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DIRECTORS' REPORT AND ACCOUNTS

WOLSELEY CENTERS LIMITED
(Formerly Wolseley-Hughes Merchants Limited)

31 July 1986

WOLSELEY CENTERS LIMITED
(Formerly Wolseley-Hughes Merchants Limited)

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JULY 1986

ACCOUNTS

The directors present herewith the audited accounts of the company for the year ended 31 July 1986. The profit of the company and the way in which it has been dealt with is set out on page 5. An interim dividend amounting to £6,840,000 has been paid. The directors do not recommend the payment of a final dividend.

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 continued to expand the number of branches in operation.

On 12 August 1985 the company purchased the net trading assets of another group company, Plumb Center Limited, a distributor of heating and plumbing products. On 1 June 1986 the company changed its name from Wolseley-Hughes Merchants Limited to Wolseley Centers Limited.

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 11. 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 1985 have been:

WOLSELEY CENTERS LIMITED
(Formerly Wolseley-Hughes Merchants Limited)

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JULY 1986 (CONTINUED)

DIRECTORS (CONTINUED)

J Lancaster	(Chairman until 1 April 1986)
TN Balmer	(Resigned 1 April 1986)
JH Chislett	(Resigned 1 April 1986)
MD Foord	
JW Footman	(Chairman from 1 April 1986)
JD Hartley	(Resigned 1 April 1986)
RA Horne	
RB Slater	
JC Watson	(Managing Director)
JR Newman	(Appointed 1 April 1986)
PW Sheppard	(Appointed 1 April 1986)
KHD Jones	(Appointed 1 April 1986)
AJ Hutton	(Appointed 1 April 1986)

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 1986	Interest at		Options at	
	Interest at 31 July 1986	1 August 1985 or later date of appointment	Options at 31 July 1986	1 August 1985 or later date of appointment
MD Foord	881	531	53,842	31,836
RA Horne	328	232	51,295	30,000
RB Slater	-	-	42,854	25,000
JC Watson	-	-	51,295	30,000
AJ Hutton	-	-	970	970
KHD Jones	1,269	1,269	3,125	3,125
JR Newman	-	-	-	-
PW Sheppard	-	-	27,271	27,271

On 13 December 1985 Wolseley plc made a capitalisation issue of one new ordinary share of 25p each for four ordinary shares of 25p each held at 9 December 1985. Options and the prices relating thereto, which were subsisting both at 13 December 1985 and as at 31 July 1986 have been adjusted as a result of the capitalisation issue.

WOLSELEY CENTERS LIMITED
(Formerly Wolseley-Hughes Merchants Limited)

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JULY 1986 (CONTINUED)

DIRECTORS (CONTINUED)

Additionally, options held at 31 July 1986, which were also held at 20 March 1986 have been adjusted as a result of the rights issue of ordinary shares by Wolseley plc.

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 6,250 Wolseley plc 25p ordinary shares as a trustee.

EMPLOYMENT

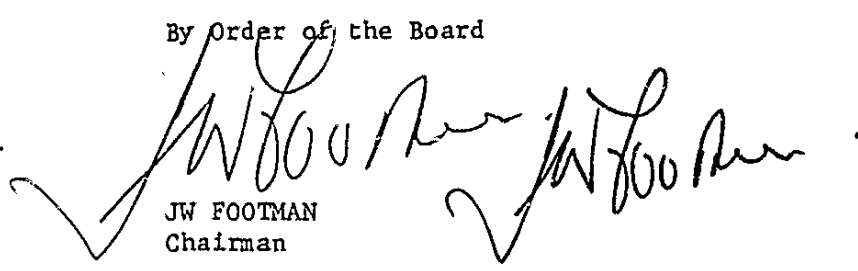
It is company policy to give full and fair consideration to applications for employment made by disabled persons, to continue wherever possible the employment of staff who become disabled and to provide equal opportunities for the training and career development of disabled employees.

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

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

15 September 1986

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 15 in accordance with approved Auditing Standards.

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31 July 1986 and of its profit and source and application of funds for the year then ended and comply with the Companies Act 1985.

Price Waterhouse

PRICE WATERHOUSE

Chartered Accountants

15 September 1986

9 Bond Court
Leeds
LS1 2SN

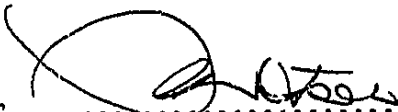
WOLSELEY CENTERS LIMITED
(Formerly Wolseley-Hughes Merchants Limited)


PROFIT AND LOSS ACCOUNT FOR
THE YEAR ENDED 31 JULY 1986

	Notes		1985
TURNOVER	1 & 2	285,532,812	216,580,433
Change in stocks of goods for resale		13,156,300	(7,298,228)
Own work capitalised		267,730	-
Other operating income		5,289,863	3,905,931
Raw materials and consumables		(242,196,391)	(165,805,520)
Staff costs	3	(20,383,163)	(15,565,656)
Depreciation written off tangible fixed assets		(3,036,598)	(2,092,986)
Other operating charges		(17,927,083)	(14,059,175)
OPERATING PROFIT	4	20,703,470	15,664,799
Interest (payable)/receivable		(110,713)	89,188
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		20,592,757	15,753,987
TAX ON PROFIT ON ORDINARY ACTIVITIES	5	(8,868,000)	(8,015,928)
PROFIT ON ORDINARY ACTIVITIES AFTER TAX FOR THE FINANCIAL YEAR		11,724,757	7,738,059
BALANCE AT 31 JULY 1985		9,474,076	30,733,017
		21,198,833	38,471,076
DIVIDENDS PAID		6,840,000	28,997,000
BALANCE AT 31 JULY 1986		£14,358,833	£9,474,076

WOLSELEY CENTERS LIMITED

We certify that the attached accounts, including the Directors' Report and Auditors' Report, are true copies of those laid before the Company in General Meeting during the period since the date of the previous Annual Return.

Director 

Secretary 

WOLSELEY CENTERS LIMITED
(Formerly Wolseley-Hughes Merchants Limited)

BALANCE SHEET - 31 JULY 1986

	<u>Notes</u>		<u>1985</u>
FIXED ASSETS			
Tangible assets	6	16,446,164	12,121,576
CURRENT ASSETS			
Stocks	7	52,582,524	39,426,224
Debtors	8	53,617,034	40,423,483
Cash at bank and in hand		<u>4,471,390</u>	<u>2,347,451</u>
		<u>110,670,948</u>	<u>82,197,158</u>
CREDITORS (amounts falling due within one year)	9	(102,952,173)	(77,296,552)
NET CURRENT ASSETS		<u>7,718,775</u>	<u>4,900,606</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		24,164,939	17,022,182
CREDITORS (amounts falling due after more than one year)	9	(7,800,000)	(6,900,000)
PROVISIONS FOR LIABILITIES AND CHARGES	10	<u>(1,358,000)</u>	<u>-</u>
		<u>£15,006,939</u>	<u>£10,122,182</u>
<u>CAPITAL AND RESERVES</u>			
CALLED UP SHARE CAPITAL	11	31,250	31,250
REVALUATION RESERVE		519,147	519,147
OTHER RESERVES		97,709	97,709
PROFIT AND LOSS ACCOUNT		<u>14,358,833</u>	<u>9,474,076</u>
		<u>£15,006,939</u>	<u>£10,122,182</u>

DIRECTORS

APPROVED BY THE BOARD
ON 15 SEPTEMBER 1986

[Handwritten signatures of directors]

WOLSELEY CENTERS LIMITED
(Formerly Wolseley-Hughes Merchants Limited)

STATEMENT OF SOURCE AND APPLICATION OF
FUNDS FOR THE YEAR ENDED 31 JULY 1986

		<u>1985</u>
SOURCE OF FUNDS		
Profit on ordinary activities before tax	20,592,757	15,753,987
Adjustment for items not involving the movement of funds:		
Depreciation	3,031,520	2,175,059
Loss/(profit) on disposal of tangible fixed assets	<u>5,078</u>	<u>(82,073)</u>
	23,629,355	17,846,973
FUNDS FROM OTHER SOURCES		
Proceeds of sale of tangible fixed assets	<u>715,130</u>	<u>696,915</u>
	<u>£24,344,485</u>	<u>£18,543,888</u>
APPLICATION OF FUNDS		
*Purchase of tangible fixed assets	7,818,316	3,975,127
Dividends paid	6,840,000	28,997,000
Taxes paid	6,112,556	4,732,427
Working capital requirements:		
*Increase/(decrease) in stock	13,156,300	(7,298,228)
*Increase in debtors	13,193,551	1,342,599
*(Increase)/decrease in creditors	<u>(14,164,278)</u>	<u>5,799,167</u>
	<u>12,185,573</u>	<u>(156,462)</u>
	<u>£32,956,445</u>	<u>£37,548,092</u>
CHANGE IN SHORT TERM BORROWINGS	<u>£(8,611,960)</u>	<u>£(19,004,204)</u>
Change in bank and cash	2,123,939	(740,181)
Change in amount due to Wolseley plc	<u>(10,735,899)</u>	<u>(18,264,023)</u>
CHANGE IN SHORT TERM BORROWINGS	<u>£(8,611,960)</u>	<u>£(19,004,204)</u>

* See Note 16.

WOLSELEY CENTERS LIMITED
(Formerly Wolseley-Hughes Merchants Limited)

NOTES TO THE ACCOUNTS - 31 JULY 1986

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%
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
(Formerly Wolseley-Hughes Merchants Limited)

NOTES TO THE ACCOUNTS - 31 JULY 1986 (CONTINUED)

2 TURNOVER

	<u>1986</u>	<u>1985</u>
United Kingdom	285,277,985	216,357,225
Exports	<u>203,088</u>	<u>84,984</u>
	285,481,073	216,442,209
Group companies in the UK	<u>51,739</u>	<u>138,224</u>
	<u>£285,532,812</u>	<u>£216,580,433</u>

3 EMPLOYEES

	<u>1986</u>	<u>1985</u>
Staff costs:		
Wages and salaries	17,680,835	13,362,656
Social security costs	1,220,426	975,728
Other pension costs	<u>1,481,907</u>	<u>1,227,272</u>
	£20,383,163	£15,565,656
	<u>Number</u>	<u>Number</u>
Average numbers employed	<u>2,277</u>	<u>1,794</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

This is stated after charging/(crediting):

	<u>1986</u>	<u>1985</u>
	<u>£</u>	<u>£</u>
Directors' remuneration	402,791	371,595
Hire of plant and machinery	620,099	535,847
Operating lease rentals - land and buildings	3,297,781	2,404,162
Operating lease rentals - plant and machinery	42,104	32,388
Auditors' remuneration	61,000	53,000
Rent received	<u>(132,116)</u>	<u>(85,649)</u>

WOLSELEY CENTERS LIMITED
(Formerly Wolseley-Hughes Merchants Limited)

NOTES TO THE ACCOUNTS - 31 JULY 1986 (CONTINUED)

4 OPERATING PROFIT (CONTINUED)

Directors' remuneration comprises:

	<u>1986</u>	<u>1985</u>
	£	£
Fees	-	-
Other emoluments (including pension contributions)	<u>402,791</u>	<u>371,595</u>

Emoluments (excluding pension contributions) of the highest paid director (Chairman from 1 April 1986)

<u>71,537</u>	<u>59,373</u>
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Emoluments (excluding pension contributions) of the Chairman to 1 April 1986

<u>Nil</u>	<u>Nil</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	1
£5,001 - £10,000	1	-
£10,001 - £15,000	3	-
£30,001 - £35,000	2	-
£35,001 - £40,000	-	1
£40,001 - £45,000	1	3
£45,001 - £50,000	3	2

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

£30,001 - £35,000	4	4
£45,001 - £50,000	2	-

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>1986</u>	<u>1985</u>
Corporation tax based on the profit on ordinary activities for the year at 38.33% (1985 43.33%)	8,768,000	6,900,000
Deferred taxation at 35%	<u>1,100,000</u>	-
	9,868,000	6,900,000
Prior year adjustment for tax recoverable in respect of Industrial Buildings Allowances	(1,000,000)	-
Prior year adjustment for group relief	-	<u>1,115,928</u>
	<u>£8,868,000</u>	<u>£8,015,928</u>

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

Capital allowances	43,505	113,000
Other timing differences	<u>315,522</u>	<u>117,000</u>
	<u>£359,027</u>	<u>£230,000</u>

WOLSELEY CENTERS LIMITED
(Formerly Wolseley-Hughes Merchants Limited)

NOTES TO THE ACCOUNTS - 31 JULY 1986 (CONTINUED)

6(1) 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 1985	19,690,915	4,396,411	1,009,936	2,670,023	5,619,214	5,995,331
Additions (including group transfers)	8,840,374	977,341	134,782	1,296,705	2,551,523	3,880,023
Disposals	(1,794,793)	(144,646)	(51,776)	(14,418)	(63,690)	(1,520,263)
At 31 July 1986	<u>26,736,496</u>	<u>5,229,106</u>	<u>1,092,942</u>	<u>3,952,310</u>	<u>8,107,047</u>	<u>8,355,091</u>
<u>Being:</u>						
Balance remaining of valuation:						
1974	834,750	712,250	122,500	-	-	-
1979	585,000	190,000	395,000	-	-	-
Cost	<u>25,316,746</u>	<u>4,326,856</u>	<u>575,442</u>	<u>3,952,310</u>	<u>8,107,047</u>	<u>8,355,091</u>
	<u>26,736,496</u>	<u>5,229,106</u>	<u>1,092,942</u>	<u>3,952,310</u>	<u>8,107,047</u>	<u>8,355,091</u>
<u>Accumulated depreciation</u>						
At 31 July 1985	7,569,339	448,695	144,228	1,091,409	3,079,463	2,805,544
On disposals	(1,074,585)	(13,469)	(11,568)	(6,028)	(46,587)	(996,933)
Provision for year	3,031,520	89,748	20,870	439,355	840,967	1,640,580
On group transfers	<u>764,058</u>	<u>-</u>	<u>-</u>	<u>79,427</u>	<u>504,680</u>	<u>179,951</u>
At 31 July 1986	<u>10,290,332</u>	<u>524,974</u>	<u>153,530</u>	<u>1,604,163</u>	<u>4,378,523</u>	<u>3,629,142</u>
<u>Net book value</u>						
31 July 1986	<u>£16,446,164</u>	<u>£4,704,132</u>	<u>£939,412</u>	<u>£2,348,147</u>	<u>£3,728,524</u>	<u>£4,725,949</u>
31 July 1985	<u>£12,121,576</u>	<u>£3,947,716</u>	<u>£865,708</u>	<u>£1,578,614</u>	<u>£2,539,751</u>	<u>£3,189,787</u>

WOLSELEY CENTERS LIMITED
(Formerly Wolseley-Hughes Merchants Limited)

NOTES TO THE ACCOUNTS - 31 JULY 1986 (CONTINUED)

6(1) TANGIBLE FIXED ASSETS (CONTINUED)

Freehold land which is included above and amounts to £474,954 is not depreciated.

The company's land and buildings were revalued by Grimley & 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 KS Pipeline Supplies Limited at their 1979 valuation and LCA Pipelines Limited at cost less amounts written off. In the opinion of the directors there is no significant material difference between book and market values.

(2) HISTORICAL COST

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

	£
Historical cost:	
At 31 July 1986	<u>9,512,107</u>
Depreciation based on cost:	
At 31 July 1985	1,641,448
Charge for the year	538,297
Disposals	(7,211)
Additions	<u>79,428</u>
At 31 July 1986	<u>2,251,962</u>
Net historical cost value:	
At 31 July 1986	<u>£7,260,145</u>

(3) Future capital expenditure authorised by the directors

	<u>1986</u>	<u>1985</u>
	£	£
Contracted for but not provided in the accounts	550,000	181,380
Not contracted for	<u>2,016,000</u>	<u>1,785,000</u>

7 STOCKS

	<u>1986</u>	<u>1985</u>
Goods purchased for resale	<u>£52,582,524</u>	<u>£39,426,224</u>

In the opinion of the directors there is no significant 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
(Formerly Wolseley-Hughes Merchants Limited)

NOTES TO THE ACCOUNTS - 31 JULY 1986 (CONTINUED)

8	DEBTORS	<u>1986</u>	<u>1985</u>
	Amounts due within one year:		
	Trade debtors	52,094,352	38,430,500
	Amounts owed by group companies	24,374	13,715
	Prepayments and accrued income	<u>1,498,308</u>	<u>1,979,268</u>
		<u>£53,617,034</u>	<u>£40,423,483</u>
9	CREDITORS	<u>1986</u>	<u>1985</u>
	Amounts falling due within one year:		
	Amount due to Wolseley plc	48,155,133	36,551,234
	Trade creditors	45,246,107	31,658,274
	Bills of exchange payable	50,000	275,000
	Amounts owed to group companies	110,941	109,719
	Current corporation tax	5,689,390	5,801,946
	Other taxes and social security costs	952,596	937,992
	Accruals	<u>2,748,006</u>	<u>1,962,387</u>
		<u>£102,952,173</u>	<u>£77,296,552</u>
	Amounts falling due after one year:		
	Corporation tax	<u>£7,800,000</u>	<u>£6,900,000</u>

WOLSELEY CENTERS LIMITED
(Formerly Wolseley-Hughes Merchants Limited)

NOTES TO THE ACCOUNTS - 31 JULY 1986 (CONTINUED)

10 DEFERRED TAX

The full potential liability and the amount provided in these accounts for deferred tax at 35% (1985 35%) are as follows:

	1986		1985	
	Full potential liability	Amount provided	Full potential liability	Amount provided
Capital allowances in advance of depreciation	2,184,000	1,358,000	1,525,000	-
Tax on revaluation surplus	155,750	-	155,750	-
Capital gains rolled over	123,000	-	123,000	-
Other timing differences	(329,000)	-	(13,000)	-
	£2,133,750	£1,358,000	£1,790,750	£-

11 SHARE CAPITAL

	1986	1985
Authorised:		
Ordinary shares of £1 each	40,000	40,000
7.5% (5.25% net) redeemable preference shares of £1 each	2,000	2,000
	£42,000	£42,000
Allotted, issued and fully paid Ordinary shares of £1 each	£31,250	£31,250

12 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.

13 CONTINGENT LIABILITIES

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

WOLSELEY CENTERS LIMITED
(Formerly Wolseley-Hughes Merchants Limited)

NOTES TO THE ACCOUNTS - 31 JULY 1986 (CONTINUED)

13 CONTINGENT LIABILITIES (CONTINUED)

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.

14 OTHER FINANCIAL COMMITMENTS

At 31 July 1986 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	Other
Expiring within one year	16,000	35,154
Expiring within two and five years inclusive	100,325	37,330
Expiring in over five years	<u>3,215,877</u>	<u>-</u>
	£3,332,202	£72,484

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

15 HOLDING COMPANY

The ultimate holding company is Wolseley plc, incorporated in Great Britain.

16 ACQUISITION OF NET ASSETS OF PLUMB CENTER LIMITED

Net assets acquired from Plumb Center Limited, another group company, comprised:

	£
Fixed assets	996,200
Stocks	5,111,100
Debtors	6,017,000
Creditors	(7,252,240)
Deferred taxation	<u>(258,000)</u>
	£4,614,060