

MAY & HASSELL LIMITED

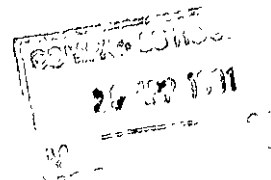
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DIRECTORS REPORT

-and-

FINANCIAL STATEMENTS

31st DECEMBER 1989



REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their report and the financial statements for the year ended 31st December 1989.

ACTIVITIES

Until 31st December 1988 the Company continued to trade as an importer , processor and retailer of timber and timber products. After that date the company traded as an agent for another group company.

The results for the Company for the period are set out in the accompanying financial statements.

ULTIMATE HOLDING COMPANY

Wickes plc, registered in England, is the ultimate holding company of the Company.

FINANCIAL

The Company made neither a profit nor a loss during the year and accordingly the Directors do not recommend payment of a dividend.

DIRECTORS

The directors of the Company during the year were:

<u>Director</u>	<u>Appointed</u>	<u>Resigned</u>
P J Atley		
P J Ball		
F G W Green		28 March 1989
P G Harris		28 March 1989
R G Knight		
H E McCarthy		30 June 1989
E J Newman		25 February 1989
J Wrigley		
S K Porter	2 October 1989	
M J Walsh	2 October 1989	
N P S Horne	2 October 1989	
R N Tilney	2 October 1989	

Since 31 December 1989 the following appointments/resignations have taken place:

P J Ball ceased to be a director on 31 January 1990

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

No director was beneficially interested in the Company's shares during the period. The Directors' interests, if any, in the share capital and debentures of the Group Companies, to be stated in accordance with S.235(3) of the Companies Act 1985, were as follows:

Wickes plc

1 January 1989 31 December 1989
(or on appointment)

	Shares	Options	Shares	Options
P J Atley	None	19090	None	19090
P J Ball	None	47272	None	47272
J Wrigley	None	47272	None	47272
N P S Horne	None	None	None	28037
S K Porter	None	12272	None	12272
R N Tilney	1395	None	1395	None
M J Walsh	None	None	None	55000

Mr R G Knight is a director of Wickes plc, the Company's ultimate holding company and his shareholdings are shown in its accounts.

AUDITORS

A resolution concerning the re-appointment of Arthur Andersen & Co as auditors and authorising the Directors to fix their remuneration will be submitted to the Annual General Meeting.

By Order of the Board

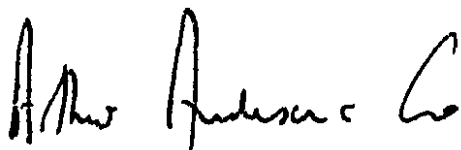
S K Porter
Secretary

30 June 1990

Auditors' Report to the Members of May & Hassell Limited

We have audited the accounts set out on pages 4 to 11 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31 December 1989 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'Arthur Andersen & Co', followed by a small dot.

Arthur Andersen & Co
Chartered Accountants
1 Surrey Street
London
WC2R 2PS

30 June 1990

MAY & HASSELL LIMITED
 PROFIT & LOSS ACCOUNT
 For the year ended 31st December 1989

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	Notes	Year to 31.12.89 £	Year to 31.12.88 £
TURNOVER	2	-	13,854,502
Cost of Sales		-	(10,839,510)
GROSS PROFIT		-	3,014,992
Distribution costs		-	(619,210)
Administration expenses		-	(742,811)
TRADING PROFIT		-	1,652,971
Other operating income		-	9,834,153
OPERATING PROFIT	3	-	11,487,124
Interest receivable		-	1,314,818
Interest payable	4	-	(2,624,126)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		-	10,177,816
Tax on profit on ordinary activities	6	-	(129,749)
PROFIT ON ORDINARY ACTIVITIES AFTER TAX		-	10,048,067
Extraordinary items	7	-	4,215,133
PROFIT FOR THE FINANCIAL YEAR		-	14,263,200
Dividends paid and proposed	8	-	(15,067,926)
RETAINED PROFIT/(LOSSES)		-	£(804,726)
RETAINED PROFIT/ BROUGHT FORWARD		-	210,038
Profit/(Loss) for year		-	(804,726)
Transfers		-	594,688
RETAINED PROFITS CARRIED FORWARD		-	£ -

The notes on pages 7 to 11 form an integral part of these accounts.

MAY & HASSELL LIMITED
BALANCE SHEET
As at 31 December 1989

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		31.12.89	31.12.88
	Notes	£	£
CURRENT ASSETS			
Debtors - Amounts due from Group Companies		<u>2,511,262</u>	<u>2,511,262</u>
CAPITAL AND RESERVES			
Called-up share capital	9	2,501,264	2,501,264
Other Reserves	10	<u>9,998</u> <u>2,511,262</u>	<u>9,998</u> <u>2,511,262</u>

The accounts were approved by the board of directors on 30 June 1990.

R.N. Tilney)
M.J. Walsh) Directors

R.N. Tilney
Michael J Walsh

The notes on pages 7 to 11 form an integral part of these accounts.

MAY & HASSELL LIMITED
 SOURCE & APPLICATION OF FUNDS STATEMENT
 For the year ended 31st December 1989

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	Year to 31.12.89 £000	Year to 31.12.88 £000
SOURCE OF FUNDS		
From operations	-	10,136
Proceeds from sale of subsidiaries	-	9,080
Proceeds from disposal of tangible fixed assets	-	3,247
	-	22,463
APPLICATION OF FUNDS		
Dividends paid	-	20,918
Purchase of tangible fixed assets	-	213
Transfer of provision to parent company	-	5
	-	21,136
NET INCREASE IN WORKING CAPITAL	-	1,327
REPRESENTED BY:		
Increase (decrease) in stocks	-	(2,548)
Increase (decrease) in debtors	-	(2,184)
Decrease (increase) in amounts due to group companies	-	9,175
Decrease (increase) in creditors (excluding tax, dividends & overdrafts)	-	966
Increase (decrease) in bank & cash balances	-	(4,082)
	-	1,327
FUNDS GENERATED BY OPERATIONS		
Profit before tax	-	10,178
Extraordinary items		
- reorganisation costs	-	(344)
- profit on sale of shares	-	56
Adjustments for: depreciation	-	227
deferred grants released (profit)/loss on tangible fixed asset disposal	-	(8)
transfer from revaluation reserve	-	27
	-	-
	-	10,136

1. ACCOUNTING POLICIES

(a) Basis of accounting.

The accounts have been prepared under the historical cost convention as modified by the revaluation of certain land and buildings.

(b) Tangible fixed assets.

The company's policy is to provide for depreciation of tangible fixed assets other than freehold land, so as to write off the cost or valuation of the assets by equal annual instalments over their expected useful lives at the following rates:

Asset

Freehold and long leasehold buildings	- 2% on cost (or revaluation).
Short leasehold land and buildings	- over the period of the lease.
Plant, equipment, motor vehicles and office furniture	- 20% on cost

(c) Deferred government grants

Government grants on capital expenditure are taken to the deferred government grants account and are credited to the profit and loss account over a period of 5 years. The assets are stated at their full cost and depreciation has been based on this figure.

(d) Taxation

Taxation is calculated on the result for the year as shown in the accounts.

Provision is made for deferred taxation, under the liability method, to the extent that the liability will be payable in the foreseeable future.

(e) Stocks

Stocks are valued at the lower of cost or net realisable value. They consist almost entirely of timber in various forms. Cost includes the actual cost of raw materials and where appropriate, delivery and handling costs. Joinery, milled stock and work in progress include manufacturing overheads. Net realisable value is the price at which stock can be realised in the normal course of business.

(f) Leases

Finance leases of plant and machinery and vehicles have been capitalised and depreciated in accordance with the company's depreciation policy. The capital element of future lease payments is included in creditors.

(g) Distribution costs include selling costs.

2. TURNOVER & PROFIT
 (all arising within the United Kingdom)

Turnover is sales invoiced during the period, plus cash sales, exclusive of VAT.

	TURNOVER		PRE-TAX PROFIT	
	Year to 31.12.89 £	Year to 31.12.88 £	Year to 31.12.89 £	Year to 31.12.88 £
Merchanting, importing, sawmilling	-	13,854,502	-	10,177,816

3. OPERATING PROFIT is after crediting:	Year to 31.12.89	Year to 31.12.88
Rental income	-	148,863
Dividends receivable from subsidiaries	-	9,710,031
Release from deferred grants	-	7,964
Profit/(loss) on disposal of tangible fixed asset	-	(27,257)

and after charging:

Director's emoluments (note 5)	-	319,830
Auditor's remuneration	-	23,000
Currency loss	-	5,448
Depreciation - on owned assets	-	174,741
- on leased assets	-	52,058
Hire of plant and machinery	-	4,694

The Audit fee for 1989 was borne by another group company.

4. INTEREST PAYABLE

Bank loans & overdrafts repayable within 5 years	-	4,794
Payable intra-group	-	2,579,449
Interest on bills	-	31,770
Finance Leases	-	8,113
	-	2,624,126

5. EMPLOYEE INFORMATION & DIRECTORS' EMOLUMENTS	Year to 31.12.89	Year to 31.12.88
Average no. during the year:	No.	No.
Yard	-	20
Haulage	-	14
Travellers	-	10
Office & Management (excludes directors)	-	47
Directors - executive	-	6
- non-executive	-	2
Total	-	99
Employment costs during the year were:	£	£
Wages & salaries	-	1,350,839
Employer's National Insurance	-	102,302
Employer's Pension Contributions	-	17,689
	-	1,470,830
Directors' Emoluments:		
Remuneration as executives	-	309,255
Compensation for loss of office	-	-
Employer's Pension Contributions	-	10,575
Total	-	319,830
Chairman's remuneration	-	-
Highest paid director (if not chairman)	-	74,530

NOTE : Remuneration is gross pay plus taxable benefits in kind.

No. of directors in salary range (gross pay plus taxable benefits in kind)	Year to 31.12.89	Year to 31.12.88
	No.	No.
Less than £5,000	13	4
£20,001 - £25,000	-	1
£45,001 - £50,000	-	1
£50,001 - £55,000	-	2
£55,001 - £60,000	-	1
£70,001 - £75,000	-	1

5. EMPLOYEE INFORMATION & DIRECTORS' EMOLUMENTS (Continued...)

No. of employees other than directors in salary range. (gross pay plus taxable benefits in kind.)	Year to 31.12.89	Year to 31.12.88
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£30,001 - £35,000	-	1
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6. TAXATION

United Kingdom Corporation Tax at 35%	-	129,749
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The low level of tax reflects the significant level of intergroup dividends which are not subject to corporation tax.

7. EXTRAORDINARY ITEMS

	£	£
Profit on disposal of subsidiary companies	-	4,483,436
Profit on sale of unquoted shares	-	55,883
Reorganisation costs	-	(344,112)
	-	4,195,207
Tax on extraordinary items	-	19,926
	-	4,215,133

No tax arises on the profit on disposal of subsidiary companies as they were transferred to a group company which will bear any tax which may arise on the sale to an external party.

8. DIVIDENDS

	£	£
On preference shares at 4.2%	-	6,300
Final dividend at 62.1p per share	-	15,061,626
	-	15,067,926

9. SHARE CAPITAL	31.12.89	31.12.88
	£	£
Ordinary shares of 25p each Authorised	<u>3,000,000</u>	<u>3,000,000</u>
Allotted, called-up and fully paid	<u>2,351,264</u>	<u>2,351,264</u>
4.2% + tax credit, cumulative pref. shares of £1 each Authorised	<u>200,000</u>	<u>200,000</u>
Allotted, called-up and fully paid	<u>150,000</u>	<u>150,000</u>
10. OTHER RESERVES	<u>31.12.89</u>	<u>31.12.88</u>
	<u>9,998</u>	<u>9,998</u>

11. CONTINGENT LIABILITIES

The company is registered for VAT purposes in a group of companies which share a common registration number. As a result, it has jointly guaranteed the VAT liability of the group, and failure by other members of the group would give rise to an additional liability for the company.

12. PENSION COMMITMENTS

The company operates pension schemes for its employees. Actuarial valuations are carried out regularly and the 1985 valuation indicated that all schemes were adequately funded.

13. HOLDING COMPANY

The company's ultimate holding company is Wickes PLC, a company incorporated in England.