

WOLSELEY-HUGHES MERCHANTS LIMITED

31 July 1981



WOLSELEY-HUGHES MERCHANTS LIMITED

(A wholly owned subsidiary of Wolseley-Hughes Limited)

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JULY 1981

ACCOUNTS

The directors present herewith the audited accounts of the company for the year ended 31 July 1981. The profit of the company and the way in which it has been dealt with is set out on page 7. An interim dividend amounting to £1,373,000 has been paid.

ACTIVITY

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 trade of a fellow subsidiary, K.S. Pipeline Supplies Limited, whose principal activity comprises the stocking and distribution of ferrous and non-ferrous tubes and fittings.

EXPORTS

The FOB sales value of goods exported by the company from the United Kingdom during the year was £69,857.

CHANGES IN FIXED ASSETS

The movement in fixed assets during the year represents normal replacement together with additional assets for normal extension of the business. The movements are set out on page 9.

LAND AND BUILDINGS

The company's land and buildings were revalued by Grimley and Son on an existing use basis at 31 July 1974 and the revaluation was incorporated in the balance sheet at that date. Land and buildings were transferred from K.S. Pipeline Supplies Limited at their 1979 valuation.

DIRECTORS

Mr. L.W. Smith was appointed to the board on 1st February 1981 and the other directors remained unchanged throughout the year. The directors of the company were:

J.H. Chislett	(Chairman)	L.W. Smith	(appointed 1.2.81)
T.N. Balmer		J.C. Watson	
M.D. Focrd		G.W.G. Wells	
J.W. Footman	(Managing Director)		
J.D. Hartley			
R.A. Horne			

WOLSELEY-HUGHES MERCHANTS LIMITED

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DIRECTORS' REPORT (cont.)

FOR THE YEAR ENDED 31 JULY 1981

DIRECTORS' INTEREST IN SHARES

The interests of the directors in the 25p ordinary shares of Wolseley-Hughes Limited and options on those shares granted in accordance with the terms of Wolseley-Hughes Employees Savings Related Share Option Scheme 1975 are shown below. Mr. J.H. Chislett is also a director of Wolseley-Hughes Limited and accordingly his interest is not shown.

<u>Name of directors</u>	Interest at <u>31.7.81.</u>	Interest at <u>1.8.80.</u>	Option at <u>31.7.81.</u>	Option at <u>1.8.80</u>
T.N. Balmer	3,000	3,000	-	-
M.D. Foord	1,264	-	260	1,524
J.W. Footman	728	728	1,025	1,025
J.D. Hartley	625	625	1,548	1,548
R.A. Horne	116	116	-	-
L.W. Smith	-	-	-	-
J.C. Watson	-	-	-	-
G.W.G. Wells	-	-	1,264	1,264

None of the above directors had any interest in the debentures or preference shares of Wolseley-Hughes Limited.

Mr. J.C. Watson has a non-beneficial holding of 3,000 Wolseley-Hughes ordinary shares as a trustee.

EMPLOYEES

The average number of persons employed by the company in each week during the year was 1331 and the aggregate gross remuneration paid or payable to them in respect of the year was £7,486,984

DONATIONS

The company made charitable donations during the year amounting to £85. There were no political donations.

WOLSELEY-HUGHES MERCHANTS LIMITED

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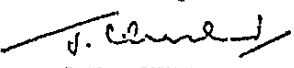
DIRECTORS' REPORT (cont.)

FOR THE YEAR ENDED 31 JULY 1981

AUDITORS

The auditors, Price Waterhouse, are willing to continue in office and in accordance with Section 14 of the Companies Act 1976, their reappointment will be proposed at the annual general meeting.

On behalf of the board.


J.H. CHISLETT

Chairman

22 September 1981

Registered Office
P.O. Box 21,
Boroughbridge Road,
Ripon,
Yorkshire.

AUDITORS' REPORT TO THE MEMBERS OF
WOLSELEY-HUGHES MERCHANTS LIMITED.

We have audited the accounts on pages 5 to 14 in accordance with approved Auditing Standards.

In our opinion the accounts, which have been prepared under the historical cost convention as modified by the revaluation of fixed assets, give under that convention a true and fair view of the state of the company's affairs at 31 July 1981 and of its profit and source and application of funds for the year then ended and comply with the Companies Acts 1948 to 1980.

Price Waterhouse

Price Waterhouse,
Chartered Accountants,
9 Bond Court,
Leeds. LS1 2SN

22 September 1981

WOLSELEY-HUGHES MERCHANTS LIMITED

(A wholly owned subsidiary of Wolseley-Hughes Limited,
a company incorporated in England)

BALANCE SHEET - 31st JULY 1981


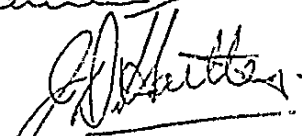
		<u>Notes</u>		<u>1980</u>
		£	£	£
FIXED ASSETS				
Land and buildings		4,863,365	3,454,574	
Plant, machinery and equipment		1,324,812	1,149,600	
Motor vehicles		1,418,002	1,292,621	
		<u>7,606,179</u>	<u>5,895,795</u>	
CURRENT ASSETS				
Stock	4	31,777,166	25,744,084	
Unquoted investments	10	50	50	
Debtors and payments in advance		23,966,145	17,565,613	
Amounts due from fellow subsidiaries		6,275	4,553	
Cash and bank balances		1,118,302	1,193,552	
		<u>56,867,938</u>	<u>44,507,852</u>	
Less				
CURRENT LIABILITIES				
Creditors and accrued charges		28,652,103	23,680,409	
Amounts due to fellow subsidiaries		10,419,949	1,411,640	
Corporation tax payable before 1 August 1982		5,132,636	3,666,000	
		<u>44,204,688</u>	<u>28,758,049</u>	
NET CURRENT ASSETS		12,663,250	15,749,803	
		<u>20,269,429</u>	<u>21,645,598</u>	

WOLSELEY-HUGHES MERCHANTS LIMITED

(A wholly owned subsidiary of Wolseley-Hughes Limited,
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BALANCE SHEET (Continued) - 31st JULY 1981

	<u>Notes</u>		<u>1980</u>	
	£	£	£	
SHARE CAPITAL				
Issued and fully paid ordinary shares of £1 each	5	31,250	31,250	
RESERVES				
Capital redemption reserve		2,000	2,000	
Surplus arising on revaluation	11	519,147	554,156	
Pre-acquisition profits		53,578	53,578	
General reserve - depreciation previously provided on buildings written back on revaluation	11	42,131	44,750	
Unappropriated profit		15,420,748	11,140,025	
		<hr/> 16,037,604	<hr/> 11,140,025	
		<hr/> 16,068,854	<hr/> 11,825,759	
LOAN ACCOUNT WITH WOLSELEY-HUGHES LIMITED				
		670,575	3,688,839	
Deferred taxation	8	-	681,000	
Corporation tax due after 1st August 1982		3,530,000	5,450,000	
		<hr/> 4,200,575	<hr/> 9,819,839	
		<hr/> 20,269,429	<hr/> 21,645,598	

) Directors

Approved by the Board on
22 September 1981

WOLSELEY-HUGHES MERCHANTS LIMITED

(A wholly owned subsidiary of Wolseley-Hughes Limited)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st JULY 1981

	<u>Notes</u>		<u>1980</u>
		£	£
TURNOVER	3	115,938,897	114,002,709
PROFIT FOR THE YEAR BEFORE INTEREST AND TAXATION		7,598,920	11,389,079
AFTER CHARGING			
Depreciation (including adjustments on disposals)		1,053,070	886,850
Hire of equipment		111,311	93,097
Auditors' remuneration		44,000	30,000
Directors' emoluments	6		
As directors		-	-
As executives		231,489	228,881
AFTER CREDITING			
Rent received		43,304	36,535
Bank interest received (paid)		638,505	(187,113)
PROFIT FOR THE YEAR BEFORE TAXATION		8,237,425	11,201,966
TAXATION	7	2,621,330	5,461,865
PROFIT FOR THE YEAR AFTER TAXATION		5,616,095	5,740,101
INTERIM DIVIDEND PAID		1,373,000	6,322,717
PROFIT/(LOSS) RETAINED		4,243,095	(582,616)
UNAPPROPRIATED PROFIT BROUGHT FORWARD		11,140,025	11,722,641
UNAPPROPRIATED PROFIT		15,383,120	11,140,025
MOVEMENTS IN RESERVES	11	37,628	-
UNAPPROPRIATED PROFIT CARRIED FORWARD		15,420,748	11,140,025

WOLSELEY-HUGHES MERCHANTS LIMITED

(A wholly owned subsidiary of Wolseley-Hughes Limited)

SOURCES AND APPLICATIONS OF FUNDS FOR THE YEAR ENDED 31st JULY 1981

<u>SOURCES</u>	<u>1981</u> £	<u>1980</u> £
Profit before taxation		
Depreciation charged in period	8,237,425	11,201,966
Total generated from operations	<u>1,053,070</u>	<u>886,850</u>
	9,290,495	12,088,816
Sale proceeds of fixed assets sold outside the Group	378,914	199,966
Sale proceeds of fixed assets sold within the Group	-	55,034
	<u>9,669,409</u>	<u>12,293,816</u>
 <u>APPLICATIONS</u>		
Net Tax payments including Group relief	3,608,765	1,195,865
Dividends paid	1,373,000	6,322,717
Purchase of fixed assets from outside group	1,496,787	1,484,575
Purchase of fixed assets from within the group	8,490	846,063
	<u>6,487,042</u>	<u>9,849,220</u>
Increase (decrease) in working capital (excluding transfers from fellow subsidiary)		
Stock (decrease) increase	(866,639)	3,323,479
Debtors increase (decrease)	3,236,320	(2,218,141)
Creditors increase	(2,052,215)	(3,146,759)
	<u>317,466</u>	<u>(2,041,421)</u>
Assets and liabilities transferred from fellow subsidiaries		
Fixed assets	1,637,091	-
Stock	6,899,721	-
Debtors	3,165,934	-
Taxation including group relief	371,929	-
Cash and bank	78,113	-
Creditors	(2,037,121)	-
Deferred tax	(225,000)	-
	<u>9,890,667</u>	<u>-</u>
Satisfied by increase in amount due to fellow subsidiaries	(9,890,667)	-
	<u>6,804,508</u>	<u>7,807,799</u>
	<u>2,864,901</u>	<u>4,486,017</u>
Decrease in cash and bank	(153,363)	(630,401)
Decrease in loan from Wolseley-Hughes Limited	<u>3,018,264</u>	<u>5,116,418</u>
	<u>2,864,901</u>	<u>4,486,017</u>

WOLSELEY-HUGHES MERCHANTS LIMITED

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MOVEMENT IN FIXED ASSETS FOR THE YEAR ENDED 31st JULY 1981

	Total £	Freehold land and buildings £	Long term leasehold land and buildings (over 50 years) £	Short term leasehold land and buildings £	Plant machinery and equipment £	Vehicles £
<u>COST AND VALUATION</u>						
At 31 July 1980	8,749,397	2,503,786	576,615	759,579	2,447,622	2,461,795
Additions						
Group	2,243,219	364,297	529,000	175,075	504,518	670,329
Other	1,496,787	712,190	2,680	70,539	184,564	526,814
Disposals						
Group	-	-	-	-	-	-
Other	837,558	93,554	134,000	7,655	185,153	417,196
At 31 July 1981	11,651,845	3,486,719	974,295	997,538	2,951,551	3,241,742
<u>BEING</u>						
Balance remaining of						
valuation: 1974	938,250	764,000	174,250			
: 1979	752,500	357,500	395,000			
Cost	9,961,095	2,365,219	405,045	997,538	2,951,551	3,241,742
	11,651,845	3,486,719	974,295	997,538	2,951,551	3,241,742
<u>ACCUMULATED DEPRECIATION</u>						
At 31 July 1980	2,853,602	161,681	39,005	184,720	1,299,022	1,169,174
Depreciation taken						
over from other						
Group Companies	597,638	7,320	15,870	37,017	208,025	329,406
Disposals: Group	-	-	-	-	-	-
Other	487,907	8,450	5,137	5,683	180,249	288,388
Provision for year	1,082,333	50,121	16,609	102,114	299,941	613,548
At 31 July 1981	4,045,666	210,672	66,347	318,168	1,626,739	1,823,740
<u>NET BOOK VALUE</u>						
31 July 1981	7,606,179	3,276,047	907,948	679,370	1,324,812	1,418,002
31 July 1980	5,895,795	2,342,105	537,610	574,859	1,148,600	1,292,621

Freehold land which is included above and amounts to £568,954 is not depreciated.

WOLSELEY-HUGHES MERCHANTS LIMITED

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NOTES ON ACCOUNTS

FOR THE YEAR ENDED 31 JULY 1981

1. ACCOUNTING POLICIES

The accounting policies include the following:

(a) Accounting Convention

These accounts have been prepared under the historical cost convention which permits the inclusion of certain assets at a valuation.

(b) Turnover

Turnover is the amount receivable for goods supplied and services rendered.

(c) Fixed Assets

Depreciation is calculated on the straight line basis to write off the net cost or valuation of fixed assets at the following rates per annum:

Freehold land	Nil
Freehold buildings	2%
Long leasehold land and buildings	2%
Fixtures and fittings	15%
Plant and equipment	15%
Motor vehicles	25%

Short leasehold land and buildings are either amortised over the period of the lease or at 15% per annum on a straight line basis.

(d) 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.

(e) Deferred Taxation

No provision is made where it can reasonably be foreseen that timing differences will not be reversed during the next three years and there is no indication that after this period the situation is likely to change and result in a significant tax payment.

2. CAPITAL COMMITMENTS

The amount of outstanding commitments for capital expenditure not provided for in these accounts is £108,000 (1980 £55,000). In addition the board has authorised expenditure of £106,000 (1980 £625,000) for which contracts had not been placed at 31 July 1981.

WOLSELEY-HUGHES MERCHANTS LIMITED

(A wholly owned subsidiary of Wolseley-Hughes Limited)

NOTES ON ACCOUNTS (cont.)

FOR THE YEAR ENDED 31 JULY 1981

3. TURNOVER

Turnover being invoiced value of goods sold and services provided, is as follows:

	<u>1981</u> £	<u>1980</u> £
Sales in the U.K.	115,820,042	113,839,037
Sales overseas (FOB)	<u>69,857</u>	<u>73,162</u>
	115,889,899	113,912,199
Sales to group companies in the U.K.	<u>48,998</u>	<u>90,510</u>
	115,938,897	114,002,709

4. STOCK

	<u>1981</u> £	<u>1980</u> £
Stock comprises:		
Goods purchased for resale	31,777,166	25,744,084

5. SHARE CAPITAL

	<u>1981</u> £	<u>1980</u> £
The authorised share capital is as follows:		
Ordinary shares of £1 each	40,000	40,000
7.5% (5.25% net) redeemable preference shares of £1 each	<u>2,000</u>	<u>2,000</u>
	42,000	42,000

6. DIRECTORS' EMOLUMENTS

The emoluments of the directors in accordance with section 6 of the Companies Act 1967 are as follows:

	<u>1981</u> £	<u>1980</u> £
Chairman and highest paid director	34,242	35,444

WOLSELEY-HUGHES MERCHANTS LIMITED

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NOTES ON ACCOUNTS (cont.)

FOR THE YEAR ENDED 31 JULY 1981

6. DIRECTORS' EMOLUMENTS (cont.)

	<u>1981</u>	<u>1980</u>
Number of other directors whose emoluments fall within the following ranges:		
£30,001 - £35,000	-	1
£25,001 - £30,000	3	3
£20,001 - £25,000	4	3
£ 5,001 - £10,000	1	-

7. CORPORATION TAX

	<u>1981</u>	<u>1980</u>
	£	£
Corporation tax based on the profit for the year at 52%	3,530,000	5,450,000
Deferred tax released	(906,000)	-
	<u>2,624,000</u>	<u>5,450,000</u>
Prior year adjustment	(2,670)	11,865
	<u>2,621,330</u>	<u>5,461,865</u>

The corporation tax charge for the year has been reduced (increased) by the effect of:

Stock relief	1,092,000	424,021
Capital allowances	(187,600)	63,589
Other	-	9,870
	<u>904,400</u>	<u>497,480</u>

Deferred tax released comprises

Stock relief	934,440	-
Other timing differences	(253,440)	-
	<u>681,000</u>	<u>-</u>

Deferred tax assumed from a fellow subsidiary and no longer required

	<u>225,000</u>	<u>-</u>
	<u>906,000</u>	<u>-</u>

WOLSELEY-HUGHES MERCHANTS LIMITED

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NOTES ON ACCOUNTS (cont.)

FOR THE YEAR ENDED 31 JULY 1981

8. DEFERRED TAXATION

The potential liability for deferred taxation not provided in these accounts comprises:

Surplus on revaluation of land and buildings	182,150	173,000
Capital allowances	1,180,767	1,085,629
Other timing differences	(147,502)	(235,895)
	<u>1,215,415</u>	<u>1,022,734</u>

In view of the provisions of the Finance Act 1981, the potential liability in respect of clawback of stock relief amounting to £11,043,645 (1980 £6,930,737) has been excluded from the total shown above.

9. CONTINGENT LIABILITIES.

- (a) All the assets of the company have been charged in common with those of some other subsidiaries of Wolseley-Hughes Limited, 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-Hughes Limited and certain other group companies which is taken into the accounts of Wolseley-Hughes Limited and is not therefore taken into these accounts.

- (b) 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-HUGHES MERCHANTS LIMITED

(A wholly owned subsidiary of Wolseley-Hughes Limited)

NOTES ON ACCOUNTS (cont.)

FOR THE YEAR ENDED 31 JULY 1981

10. INVESTMENTS

	<u>1981</u> <u>£</u>	<u>1980</u> <u>£</u>
Unquoted equity shares at cost	<u>50</u>	<u>50</u>

The directors estimate the value of the unquoted equity shares to be £250 (1980 £250).

11. MOVEMENT IN RESERVES.

This represents adjustment to revaluation surplus and depreciation written back on revaluation arising from the disposal of fixed assets.

12. HOLDING COMPANY

The ultimate holding company is Wolseley-Hughes Limited incorporated in England.