.

The purpose of measuring Group Performance in this manner is to align operating objectives to shareholder targets. For the year under review Heitons created economic profit of €16.0 million (of which €6.0m is associated with the exceptional gain), up from €9.2 million in 1999/00. This is an increase of 74%.

A Summary of Economic Profit over the last 5 years reflects Heitons track record of delivery of shareholder value.

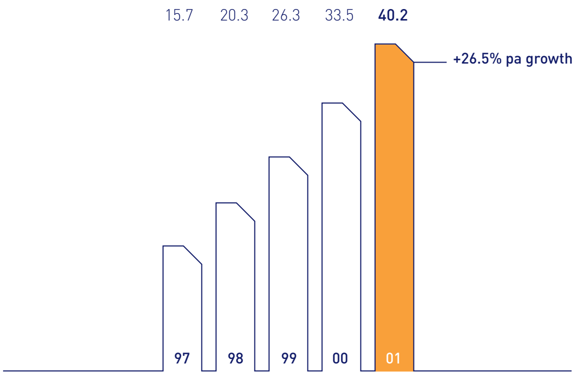


The difference between Economic Profit and other performance measures, most notably earnings per share, is that economic profit rewards the successful utilisation of assets as well as superior trading performance.

Earnings

While details of operating results for the year were discussed earlier it is enlightening to also review these results over a 5 year timeframe. This clearly displays the consistent delivery of year on year earnings growth following successful implementation of the strategy.

EPS pre goodwill and exceptional €c



Cash Generation

2000/01 again featured strong growth in the generation of cash. EBITDA (earnings before interest, tax, depreciation and amortisation) has risen to €44.8 million, including the exceptional property gains. Following the working capital investment to support the growth in turnover, the cash generated from operations has risen by 22% to €26.9 million.

In addition, cash of €8.4 million was generated during the year from the deposit received on disposal of our Ringsend site in Dublin and a 4% share placing at €3.80. The balance of the Ringsend sales proceeds (€12.3 million) were received in June 2001. These transactions position the Group to continue to expand through acquisition and investment and thereby grow economic profit and shareholder value.

A simplified cash flow format is set out below:	€ million 2001	2000
INFLOWS		
Operating Profit plus exceptional	**36.5**	22.8
Depreciation and Amortisation	**8.3**	6.7
EBITDA	**44.8**	29.5
Profit on disposal of fixed assets	**(10.6)**	(0.2)
Working capital investment	**(7.3)**	(7.2)
Cash generated from operations	**26.9**	22.1
OTHER FLOWS		
Issue of new capital	**7.3**	-
Dividends paid net	**(3.4)**	(3.0)
Interest paid	**(4.1)**	(2.9)
Taxation paid	**(4.9)**	(4.7)
Capital expenditure (net of disposals)	**(16.6)**	(10.2)
Acquisitions	**(10.2)**	(12.7)
NET CASH OUTFLOW	**(5.0)**	(11.4)

The cash generated from operations, up by 22%, has enabled the group to:

- Continue a progressive dividend policy with a 25% increase in total dividends
- Meet the higher interest burden arising from acquisition expenditure while retaining a comfortable level of interest cover
- Pursue a significant capital expenditure programme (up 62%) including Atlantic store openings and expansion into the UK and Poland.

Euro

We have or will have upgraded all of our internal systems, and are fully prepared for conversion to euro based trading on 1st January 2002.

Treasury Policy and Management

The Group's treasury policies were reviewed by the Board during the year and the following were endorsed:

- To maintain a balance between short, medium and long term debt.
- To maintain interest cover above our financial covenants.
- To ensure net debt/EBITDA is below our financial covenants.
- To maintain a balance between fixed and floating interest rates.
- To target each division to deliver positive cash flows.

Interest cover for the Group remains very comfortable at 8.8 times (6.3 before exceptional), well above last year's level. This is the most relevant measure of Heitons' capacity to assume debt and means there is substantial scope for borrowing to finance future capital and acquisition programmes.

At the year-end the net debt of the Group was €50.5million, a debt to equity level of 41.6%.

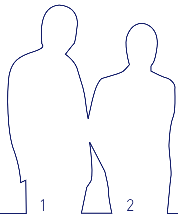
Of this total, €21.1 million has a long dated maturity with the first repayment due in 2003 while a medium term facility amounting to €21.4 million is due for repayment between 2001 and 2005. The Group has operated comfortably within its total facilities throughout the year. Since the year end the Group has put in place appropriate facilities to fund the Group's acquisition programmes and replace medium term loans as they fall due.

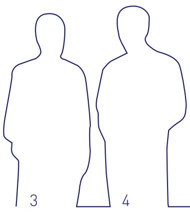
Consistent with our financial risk policies, we continue to hedge currency risk on overseas purchases as appropriate.

Leo Martin

Leo Martin
Group Chief Executive
4th July 2001

Board of Directors





1. Richard Keatinge
Age 53, joined the Board as a Non-Executive Director in 1999. He was formerly Managing Director of IBI Corporate Finance and spent a total of 18 years with the Bank of Ireland Group. He is a Non-Executive Director of a number of other public and private companies. He was appointed Chairman of the Board on 1 May 2001.

2. Leo Martin
Age 49, joined the Company as Finance Director in 1986. In 1994, he was appointed Managing Director of the Builders Merchants Division. He assumed the role of Group Chief Executive from July 1999.

3. Vincent O'Doherty
Age 65, became a Non-Executive Director in 1993 and was appointed Deputy Chairman and senior independent Director in July 1999. He is a director of Superquinn and is a former President of Dublin Chamber of Commerce. He is a member of the Governing Body of the Dublin Institute of Technology.

4. Richard Hewat
Age 61, joined the Company as Service Manager in 1966. He was appointed a Director in 1971 and was Group Chief Executive from 1974 to July 1999. Mr Hewat retired as an executive director of the company in March 2000 and became a Non-Executive Director from 1 April 2000.

Audit Committee
J. K. Bourke (Chairman)
J.R.B. Hewat
R. Keatinge

Remuneration Committee
R. Keatinge (Chairman)
J. K. Bourke
N.V.G. Carroll
V O'Doherty

Nominations Committee
R. Keatinge (Chairman)
N.V.G. Carroll
L.J. Martin
V. O'Doherty

Finance & Acquisitions Committee
R. Keatinge (Chairman)
N.V.G. Carroll
J.R.B. Hewat
L.J. Martin

5 6 7

8 9 10

5. Peter Byers
Age 46, was appointed Group Finance Director in May 1996. An F.C.A., he joined the Company from the Campbell Soup Company where he held the position of UK Group Finance Director.

6. Rory O'Mahony
Age 52, joined the Group as Chief Operations Director (Ireland) in 1999. He was formerly a director of Glanbia plc where he was Chief Executive of the Consumer Foods Group and prior to that Chief Executive of the Dairy Group of Avonmore Foods plc. On 31 August Mr O'Mahony will resign as an Executive Director of the Company and will remain as a Non- Executive Director until January 2002.

7. Paul Lynch
Age 34, joined the company in May 1997 to head up its Corporate Development activities and was appointed Corporate Development Director in July 2000. A Chartered Accountant he previously worked with Riada Corporate Finance Limited where he was an Associate Director.

8. John Bourke
Age 64, joined the Board as a Non-Executive Director in 1974. Formerly Managing Director of AIB Investment Managers Ltd, Dr Bourke is a business consultant, a Non-Executive Director of a number of private companies including HypoVereinsbank Ireland and Saorgus Energy Ltd and is a visiting lecturer at University College Dublin.

9. Niall Carroll
Age 60, became a Non-Executive Director of the Company in 1985. He is Managing Director of ACT Venture Capital Ltd, and a Non-Executive Director of a number of other companies. Mr Carroll will not seek re-election to the Board at the Annual General Meeting on 6 September 2001.

10. Mary O'Callaghan
Age 39,
Company Secretary.

Directors' Report

The Directors have pleasure in submitting their Annual Report together with the audited consolidated financial statements of the Group for the year ended 30 April 2001.

Business review and principal activities

The Company is a holding company whose principal operating subsidiaries in the Republic of Ireland carry on the business of builders' merchanting, steel stockholding, timber importing and distribution, manufacture of steel products and roof trusses, plant and tool hire, the wholesale and retail sale of wood products and the operation of retail homecare/DIY stores throughout the country. The Company's principal operating subsidiary in the United Kingdom carries on the business of builders' merchanting. A full review of the operations during the year is contained in the Chief Executive's Operating and Financial Review on pages 8 to 17.

Details of the principal subsidiary companies appear on page 53.

Profits, dividends and reserves

The financial statements for the year ended 30 April 2001 are set out on pages 30 to 50.

	€'000
Balance on profit and loss account at beginning of year	43,892
Profit for the financial year	26,084
Transfer of realised surplus from revaluation reserve	866
	70,842
The Directors' allocations and recommendations to deal with this amount are as follows:	
Cumulative preference dividend of €7.62c per share in respect of the year ended 31 March 2001, paid	(14)
Interim ordinary dividend of €5.8c per share, paid	(2,813)
Proposed final ordinary dividend of €6.7c per share	(3,378)
Scrip dividends	1,548
Currency translation adjustment on foreign currency net investment	(305)
Balance on profit and loss account at end of year	65,880

Movements in reserves are set out in note 17 to the financial statements on page 44.

Share capital

Movements in share capital are set out in note 16 to the financial statements on page 43.

Future developments

Future developments are outlined in the reports of the Chairman and Chief Executive on pages 4 to 7 and 8 to 17.

Board of directors

The names of the Directors and Secretary of the Company are set out on pages 18 and 19.

Mr Vincent O'Doherty and Mr Peter Byers retire by rotation in accordance with the Articles of Association and, being eligible, offer themselves for re-election. None of the Directors proposed for re-election has a service contract with the Company or any member of the Group with a notice period in excess of one year or with provisions for predetermined compensation on termination which exceeds one year's salary and benefits in kind.

Corporate governance

1. General

The Directors are committed to maintaining the highest standards of corporate governance and this statement describes how the Principles of Good Governance set out in the Combined Code are applied.

2. Board of Directors

The Board of Heiton Holdings plc comprises four executive Directors and five non-executive Directors. The roles of Chairman and Chief Executive are separate. The non-executive directors are independent of management and free from any business or other relationship which could interfere with the exercise of their independent judgement. Brief biographies for all directors appear under their photographs on pages 18 and 19. All of the directors bring independent judgement to bear on issues of strategy, performance, resources, including key appointments, and standards of conduct.

The Board holds regular meetings (normally at least nine per annum) and there is contact between meetings as required to progress the Group's business. The Directors receive regular and timely information in a form and quality appropriate to enable the Board to discharge its duties. The Board has a formal schedule of matters specifically reserved to it for decision. This covers the key areas of the Group's business including approval of financial statements, budgets, acquisitions, significant capital expenditure, dividends and new appointments to the Board. There is an established procedure for Directors to take independent professional advice if they consider this necessary. All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that applicable rules and regulations are complied with and that Board procedures are followed.

3. Board Committees

Four Committees of the Board are in place - an Audit Committee, a Remuneration Committee, a Nominations Committee and a Finance and Acquisitions Committee. The Audit Committee, comprised of three non-executive Directors, meets at least four times a year to review the annual report and the preliminary and interim announcements of results prior to submission to the full Board for formal approval and to review the findings of the external and internal auditors with them. The Remuneration Committee meets at least twice a year and has four non-executive Directors. This Committee reviews the performance of executive management, including executive Directors, and is responsible for setting their remuneration levels including performance related remuneration and pension entitlements. The Nominations Committee, which is comprised of three non-executive Directors and the Chief Executive, meets as necessary and is responsible for proposing candidates for appointment to the Board having regard to the balance and structure of the Board. The Finance and Acquisitions Committee with three non-executive Directors and the Chief Executive as members meets as necessary to review critical acquisition proposals and advise on financing structure and policy.

4. Re-election of Directors

Non-executive Directors are appointed for three year terms, subject to re-election and to Companies Act provisions relating to the removal of a director, and reappointment is not automatic. Under the Articles of Association all Directors are subject to election by shareholders at the first AGM following their appointment.

5. Directors' Remuneration

The Remuneration Committee

The Remuneration Committee consists solely of four non-executive Directors (as set out on page 18). The terms of reference for the Committee are to establish the Group's policy on executive remuneration and to consider and approve salaries and other terms of the remuneration package for the executive Directors. The Remuneration Committee considers proposals regarding the remuneration of executive Directors and a number of senior executives and consults with the Chief Executive fully on these matters. Outside independent professional advice is sought when necessary. The remuneration of the non-executive Directors is determined by the Board within the limits of the Articles of Association of the Company.

Directors' Report continued

Remuneration Policy

The Group's policy on executive Directors' remuneration recognises that employment and remuneration conditions for senior executives should properly reward and motivate them to perform in the best interest of the shareholders.

A remuneration scheme has been put in place which links earnings to the increase in total return to shareholders. The typical elements of the remuneration package for executive Directors are basic salary and benefits, annual bonus, pensions and participation in the share option plan. Under the scheme the basic salary structure is at the lower end of peer group levels with increases linked to PPF. There is also a bonus structure that offers the potential for above peer group rewards to be earned linked to the delivery of economic profit and shareholder return. The intention of the Board is that there should be a clear incentive for Executives to maximise Economic Profit.

Annual bonuses are only paid if the economic profit is positive and thereby it is directly linked to growth of earnings and value creation. This scheme has been extended during the current year to senior management in the group to encourage a broader based view of the need for outstanding performance. Details of the calculation of economic profit can be found in the finance section of the Chief Executive's report.

Pensions for executive Directors are calculated on basic salary only - no incentive or benefit elements are included - and in general aim to provide two-thirds of salary at retirement for full service. In the case of executive Directors and some key senior management there is provision for retirement at 60 years of age.

Directors' Service Contracts

There are no service contracts between any Director of the Company and the Company or any of its subsidiaries with a notice period in excess of one year or with provisions for predetermined compensation on termination which exceeds one year's salary and benefits in kind.

Directors' Interests

The beneficial and non-beneficial interests of the Directors and Secretary of the Company and their spouses and minor children in the share capital of the Company at 30 April 2001 and 30 April 2000 were as follows:

		Ordinary shares		6%
		Beneficial	Non-beneficial	Cumulative preference shares
30 April 2001				
John Bourke		5,452	-	-
Peter Byers		148,809	*244,368	-
Niall Carroll		34,839	-	-
Richard Hewat		486,064	-	2,810
Richard Keatinge		21,759	-	-
Paul Lynch	(appointed 5 July 2000)	1,449	-	-
Leo Martin		200,903	*244,368	-
Stephen O'Connor	(retired 30 April 2001)	31,634	-	-
Vincent O'Doherty		9,311	-	-
Rory O'Mahony		12,000	-	-
Mary O'Callaghan	(Company Secretary)	33,702	-	-
30 April 2000				
John Bourke		4,816	-	-
Peter Byers		64,502	-	-
Niall Carroll		34,367	-	-
Richard Hewat		530,835	*192,429	2,810
Richard Keatinge		11,301	-	-
Leo Martin		125,423	*192,429	-
Stephen O'Connor		31,203	-	-
Vincent O'Doherty		179	-	-
Rory O'Mahony		12,000	-	-
Mary O'Callaghan	(Company Secretary)	32,550	-	-

* Held in their capacity as trustees of the Heiton Holdings plc Employee Profit Sharing Scheme.

Mr Paul Lynch who was appointed Director on 5 July 2000 held 112 ordinary shares beneficially on that date.

Directors' Report continued

Directors' Interests - continued

Details of share options held by the Directors and the Company Secretary are as follows:

	30 April 2000	Granted during year	Exercised during year	30 April 2001	Weighted average price of options outstanding at 30 April 2001	Exercisable by
Peter Byers	147,000	31,050	(75,000)	103,050	2.6068	July 2010
Richard Hewat	115,000	-	(115,000)	-	-	-
Paul Lynch (appointed 5 July 2000)	40,932	20,250	-	61,182	2.7831	July 2010
Leo Martin	175,000	40,350	(75,000)	140,350	2.7446	July 2010
Rory O'Mahony	41,500	28,350	-	69,850	3.0782	July 2010
Mary O'Callaghan (Company Secretary)	15,000	2,880	-	17,880	2.0649	July 2010

Mr Paul Lynch who was appointed a director on 5 July 2000 held 40,932 options at that date.

The options exercised during the year as shown above, were exercised at a weighted average price of €1.904607 (the market price when the options were granted).

The market price of the Company's ordinary shares on the Irish Stock Exchange at 30 April 2001 was €3.45 and the price range during the year was €2.78 to €3.95.

Other than as stated above there are no non-beneficial holdings held by any of the Directors. The ordinary shares under option are granted under an Executive Share Option Scheme. There were no transactions by the Directors between 30 April 2001 and 4 July 2001.

Other than as stated below the Directors and Company Secretary had no interest, otherwise than through the Company, in the share capital and debentures of any subsidiary at 30 April 2001 or 30 April 2000.

300 "A" ordinary shares of €1.27 (IR£1) each in Dunmore Holdings Limited are not held by the Company. Beneficial interests in these shares are held by the following Directors of the Company:

	30 April 2001	30 April 2000
Peter Byers	**150**	100
Richard Hewat	**-**	100
Leo Martin	**150**	100

Other than as stated above there have not been any contracts or arrangements material to the Company or any of its subsidiaries in which a Director of the Company was materially interested, and which was significant in relation to the Company's business.

Directors' emoluments

		Salaries and fees €'000	Performance related bonuses €'000	Benefits in kind €'000	Pension contributions €'000	Total €'000
Executive Directors						
Peter Byers		153	163	11	31	358
Paul Lynch	(appointed 5 July 2000)	99	87	9	20	215
Leo Martin		193	207	13	39	452
Rory O'Mahony		140	115	10	21	286
Non-executive Directors						
John Bourke		25	-	-	-	25
Niall Carroll		25	-	-	-	25
Richard Hewat		36	-	-	-	36
Richard Keatinge		25	-	-	-	25
Stephen O'Connor		46	-	-	-	46
Vincent O'Doherty		32	-	-	-	32
Total 2001		774	572	43	111	1,500
Total 2000		728	324	31	108	1,191

Fees are payable to non-executive Directors only.

Directors' pensions: benefits under defined benefit scheme

	Increase in year in accrued pension benefits €'000	Transfer value of increase in accrued pension benefits €'000	Total accrued pension benefits at year end €'000
Peter Byers	5	30	21
Paul Lynch	2	3	8
Leo Martin	7	62	77
Total 2001	14	95	106
Total 2000	46	421	194

In addition €18,581 was paid by a subsidiary into a defined contribution scheme on behalf of Rory O'Mahony. No pension benefits are attributable to non-executive Directors in their capacity as non-executive Directors.

The Directors' remuneration shown comprises all of the fees, salaries, pension contributions and other benefits and emoluments paid to Directors.

6. **Relations with Shareholders**

Heiton Holdings attaches a high priority to investor relations. An ongoing programme of shareholder communication on strategy and performance is well established. There is regular dialogue with individual institutional investors as well as general presentations at the time of the release of the annual and interim results. Results announcements are sent promptly to all shareholders and published on the Group's web site at http://www.heitons.ie. The Company's AGM affords individual shareholders the opportunity to question the Chairman and the Board. In addition, the Company responds throughout the year to numerous letters and telephone calls from shareholders on a wide range of issues.

As in 2000, arrangements have been made for the 2001 annual report and AGM notice to be sent to shareholders 20 working days before the meeting. The level of proxy votes cast on each resolution, and the numbers for and against, will be announced at the 2001 AGM.

Directors' Report continued

7. Accountability and Audit

The written terms of reference of the Audit Committee deal clearly with its authority and duties which include consideration of the appointment of the external auditors and their fees and review of the scope and results of the work performed by both internal and external auditors.

In October 1999 the Irish Stock Exchange adopted the Turnbull Working Party's "Internal Control Guidance for Directors on the Combined Code". This formalised the need by the Company to consider risk management, operational and compliance controls as well as financial controls. The Group has undertaken a rigorous review of its internal control and reporting procedures as a result of which certain control procedures have been updated and the appointment of a Group Risk Manager has been approved. The Directors confirm that the Group's ongoing process for identifying, evaluating and managing the significant risks that face the business is in accordance with the Turnbull guidance. The process has been in place up to the date of approval of the Annual Report and Financial Statements.

The directors are responsible for the Group's system of financial control which provides reasonable but not absolute assurance:

- that proper accounting records are maintained;
- as to the reliability and integrity of the financial statements;
- that assets are safeguarded against unauthorised use or disposition;
- that fraud and other material irregularities are prevented and detected.

The key elements of the procedures established by the Directors to provide effective internal financial control are:

- an Audit Committee, which meets regularly, inviting, where appropriate, Company executives, internal and external auditors. They review reports on various aspects of control, the Group's annual report and statutory financial statements and other published financial information, and ensure that no restrictions are placed on the scope of the statutory audit or on the independence of the internal audit function. The chairman of the Audit Committee reports to the Board on all significant issues considered by the Committee and the minutes of its meetings are circulated to all Directors.

- The Audit Committee reviews, on a regular basis, reports on the key risks facing the different businesses within the Group and how the management of those businesses are managing these risks having regard to the balance of risk, cost and opportunity.

- a comprehensive annual budgeting and financial reporting system.

- an internal auditor who prepares an annual plan for Audit Committee approval. Regular reports are made to the Committee on the evaluation of internal financial control and assessment of business risk. The internal auditor has direct access to the Audit Committee.

- clear policies and procedures over all key areas of revenue and expenditure, including capital investment, physical and computer security and business resumption planning.

- a clearly defined organisation structure with defined lines of authority and accountability. Appropriately experienced and qualified staff have been allocated responsibility for major business functions.

The Directors recognise that an effective internal control system is an essential part of the efficient management of the company. Utilising the procedures described above, the Directors confirm that they have conducted an annual review of the effectiveness of the system of internal control up to and including the date of approval of the financial statements.

The Directors confirm, having made appropriate enquiries, that the Group has adequate resources to continue operations for the foreseeable future and have, therefore, prepared the financial statements on a going concern basis.

8. Compliance Statement

Heiton Holdings has complied, during the year ended 30 April 2001, with all of the Principles of Good Governance and Code of Best Practice ("the Combined Code").

Directors' responsibilities

In accordance with Irish company law, the Directors acknowledge their responsibilities for the preparation of financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that financial year. In preparing those financial statements, the directors recognise the requirements to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to do so.

The Directors acknowledge their responsibility for keeping proper books of account which disclose with reasonable accuracy, at any time, the financial position of the Group and which enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with Irish statute comprising the Companies Acts, 1963 to 1999 and the European Communities (Companies: Group Accounts) Regulations, 1992. The Directors recognise their responsibility for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Substantial interests

The Directors have been notified of the following substantial interests as at 4 July 2001:

Grafton Group plc	18.78%
Allied Irish Banks plc and its subsidiaries	10.53%
Mr EC Johnson/Fidelity International Ltd/FMR Corp	9.54%
Bank of Ireland Asset Management Ltd	5.23%
Scottish Provident	3.72%
Jupiter Asset Management	3.04%

Research and development

Under this heading the Group's principal activities are product sourcing and market research.

Welfare of employees

It is the policy of the Group to ensure the health and welfare of employees by maintaining a safe place and system of work. This policy is embraced in safety statements and is based on the requirements of employment legislation, including the Safety, Health and Welfare at Work Act, 1989.

Company status

So far as the Directors are aware, the close company provisions of the Taxes Consolidation Act, 1997 did not apply to the Company at 30 April 2001.

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office as auditors of the Company.

On behalf of the Board

R Keatinge
LJ Martin

4 July 2001

Auditors' Report to the members of Heiton Holdings plc

We have audited the financial statements on pages 30 to 50.

Respective responsibilities of directors and auditors
The Directors are responsible for preparing the Annual Report. As described on page 27, this includes responsibility for preparing the financial statements in accordance with Accounting Standards generally accepted in Ireland. Our responsibilities, as independent auditors, are established in Ireland by statute, the Auditing Practices Board, the Listing Rules of the Irish Stock Exchange and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 1999 and the European Communities (Companies: Group Accounts) Regulations, 1992. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit and whether the Company balance sheet is in agreement with the books of account. We also report to you our opinion as to:

- whether the Company has kept proper books of account;

- whether the Directors' report is consistent with the financial statements; and

- whether at the balance sheet date there existed a financial situation which may require the Company to hold an extraordinary general meeting; such a financial situation may exist if the net assets of the Company, as stated in the Company balance sheet, are not more than half of its called-up share capital.

We also report to you if, in our opinion, any information required by law or the Listing Rules of the Irish Stock Exchange regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

We review whether the statement on page 26 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Irish Stock Exchange, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls or to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its risk and control procedures.

Basis of opinion
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 30 April 2001 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 1999 and the European Communities (Companies: Group Accounts) Regulations, 1992.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Company. The Company balance sheet is in agreement with the books of account.

In our opinion the information given in the Directors' report on pages 20 to 27 is consistent with the financial statements.

The net assets of the Company, as stated in the Company balance sheet on page 36, are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 30 April 2001 a financial situation which under Section 40(1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the Company.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors

Dublin
4 July 2001

Accounting Policies

The significant accounting policies adopted by the group are as follows:

1 **Basis of preparation**

The financial statements are prepared in accordance with accounting standards generally accepted in Ireland and Irish statute comprising the Companies Acts, 1963 to 1999, and the European Communities (Companies: Group Accounts) Regulations, 1992. Accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view are those published by the Institute of Chartered Accountants in Ireland and issued by the Accounting Standards Board.

2 **Basis of accounting**

The financial statements are prepared under the historical cost convention as modified by the inclusion of certain fixed assets on the basis of valuations in excess of cost.

3 **Basis of consolidation**

The group financial statements include the results of the parent company and all of its subsidiary undertakings made up to 30 April 2001.

4 **Goodwill**

With effect from 1 May 1998 purchased goodwill, being the excess of the consideration over the fair values of the identifiable assets and liabilities of acquired undertakings, is capitalised and related amortisation based on its useful life of 10 to 20 years is charged against operating profits. Goodwill arising prior to that date was written off immediately to reserves.

5 **Tangible fixed assets and depreciation**

Land and buildings are stated on the basis of revaluations less accumulated depreciation on buildings. The amount attributable to revalued buildings, for the purpose of calculating depreciation, has been estimated by professional valuers.

Other tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is calculated in order to write off the cost or valuation of tangible fixed assets, other than land, over their estimated useful lives.

6 **Leased assets**

Assets acquired under finance leases are capitalised as tangible fixed assets and depreciated over the shorter of the lease term or their estimated useful lives. The related obligation is included in creditors. Finance costs are charged to the profit and loss account over the primary period of the lease.

Operating lease rentals are charged to the profit and loss account in the year in which they arise.

7 **Stocks**

Stocks, which consist principally of bought-in goods held for resale, are valued at the lower of cost and net realisable value. Cost is determined by reference to invoice price, together with the cost of delivery to the group's premises where appropriate. Net realisable value is determined by taking account of the expected selling price less all costs to be incurred in marketing, selling and distribution.

8 **Turnover**

Turnover represents the amounts invoiced by group companies for goods supplied and services rendered to customers outside the group.

9 **Deferred taxation**

Provision is made for deferred taxation by the liability method on timing differences except to the extent that it is not expected to become payable in the foreseeable future.

10 **Foreign currencies**

Assets and liabilities denominated in foreign currencies are translated to euros at the exchange rates ruling at the balance sheet date or at contracted rates as appropriate. The operating results of subsidiaries in non-euro countries are translated to euros at average exchange rates. Translation adjustments arising from the restatement of the opening net investment in non-euro subsidiaries at year end exchange rates and the translation of their results at average exchange rates are dealt with through reserves. All other translation adjustments are dealt with in the profit and loss account.

11 **Derivative financial instruments**

Swap agreements are used to hedge the group's exposure to fluctuations in foreign currency and interest rates on its US dollar senior loan notes. These loan notes are translated at the currency swap rates.

Forward currency contracts are used to manage exposures on trading purchases denominated in foreign currencies. Purchases and the related liabilities are translated at the contract rate at the date of the transaction.

12 **Pension costs**

The pension cost relating to the group schemes is assessed in accordance with the advice of a qualified independent actuary and is charged to the profit and loss account on a basis calculated to spread the cost of pensions over the expected service lives of current employees.

Group Profit and Loss Account

Year Ended 30 April 2001

	Notes	2001 €'000	2000 €'000
Turnover	1	**369,246**	318,957
Operating profit	2	**26,328**	22,759
Exceptional item - Profit on disposal of property	3	**10,129**	-
Profit on ordinary activities before interest		**36,457**	22,759
Interest payable	4	**(4,160)**	(3,182)
Profit before taxation		**32,297**	19,577
Taxation	5	**(6,213)**	(4,571)
Profit for the financial year		**26,084**	15,006
Dividends paid	6	**(2,827)**	(2,274)
Dividends proposed	6	**(3,378)**	(2,503)
Retained for the year		**19,879**	10,229
Basic earnings per share in cents	7	**53.90**	31.61
Diluted earnings per share in cents	7	**53.70**	31.40
Basic earnings per share pre-exceptional item in cents	7	**37.57**	31.61
Pre-goodwill and pre-exceptional item earnings per share in cents	7	**40.19**	33.51

Turnover and operating profit arose solely from continuing operations.

On behalf of the Board

R Keatinge
LJ Martin

Group Balance Sheet

30 April 2001

	Notes	2001 €'000	2000 €'000
Fixed assets			
Tangible assets	8	**106,456**	97,197
Intangible assets	9	**22,227**	22,008
Financial assets	10	**843**	-
		129,526	119,205
Current assets			
Stocks	11	**57,093**	51,111
Debtors	12	**86,676**	70,531
Cash at bank and in hand		**13,519**	9,570
		157,288	131,212
Creditors - amounts falling due within one year	13	**(113,807)**	(104,909)
Net current assets		**43,481**	26,303
Total assets less current liabilities		**173,007**	145,508
Creditors - amounts falling due after more than one year	14	**(45,177)**	(44,792)
Provisions for liabilities and charges			
Deferred taxation	15	**(698)**	(2,600)
		127,132	98,116
Capital and reserves			
Called-up share capital	16	**16,364**	15,486
Share premium	17	**15,468**	8,775
Revaluation reserve	17	**29,420**	29,963
Profit and loss account	17	**65,880**	43,892
		127,132	98,116
Equity shareholders' funds		**126,903**	97,887
Non-equity shareholders' funds		**229**	229
		127,132	98,116

On behalf of the Board

R Keatinge
LJ Martin

Group Cash Flow Statement

Year Ended 30 April 2001

	Notes	2001 €'000	2000 €'000
Net cash inflow from operating activities	18	**26,936**	22,074
Returns on investments and servicing of finance:			
Interest and preference dividends paid	19	**(4,086)**	(2,948)
Taxation paid: Corporation tax		**(4,925)**	(4,730)
Capital expenditure and financial investment	19	**(16,561)**	(10,222)
Acquisitions and disposals: Purchase of new undertakings		**(10,194)**	(12,736)
Equity dividends paid		**(3,765)**	(3,293)
Net cash outflow before financing		**(12,595)**	(11,855)
Financing			
Issue of new share capital		**7,571**	336
Increase in debt	19	**8,875**	7,662
		16,446	7,998
Increase/(decrease) in cash		**3,851**	(3,857)

Reconciliation of Net Cash Flow to Movement in Net Debt

Year Ended 30 April 2001

	Notes	2001 €'000	2000 €'000
Increase/(decrease) in cash above		**3,851**	(3,857)
Increase in debt above		**(8,875)**	(7,662)
New finance leases	20	**(2,260)**	(2,128)
Change in net debt		**(7,284)**	(13,647)
Net debt at beginning of year		**(43,183)**	(29,536)
Net debt at end of year	20	**(50,467)**	(43,183)

On behalf of the Board

R Keatinge
LJ Martin

Statement of Total Recognised Gains and Losses

Year Ended 30 April 2001

	Notes	2001 €'000	2000 €'000
Profit for the financial year		**26,084**	15,006
Currency translation adjustment on foreign currency net investment	17	**18**	(7)
Total recognised gains and losses for the year		**26,102**	14,999

Note of Historical Cost Profits and Losses

The difference between the reported profits and those calculated on an unmodified historical cost basis is not material.

Movements on Profit and Loss Account

Year Ended 30 April 2001

	Notes	2001 €'000	2000 €'000
At beginning of the year		**43,892**	32,980
Scrip dividends	6	**1,548**	811
Retained for the year		**19,879**	10,229
Transfer from revaluation reserve	17	**866**	-
Currency translation adjustment on foreign currency net investment	17	**(305)**	(7)
Renominalisation of share capital		**-**	(121)
At end of the year		**65,880**	43,892

Reconciliation of Movements in Shareholders' Funds

Year Ended 30 April 2001

	Notes	2001 €'000	2000 €'000
Profit for the financial year		**26,084**	15,006
Dividends	6	**(6,205)**	(4,777)
		19,879	10,229
Scrip dividends	6	**1,548**	811
Issue of new share capital	16 &17	**7,571**	457
Currency translation adjustment on foreign currency net investment	17	**18**	(7)
Renominalisation of share capital		**-**	(121)
Net addition to shareholders' funds		**29,016**	11,369
Shareholders' funds at beginning of year		**98,116**	86,747
Shareholders' funds at end of year		**127,132**	98,116

On behalf of the Board

R Keatinge
LJ Martin

Company Balance Sheet

30 April 2001

	Notes	2001 €'000	2000 €'000
Fixed assets			
Financial assets	23	**43,817**	42,828
Current assets			
Debtors	12	**63,075**	48,446
Cash at bank and in hand		**1,674**	-
		64,749	48,446
Creditors - amounts falling due within one year	13	**(26,233)**	(18,128)
Net current assets		**38,516**	30,318
Total assets less current liabilities		**82,333**	73,146
Creditors - amounts falling due after more than one year	14	**(42,479)**	(42,291)
Provisions for liabilities and charges			
Deferred taxation	15	**-**	(217)
		39,854	30,638
Capital and reserves			
Called-up share capital	16	**16,364**	15,486
Share premium	17	**15,468**	8,775
Revaluation reserve	17	**6,073**	6,073
Profit and loss account	17	**1,949**	304
		39,854	30,638
Equity shareholders' funds		**39,625**	30,409
Non-equity shareholders' funds		**229**	229
		39,854	30,638

On behalf of the Board

R Keatinge
LJ Martin

Notes to the Financial Statements

1 Segmental analysis

	2001 €'000	2000 €'000
Turnover:		
Builders merchanting	**214,850**	189,587
Hire	**13,506**	11,947
Steel stockholding	**25,939**	23,676
Retail/DIY	**42,614**	31,274
Panelling Centre	**16,971**	1,114
Total Ireland	**313,880**	257,598
UK – builders merchanting	**55,366**	61,359
Total	**369,246**	318,957
Operating profit before goodwill amortisation:		
Ireland	**26,791**	21,314
United Kingdom	**801**	2,349
	27,592	23,663

The group operates in the Republic of Ireland and the United Kingdom. Additional segmental information analysed by class of business or geographic location, under Statement of Standard Accounting Practice No.25 Segmental Reporting, is not disclosed because in the opinion of the Directors the disclosure of such information would be prejudicial to the interests of the group.

2 Operating profit

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

	2001 €'000	2000 €'000
Turnover	**369,246**	318,957
Movement in stocks	**5,338**	7,564
Purchase of goods	**(266,968)**	(234,021)
Staff costs (note 27)	**(43,146)**	(35,850)
Depreciation	**(7,151)**	(5,857)
Amortisation of goodwill (note 9)	**(1,264)**	(904)
Auditors' remuneration	**(192)**	(175)
Other operating charges	**(29,535)**	(26,955)

3 Exceptional item

	2001 €'000	2000 €'000
Profit on disposal of property	**10,129**	-

Notes to the Financial Statements continued

4 Interest payable

	2001 €'000	2000 €'000
Interest on borrowings wholly repayable within 5 years:		
- Loans and overdrafts and trade bills	**2,540**	1,312
- Finance leases	**18**	115
	2,558	1,427
Interest on borrowings wholly or partly repayable after 5 years:		
- Senior guaranteed notes	**1,514**	1,510
Notional interest on acquisition of Cooper Clarke Group Limited	**88**	245
	4,160	3,182

5 Taxation

	2001 €'000	2000 €'000
Taxation based on the profit for the year:		
Corporation tax:		
- Republic of Ireland	**8,062**	4,121
- Other	**51**	230
Deferred taxation (note 15)	**(1,900)**	220
	6,213	4,571

6 Dividends

	2001 €'000	2000 €'000
Ordinary: Interim @ €5.8c per share (2000: €4.75c) – paid	**2,813**	2,260
Final @ €6.7c per share (2000: €5.25c) – proposed	**3,378**	2,503
Total @ €12.5c per share (2000: €10.00c)	**6,191**	4,763
Preference @ €7.62c per share (2000: €7.62c) - paid	**14**	14
	6,205	4,777

Dividends included above, taken by shareholders in the form of scrip dividends (note 17), amounted to:

	2001	2000
- Final 2000	**351**	317
- Interim 2001	**1,197**	494
	1,548	811

The dividends of €14,000 on the preference shares are non-equity dividends. All other dividends are equity dividends.

7 Earnings per share

	2001 €'000	2000 €'000
Based on the following earnings and number of shares:		
Earnings		
Profit for the financial year	**26,084**	15,006
Preference dividends	**(14)**	(14)
Earnings for basic and diluted EPS	**26,070**	14,992
Exceptional item	**(10,129)**	-
Tax attributable to exceptional item	**2,233**	-
Earnings for pre-exceptional item EPS	**18,174**	14,992
Goodwill amortisation	**1,264**	904
Earnings for pre-goodwill and pre-exceptional item EPS	**19,438**	15,896
Average number of ordinary shares		
For basic and pre-goodwill and pre-exceptional item EPS	**48,371**	47,444
Dilutive effect of share options	**180**	290
For diluted EPS	**48,551**	47,734
Basic earnings per share in cents	**53.90**	31.61
Diluted earnings per share in cents	**53.70**	31.40
Basic earnings per share pre-exceptional item in cents	**37.57**	31.61
Pre-goodwill and pre-exceptional item earnings per share in cents	**40.19**	33.51

8 Tangible fixed assets

	Land and buildings €'000	Plant and equipment €'000	Motor vehicles €'000	Total €'000
Cost or valuation				
At beginning of year	72,703	37,544	8,808	119,055
Assets in new undertakings	-	126	217	343
Additions	10,014	9,452	1,544	21,010
Disposals	(1,502)	(3,163)	(1,566)	(6,231)
Translation adjustment	(1,546)	(323)	(345)	(2,214)
At end of year	79,669	43,636	8,658	131,963
Accumulated depreciation				
At beginning of year	761	17,976	3,121	21,858
Assets in new undertakings	-	114	84	198
Charge for year	853	4,971	1,327	7,151
Disposals	(36)	(2,042)	(1,124)	(3,202)
Translation adjustment	(142)	(231)	(125)	(498)
At end of year	1,436	20,788	3,283	25,507
Net book amounts				
At end of year	78,233	22,848	5,375	106,456
At beginning of year	71,942	19,568	5,687	97,197

A full valuation of the group's land and buildings was performed by external valuers, Lisney, at 30 April 1999 principally on an existing use value basis.

Assets acquired in new undertakings are included at fair value at the date of acquisition (note 22).

Depreciation has been applied at the following rates:

Buildings	Average 1½% p.a. straight line
Plant and equipment	10% - 33⅓% p.a. straight line
Motor vehicles	20% p.a. reducing balance

Included in tangible fixed assets are the following amounts in respect of assets acquired under finance leases:

	2001 €'000	2000 €'000
Cost	**7,041**	5,129
Accumulated depreciation	**(1,675)**	(1,035)
Net book amount	**5,366**	4,094
Depreciation charge for year	**936**	561

Land and buildings would have been stated as follows under the unmodified historical cost convention:

	2001 €'000	2000 €'000
Cost	**50,243**	40,561
Accumulated depreciation	**(3,881)**	(3,298)
Net book amount	**46,362**	37,263

9 Intangible assets - goodwill

	2001 €'000	2000 €'000
Cost		
At beginning of year	23,636	19,111
Arising during year (note 22)	2,233	4,864
Adjustment to prior year goodwill	319	-
Reduction during year	-	(2,618)
Translation adjustment	(1,176)	2,279
At end of year	25,012	23,636
Accumulated amortisation		
At beginning of year	1,628	520
Charge for year	1,264	904
Translation adjustment	(107)	204
At end of year	2,785	1,628
Net book amount	22,227	22,008

Goodwill is amortised on a straight line basis over its economic useful life estimated as between 10 and 20 years.

In accordance with the group's accounting policy, goodwill arising on the acquisition of undertakings prior to 1 May 1998 remains eliminated against or added to reserves. Since 1979, such positive goodwill amounted to €6,598,000 and negative goodwill to €2,509,000. This goodwill would be charged or credited in the profit and loss account should the group dispose of the businesses to which it relates.

10 Financial assets

	2001 €'000	2000 €'000
Shares in Buy4Now Limited at cost	843	-

The group holds an 8% interest in Buy4Now Limited, an on-line shopping operation, incorporated in Ireland.

11 Stocks

Stocks consist principally of bought-in goods held for resale.

The replacement cost of stocks does not differ significantly from the balance sheet amounts.

12 Debtors

	Group 2001 €'000	2000 €'000	Company 2001 €'000	2000 €'000
Trade debtors	65,031	64,467	-	-
Amounts owed by subsidiary undertakings	-	-	62,766	48,446
Other debtors and prepayments	21,645	6,064	309	-
	86,676	70,531	63,075	48,446

All amounts included above fall due within one year.

Notes to the Financial Statements continued

13 Creditors - amounts falling due within one year	Group 2001 €'000	2000 €'000	Company 2001 €'000	2000 €'000
Bank loans and overdrafts (note 14)	**17,361**	6,536	**13,402**	2,002
Trade creditors	**65,826**	65,688	**-**	-
Trade bills payable	**273**	203	**-**	-
Amounts owed to subsidiary undertakings	**-**	-	**8,237**	12,050
Corporation tax	**8,931**	5,696	**-**	-
Income tax deducted under PAYE	**668**	530	**-**	-
Value-added tax	**4,260**	5,120	**-**	-
Pay-related social insurance	**363**	317	**-**	-
Finance leases	**1,448**	1,425	**-**	-
Accruals	**8,918**	7,004	**10**	33
Deferred acquisition consideration	**2,381**	9,887	**1,206**	1,540
Dividends proposed (note 6)	**3,378**	2,503	**3,378**	2,503
	113,807	104,909	**26,233**	18,128
Creditors for taxation and social welfare included above	**14,222**	11,663	**-**	-

Deferred acquisition consideration of €1,175,000 is guaranteed by certain subsidiary undertakings.

14 Creditors - amounts falling due after more than one year	Group 2001 €'000	2000 €'000	Company 2001 €'000	2000 €'000
Bank loans	**21,387**	21,889	**21,387**	21,199
Senior guaranteed notes	**21,092**	21,092	**21,092**	21,092
Finance leases	**2,698**	1,811	**-**	-
	45,177	44,792	**42,479**	42,291

The maturity profile and guarantees in respect of debt are shown in note 20.

15 Deferred taxation	Group 2001 €'000	2000 €'000	Company 2001 €'000	2000 €'000
On accelerated capital allowances and other timing differences:				
At beginning of year	**2,600**	2,402	**217**	186
(Credit)/charge to profit and loss account (note 5)	**(1,900)**	220	**(217)**	31
Translation adjustment	**(2)**	(22)	**-**	-
At end of year	**698**	2,600	**-**	217

Deferred taxation not provided for at 30 April 2001 amounted to €Nil (2000: €Nil).

16 Share capital

	2001 €'000	2000 €'000
Authorised:		
Equity: 60,000,000 ordinary shares of €32c each	**19,200**	19,200
Non-equity: 180,000 6% cumulative preference shares of €1.27 each	**229**	229
	19,429	19,429
Allotted and fully paid:		
Equity: 50,421,685 ordinary shares of €32c each	**16,135**	15,257
Non-equity: 180,000 6% cumulative preference shares of €1.27 each	**229**	229
	16,364	15,486

	Shares 000's	Nominal value €'000
The movement in allotted and fully paid ordinary share capital comprises:		
At beginning of year	47,677	15,257
Placing of new shares	1,850	592
Scrip dividends (note 17)	490	156
Issue of shares under the employee profit sharing scheme	105	34
Exercise of share options	300	96
At end of year	50,422	16,135

In March 2001, 1,850,000 ordinary shares were placed for cash at €3.80 per share.

Under the terms of the employee profit sharing scheme introduced on 26 October 1989, 105,302 ordinary shares were allotted at €2.89 each for cash of €304,323.

Under the terms of the share option scheme introduced on 10 April 2000, senior members of management within the group may be granted options to subscribe for ordinary shares up to a maximum of 10% of the company's shares having allowed for options under all the employee share schemes. At 30 April 2001 options had been granted in respect of 343,055 shares at an average price of €2.94 per ordinary share.

The share option scheme introduced on 11 October 1979 for senior members of management within the group was closed during year ended April 2000. Options in respect of 300,000 ordinary shares were exercised during the year for cash of €547,130. At 30 April 2001 options had been granted in respect of 461,118 ordinary shares at an average price of €2.26 per ordinary share.

Under the terms of the Employees Savings Related Share Option Scheme introduced on 25 October 2000 established pursuant to a resolution of the company at the Annual General Meeting on 9 September 1999, all employees who have completed 2 years service with the Group may be granted options to subscribe for ordinary shares up to a maximum of 10% of the company's shares having allowed for options under all employee share schemes. At 30 April 2001 options had been granted in respect of 394,121 shares at an average price of €2.81 per ordinary share.

The cumulative preference shares are entitled to a fixed cumulative dividend at the rate of 6% per annum, subject to withholding tax, payable half yearly in arrears on 1 October and 1 April. On a winding up the holders have priority to receive repayment of capital plus all arrears of dividend. The holders have no voting rights unless the dividend is in arrears by six months or more.

Notes to the Financial Statements continued

17 Reserve movements

	Share premium account €'000	Revaluation reserve €'000	Profit and loss account €'000	Total €'000
Group				
At beginning of year	8,775	29,963	43,892	82,630
Scrip dividends (notes 6 & 16)	(156)	-	1,548	1,392
Issue of shares under the employee profit sharing scheme (note 16)	271	-	-	271
Issue of shares under the executive share option scheme (note 16)	451	-	-	451
Placing of new shares	6,438	-	-	6,438
Expenses in connection with share issues	(311)	-	-	(311)
Realised on sale of property	-	(866)	866	-
Retained for the year	-	-	19,879	19,879
Currency translation adjustment on foreign currency net investments	-	323	(305)	18
At end of year	15,468	29,420	65,880	110,768
Company				
At beginning of year	8,775	6,073	304	15,152
Scrip dividends (notes 6 & 16)	(156)	-	1,548	1,392
Issue of shares under the employee profit sharing scheme (note 16)	271	-	-	271
Issue of shares under the executive share option scheme (note 16)	451	-	-	451
Placing of new shares	6,438	-	-	6,438
Expenses in connection with share issues	(311)	-	-	(311)
Retained for the year	-	-	97	97
At end of year	15,468	6,073	1949	23,490

The profit for the financial year includes a profit of €6,302,000 (2000: €4,044,000) which has been dealt with in the profit and loss account of the company which, as permitted by section 3(2) of the Companies (Amendment) Act, 1986, is not presented in these financial statements.

18 Reconciliation of operating profit to net cash inflow from operating activities

	2001 €'000	2000 €'000
Operating profit	**26,328**	22,759
Depreciation	**7,151**	5,857
Profit on disposal of tangible fixed assets	**(499)**	(201)
Amortisation of goodwill	**1,264**	904
Cash inflow from trading	**34,244**	29,319
Stocks	**(5,338)**	(7,564)
Debtors	**(2,433)**	(5,955)
Creditors	**463**	6,274
Cash outflow from working capital	**(7,308)**	(7,245)
Net cash inflow from operating activities	**26,936**	22,074

19 Cash flows for headings netted in cash flow statement

	2001 €'000	2000 €'000
Returns on investments and servicing of finance		
Interest paid	**(4,054)**	(2,819)
Finance lease interest payments	**(18)**	(115)
Preference dividends	**(14)**	(14)
	(4,086)	(2,948)
Capital expenditure		
Purchase of tangible fixed assets	**(21,010)**	(14,367)
Purchase of financial asset	**(843)**	-
Less: New finance leases	**2,260**	2,128
	(19,593)	(12,239)
Disposal of tangible fixed assets	**3,032**	2,017
	(16,561)	(10,222)
Increase/(decrease) in debt (note 20)		
Debt due after one year	**5,570**	8,214
Debt due within one year	**4,655**	625
Finance lease capital repayments	**(1,350)**	(1,177)
	8,875	7,662

20 Analysis of net debt

	At beginning of year €'000	Cash flow €'000	Other non-cash changes €'000	At end of year €'000
Cash at bank and in hand	9,570	3,949	-	13,519
Bank overdrafts	(4,156)	(98)	-	(4,254)
	5,414	3,851	-	9,265
Debt due after one year (see below)	(42,981)	(5,570)	6,072	(42,479)
Debt due within one year (see below)	(2,380)	(4,655)	(6,072)	(13,107)
Finance leases (notes 13 & 14)	(3,236)	1,350	(2,260)	(4,146)
	(48,597)	(8,875)	(2,260)	(59,732)
Total	(43,183)	(5,024)	(2,260)	(50,467)
Debt due after one year (note 14):				
Bank loans	(21,889)	(5,570)	6,072	(21,387)
Senior guaranteed notes	(21,092)	-	-	(21,092)
	(42,981)	(5,570)	6,072	(42,479)
Debt due within one year:				
Bank loans	(2,380)	(4,655)	(6,072)	(13,107)

The amount of €2,260,000 under other non-cash changes above represents new finance leases.

20 Analysis of net debt - continued

Maturity profile of debt	Within 1 year	1 - 2 years	2 - 5 years	Over 5 years	Total
Bank overdrafts	4,254	-	-	-	4,254
Bank loans	13,107	5,347	16,040	-	34,494
Senior guaranteed notes	-	-	12,655	8,437	21,092
Finance leases	1,448	2,698	-	-	4,146
	18,809	8,045	28,695	8,437	63,986

Bank loans and overdrafts of subsidiary undertakings amounting to €3,959,000 (2000: €5,224,000) are guaranteed by the Company.

The senior guaranteed notes are guaranteed by certain subsidiary undertakings.

21 Treasury information

(a) Interest rate and currency profile

The interest rate and currency profile of the group's financial assets and financial liabilities was as follows:

		2001	
	Euro €'000	Sterling €'000	Total €'000
Weighted average fixed debt interest rates	7.0%		
Weighted average fixed debt periods - years	4		
Fixed rate financial liabilities	(21,092)	-	(21,092)
Floating rate financial liabilities	(12,753)	(31,316)	(44,069)
Financial liabilities on which no interest is paid	(1,206)	-	(1,206)
	(35,051)	(31,316)	(66,367)
Financial assets	13,497	24	13,519
Net financial liabilities	(21,554)	(31,292)	(52,848)

		2000	
	Euro €'000	Sterling €'000	Total €'000
Weighted average fixed debt interest rates	7.0%		
Weighted average fixed debt periods - years	5		
Fixed rate financial liabilities	(22,448)	-	(22,448)
Floating rate financial liabilities	(2,700)	(27,605)	(30,305)
Financial liabilities on which no interest is paid	(1,206)	(8,681)	(9,887)
	(26,354)	(36,286)	(62,640)
Financial assets	8,281	1,289	9,570
Net financial liabilities	(18,073)	(34,997)	(53,070)

21 Treasury information - continued

The amounts shown above take into account the effect of cross currency interest rate swaps and forward foreign exchange contracts entered into to manage these currency exposures.

The fixed rate financial liabilities comprise senior guaranteed loan notes and finance leases (notes 13 and 14).

The floating rate financial liabilities comprise bank loans and overdrafts that bear interest at rates based on DIBOR and LIBOR (notes 13 and 14).

Financial liabilities on which no interest is paid (but notional interest is attributed) comprises deferred acquisition consideration (note 13). The weighted average period of these liabilities is 1 year.

Financial assets comprises cash at bank which is substantially non-interest earning.

Financial liabilities and financial assets exclude short term creditors and debtors.

(b) Currency exposures

At 30 April 2001, after taking into account the effects of forward foreign exchange contracts, the group had no material currency exposures.

(c) Maturity of financial liabilities

	2001	2000
	€'000	€'000
Due within one year	**21,190**	17,848
Between one and two years	**8,045**	9,406
Between two and five years	**28,695**	22,731
After five years	**8,437**	12,655
	66,367	62,640

(d) Borrowing facilities

The group has various undrawn committed borrowing facilities. The facilities available at 30 April 2001 in respect of which all conditions precedent had been met were as follows:

	2001	2000
	€'000	€'000
Expiring in one year or less	**-**	-
Expiring in more than one year but not more than two years	**-**	-
Expiring in more than two years	**23,256**	25,022
	23,256	25,022

Since the year end the group has put in place additional facilities of €71.5m.

(e) Fair values of financial liabilities and financial assets

The group's senior loan notes (note 14), which are denominated in US$, are hedged into Euros by cross currency interest rate swap agreements. These loan notes are stated in the balance sheet at 30 April 2001 at €21,092,000 (2000: €21,092,000), the loan notes having been translated to Euros at the exchange rates inherent in the swap agreements. The fair value of the swaps at 30 April 2001 amounted to a gain of €5,519,000. The fair value of the group's other financial liabilities and financial assets are not materially different from their book values.

Notes to the Financial Statements continued

21 Treasury information - continued

(f) Gains and losses on hedges
At 30 April 2001 and 30 April 2000 there were no material gains or losses on forward foreign exchange contract hedges carried forward for future recognition in the profit and loss account.

(g) Treasury policy
The group's treasury policy and management of derivatives and other financial instruments, which forms part of these financial statements, is set out in the Chief Executive's Operating and Financial Review on page 17.

22 Purchase of new undertakings

The group purchased all of the share capital of Tullamore Hardware Limited on 1 July 2000. The purchase has been accounted for using acquisition accounting and its results are included in these financial statements from the date of acquisition.

The fair values, consideration and goodwill on acquisition were as follows:

	Book value and fair value €'000
Tangible fixed assets	145
Stocks	644
Debtors	1,370
Creditors	(1,614)
Corporation tax	(47)
	498
Goodwill (note 9)	2,233
	2,731
Satisfied by:	
Cash payments	2,331
Borrowings/cash acquired	146
	2,477
Deferred acquisition consideration	254
	2,731

23 Financial assets - Company

	2001 €'000	2000 €'000
Unlisted shares in subsidiary undertakings at cost or valuation:		
At beginning of year	**42,828**	33,766
Additions	**989**	9,062
At end of year	**43,817**	42,828

The unlisted shares in subsidiary undertakings were valued by the Directors at 30 April 1990 by reference to their then share capital and non-distributable reserves and, in the case of those subsidiary undertakings subsequently acquired, their acquisition cost.

Unlisted shares in subsidiary undertakings would have been stated at €35,579,000 (2000: €34,590,000) under the unmodified historical cost convention.

24 Future capital expenditure not provided for

	2001	2000
	€'000	€'000
(None of which apply to the company)		
Contracted for	**4,994**	1,221
Authorised by the directors but not contracted for	**2,146**	11,658
	7,140	12,879

25 Operating lease obligations

Commitments under operating leases, payable in the coming year, related to leases expiring in the following periods:

	Land and buildings	Motor vehicles	Total
	€'000	€'000	€'000
Within one year	-	66	66
Within two to five years	254	786	1,040
Over five years	4,097	-	4,097
	4,351	852	5,203

26 Contingent liabilities

The company has guaranteed the liabilities of its Irish registered subsidiary undertakings for the purpose of section 17 of the Companies (Amendment) Act, 1986.

27 Employee information

	2001	2000
	€'000	€'000
Cost		
Wages and salaries	**38,091**	31,772
Social welfare costs	**3,947**	3,128
Pension costs	**1,108**	950
	43,146	35,850

The amount for wages and salaries includes a provision of €394,000 (2000: €292,000) payable to the trustees of the employee profit sharing scheme to acquire ordinary shares in the company (note 16).

	2001	2000
	€'000	€'000

Employment

The average number of persons employed during the year was:

- Full time	**1,313**	1,272
- Part time	**268**	149
	1,581	1,421

Notes to the Financial Statements continued

27 **Employee information - continued**

Pensions

The group operates a number of funded pension schemes of the defined benefit type and one pension scheme of the defined contribution type. The assets of these schemes are held in separate trustee administered funds.

The total pension cost for the group for the year ended 30 April 2001 was €1,108,000 (2000: €950,000). The pension cost is assessed in accordance with the advice of a qualified actuary.

The defined benefit schemes are subject to regular actuarial review. The principal assumption used in the actuarial valuations is that the difference between the investment return and wage/salary increases would average 2.0% p.a.. The attained age method of funding is used.

Actuarial valuations of the defined benefit schemes were performed at various dates between 1998 and 2000. These valuations indicated that, on an aggregate basis, the actuarial values of the assets were sufficient to cover more than 100% of the value of benefits accrued to existing members. The market value of the assets at the dates of these valuations was €23,171,000.

The actuarial reports are available for inspection by members of the schemes but not for public inspection.

28 **Directors' interests, emoluments and pensions**

Details of directors' interests, emoluments and pensions, which form part of these financial statements, are given on pages 23 to 25.

29 **Principal subsidiary undertakings**

Details of the principal subsidiary companies are given on page 53.

30 **Approval of financial statements**

The directors approved the financial statements on 4 July 2001.

Five Year Financial Summary

Year Ended 30 April

	2001	2000	1999	1998	1997
	€'000	€'000	€'000	€'000	€'000
Profit and loss account					
Turnover	**369,246**	318,957	262,543	210,406	178,251
Operating Profit	**26,328**	22,759	18,770	15,341	11,692
Exceptional item	**10,129**	-	-	-	-
Profit before interest and taxation	**36,457**	22,759	18,770	15,341	11,692
Financing costs	**(4,160)**	(3,182)	(2,486)	(1,333)	(761)
Profit before taxation	**32,297**	19,577	16,284	14,008	10,931
Taxation	**(6,213)**	(4,571)	(4,482)	(4,541)	(3,707)
Profit after taxation	**26,084**	15,006	11,802	9,467	7,224
Basic earnings per share	**53.9**	31.6	25.2	20.3	15.7
Pre-goodwill and pre-exceptional item earnings per share	**40.2**	33.5	26.3	20.3	15.7
Dividends per share	**12.5**	10.0	7.7	6.2	5.0
Dividend cover	**4.3**	3.2	3.3	3.3	3.1
Operating cash flow	**26,936**	22,074	16,921	13,985	11,129
Balance sheet					
Tangible fixed assets	**106,456**	97,197	85,746	42,168	31,948
Intangible assets	**22,227**	22,008	18,591	-	-
Financial assets	**843**	-	-	-	-
Working capital (non-financial)	**51,152**	34,581	30,802	21,168	18,612
	180,678	153,786	135,139	63,336	50,560
Financed as follows:					
Shareholders' funds	**127,132**	98,116	86,747	51,112	45,674
Net debt	**50,467**	43,183	29,536	10,002	3,794
Deferred acquisition consideration	**2,381**	9,887	16,454	-	-
Deferred tax	**698**	2,600	2,402	2,222	1,092
	180,678	153,786	135,139	63,336	50,560
Performance measures					
Return on equity	**20.5%**	15.3%	13.6%	18.5%	15.8%
Return on capital employed	**16.3%**	11.3%	10.1%	16.4%	15.3%

Shareholders' Information

Shareholder Analysis at 30 April 2001

	Number of Accounts	% of Accounts	Number of Shares	% of Shares
1 - 5,000	2,996	84.3%	4,071,131	8.1%
5,001 - 25,000	451	12.7%	4,415,320	8.7%
25,001 - 100,000	61	1.7%	3,162,767	6.3%
100,001 - 250,000	15	0.4%	2,453,106	4.9%
250,001 - 500,000	13	0.4%	4,765,190	9.4%
Over 500,000	17	0.5%	31,554,171	62.6%
	3,553	100.0%	50,421,685	100.0%

Share Price Data (€)

	High	Low	30 April
Year ended 30 April 2001	**3.95**	**2.78**	**3.45**
Year ended 30 April 2000	4.00	2.70	3.30

The market capitalisation of Heiton Holdings plc at 30 April 2001 was €174.0 million (2000: €157.3 million).

Web Site
Further information on Heiton Holdings plc is available at http://www.heitons.ie.

Investor Relations
For investor enquiries please contact: Peter Byers, Finance Director, Heiton Holdings plc, Ashfield, Naas Road, Clondalkin, Dublin 22.
Tel: +353 1 403 4000 Fax: + 353 1 459 3696.

Registrar
Administrative enquiries about the holding of Heiton Holdings plc's shares should be directed in the first instance to the Company's Registrars whose address is:
Capita Corporate Registrars, PO Box 7117, Dublin 2.
Tel: +353 1 810 2400 Fax: +353 1 810 2422

Amalgamation of Accounts
Shareholders who receive duplicate sets of company mailings owing to multiple accounts in their name should write to the Company's Registrar at the above address to have their accounts amalgamated.

Annual General Meeting
The Annual General Meeting will be held at Jurys Hotel, Ballsbridge, Dublin 4 on Thursday 6 September 2001 at 12 noon. The Notice of Meeting together with an explanatory letter from the Chairman and a proxy card accompany this report.

Final Dividend

	Ordinary Shares	6% Cumulative Preference Shares
Dividend	€6.70c gross per share subject to declaration at the Annual General Meeting	€3.81c gross per share in respect of the half year 1 April 2001 to 30 September 2001
Dividend payment date	20 September 2001	1 October 2001

Scrip Dividend
Shareholders are being offered the opportunity to receive all or part of the final dividend for the year ended 30 April 2001 in the form of fully paid new Heiton Holdings plc ordinary shares. Details of the scrip dividend offer, and a Form of Election/Mandate Form or Notice of Entitlement (as appropriate) accompany this report. Shareholders wishing to avail of the scrip dividend offer who do not have a Mandate in place must complete, sign and return the form of Election to the Company's Registrar so as to arrive no later than 3.00pm on 3 September 2001.

CREST
Heiton Holdings plc joined the CREST share settlement system on 20 January 1997. Shareholders may continue to hold paper share certificates or hold their shares in electronic form.

Financial Calendar

Preliminary results announced	4 July 2001
Ex-dividend date for final dividend	11 July 2001
Record date for final dividend	13 July 2001
Annual Report posted	7 August 2001
Annual General Meeting	6 September 2001
Payment date for final dividend	20 September 2001
Interim results announced	Early January 2002

Principal Subsidiary Companies - all wholly owned

Heiton Buckley Limited - Builders Merchants and Steel Stockholders
Atlantic Home and Garden Centre Limited - Investment Holding Company
Atlantic Home Care Limited - Homecare/D.I.Y.
F & T Buckley (Holdings) Limited - Property & Investment Holding Company
Timber Frame Limited - Manufacturing Company
Lindis Limited - Manufacturing Company
Sam Hire Limited - Plant and Tool Hire
Panelling Centre Limited - Panelling Products

The above Companies are all incorporated and operate in the Republic of Ireland and have their Registered Offices at Ashfield, Naas Road, Clondalkin, Dublin 22, except Sam Hire Limited whose Registered Office is at Red Cow, Naas Road, Clondalkin, Dublin 22.

Cooper Clarke Group Limited - Builders Merchants

The above Company is incorporated and operates in the United Kingdom. Its Registered Office is at Stone Hill Road, Farnworth, Bolton, BL4 9LP, England.

Registered Office

Ashfield, Naas Road, Clondalkin,
Dublin 22
Registered in Dublin, Ireland. No. 1945.

Principal Bankers

Allied Irish Bank plc
Bankcentre
Ballsbridge
Dublin 4

Auditors

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Wilton Place, Dublin 2.

Solicitors

A. & L. Goodbody,
I.F.S.C., North Wall Quay, Dublin 1.

Stockbrokers

Davy Stockbrokers,
49 Dawson Street, Dublin 2.