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DIRECTORS' REPORT AND ACCOUNTS

WOLSELEY CENTERS LIMITED

31 July 1990

Price Waterhouse



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WOLSELEY CENTRE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JULY 1990

ACCOUNTS

The directors present herewith the audited accounts of the company for the year ended 31 July 1990. The profit of the company for the year was £22,880,000 (1989 £25,097,000) and an interim dividend amounting to £14,256,000 has been paid. The directors recommend that no final dividend be paid and, therefore, that £8,624,000 be transferred to reserves.

ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the company continues to be that of supplying central heating, plumbing, and sanitary equipment and spares.

During the year the company acquired the whole of the share capital of Paladin Plastics Limited and of Mowgarg Limited (subsequently re-named Wolseley Building Supplies Limited). Details of these acquisitions are set out in note 7 on page 14.

The company also acquired the business and assets of Willison Limited and Willison BHP Limited during the year, details of which are set out in note 14 on page 17.

The directors believe that the above-noted acquisitions will enhance the company's presence in the market place and contribute to its long-term development.

FIXED ASSETS

Details of tangible fixed assets are set out in note 6 on page 12.

WOLSELEY CENTERS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JULY 1990 (CONTINUED)

DIRECTORS

The directors in office during the year ended 31 July 1990 were:

J Lancaster
MD Foord
JW Footman (Chairman)
RA Horne
RB Slater
JC Watson
PW Sheppard
KHD Jones
AJ Hutton
P Gauron

DIRECTORS' INTERESTS IN SHARES

The directors' interests in the 25p ordinary shares of Wolseley plc and options for those shares granted pursuant to the various Wolseley Share Option Schemes are shown below. Messrs J Lancaster and JW Footman are also directors of Wolseley plc and their interests are shown in the accounts of that company.

Names of directors at 31 July 1990	Interest at 31 July 1990	Interest at 31 July 1989	Options at 31 July 1990	Options at 31 July 1989
MD Foord	22,641	26,657	62,837	52,160
RA Horne	772	772	61,372	52,872
RB Slater	-	-	54,714	42,978
JC Watson	26,900	30,000	71,972	59,372
AJ Hutton	-	-	47,008	40,008
KHD Jones	7,502	6,190	48,220	40,320
PW Sheppard	-	-	43,443	33,286
P Gauron	-	-	40,786	34,786

None of the above directors have any interest in the debentures of Wolseley plc.

Mr JC Watson has a non-beneficial holding of 10,000 Wolseley plc 25p ordinary shares as a trustee, which are not included in his interest disclosed above.

WOLSELEY CENTERS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JULY 1990 (CONTINUED)

EMPLOYMENT

It is company policy to give full and fair consideration to applications for employment made by disabled persons, to continue wherever possible the employment of staff who become disabled and to provide equal opportunities for the training and career development of disabled employees.

The company continues its practice of keeping all its employees informed on matters affecting them.

AUDITORS

The auditors, Price Waterhouse, are willing to continue in office and their re-appointment will be proposed at the annual general meeting.

By Order of the Board

D BRADLEY
Secretary

17 October 1990

Registered office

PO Box 21
Boroughbridge Road
Ripon
HG4 1SL

Price Waterhouse

AUDITORS' REPORT TO THE MEMBERS OF WOLSELEY CENTERS LIMITED

We have audited the accounts on pages 5 to 18 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 July 1990 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.

Price Waterhouse

PRICE WATERHOUSE

Chartered Accountants

17 October 1990

WOLCELEY CENTERS LIMITED

PROFIT AND LOSS ACCOUNT FOR
THE YEAR ENDED 31 JULY 1990

	Notes	£'000	<u>1989</u> £'000
TURNOVER	2	433,364	396,272
Change in stocks of goods for resale		(1,097)	6,717
Own work capitalised		257	486
Other operating income		7,854	6,867
Raw materials and consumables		(335,065)	(313,267)
Staff costs	3	(33,295)	(29,499)
Depreciation written off tangible fixed assets		(6,278)	(5,244)
Other operating charges		<u>(25,817)</u>	<u>(23,806)</u>
OPERATING PROFIT	4	39,923	36,526
Interest receivable		2,150	1,271
Exceptional provision	4	<u>(3,219)</u>	<u>-</u>
PROFIT BEFORE TAXATION		38,854	39,797
TAXATION	5	<u>(15,974)</u>	<u>(14,700)</u>
PROFIT FOR THE YEAR		22,880	25,097
DIVIDENDS PAID		<u>(14,256)</u>	<u>(13,266)</u>
PROFIT TRANSFERRED TO RESERVES	13	<u>8,624</u>	<u>11,831</u>

WOLSELEY CENTERS LIMITED

BALANCE SHEET - 31 JULY 1990

	Notes	£'000	1989 £'000
FIXED ASSETS			
Tangible assets	6	23,733	23,384
Investments in subsidiaries	7	<u>16,100</u>	<u>-</u>
		<u>39,833</u>	<u>23,384</u>
CURRENT ASSETS			
Stocks	8	68,901	69,998
Debtors	9	71,126	70,150
Cash at bank and in hand		<u>7,891</u>	<u>7,708</u>
		147,918	147,856
CREDITORS (amounts falling due within one year)	10	(134,214)	(111,272)
NET CURRENT ASSETS		<u>13,704</u>	<u>36,584</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		53,537	59,968
CREDITORS (amounts falling due after more than one year)	10	-	(15,200)
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	11	<u>(300)</u>	<u>-</u>
		<u>53,237</u>	<u>44,768</u>
CAPITAL AND RESERVES			
Called up share capital	12	31	31
Revaluation reserve	13	428	428
Other reserves	13	98	98
Profit and loss account	13	<u>52,680</u>	<u>44,211</u>
		<u>53,237</u>	<u>44,768</u>

JW Footman
JC Watson

DIRECTORS

APPROVED BY THE BOARD
ON 17 OCTOBER 1990

WOLSELEY CENTERS LIMITED

STATEMENT OF SOURCE AND APPLICATION OF
FUNDS FOR THE YEAR ENDED 31 JULY 1990

	£'000	1989 £'000
SOURCE OF FUNDS		
Profit before tax	38,854	39,797
Adjustment for items not involving the movement of funds:		
Depreciation	6,276	5,588
Profit on disposal of tangible fixed assets	(4,464)	(345)
Provision against investment in, and loan to, a subsidiary company	<u>3,219</u>	<u>-</u>
	47,932	45,040
FUNDS FROM OTHER SOURCES		
Proceeds of sale of tangible fixed assets	<u>1,449</u>	<u>1,088</u>
	49,381	46,128
APPLICATION OF FUNDS		
Purchase of tangible fixed assets	(7,657)	(7,169)
Purchase of goodwill	(155)	-
Investment in subsidiaries	(18,910)	-
Dividends paid	(14,256)	(13,266)
Taxation paid	(11,424)	(9,437)
Loan to subsidiary company	(409)	-
Working capital requirements:		
Decrease/(increase) in stock	1,097	(6,717)
(Increase) in debtors	(976)	(8,281)
(Decrease)/increase in creditors	<u>(650)</u>	<u>10,630</u>
	<u>(529)</u>	<u>(4,368)</u>
REDUCTION IN SHORT-TERM BORROWINGS		
Change in bank and cash	183	(362)
Change in amount due to Wolseley plc	<u>(4,142)</u>	<u>12,250</u>
	<u>(3,959)</u>	<u>11,888</u>

WOLSELEY CENTERS LIMITED

NOTES TO THE ACCOUNTS - 31 JULY 1990

1 ACCOUNTING POLICIES

(1) Accounting convention

These accounts have been prepared under the historical cost convention, modified to include the revaluation of certain freehold and long leasehold land and buildings.

(2) Turnover

Turnover is the amount receivable for goods supplied and services rendered falling within the company's ordinary activities, excluding trade discounts and value added tax.

(3) Depreciation

Depreciation is provided on all tangible fixed assets, except freehold land, and is calculated using the straight line method at such rates as to write off the cost of those assets over their estimated useful lives. The principal rates of depreciation used are:

Freehold buildings	2%
Long-term leasehold land and buildings	2%
Short-term leasehold land and buildings	15% or the period of the lease, if shorter
Fixtures and fittings	15%
Plant and equipment	15%
Computers	20%
Motor vehicles	25%

(4) Stock

Stock has been consistently valued at the beginning and end of the year at the lower of cost and estimated net realisable value, due allowance being made for obsolete and slow moving items. Stock consists entirely of goods purchased for resale which are valued at cost on a first in, first out basis.

(5) Deferred taxation

Provision is made for deferred tax only in as far as payment is likely to be made in the foreseeable future.

(6) Goodwill

Goodwill arising on the acquisition of businesses, representing the excess of cost over the fair value ascribed to the net tangible assets at acquisition, is charged to reserves.

WOLSELEY CENTERS LIMITED

NOTES TO THE ACCOUNTS - 31 JULY 1990 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

(7) Pension costs

Contributions to the Wolseley Group Retirement Benefits Plan are assessed by a qualified actuary and are charged to the profit and loss account in the period for which they become payable.

(8) Leased assets

Rental payments under operating leases are charged to profit and loss account as incurred over the lease term.

2 TURNOVER

	<u>1990</u> £'000	<u>1989</u> £'000
United Kingdom	432,933	395,815
Exports	<u>152</u>	<u>168</u>
	433,085	395,983
Group companies in the UK	<u>279</u>	<u>282</u>
	<u>433,364</u>	<u>396,272</u>

3 EMPLOYEES

	<u>1990</u> £'000	<u>1989</u> £'000
Staff costs:		
Wages and salaries	29,545	26,325
Social security costs	2,071	1,858
Other pension costs	<u>1,679</u>	<u>1,316</u>
	33,295	29,499

The company belongs to the defined benefit pension scheme of the Wolseley plc group. Details of the latest actuarial valuation of the scheme are disclosed in the accounts of Wolseley plc.

	<u>Number</u>	<u>Number</u>
Average numbers employed	<u>2,886</u>	<u>2,658</u>

WOLSELEY CENTERS LIMITED

NOTES TO THE ACCOUNTS - 31 JULY 1990 (CONTINUED)

4

OPERATING PROFIT

	<u>1990</u>	<u>1989</u>
	£'000	£'000
This is stated after charging/(crediting):		
Directors' remuneration	844	658
Hire of plant and machinery	124	85
Operating lease rentals - land and buildings	6,084	5,247
Operating lease rentals - plant and machinery	-	51
Auditors' remuneration	78	72
Rent received	(338)	(297)
Exceptional provision against investment in, and loan to, a subsidiary company	<u>3,219</u>	<u>-</u>

Directors' remuneration comprises:

Fees	-	-
Other emoluments (including pension contributions)	<u>839</u>	<u>658</u>

Emoluments (excluding pension contributions) of the Chairman and highest paid director	<u>168</u>	<u>135</u>
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Other directors' emoluments (excluding pension contributions) fell within the following ranges:

	<u>Number</u>	<u>Number</u>
£0 - £5,000	1	-
£45,001 - £50,000	-	1
£50,001 - £55,000	-	3
£55,001 - £60,000	1	1
£60,001 - £65,000	-	1
£65,001 - £70,000	4	1
£70,001 - £75,000	-	-
£75,001 - £80,000	1	-
£80,001 - £85,000	1	1
Greater than £100,000	1	-
	-	-

Employees' emoluments exceeding £30,000 fell within the following ranges:

£30,001 - £35,000	12	1
£35,001 - £40,000	2	12
£40,001 - £45,000	7	3
£45,001 - £50,000	6	2
£50,001 - £55,000	1	-
£55,001 - £60,000	2	-
£65,001 - £70,000	-	-
£70,001 - £75,000	-	1
£75,001 - £80,000	-	1
£80,001 - £85,000	-	-
£85,001 - £90,000	1	-
	-	-

WOLSELEY CENTERS LIMITED

NOTES TO THE ACCOUNTS - 31 JULY 1990 (CONTINUED)

5 TAXATION

	<u>1990</u>	<u>1989</u>
	£'000	£'000
Corporation tax based on the profit for the year at 35% (1989 35%)	15,900	15,200
Deferred taxation	<u>300</u>	<u>(500)</u>
	16,200	14,700
Prior year corporation tax adjustment	<u>(226)</u>	<u>-</u>
	<u>15,974</u>	<u>14,700</u>

The tax charge for the year has been
increased by the effect of:

Depreciation in excess of capital allowances	511	450
Other timing differences	<u>(20)</u>	<u>232</u>
	<u>491</u>	<u>682</u>

WOLSELEY CENTERS LIMITED

NOTES TO THE ACCOUNTS - 31 JULY 1990 (CONTINUED)

6 TANGIBLE FIXED ASSETS

	<u>Total</u>	<u>Freehold land and buildings</u>	<u>Long-term leasehold land and buildings</u>	<u>Short-term leasehold land and buildings</u>	<u>Fixtures, fittings, plant, equipment, computers</u>	<u>Motor vehicles</u>
	£'000	£'000	£'000	£'000	£'000	£'000
<u>Cost or valuation</u>						
At 31 July 1989	42,854	5,629	1,340	7,816	15,647	12,422
Additions	7,450	42	6	930	2,149	4,323
Disposals	(3,280)	(63)			(164)	(3,053)
Transfer from group company	<u>447</u>	<u>-</u>	<u>-</u>	<u>69</u>	<u>53</u>	<u>325</u>
At 31 July 1990	<u>47,471</u>	<u>5,608</u>	<u>1,346</u>	<u>8,815</u>	<u>17,685</u>	<u>14,017</u>
Being:						
Balance remaining of:						
1974 valuation	771	648	123	-	-	-
Cost	<u>46,700</u>	<u>4,960</u>	<u>1,223</u>	<u>8,815</u>	<u>17,685</u>	<u>14,017</u>
	<u>47,471</u>	<u>5,608</u>	<u>1,346</u>	<u>8,815</u>	<u>17,685</u>	<u>14,017</u>
<u>Accumulated depreciation</u>						
At 31 July 1989	19,470	799	224	3,703	8,705	6,039
Transfer from group company	240	-	-	17	28	195
Disposals	(2,250)	(16)	-	-	(141)	(2,093)
Charge for year	<u>6,278</u>	<u>104</u>	<u>27</u>	<u>1,017</u>	<u>2,251</u>	<u>2,879</u>
At 31 July 1990	<u>23,738</u>	<u>887</u>	<u>251</u>	<u>4,737</u>	<u>10,843</u>	<u>7,020</u>
<u>Net book amount</u>						
At 31 July 1990	<u>23,733</u>	<u>4,721</u>	<u>1,095</u>	<u>4,078</u>	<u>6,842</u>	<u>6,997</u>
At 31 July 1989	<u>23,384</u>	<u>4,830</u>	<u>1,116</u>	<u>4,113</u>	<u>6,942</u>	<u>6,383</u>

WOLSELEY CENTERS LIMITED

NOTES TO THE ACCOUNTS - 31 JULY 1990 (CONTINUED)

6 TANGIBLE FIXED ASSETS (CONTINUED)

Freehold land which is included above and amounts to £440,220 is not depreciated.

At 31 July 1974 the company's freehold and long-term leasehold land and buildings held at that date were revalued on an existing use basis. The revaluation surplus arising was credited to a revaluation reserve.

If those freehold and long-term leasehold land and buildings had not been revalued, their net book amount as at 31 July 1990 would have been:

	£'000
Historical cost	172
Accumulated depreciation	(41)
Net book amount	131

Future capital expenditure authorised by the directors is as follows:

	<u>1990</u>	<u>1989</u>
	£'000	£'000
Contracted for but not provided in the accounts	916	1,087
Not contracted for	-	<u>119</u>

WOLSELEY CENTERS LIMITED

NOTES TO THE ACCOUNTS - 31 JULY 1990 (CONTINUED)

7 INVESTMENTS IN SUBSIDIARIES

	Shares at cost	Loans	Provision for diminution in value	Total
	£'000	£'000	£'000	£'000
Wolseley Building Supplies Limited (formerly Mowgarg Limited)	-	16,100	-	16,100
Paladin Plastics Limited	2,810	409	(3,219)	-
	2,810	16,509	(3,219)	16,100

The company's subsidiaries at 31 July 1990 were:

Company	Country of registration	Activity
Wolseley Building Supplies Limited	Great Britain	Plumbing and building supplies
Paladin Plastics Limited	Great Britain	Plumbing supplies

The company acquired the share capital of Paladin Plastics Limited on 18 November 1989 for a total cash consideration of £2,810,000. Paladin Plastics Limited continued to trade until 31 January 1990 and at that date the business, assets and liabilities were transferred to the company at their net book amounts. Full provision has been made against the cost of shares and the loan balance due from Paladin Plastics Limited at the date of transfer.

On 26 June 1990 the company acquired the share capital of Mowgarg Limited (subsequently re-named Wolseley Building Supplies Limited), for £2. Prior to that date the trade and assets of Needwood (Holdings) Limited had been transferred by the receiver of that company to Mowgarg Limited. The £16,100,000 due by Mowgarg Limited to the receiver by way of consideration was settled by means of a loan to Mowgarg Limited from the company. Consequently, when the company acquired Mowgarg Limited its investment comprised the £2 for share capital plus the £16,100,000 loan balance.

Consolidated accounts are not submitted as the company is a wholly owned subsidiary of Wolseley plc, a company incorporated in Great Britain.

In the opinion of the directors the aggregate value of the investments in the company's subsidiaries is not less than the aggregate of the amount at which those assets are stated in the balance sheet.

WOLSELEY CENTERS LIMITED

NOTES TO THE ACCOUNTS - 31 JULY 1990 (CONTINUED)

8 STOCKS

	<u>1990</u>	<u>1989</u>
	£'000	£'000
Goods purchased for resale	<u>68,901</u>	<u>69,998</u>

In the opinion of the directors there is no material difference between the amount of stocks as disclosed in the balance sheet and their replacement cost at the balance sheet date.

9 DEBTORS

	<u>1990</u>	<u>1989</u>
	£'000	£'000
Amounts due within one year:		
Trade debtors	67,535	67,377
Amounts owed by group companies	262	113
Prepayments and accrued income	<u>3,329</u>	<u>2,660</u>
	<u>71,126</u>	<u>70,150</u>

10 CREDITORS

	<u>1990</u>	<u>1989</u>
	£'000	£'000
Amounts falling due within one year:		
Amount due to Wolsley plc	32,799	28,657
Trade creditors	57,231	61,563
Bills of exchange payable	100	313
Amounts owed to group companies	635	423
Current corporation tax	31,202	11,752
Other taxes and social security costs	3,271	2,643
Accruals	<u>8,976</u>	<u>5,921</u>
	<u>134,214</u>	<u>111,272</u>
Amounts falling due after one year:		
Corporation tax	<u>-</u>	<u>15,200</u>

WGLSELEY CENTERS LIMITED

NOTES TO THE ACCOUNTS - 31 JULY 1990 (CONTINUED)

11 DEFERRED TAXATION

	<u>1990</u>		<u>1989</u>	
	<u>Full potential liability</u>	<u>Amount provided</u>	<u>Full potential liability</u>	<u>Amount provided</u>
	£'000	£'000	£'000	£'000
Capital allowances in advance of depreciation	840	840	576	-
Tax on revaluation surplus	-	-	150	-
Capital gains rolled over	-	-	143	-
Other timing differences	(540)	(540)	(878)	-
	<u>360</u>	<u>300</u>	<u>(9)</u>	<u>-</u>

12 SHARE CAPITAL

	<u>1990</u>	<u>1989</u>
	£'000	£'000
Authorised:		
40,000 ordinary shares of £1 each	40	40
2,000 7.5% (5.25% net) redeemable preference shares of £1 each	<u>2</u>	<u>2</u>
	<u>42</u>	<u>42</u>
Allotted, issued and fully paid:		
31,250 ordinary shares of £1 each	<u>31</u>	<u>31</u>

13 RESERVES

	<u>Revaluation reserve</u>	<u>Other reserves</u>	<u>Profit and loss account</u>
	£'000	£'000	£'000
Balance at 31 July 1989	428	98	44,211
Retained profit for the year	-	-	8,624
Goodwill written-off	-	-	<u>(155)</u>
Balance at 31 July 1990	<u>428</u>	<u>98</u>	<u>52,680</u>

WOLSELEY CENTERS LIMITED

NOTES TO THE ACCOUNTS - 31 JULY 1990 (CONTINUED)

14 ACQUISITION OF BUSINESS

On 16 July 1990 the company acquired the business, assets and liabilities of Willison Limited and Willison BHP Limited for a total cash consideration of £738,255.

Net assets acquired were as follows:

	<u>£'000</u>
Fixed assets	67
Stock	544
Debtors	538
Creditors	<u>(566)</u>
	583
Goodwill arising on the acquisition	<u>155</u>
Cash consideration	738
	<u> </u>

15 CONTINGENT LIABILITIES

All the assets of the company have been charged, in common with those of certain other subsidiaries of Wolseley plc, as security for the debenture stocks issued by the parent company.

In addition to its own bank account, the company has a joint bank account with Wolseley plc and certain other group companies which is taken into the accounts of Wolseley plc and is not therefore taken into these accounts.

The company, together with certain other group companies, has given the bank authority at any time to transfer any sum outstanding to the credit of the company against or towards satisfaction of the liability to the bank of these other group companies.

WOLSELEY CENTERS LIMITED

NOTES TO THE ACCOUNTS - 31 JULY 1990 (CONTINUED)

16 FINANCIAL COMMITMENTS

At 31 July 1990 the company had annual commitments under non-cancellable operating leases as follows:

	<u>Land and buildings</u> £'000
Expiring within one year	67
Expiring within two and five years inclusive	440
Expiring after more than five years	<u>5,404</u>
	<u>5,911</u>

The majority of the company's leases of land and buildings are subject to rent review periods of five years.

17 HOLDING COMPANY

The ultimate holding company is Wolseley plc, incorporated in England.