

REGISTERED NO: 1367550

SMITHS PLUMBING SUPPLIES (BOLTON) LIMITED

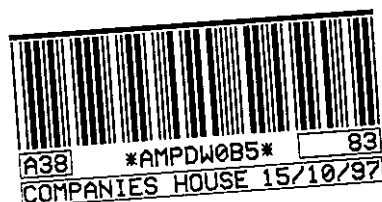
AVONDALE HOUSE, AVONDALE ROAD,

CARDIFF, CF1 7XB.

REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31 DECEMBER 1996



Smiths Plumbing Supplies (Bolton) Limited

Annual report for the year ended 31 December 1996

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Smiths Plumbing Supplies (Bolton) Limited

Directors and advisers

Executive directors:

M R Aldridge - Chairman
J L Parker - Managing Director
D B Williams

Company secretary:

D B Williams

Auditors:

Coopers & Lybrand
Churchill House
Churchill Way
Cardiff
CF1 4XQ

Bankers:

National Westminster Bank PLC
24 Deansgate
Bolton
BL1 1AP

Registered office:

Avondale House
Avondale Road
Cardiff
CF1 7XB

Registered number:

1367550

Smiths Plumbing Supplies (Bolton) Limited

Directors' report for the year ended 31 December 1996

The directors present their report and the audited financial statements for the year ended 31 December 1996.

Principal activities

The profit and loss account for the year is set out on page 6.

The company's principle activity during the year was that of plumbers merchants.

Review of business and future developments

Both the level of business and the year end financial position were satisfactory.

On 9 August 1996 all of the issued share capital of the company was acquired by British Dredging plc.

On 1 January 1997 certain assets of the company were transferred at their net book value to J Thomas Edwards & Sons plc, a subsidiary company of British Dredging plc. From 1 January 1997 the business of Smiths will be included as a division of J Thomas Edwards & Sons plc.

Dividends

The directors do not recommend the payment of a dividend.

Directors

The directors of the company during the year are listed below:

M R Aldridge	(Chairman	- appointed 9 August 1996)
J L Parker	(Managing director	- appointed 9 August 1996)
D B Williams	(Company secretary	- appointed 9 August 1996)
C E Yates	(Chairman	- resigned 9 August 1996)
Mrs D Yates	(Company secretary	- resigned 9 August 1996)

Directors' interests

On 9 August 1996 the shares in the company held by C E Yates and Mrs D Yates were sold to British Dredging plc.

No director had any interest in the share capital of the company at the end of the year other than a non-beneficial interest as a nominee.

The interests of M R Aldridge and D B Williams, all being beneficial, in the share capital of the ultimate parent company, British Dredging plc, are shown in the directors' report of that company.

Smiths Plumbing Supplies (Bolton) Limited

Directors' report (continued)

Directors' interests (continued)

The interests of J L Parker, all being beneficial, in the share capital of British Dredging plc are set out below:-

<u>31 December 1996</u>	<u>1 January 1996</u>
Executive Share Option Scheme	Executive Share Option Scheme
50,000	50,000

The Executive Scheme options were granted on 24 April 1995 at a price of 120.5p per share and are normally exercisable after three years and before ten years of the date of grant.

No director had any interest in the Guaranteed Unsecured Loan Notes 2000 of British Dredging plc at any time during the year, or from the year end to date.

Donations

Contributions amounting to £588 (1995 - £Nil) were made during the year for charitable purposes.

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the board



D B Williams
Company Secretary
8 April 1997

Smiths Plumbing Supplies (Bolton) Limited

Directors' responsibilities in respect of the preparation of financial statements

The following statement, which should be read in conjunction with the auditors' statement of auditors' responsibilities set out in the Report of the Auditors on page 5, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the financial statements.

The directors are required by UK company law to prepare financial statements for each financial year which give a true and fair view of the state of the company's affairs as at the end of the financial year and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Smiths Plumbing Supplies (Bolton) Limited

Report of the auditors to the members of Smiths Plumbing Supplies (Bolton) Limited

We have audited the financial statements on pages 6 to 16.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1996 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand

**Chartered Accountants and Registered Auditors
Cardiff
8 April 1997**

Smiths Plumbing Supplies (Bolton) Limited

Profit and loss account for the year ended 31 December 1996

	Notes	1996 £	1995 £
Turnover - continuing operations	2	7,219,243	7,240,377
Cost of sales - continuing operations		(5,720,867)	(5,737,507)
Gross profit		1,498,376	1,502,870
Net operating expenses - continuing operations	3	(1,613,764)	(1,329,138)
Operating (loss)/profit - continuing operations		(115,388)	173,732
Interest payable and similar charges	6	(2,870)	(12,838)
(Loss)/profit on ordinary activities before taxation	7	(118,258)	160,894
Tax charge on (loss)/profit on ordinary activities	8	(39,559)	(44,758)
(Loss)/profit on ordinary activities after taxation retained for the year		<u>(157,817)</u>	<u>116,136</u>

The company has no recognised gains or losses other than those included in the above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before taxation (1995 - profit) and the retained deficit (1995 - retained profit) for the years stated above and their historical cost equivalents.

Turnover is shown before deduction of settlement discounts which are now included in cost of sales to be consistent with appropriate fellow subsidiary undertakings. The comparative figures for 1995 have been amended accordingly.

Smiths Plumbing Supplies (Bolton) Limited
Balance sheet at 31 December 1996

	Notes	1996	1995
Fixed assets		£	£
Tangible assets	9	79,416	267,268
Investments	10	750	750
		<u>80,166</u>	<u>268,018</u>
Current assets			
Stocks	11	1,086,574	1,127,125
Debtors	12	1,017,658	1,247,430
Cash at bank and in hand		999	999
		<u>2,105,231</u>	<u>2,375,554</u>
Creditors: amounts falling due within one year	13 (i)	(707,143)	(1,024,005)
		<u>1,398,088</u>	<u>1,351,549</u>
Net current assets			
		<u>1,478,254</u>	<u>1,619,567</u>
Total assets less current liabilities			
Creditors: amounts falling due after one year	13 (ii)	(38,454)	(1,399)
Provisions for liabilities and charges			
Deferred taxation	14	-	(20,551)
Net assets		<u><u>1,439,800</u></u>	<u><u>1,597,617</u></u>
Capital and reserves			
Called up share capital	15	10,000	10,000
Profit and loss account	16	1,429,800	1,587,617
Equity shareholders' funds	17	<u><u>1,439,800</u></u>	<u><u>1,597,617</u></u>

The financial statements on pages 6 to 16 were approved by the board of directors on 8 April 1997 and were signed on its behalf by:



M R Aldridge
Director

Smiths Plumbing Supplies (Bolton) Limited

Notes to the financial statements for the year ended 31 December 1996

1. Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. The company's accounting policies have been brought into line with the accounting policies of British Dredging plc. A summary of the more important accounting policies, which have been applied throughout the year ended 31 December 1996, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided either on the cost of fixed assets from the date they are commissioned into service or brought into production, or on any revaluation from the date of such revaluation, and is calculated to write the assets off or down to a nominal value by equal annual instalments.

The annual rates of depreciation are as follows:-

Plant, machinery and equipment	15% - 25%
Cars and vans	20%
Lorries	15% - 20%

New items costing less than £200 are not capitalised but are written off in the year of acquisition.

Lease obligations and hire purchase contracts

Operating lease rentals are written off to the profit and loss account as they are incurred. Where assets are financed by hire purchase contracts the assets are treated as if they had been purchased outright. The amount capitalised is the basic purchase price of the asset and the interest charges are allocated to accounting periods so as to produce a constant periodic rate of charge on the remaining balance of the obligation for each accounting period.

Depreciation of the relevant assets is charged to the profit and loss account.

Stocks

Stocks are valued at cost or net realisable value, whichever is lower.

Turnover

Turnover represents amounts invoiced by the company in respect of goods sold during the year, excluding value added tax and trade discounts.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Investments

Unlisted investments are stated at cost.

Smiths Plumbing Supplies (Bolton) Limited

2. Turnover

Turnover consists entirely of sales made in the United Kingdom. The directors consider that there is only one class of business.

3. Net operating expenses

	1996 £	1995 £
Continuing operations		
Distribution costs	1,334,809	980,187
Administration expenses	279,195	348,951
	<u>1,614,004</u>	<u>1,329,138</u>
Less: other income	(240)	-
	<u>1,613,764</u>	<u>1,329,138</u>

The analysis of operating expenses between distribution costs and administration expenses has been modified to be consistent with appropriate fellow subsidiary undertakings. The comparative figures for 1995 have been amended accordingly.

4. Directors' emoluments

	1996 £	1995 £
Fees	-	95,000
Other emoluments (including pension contributions and benefits in kind)	57,937	62,344
	<u>57,937</u>	<u>157,344</u>

Fees and other emoluments (excluding pension contributions) include amounts paid to:

	1996 £	1995 £
The chairman	Nil	Nil
The highest paid director	<u>44,347</u>	<u>99,228</u>

The number of directors (including the chairman and the highest paid director) who received fees and other emoluments (excluding pension contributions) within the following ranges was:

	1996 Number	1995 Number
£0 to £5,000	4	-
£10,001 to £15,000	-	1
£40,001 to £45,000	1	-
£95,001 to £100,000	-	1

Smiths Plumbing Supplies (Bolton) Limited

5. Employee information

The average weekly number of persons (including executive directors) employed by the company during the year was:

	1996 Number	1995 Number
By activity		
Directors	2	2
Office and management	12	12
Distribution and sales staff	36	35
	<u>50</u>	<u>49</u>

The analysis of employee numbers by activity has been modified to be consistent with appropriate fellow subsidiary undertakings. The comparative figures for 1995 have been amended accordingly.

	1996 £	1995 £
Staff costs (for the above persons)		
Wages and salaries	677,887	717,828
Social security costs	61,601	56,845
Pension costs (see note 20)	28,801	58,882
	<u>768,289</u>	<u>833,555</u>

6. Interest payable and similar charges

	1996 £	1995 £
On bank overdraft repayable within 5 years, not by instalments	899	6,145
On hire purchase contracts	1,971	6,693
	<u>2,870</u>	<u>12,838</u>

Smiths Plumbing Supplies (Bolton) Limited

7. (Loss)/profit on ordinary activities before taxation

	1996 £	1995 £
Profit on ordinary activities before taxation is stated after crediting:		
Profit on disposal of tangible fixed assets	2,897	-
Rent receivable	240	-
	<u> </u>	<u> </u>
And after charging:		
Depreciation charge for the year:		
Tangible owned fixed assets	40,488	31,735
Tangible fixed assets under hire purchase	2,000	15,731
Reassessment of useful lives	106,510	-
Leasehold improvements written off	59,442	-
Auditors' remuneration	5,200	3,200
Operating lease rentals:		
Plant and machinery	80,917	60,858
Other operating leases	21,532	39,200
Management charge payable to fellow subsidiary undertaking	33,000	-
	<u> </u>	<u> </u>

8 Tax charge on (loss)/profit on ordinary activities

	1996 £	1995 £
Based on the results for the year:		
UK corporation tax charge at 33 % (1995: 25%)	60,110	39,549
Transfer to deferred taxation	(20,551)	334
	<u>39,559</u>	<u>39,883</u>
Relating to prior year:		
UK corporation tax charge	-	4,875
	<u>39,559</u>	<u>44,758</u>

Smiths Plumbing Supplies (Bolton) Limited

9. Tangible fixed assets

	Leasehold improvements	Long leasehold properties	Plant, machinery & vehicles	Fixtures and fittings	Total
	£	£	£	£	£
Cost					
At 1 January 1996	-	128,986	188,926	198,954	516,866
Reclassification at 1 January 1996	64,885	(128,986)	(51,975)	116,076	-
Additions	5,300	-	12,000	24,793	42,093
Disposals	(70,185)	-	(57,187)	-	(127,372)
At 31 December 1996	<u>-</u>	<u>-</u>	<u>91,764</u>	<u>339,823</u>	<u>431,587</u>
	=====	=====	=====	=====	=====
Depreciation					
At 1 January 1996	-	17,074	92,643	139,881	249,598
Reclassification and reassessment of useful life at 1 January 1996	9,698	(17,074)	(875)	114,761	106,510
Charge for year	1,045	-	16,704	24,739	42,488
Disposals	(10,743)	-	(35,682)	-	(46,425)
At 31 December 1996	<u>-</u>	<u>-</u>	<u>72,790</u>	<u>279,381</u>	<u>352,171</u>
	=====	=====	=====	=====	=====
Net book value					
At 31 December 1996	<u>-</u>	<u>-</u>	<u>18,974</u>	<u>60,442</u>	<u>79,416</u>
	=====	=====	=====	=====	=====
At 31 December 1995	<u>-</u>	<u>111,912</u>	<u>96,283</u>	<u>59,073</u>	<u>267,268</u>
	=====	=====	=====	=====	=====

The classification and assessment of useful lives of fixed assets have been revised to show a position at 31 December 1995 consistent with appropriate fellow subsidiary undertakings. The effect of these changes has increased the depreciation charge for the year by £106,510.

The net book value of fixed assets includes £10,000 (1995 - £33,367) in respect of assets held under hire purchase contracts, the depreciation of which is shown in note 7.

10 Investments

	1996	1995
	£	£
Unlisted investments at cost	<u>750</u>	<u>750</u>

Smiths Plumbing Supplies (Bolton) Limited

11. Stocks

Stocks are comprised wholly of goods for resale.

12. Debtors

	1996 £	1995 £
Amounts falling due within one year		
Trade debtors	984,788	1,227,149
Amounts owed by group undertakings	11,825	-
Other debtors	125	14,704
Prepayments and accrued income	20,920	5,577
	<u>1,017,658</u>	<u>1,247,430</u>

13. Creditors

(i) Amounts falling due within one year

	1996 £	1995 £
Bank overdraft	-	332,854
Trade creditors	373,003	538,655
Amounts owed to group undertakings	63,329	-
Corporation tax	59,286	39,549
Other taxation and social security costs	42,829	60,766
Other creditors	10,412	27,791
Accruals and deferred income	154,140	10,535
Obligation under finance leases and hire purchase contracts	4,144	13,855
	<u>707,143</u>	<u>1,024,005</u>

(ii) Amounts falling due after one year

Amounts owed to group undertakings	33,619	-
Obligations under finance leases	4,835	1,399
	<u>38,454</u>	<u>1,399</u>

The amounts owed to group undertakings are due in one to two years.

Obligations under finance leases and hire purchase contracts

These are repayable over varying periods by monthly instalments as follows:

In the next year	4,144	13,855
In the second to fifth years	4,835	1,399
	<u>8,979</u>	<u>15,254</u>

The hire purchase liabilities are secured by plant and machinery.

Smiths Plumbing Supplies (Bolton) Limited

14. Deferred taxation

Deferred taxation provided in the financial statements, and the amount unprovided of the total potential liability, are as follows:

	Amount provided		Amount unprovided	
	1996	1995	1996	1995
	£	£	£	£
Accelerated capital allowances	-	20,551	-	-
Other timing differences	-	-	-	-
	<u>-</u>	<u>20,551</u>	<u>-</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>20,551</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

The movements on the provision for deferred taxation are as follows:

	£
Provision at 1 January 1996	20,551
Transfer to profit and loss account Relating to current year	(20,551)
Provision at 31 December 1996	<u><u>Nil</u></u>

15. Called up share capital

	1996	1995
	£	£
Authorised		
10,000 ordinary shares of £1 each	<u><u>10,000</u></u>	<u><u>10,000</u></u>
Allotted, called up and fully paid		
10,000 ordinary shares of £1 each	<u><u>10,000</u></u>	<u><u>10,000</u></u>

16. Profit and loss account

	£
At 1 January 1996	1,587,617
Retained deficit for the year	(157,817)
At 31 December 1996	<u><u>1,429,800</u></u>

Smiths Plumbing Supplies (Bolton) Limited

17. Reconciliation of movements in shareholders' funds

	1996 £	1995 £
Retained (deficit)/profit for the financial year	(157,817)	116,136
Opening shareholders' funds	1,597,617	1,481,481
Closing shareholders' funds	<u>1,439,800</u>	<u>1,597,617</u>

18. Capital commitments

	1996 £	1995 £
Contracted for but not provided in these accounts	<u>14,000</u>	<u>13,000</u>

19. Financial commitments

At 31 December 1996 the company had annual commitments under non-cancellable operating leases as follows:

	1996 £	1995 £
Other operating leases:		
Expiring within one year	18,025	20,244
Expiring between two and five years inclusive	47,532	73,586
Expiring in over five years	<u>1,504</u>	<u>-</u>

20. Pension commitments

Some of the company's employees are members of a defined contribution pension scheme. The assets of the scheme are held in a trust fund separate from the company's finances.

The pension cost in relation to the defined contribution scheme represents contributions payable by the company to this scheme and amounted to £28,801 (1995 - £58,882)

At the balance sheet date there were outstanding contributions amounting to £1,700 (1995 - Nil).

Smiths Plumbing Supplies (Bolton) Limited

21. Contingent liabilities

- (i) The company, together with certain other fellow subsidiary undertakings, has given an unlimited guarantee to its bankers in respect of bank overdrafts totalling £2,871,570 at 31 December 1996 (1995 - £Nil).

22. Related party transactions

During the year the Company had the following transactions with its former director and shareholder, Mr C E Yates:

- (i) Rent amounting to £24,123 paid to Mr C E Yates in respect of the Company's premises at Horwich, Bolton.
- (ii) Sale of two cars to Mr C E Yates amounting to £17,002.
- (iii) An interest free loan was made available by the Company to Swallowlake Marketing Co, a business run by Mr C E Yates. The balance outstanding at 1 January 1996 was £8,500 and the maximum balance outstanding during 1996 was £25,500. The loan was repaid in full during 1996.

There were no balances outstanding with Mr C E Yates at 31 December 1996.

Exemption has been taken from the disclosure of transactions with wholly owned subsidiaries of British Dredging plc in accordance with the provisions of FRS 8 paragraph 3.

23. Cash flows

The cash flows of the company are included in the consolidated cash flow statement of British Dredging plc and the company, being a wholly owned subsidiary, is exempt under the terms of Financial Reporting Standard Number 1 from publishing a cash flow statement.

24. The immediate and ultimate parent company

The immediate and ultimate parent company is British Dredging plc. Copies of the parent's consolidated financial statements may be obtained from the Secretary, British Dredging plc, Avondale House, Avondale Road, Cardiff CF1 7XB.