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STOCKSHOP WOLSELEY LIMITED

DIRECTORS' REPORT AND ACCOUNTS

(Registered Number: 1784804)

31 July 1999



STOCKSHOP WOLSELEY LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 JULY 1999

The directors submit their report and the audited accounts of the company for the year ended 31 July 1999.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company continues to be that of the assembly and distribution of animal husbandry equipment.

The company has had a satisfactory year despite difficult trading conditions.

The results for the year are set out in the profit and loss account on page 5.

FUTURE DEVELOPMENTS

It is envisaged that profitable growth will be achieved during the coming year.

DIVIDENDS AND TRANSFERS TO RESERVES

No dividend is proposed (1998: No dividend proposed). The sum of £159,294 (1998: £224,153) has been transferred to reserves.

RESEARCH AND DEVELOPMENT

The company is committed to developing new products and maintaining an attractive and profitable product range.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by United Kingdom company law to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss for that period.

Following discussions with the auditors, the directors consider that, in preparing the accounts, appropriate accounting policies have been used and applied consistently, supported by reasonable and prudent judgements and estimates, and that applicable accounting standards have been followed.

The accounts have been prepared on the going concern basis.

The directors are also responsible for maintaining adequate accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the accounts comply with the Companies Act 1985.

The directors have the 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 or any other irregularities.

PAYMENTS TO CREDITORS

The company is in agreement with the CBI Prompt Payers Code. Information about the Code and copies thereof may be obtained from the CBI, 103 New Oxford Street, London, WC1A 1DU.

STOCKSHOP WOLSELEY LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 JULY 1999 (continued)

YEAR 2000

The directors recognise the potential implications of the Year 2000 problem. Detailed plans have been prepared to evaluate the risks and implement solutions.

The company's objective is that adequate and timely action is taken to ensure that systems, including where appropriate those of suppliers and other relevant parties, continue to support the delivery of normal business service to customers, without interruption, into the Year 2000. The plans currently in place are expected to permit the achievement of the objective without material cost in excess of the company's normal replacement expenditure.

FIXED ASSETS

Changes in tangible fixed assets are set out in note 7 on pages 9 and 10.

In the opinion of the directors there is no significant material difference between book and market value of land and buildings.

DIRECTORS

The directors of the company during the year ended 31 July 1999 were:

NMC Andre
AFL MacLean (Chairman)
Th. Stortenbeker
HS Trapnell

DIRECTORS' INTEREST 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 terms of the various Wolseley plc share option schemes are shown below:

Name of Director	Shares Interest at 31 July 1999	Shares Interest at 1 August 1998	Options			
			Interest 31 July 1999	Granted	Exercised	Interest 1 August 1998
NMC Andre	6,899	2,899	6,874	1,800	-	5,074

Options under the Savings Related Share Option Schemes are normally exercisable between 1999 and 2004 at prices ranging between £2.75 and £3.79 per share.

The notifiable interests of AFL MacLean, Th. Stortenbeker and HS Trapnell are shown in the accounts of Sparex Limited.

STOCKSHOP WOLSELEY LIMITED

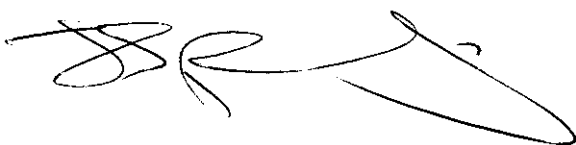
REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 JULY 1999 (continued)

AUDITORS

In accordance with the Written Resolutions dated October 17 1996, an elective resolution was passed pursuant to Section 386 of the Companies Act 1985 dispensing with the obligation to appoint auditors annually.

The auditors, PricewaterhouseCoopers, are willing to continue in office.

By Order of the Board

A handwritten signature in black ink, appearing to be 'JE Spelling', written in a cursive style.

JE Spelling
Secretary

7 October 1999

STOCKSHOP WOLSELEY LIMITED

AUDITORS' REPORT TO THE MEMBERS OF STOCKSHOP WOLSELEY LIMITED

We have audited the financial statements on pages 5 to 12 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Directors' Report and Accounts including as described on page 1 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Directors' Report and Accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

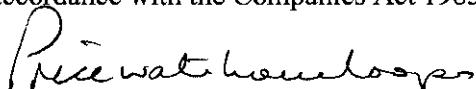
Basis of audit opinion

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 as at 31 July 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
31 Great George Street
Bristol

7 October 1999

STOCKSHOP WOLSELEY LIMITED

**PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 JULY 1999**

	<u>Notes</u>	<u>1999</u> £	<u>1998</u> £
TURNOVER	1 & 2	1,578,236	1,780,484
Change in stocks of goods purchased for resale		(18,065)	(126,112)
Raw materials and consumables		(779,210)	(748,144)
Staff costs	3	(379,986)	(390,980)
Depreciation written off tangible fixed assets		(37,936)	(37,248)
Other operating charges		<u>(162,631)</u>	<u>(182,684)</u>
OPERATING PROFIT	4	200,408	295,316
Interest receivable	5	<u>36,064</u>	<u>31,398</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		236,472	326,714
Tax on profit on ordinary activities	6	<u>(77,178)</u>	<u>(102,561)</u>
PROFIT FOR THE FINANCIAL YEAR		<u>159,294</u>	<u>224,153</u>

Movements on reserves are set out in note 13.

The profit for the financial year includes all recognised gains and losses in the year.

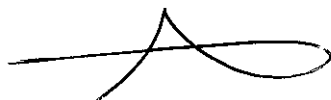
All operations are continuing.

STOCKSHOP WOLSELEY LIMITED

BALANCE SHEET AS AT 31 JULY 1999

	<u>Notes</u>	<u>1999</u> £	<u>1998</u> £
FIXED ASSETS			
Tangible assets	7	259,696	275,022
Investments	8	<u>2</u>	<u>2</u>
		259,698	275,024
CURRENT ASSETS			
Stocks	9	313,409	331,474
Debtors	10	1,036,264	910,802
Cash at bank and in hand		<u>32,322</u>	<u>8,756</u>
		1,381,995	1,251,032
CREDITORS (amounts falling due within one year)	11	<u>(279,872)</u>	<u>(323,529)</u>
NET CURRENT ASSETS		<u>1,102,123</u>	<u>927,503</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,361,821	1,202,527
CREDITORS (amounts falling due after more than one year)	11	<u>(489,708)</u>	<u>(489,708)</u>
		<u>872,113</u>	<u>712,819</u>
CAPITAL AND RESERVES			
Called up share capital	12	2	2
Profit and loss account	13	<u>872,111</u>	<u>712,817</u>
Shareholders' funds	14	<u>872,113</u>	<u>712,819</u>

Approved by the Board on 7 October 1999



NMC Andre
Director

STOCKSHOP WOLSELEY LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JULY 1999

1 ACCOUNTING POLICIES

(1) Accounting convention

The accounts are prepared under the historical cost convention in accordance with applicable accounting standards.

(2) Turnover

Turnover is the amount derived from the provision of goods and services falling within the company's ordinary activities, reduced by trade discounts and excluding value added tax.

(3) Depreciation

Depreciation is provided on all tangible fixed assets on a straight line basis to write off the cost of those assets over their estimated useful lives. The annual rates of depreciation are freehold buildings, 2%; fixtures and equipment, 15% to 20% and motor vehicles, 25%.

(4) Stocks

Stocks have been consistently valued at the lower of cost and estimated net realisable value, due allowance being made for obsolete or slow moving items.

Raw materials, bought out components and goods purchased for resale are stated at cost on a first in first out basis.

(5) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All exchange differences are dealt with through the profit and loss account.

(6) Research and development

Research and development expenditure is written off as incurred.

(7) Deferred tax

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

(8) Pensions

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.

(9) Group Accounts

In accordance with Section 228, Companies Act 1985, group accounts have not been prepared as the company is itself a wholly owned subsidiary.

(10) Cash Flow Statement

Wolseley plc, the ultimate parent company, has included a cash flow statement in its group accounts for the year ended 31 July 1999. Under paragraph 8c of Financial Reporting Standard 1, no cash flow statement is therefore required in the accounts of this company.

STOCKSHOP WOLSELEY LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JULY 1999 (continued)

2 TURNOVER

In accordance with Schedule 4, Section 55(5) of the Companies Act 1985, the directors have elected not to disclose the geographical turnover analysis required by that section.

The turnover and pre-tax profit are derived entirely from the assembly and distribution of animal husbandry parts and accessories.

3 EMPLOYEES

	<u>1999</u> £	<u>1998</u> £
Staff costs:		
Wages and salaries	330,749	345,948
Social security costs	26,042	28,177
Other pension costs	<u>23,195</u>	<u>16,855</u>
	379,986	390,980
	<u> </u>	<u> </u>
Average number of employees:		
Staff	<u>26</u>	<u>26</u>

4 OPERATING PROFIT

This is stated after charging/(crediting):		
Directors' remuneration	52,040	57,411
Auditors' remuneration in respect of audit services	2,050	2,000
Profit on sale of fixed assets	(426)	(898)
	<u> </u>	<u> </u>
Directors' remuneration comprises:		
Aggregate emoluments	<u>52,040</u>	<u>57,411</u>
	<u> </u>	<u> </u>
Number of directors with retirement benefits accruing under:		
Defined benefit schemes	<u>4</u>	<u>4</u>

Details of share options granted to directors are shown in the Directors' report on page 2.

STOCKSHOP WOLSELEY LIMITED

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JULY 1999 (continued)**

5 INTEREST RECEIVABLE

	<u>1999</u> £	<u>1998</u> £
Interest receivable:		
Group undertakings	36,064	31,398
	<u> </u>	<u> </u>

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

The charge for tax represents:

Corporation tax at 30.67% (1998: 31%)	77,178	102,561
	<u> </u>	<u> </u>

7 TANGIBLE FIXED ASSETS

	<u>Freehold land and buildings</u> £	<u>Fixtures, fittings, tools and equipment</u> £	<u>Motor vehicles</u> £	<u>Total</u> £
<u>Cost</u>				
At 31 July 1998	186,201	91,775	109,502	387,478
Additions	2,374	1,946	30,576	34,896
Disposals	<u>-</u>	<u>(2,190)</u>	<u>(27,267)</u>	<u>(29,457)</u>
At 31 July 1999	<u>188,575</u>	<u>91,531</u>	<u>112,811</u>	<u>392,917</u>
<u>Depreciation</u>				
At 31 July 1998	16,620	58,460	37,376	112,456
Charge for the year	3,356	10,393	24,613	38,362
Disposals	<u>-</u>	<u>(2,190)</u>	<u>(15,407)</u>	<u>(17,597)</u>
At 31 July 1999	<u>19,976</u>	<u>66,663</u>	<u>46,582</u>	<u>133,221</u>
<u>Net book amounts</u>				
At 31 July 1999	<u>168,599</u>	<u>24,868</u>	<u>66,229</u>	<u>259,696</u>
At 31 July 1998	<u>169,581</u>	<u>33,315</u>	<u>72,126</u>	<u>275,022</u>

Freehold land which is included above and amounts to £20,000 (1998: £20,000) is not depreciated.

STOCKSHOP WOLSELEY LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JULY 1999 (continued)

7 TANGIBLE FIXED ASSETS (continued)

Future capital expenditure authorised by the directors:

	<u>1999</u> £	<u>1998</u> £
Contracted for but not provided in the accounts	-	8,884
	<u> </u>	<u> </u>

8 FIXED ASSETS - INVESTMENTS

	Cost £	Cost £
Shares in subsidiary undertakings		
At 31 July 1999 and 31 July 1998	2	2
	<u> </u>	<u> </u>

The above amount of £2 relates to 100% of the ordinary shares of The Wolseley Toy Company Limited, registered in England and Wales.

The company is currently dormant. The manufacture and distribution of farm toys is currently carried out by a division of Stockshop Wolseley Limited.

In accordance with Section 228, Companies Act 1985, group accounts have not been prepared. In the opinion of the directors, the value of investments in subsidiary undertakings is not less than the aggregate amounts at which they are stated in the accounts.

	<u>1999</u> £	<u>1998</u> £
9 STOCKS		
Goods purchased for resale	313,409	331,474
	<u> </u>	<u> </u>

There is no material difference between the balance sheet amount of stocks and their replacement cost.

10 DEBTORS

Amounts falling due within one year:

Trade debtors	252,816	252,422
Amounts owed by Sparex group undertakings	4,946	13,228
Amounts owed by Wolseley plc	770,938	640,589
Prepayments and accrued income	<u>7,564</u>	<u>4,563</u>
	<u>1,036,264</u>	<u>910,802</u>

STOCKSHOP WOLSELEY LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 JULY 1999 (continued)

	<u>1999</u> £	<u>1998</u> £
11 CREDITORS		
Amounts falling due within one year:		
Trade creditors	125,578	103,599
Corporation tax	57,676	100,264
Other taxation and social security	21,557	20,449
Other creditors	71,054	87,941
Accruals and deferred income	<u>4,007</u>	<u>11,276</u>
	<u>279,872</u>	<u>323,529</u>
Amounts falling due after one year:		
Amounts owed to Sparex group undertakings	<u>489,708</u>	<u>489,708</u>
12 SHARE CAPITAL		
Authorised:		
Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, issued and fully paid:		
Ordinary shares of £1 each	<u>2</u>	<u>2</u>
13 RESERVES		Profit and loss account £
Balance at 31 July 1998		712,817
Profit for the year		<u>159,294</u>
Balance at 31 July 1999		<u>872,111</u>
14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS		
	<u>1999</u> £	<u>1998</u> £
Profit for the financial year	159,294	224,153
Opening shareholders' funds	<u>712,819</u>	<u>488,666</u>
Closing shareholders' funds	<u>872,113</u>	<u>712,819</u>

Shareholders' funds are all attributable to equity interests.

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 JULY 1999 (continued)**

15 CONTINGENT LIABILITIES

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 UK group companies, has given its bank authority at any time to transfer any sum outstanding to the credit of the company against or toward satisfaction of the liability to the bank of these other group companies.

The company, together with certain other group companies, is party to a group VAT registration.

16 PENSION COSTS

The company participates in the Wolseley Group Retirement Benefits Plan.

The scheme is of the defined benefit type providing benefits to certain employees within the Group and the assets are held separately from the Group's assets.

The total pension cost for the company was £23,195 (1998: £16,855)

The latest actuarial valuation of the Wolseley Group Retirement Benefits Plan was carried out as at 1 May 1998. Details of the latest actuarial valuation of this pension scheme are contained in the financial statements of Wolseley plc.

17 RELATED PARTY TRANSACTIONS

Details of transactions with other members of the Wolseley Group have not been disclosed as permitted by the Financial Reporting Standard 8 (Related Party Disclosure).

18 PARENT COMPANY

The ultimate parent company is Wolseley plc, which is registered in England.

Copies of the group accounts can be obtained from The Secretary, Wolseley plc, Vines Lane, Droitwich, Worcestershire WR9 8ND.