

DIRECTORS' REPORT AND ACCOUNTS

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WOLSELEY CENTERS LIMITED

31 July 1989

636445



WOLSELEY CENTERS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JULY 1989

ACCOUNTS

The directors present herewith the audited accounts of the company for the year ended 31 July 1989. The profit of the company for the year was £25,096,632 (1988 £19,318,606) and an interim dividend amounting to £13,266,000 has been paid. The directors do not recommend the payment of a final dividend and, therefore, £11,830,632 will be transferred to reserves.

REVIEW OF THE BUSINESS

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

FUTURE DEVELOPMENTS

The policy of the company is to maintain the expansion of its geographical coverage of the UK, and to use its strong position in the market to take advantage of opportunities as they arise.

FIXED ASSETS

Details of tangible fixed assets are set out in note 6 on page 12. The movement in fixed assets during the year represents normal replacement together with additional assets for normal extension of the business.

DIRECTORS

The directors in office during the year ended 31 July 1989 have been:

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

WOLSELEY CENTERS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JULY 1989 (CONTINUED)

DIRECTORS' INTERESTS IN SHARES

The notifiable interests of the directors in the 25p ordinary shares of Wolseley plc and options on 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 accordingly their interests are not shown.

Names of directors at 31 July 1989	Interest at 31 July 1989	Interest at 31 July 1988	Options at 31 July 1989	Options at 31 July 1988
MD Foord	26,657	33,957	52,160	45,160
RA Horne	772	772	52,872	45,072
RB Slater	-	-	42,978	36,978
JC Watson	30,000	30,000	59,372	49,672
AJ Hutton	-	-	47,008	34,008
KHD Jones	6,190	4,981	40,320	34,664
PW Sheppard	-	-	33,286	28,786
P Gauron	-	-	34,786	28,786

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

Mr JC Watson has a non-beneficial holding of 10,000 Wolseley plc 25p ordinary shares as a trustee.

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.

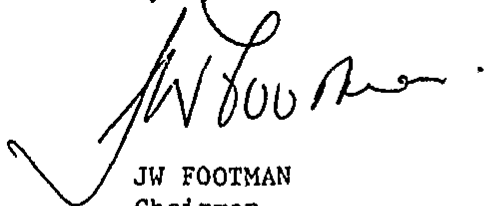
WOLSELEY CENTERS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JULY 1989 (CONTINUED)

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



JW FOOTMAN
Chairman

20 October 1989

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 17 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 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.

Price Waterhouse

PRICE WATERHOUSE

Chartered Accountants

20 October 1989

WOLSELEY CENTERS LIMITED

PROFIT AND LOSS ACCOUNT FOR
THE YEAR ENDED 31 JULY 1989

	<u>Notes</u>		<u>1988</u>
TURNOVER	1 & 2	396,271,432	362,947,072
Change in stocks of goods for resale		6,716,661	3,284,987
Own work capitalised		486,229	481,399
Other operating income		6,867,459	6,987,734
Raw materials and consumables		(313,266,774)	(289,946,634)
Staff costs	3	(29,499,067)	(25,809,922)
Depreciation written off			
tangible fixed assets		(5,243,502)	(4,609,986)
Other operating charges		(23,806,121)	(22,045,193)
OPERATING PROFIT	4	38,526,317	31,289,457
Interest (payable)/receivable		<u>1,270,315</u>	<u>(351,918)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		39,796,632	30,937,539
TAX ON PROFIT ON ORDINARY ACTIVITIES	5	<u>(14,700,000)</u>	<u>(11,618,933)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAX FOR THE FINANCIAL YEAR		25,096,632	19,318,606
DIVIDENDS PAID		<u>(13,266,000)</u>	<u>(10,313,000)</u>
TRANSFER TO RESERVES	12	<u>£11,830,632</u>	<u>£9,005,606</u>

Movements on reserves are set out in note 12.

WOLSELEY CENTERS LIMITED

BALANCE SHEET - 31 JULY 1989

	<u>Notes</u>		<u>1988</u>
FIXED ASSETS			
Tangible assets	6	23,383,576	22,546,073
CURRENT ASSETS			
Stocks	7	69,998,045	63,281,384
Debtors	8	70,149,963	61,868,536
Cash at bank and in hand		<u>7,707,846</u>	<u>8,069,772</u>
		<u>147,855,854</u>	<u>133,219,692</u>
CREDITORS (amounts falling due within one year)	9	(111,271,392)	(110,778,359)
NET CURRENT ASSETS		<u>36,584,462</u>	<u>22,441,333</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		59,968,038	44,987,406
CREDITORS (amounts falling due after more than one year)	9	(15,200,000)	(11,550,000)
PROVISIONS FOR LIABILITIES AND CHARGES	10	<u>-</u>	<u>(500,000)</u>
		<u>£44,768,038</u>	<u>£32,937,406</u>
CAPITAL AND RESERVES			
Called up share capital	11	31,250	31,250
Revaluation reserve	12	428,347	428,347
Other reserves	12	97,709	97,709
Profit and loss account	12	<u>44,210,732</u>	<u>32,380,100</u>
		<u>£44,768,038</u>	<u>£32,937,406</u>
DIRECTORS			

APPROVED BY THE BOARD
ON 20 October 1989

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WOLSELEY CENTERS LIMITED

STATEMENT OF SOURCE AND APPLICATION OF
FUNDS FOR THE YEAR ENDED 31 JULY 1989

1988

SOURCE OF FUNDS

Profit on ordinary activities before tax	39,796,632	30,937,539
Adjustment for items not involving the movement of funds:		
Depreciation	5,587,852	4,875,909
Profit on disposal of tangible fixed assets	(344,350)	(265,923)
	<u>45,040,134</u>	<u>35,547,525</u>

FUNDS FROM OTHER SOURCES

Proceeds of sale of tangible fixed assets	<u>1,087,682</u>	<u>1,343,305</u>
	<u>46,127,816</u>	<u>36,890,830</u>

APPLICATION OF FUNDS

Purchase of tangible fixed assets	7,168,687	8,352,629
Dividends paid	13,266,000	10,313,000
Taxes paid	9,436,585	7,484,095
Working capital requirements:		
Increase in stock	6,716,661	3,284,987
Increase in debtors	8,281,427	1,641,928
Increase in creditors	(10,629,603)	(1,357,395)
	<u>4,368,485</u>	<u>3,569,520</u>
	<u>34,239,757</u>	<u>29,719,244</u>

REDUCTION IN SHORT TERM
BORROWINGS

£11,888,059	£7,171,586
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Change in bank and cash
Change in amount due to
Wolseley plc

(361,926)	3,618,353
<u>12,249,985</u>	<u>3,553,233</u>

REDUCTION IN SHORT TERM
BORROWINGS

£11,888,059	£7,171,586
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WOLSELEY CENTERS LIMITED

NOTES TO THE ACCOUNTS - 31 JULY 1989

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 net cost of those assets over their estimated useful lives. The principal rates of depreciation used are:

Freehold buildings	2%
Long leasehold land and buildings	2%
Short leasehold land and buildings	15%
Fixtures and fittings	15%
Plant and equipment	15%
Computers	20%
Motor vehicles	25%

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

(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.

WOLSELEY CENTERS LIMITED

NOTES TO THE ACCOUNTS - 31 JULY 1989 (CONTINUED)

2 TURNOVER

	<u>1989</u>	<u>1988</u>
United Kingdom	395,814,240	362,368,548
Exports	<u>169,051</u>	<u>196,371</u>
	395,983,291	362,564,919
Group companies in the UK	<u>288,141</u>	<u>382,153</u>
	<u>£396,271,432</u>	<u>£362,947,072</u>

3 EMPLOYEES

	<u>1989</u>	<u>1988</u>
Staff costs:		
Wages and salaries	26,324,938	23,062,292
Social security costs	1,857,695	1,577,136
Other pension costs	<u>1,316,434</u>	<u>1,170,494</u>
	<u>£29,499,067</u>	<u>£25,809,922</u>
	<u>Number</u>	<u>Number</u>
Average numbers employed	<u>2,658</u>	<u>2,537</u>

Pensions

The company is a participating member of the Wolseley Group Retirement Benefits Plan and contributions are made thereto in accordance with the advice Wolseley plc obtains from its consulting actuary.

4 OPERATING PROFIT

	<u>1989</u>	<u>1988</u>
	<u>£</u>	<u>£</u>
This is stated after charging/(crediting):		
Directors' remuneration	658,346	633,873
Hire of plant and machinery	85,102	284,544
Operating lease rentals - land and buildings	5,247,320	4,407,889
Operating lease rentals - plant and machinery	51,377	30,434
Auditors' remuneration	72,400	67,000
Rent received	<u>(296,640)</u>	<u>(162,526)</u>

WOLSELEY CENTERS LIMITED

NOTES TO THE ACCOUNTS - 31 JULY 1989 (CONTINUED)

4 OPERATING PROFIT (CONTINUED)

	<u>1989</u>	<u>1988</u>
Directors' remuneration comprises:		
Fees	-	-
Other emoluments (including pension contributions)	<u>£658,346</u>	<u>£633,873</u>
Emoluments (excluding pension contributions) of the Chairman and highest paid director	<u>£134,558</u>	<u>£123,557</u>
Other directors' emoluments (excluding pension contributions) fell within the following ranges:	<u>Number</u>	<u>Number</u>
£0 - £5,000	-	1
£10,001 - £15,000	-	1
£40,001 - £45,000	-	1
£45,001 - £50,000	1	3
£50,001 - £55,000	3	1
£55,001 - £60,000	1	1
£60,001 - £65,000	1	1
£65,001 - £70,000	1	-
£70,001 - £75,000	-	-
£75,001 - £80,000	-	1
£80,000 - £85,000	1	-
Employees' emoluments exceeding £30,000 fell within the following ranges:		
£30,001 - £35,000	1	5
£35,001 - £40,000	12	8
£40,001 - £45,000	3	2
£45,001 - £50,000	2	-
£65,001 - £70,000	-	1
£70,001 - £75,000	1	1
£75,001 - £80,000	1	-
£80,001 - £85,000	-	-

WOLSELEY CENTERS LIMITED

NOTES TO THE ACCOUNTS - 31 JULY 1989 (CONTINUED)

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>1989</u>	<u>1988</u>
Corporation tax based on the profit on ordinary activities for the year at 35% (1988 35%)	15,200,000	11,550,000
Deferred taxation	<u>(500,000)</u>	<u>-</u>
	14,700,000	11,550,000
Prior year adjustment	<u>-</u>	<u>68,933</u>
	<u>£14,700,000</u>	<u>£11,618,933</u>

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

Depreciation in excess of capital allowances	450,000	265,000
Other timing differences	<u>232,150</u>	<u>50,443</u>
	<u>£682,150</u>	<u>£315,443</u>

WOLSELEY CENTERS LIMITED

NOTES TO THE ACCOUNTS - 31 JULY 1989 (CONTINUED)

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>Plant and machinery</u>	<u>Vehicles</u>
<u>Cost or valuation</u>						
At 31 July 1988	38,393,303	5,520,850	1,171,173	6,798,241	13,931,976	10,971,063
Additions	7,168,687	108,382	168,471	1,145,213	1,899,648	3,846,973
Disposals	2,708,728	-	-	127,268	184,979	2,396,481
At 31 July 1989	42,853,262	5,629,232	1,339,644	7,816,186	15,646,645	12,421,555
<u>Being:</u>						
Balance remaining of valuation:						
1974	770,500	648,000	122,500	-	-	-
Cost	42,082,762	4,981,232	1,217,144	7,816,186	15,646,645	12,421,555
	42,853,262	5,629,232	1,339,644	7,816,186	15,646,645	12,421,555
<u>Accumulated depreciation</u>						
At 31 July 1988	15,847,230	696,008	198,859	2,872,750	6,854,434	5,225,179
On disposals	1,965,396	-	-	91,033	146,810	1,727,553
Provision for year	5,587,852	103,319	25,130	920,612	1,997,343	2,541,448
At 31 July 1989	19,469,686	799,327	223,989	3,702,329	8,704,967	6,039,074
<u>Net book value</u>						
At 31 July 1989	£23,383,576	£4,829,905	£1,115,655	£4,113,857	£6,941,678	£6,382,481
At 31 July 1988	£22,546,073	£4,824,842	£972,314	£3,925,491	£7,077,542	£5,745,884

WOLSELEY CENTERS LIMITED

NOTES TO THE ACCOUNTS - 31 JULY 1989 (CONTINUED)

6 TANGIBLE FIXED ASSETS (CONTINUED)

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

The company's land and buildings were revalued on an existing use basis at 31 July 1974 and the revaluation was incorporated in the balance sheet at that date. In the opinion of the directors there is no significant material difference between book and market values.

(1) Historical cost

If the land and buildings had not been revalued, their amounts would have been:

	£
Historical cost:	
At 31 July 1989	<u>14,186,778</u>
Depreciation based on cost:	
At 31 July 1988	3,632,364
Charge for the year	1,039,565
Disposals	<u>91,033</u>
At 31 July 1989	<u>4,580,896</u>
Net historical cost value:	
At 31 July 1989	<u>9,605,882</u>

(2) Future capital expenditure authorised by the directors

	<u>1989</u>	<u>1988</u>
	£	£
Contracted for but not provided in the accounts	1,087,000	185,000
Not contracted for	<u>119,000</u>	<u>563,000</u>

7 STOCKS

	<u>1989</u>	<u>1988</u>
Goods purchased for resale	<u>£69,998,045</u>	<u>£63,281,384</u>

In the opinion of the directors there is no material difference between the value of stocks as disclosed and that which would have been disclosed if their value had been determined according to their replacement cost at the balance sheet date.

WOLSELEY CENTERS LIMITED

NOTES TO THE ACCOUNTS - 31 JULY 1989 (CONTINUED)

8 DEBTORS

	<u>1989</u>	<u>1988</u>
Amounts due within one year:		
Trade debtors	67,376,785	59,184,913
Amounts owed by group companies	112,716	247,486
Prepayments and accrued income	<u>2,660,462</u>	<u>2,436,137</u>
	<u>£70,149,963</u>	<u>£61,868,536</u>

9 CREDITORS

	<u>1989</u>	<u>1988</u>
Amounts falling due within one year:		
Amount due to Wolseley plc	28,656,758	40,906,743
Trade creditors	61,562,570	53,452,872
Bills of exchange payable	313,063	117,500
Amounts owed to group companies	423,061	19,662
Current corporation tax	11,751,985	9,638,570
Other taxes and social security costs	2,642,997	2,691,842
Accruals	<u>5,920,958</u>	<u>3,951,170</u>
	<u>£111,271,392</u>	<u>£110,778,359</u>
Amounts falling due after one year:		
Corporation tax	<u>£15,200,000</u>	<u>£11,550,000</u>

WOLSELEY CENTERS LIMITED

NOTES TO THE ACCOUNTS - 31 JULY 1989 (CONTINUED)

10 DEFERRED TAX

There is no potential liability to deferred taxation and accordingly the amount provided in 1988 at 35% has been released.

	1989		1988	
	<u>Full potential liability</u>	<u>Amount provided</u>	<u>Full potential liability</u>	<u>Amount provided</u>
Capital allowances in advance of depreciation	575,838	-	1,527,396	500,000
Tax on revaluation surplus	149,921	-	149,921	-
Capital gains rolled over	143,134	-	143,134	-
Other timing differences	(877,786)	-	(656,678)	-
	<u>£(8,893)</u>	<u>£Nil</u>	<u>£1,163,773</u>	<u>£500,000</u>

11 SHARE CAPITAL

	1989	1988
Authorised:		
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>
	<u>£42,000</u>	<u>£42,000</u>
Allotted, issued and fully paid Ordinary shares of £1 each	<u>£31,250</u>	<u>£31,250</u>

12 RESERVES

	<u>Revaluation reserve</u>	<u>Other reserves</u>	<u>Profit and loss account</u>
Balance at 31 July 1988	428,347	97,709	32,380,100
Retained profit for the year	<u>-</u>	<u>-</u>	<u>11,830,632</u>
Balance at 31 July 1989	<u>£428,347</u>	<u>£97,709</u>	<u>£44,210,732</u>

WOLSELEY CENTERS LIMITED

NOTES TO THE ACCOUNTS - 31 JULY 1989 (CONTINUED)

13 SUBSEQUENT EVENTS

No events have taken place subsequent to the balance sheet date which in the opinion of the directors would materially affect these accounts.

14 CONTINGENT LIABILITIES

- (1) All the assets of the company have been charged, in common with those of some other subsidiaries of Wolseley plc, as a 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.

- (2) 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.

15 OTHER FINANCIAL COMMITMENTS

At 31 July 1989 the company had annual commitments under non-cancellable operating leases as follows:

	<u>Land and buildings</u>	<u>Other</u>
Expiring within one year	35,080	22,225
Expiring within two and five years inclusive	420,743	-
Expiring in over five years	<u>4,569,384</u>	<u>-</u>
	£5,025,207	£22,225

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

WOLSELEY CENTERS LIMITED

NOTES TO THE ACCOUNTS - 31 JULY 1989 (CONTINUED)

16 PENSIONS

The majority of the company's employees are members of the Wolseley Group Retirement Benefits Plan, whose assets are held separately from those of Wolseley plc group.

The scheme is a defined benefits scheme, the contributions to which are charged to the profit and loss accounts so as to spread the pension costs over the estimated working lives of the employees with the company. These contributions are determined by an independent qualified actuary on the basis of triennial valuations.

The most recent valuation was at 1 May 1989, when a surplus was identified. As a result of this valuation, a provision of £129,000 (1988 £49,000) has been established in the balance sheet to reflect the excess of the reduction in cash payable when compared with amortisation of the surplus over thirteen years, the average service life.

The pension costs charged to the profit and loss account in the year under review were £1,316,434 (1988 - £1,170,494). Fuller details of the latest actuarial valuation are contained in the published accounts of Wolseley plc.

17 HOLDING COMPANY

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