

**CHARTERSTEEL LIMITED
DIRECTORS' REPORT AND ACCOUNTS**

(REGISTERED NUMBER 1728927)

31 July 2001



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CHARTERSTEEL LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 JULY 2001

The directors submit their report and the audited accounts of the company for the year ended 31 July 2001.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company is that of an investment company.

The results for the year are set out in the profit and loss account on page 4.

Auditors' remuneration is borne by the ultimate parent company.

DIVIDENDS AND TRANSFERS TO RESERVES

No interim dividend has been paid (2000: £Nil). No final dividend is proposed (2000: £Nil). The profit of £1,300,084 (2000: £2,548,943) has been transferred to reserves.

DIRECTORS

The directors of the company during the year ended 31 July 2001 were:

DA Branson
SP Webster
EG Parker

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 share option schemes are shown below.

<u>Name of director</u>	Share interests at 31 July <u>2001</u>	Share interests at 1 August <u>2000</u>	Interests at 31 July <u>2001</u>	<u>Granted</u>	<u>Exercised</u>	Options Interests at 1 August <u>2000</u>
DA Branson	37,784	37,844	81,444	21,406	1,312	61,350
EG Parker	-	-	-	-	-	-

Mr SP Webster is a director of Wolseley plc, accordingly his interests are not shown.

CHARTERSTEEL LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 JULY 2001 (CONTINUED)

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.

AUDITORS

The company has at a General Meeting passed a resolution under section 386 of the Companies Act 1985 to dispense with the obligation to re-appoint auditors annually. Accordingly, in the absence of a notice proposing that the appointment be terminated, PricewaterhouseCoopers will be deemed re-appointed for the next financial year.

By Order of the Board



DA Branson
Director

25 September 2001

PricewaterhouseCoopers
Temple Court
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Birmingham B4 6JT
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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CHARTERSTEEL LIMITED

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

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 1985. 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 annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

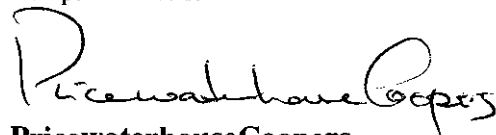
Basis of audit opinion

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 at 31 July 2001 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

25 September 2001

CHARTERSTEEL LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 JULY 2001

	Notes	Year ended 31 July <u>2001</u>	(Restated) Year ended 31 July <u>2000</u>
Interest receivable	3	<u>1,646,265</u>	<u>1,608,900</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,646,265	1,608,900
Tax (charge)/credit on profit on ordinary activities	4	<u>(346,181)</u>	<u>940,043</u>
PROFIT FOR THE FINANCIAL YEAR AND TRANSFERRED TO RESERVES	10	<u>£1,300,084</u>	<u>£2,548,943</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 JULY 2001


	<u>2001</u>	(Restated) <u>2000</u>
Total recognised gains in the year	1,300,084	<u>£2,548,943</u>
Prior year adjustment (note 1)	<u>358,000</u>	
TOTAL RECOGNISED GAINS INCLUDING THE LAST ANNUAL REPORT	<u>£1,658,084</u>	

CHARTERSTEEL LIMITED

BALANCE SHEET AT 31 JULY 2001

	Notes	2001	(Restated) 2000
CURRENT ASSETS			
Debtors	5	36,479,781	38,116,409
CREDITORS (amounts falling due within one year)	6	-	(2,936,712)
NET CURRENT ASSETS		36,479,781	35,179,697
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>£36,479,781</u>	<u>£35,179,697</u>
CAPITAL AND RESERVES			
Called up share capital	8	29,999,902	29,999,902
Profit and loss account	9	<u>6,479,879</u>	<u>5,179,795</u>
	10	<u>£36,479,781</u>	<u>£35,179,697</u>

Approved by the Board on 25 September 2001



DA Branson

Director

CHARTERSTEEL LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 31 JULY 2001

1 ACCOUNTING POLICIES

(1) Accounting convention

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

(2) Deferred tax

The requirements of FRS 19 'Accounting for deferred tax' have been implemented in the current year. The comparative figures have been restated accordingly. This has resulted in the recognition of a deferred tax asset of £358,000 at 31 July 2000 and an increase in the taxation charge reported for the year ended 31 July 2000 of £482,670. The impact of the change in accounting policy for the year ended 31 July 2001 is to decrease the reported profit after taxation by £358,000.

Following the introduction of FRS 19, deferred tax has been recognised as a liability or asset if transactions have occurred at the Balance Sheet date that give rise to an obligation to pay more tax in the future or a right to pay less tax in the future. An asset is not recognised to the extent that the transfer of economic benefit in the future is uncertain. Deferred tax assets and liabilities have not been discounted.

(3) 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 2001. Under paragraph 5a of Financial Reporting Standard 1 (Revised), no cash flow statement is therefore required in the accounts of this company.

2 DIRECTORS' EMOLUMENTS

None of the directors received any emoluments in respect of their services to the company (2000 - £Nil).

3 INTEREST RECEIVABLE

	<u>2001</u>	<u>2000</u>
Interest receivable from group undertakings	£1,646,265	£1,608,900

4 TAXATION

The charge/(credit) for tax represents:

	<u>2001</u>	<u>(Restated)</u> <u>2000</u>
UK corporation tax at 30% (2000 - 30%)		
Current year	20,989	-
Prior year	<u>(32,808)</u>	<u>(1,422,713)</u>
	(11,819)	(1,422,713)
Deferred tax	<u>358,000</u>	<u>482,670</u>
	<u>£346,181</u>	<u>(£940,043)</u>

CHARTERSTEEL LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 31 JULY 2001 (CONTINUED)

Tax reconciliation	2001	(Restated) 2000
	%	%
Profit on ordinary activities at standard rate of corporation tax in the UK of 30% (2000 – 30%)	30	30
Non-deductible and non-taxable items	(9)	(88)
Timing differences	-	(30)
	<u>21</u>	<u>(88)</u>

5 DEBTORS

	2001	(Restated) 2000
Amounts owed by plc	35,896,378	35,311,747
Corporation tax	583,403	2,358,487
Deferred tax	-	358,000
Sundry debtors	<u>-</u>	<u>88,175</u>
	<u>£36,479,781</u>	<u>£38,116,409</u>

6 CREDITORS (amounts falling due within one year)

	2001	2000
Bank overdraft	-	2,862,685
Sundry creditors	<u>-</u>	<u>74,027</u>
	<u>£-</u>	<u>£2,936,712</u>

CHARTERSTEEL LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 31 JULY 2001 (CONTINUED)

7 DEFERRED TAX

The elements of deferred tax are as follows

	<u>2001</u>	(Restated) <u>2000</u>
Accelerated capital allowances	-	-
Other timing differences	-	(358,000)
Deferred tax asset	-	(358,000)
	<u>-</u>	<u>(358,000)</u>

Movements in the deferred tax balance are as follows:

	<u>2001</u>	<u>2000</u>
Provision at the beginning of the year	(358,000)	(840,670)
Amounts charged to the profit and loss account	358,000	482,670
Acquisitions	-	-
Disposals	-	-
Exchange	-	-
Provision at year end	-	(358,000)
	<u>-</u>	<u>(358,000)</u>

Closing balance is made up of:

	<u>2001</u>	<u>2000</u>
Deferred Tax Asset	-	(358,000)
Deferred Tax Liability	-	-
	<u>-</u>	<u>(358,000)</u>

8 CALLED UP SHARE CAPITAL

	<u>2001</u>	<u>2000</u>
Ordinary shares of £1 each		
Authorised	£30,000,000	£30,000,000
	<u>£30,000,000</u>	<u>£30,000,000</u>
Allotted, issued and fully paid	£29,999,902	£29,999,902
	<u>£29,999,902</u>	<u>£29,999,902</u>

CHARTERSTEEL LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 31 JULY 2001 (CONTINUED)

9 RESERVES

	(Restated) Profit and loss account
At 31 July (As previously stated)	4,821,795
Prior year adjustment (note 1)	<u>358,000</u>
	5,179,795
Profit for the financial year	<u>1,300,084</u>
At 31 July 2001	<u><u>£6,479,879</u></u>

10 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001	Restated 2000
Profit for the financial year	<u>1,300,084</u>	<u>2,548,943</u>
Net addition to shareholders' funds	1,300,084	2,548,943
Opening shareholders' funds (originally £31,790,084, restated for prior year adjustment of £840,670)	<u>35,179,697</u>	<u>32,630,754</u>
Closing shareholders' funds	<u><u>£36,479,781</u></u>	<u><u>£35,179,697</u></u>

11 CONTINGENT LIABILITIES

In addition to its own bank account the company has a joint bank account with Wolseley plc and certain other group undertakings which is taken into the accounts of Wolseley plc and is not therefore taken into these accounts.

The company together with certain other group undertakings, 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 undertakings.

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

11 PARENT COMPANY

The ultimate parent company is Wolseley plc registered in England. Copies of the group accounts can be obtained from The Secretary, Wolseley plc, Vines Lane, Droitwich, Worcestershire, WR9 8ND.

12 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption to subsidiaries and other group undertakings granted by FRS 8 not to disclose related party transactions.