

Gardiner Sons & Co Limited
Directors' report and financial statements
for the year ended 31 December 2000

Registered Number 39402

Signed



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Gardiner Sons & Co Limited

Directors' report and financial statements

for the year ended 31 December 2000

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Gardiner Sons & Co Limited

Directors and Advisors for the year ended 31 December 2000

Directors

M Barnes - Chairman

R Gill

M Carr

P Cook

J Watkins

Secretary

J Watson

Registered office

PO Box 259

Broad Plain

Bristol

BS99 7DN

Bankers

The Royal Bank of Scotland PLC

36-38 Baldwin Street

Bristol

BS1 1NR

Auditors

PricewaterhouseCoopers

31 Great George Street

Bristol

BS1 5QD

Incorporated on 10 August 1893

Gardiner Sons & Co Limited

Directors' report for the year ended 31 December 2000

The directors present their report and audited financial statements for the year ended 31 December 2000.

Principal activity and review of the business

The principal activity of the company is the operation of home improvement centres. The business of the company is expected to continue unchanged throughout 2001. The directors consider the results of the year and the financial position of the company to be satisfactory.

Directors and their interests

The directors of the company during the year were:

M Barnes

R Gill

M Carr

P Cook

J Watkins

No director had any interest in the shares of the company.

Trading results

Profits after tax for the year amounted to £980,155 (1999: £1,616,861). The dividend proposed and paid in respect of the year ended 31 December 2000 is £4,630 (1999: £720,691). The retained balance after dividends, of £975,525 is to be transferred to reserves (1999: £896,170).

Statement of the directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the company and of the profit and loss of the company 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 as a business.

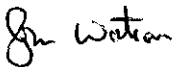
Gardiner Sons & Co Limited

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The auditors PricewaterhouseCoopers have indicated their willingness to remain in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

By Order of the Board



Secretary

27 March 2001

Gardiner Sons & Co Limited

Auditors' report to the members of Gardiner Sons & Co Limited

We have audited the financial statements on pages 5 to 16 which have been prepared under the historic cost convention and the accounting policies set out in on page 10.

Respective responsibilities of directors and auditors

The directors are responsible for the preparing the Annual Report. As described on pages 2 and 3, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom 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 United Kingdom 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 Annual Report 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 consider 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 December 2000 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and Registered Auditors
Bristol
27 March 2001

Gardiner Sons & Co Limited

Profit and loss account for the year ended 31 December 2000

	Note	2000 £	1999 £
Turnover		16,471,661	15,276,854
Cost of sales		(10,090,970)	(9,408,688)
Gross profit		6,380,691	5,868,166
Administrative expenses		(3,467,822)	(3,156,108)
Operating profit – before group payments		2,912,869	2,712,058
Management charge payable to parent undertaking		(1,445,120)	(325,689)
Operating profit		1,467,749	2,386,369
Interest payable to parent undertaking		(146,250)	(165,000)
Interest receivable	2	106,271	106,274
Profit on ordinary activities before taxation	2	1,427,770	2,327,643
Taxation on profit on ordinary activities	3	(447,615)	(710,782)
Profit on ordinary activities after taxation		980,155	1,616,861
Dividend paid		(4,630)	(720,691)
Retained profit for the financial year transferred to reserves	12	975,525	896,170

All operations are continuing.

The company has no recognised gains or losses other than those reported in the profit and loss account above. A statement of the movement in reserves is shown in note 13 to these financial statements.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

The notes on pages 11 to 16 form part of these financial statements.

Gardiner Sons & Co Limited

Balance sheet as at 31 December 2000

	Note	2000 £	1999 £
Fixed assets			
Tangible assets	4	6,170,776	6,157,835
Current assets			
Stocks	5	2,636,445	2,492,871
Debtors	6	783,549	683,332
Investments	7	900,000	225,000
Cash at bank and in hand		2,044,410	2,486,778
		6,364,404	5,887,981
Creditors: amounts falling due within one year	8	(3,732,680)	(3,718,841)
Net current assets		2,631,724	2,169,140
Total assets less current liabilities		8,802,500	8,326,975
Creditors: amounts falling due after more than one year	9	(2,800,000)	(3,300,000)
Deferred taxation	10	(7,000)	(7,000)
		5,995,500	5,019,975
Capital and reserves			
Called up share capital	11	1,262,661	1,262,661
Profit and loss account	12	4,732,839	3,757,314
Equity shareholders' funds	13	5,995,500	5,019,975

Approved by the Board on 27 March 2001 and signed on its behalf by:



Director

The notes on pages 11 to 16 form part of these financial statements.

Gardiner Sons & Co Limited

Cash flow statement for the year ended 31 December 2000

	Note	2000 £	2000 £	1999 £	1999 £
Net cash inflow from operating activities	a		1,646,321		3,022,921
Returns on investment and servicing of finance					
Interest received		106,271		106,274	
Interest paid to parent undertaking		(146,250)		(165,000)	
			(39,979)		(58,726)
Corporation tax paid			(742,120)		(772,003)
Capital expenditure					
Payments to acquire tangible fixed assets		(131,710)		(80,395)	
Receipts from sales of tangible fixed assets		4,750		2,550	
			(126,960)		(77,845)
			737,262		2,114,347
Equity dividends paid			(4,630)		(720,691)
Management of liquid resources					
Investment in Unit Trust			(675,000)		(225,000)
Financing			(500,000)		-
(Decrease)/increase in cash	c		(442,368)		1,168,656

The notes to the cash flow statement are set out on pages 8 and 9 of these financial statements.

Gardiner Sons & Co Limited

Cash flow statement for the year ended 31 December 2000

Notes to the cash flow statement

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2000	1999
	£	£
Operating profit	1,467,749	2,386,369
Depreciation charges	118,769	122,418
Profit on sales of tangible fixed assets	(4,750)	(2,204)
(Increase)/decrease in stocks	(143,574)	59,611
(Increase)/decrease in debtors	(100,217)	82,956
Increase in creditors	308,344	373,771
Net cash inflow from operating activities	1,646,321	3,022,921

(b) Reconciliation of net cash flow to movement in net funds/(net debt) (note c)

	£
Decrease in cash in the period	(442,368)
Repayment of deposit from parent undertaking	500,000
Cash used to increase liquid resources	675,000
Movement in net funds in the period	732,632
Net debt at 1 January 2000	(588,222)
Net funds at 31 December 2000	144,410

Gardiner Sons & Co Limited

(c) Analysis of net funds/(net debt)

	At 1 January 2000 £	Cash flow 2000 £	At 31 December 2000 £
Cash in hand, at bank	2,486,778	(442,368)	2,044,410
Current asset investments	225,000	675,000	900,000
Deposit from parent undertaking due after 1 year	(3,300,000)	500,000	(2,800,000)
	(588,222)	732,632	144,410

Gardiner Sons & Co Limited

Accounting policies

These financial statements have been prepared under the historical cost convention, and in accordance with applicable Accounting Standards.

Turnover

Turnover represents sales to third parties and is determined by reference to the selling value of goods delivered and services rendered during the year, net of Value Added Tax. All turnover is derived from continuing operations from one class of business in the United Kingdom.

Fixed assets and depreciation

Fixed assets are stated at cost after deducting accumulated depreciation. Depreciation is charged so as to write off the cost, less residual value, of assets over their estimated useful lives on the straight line basis. The rates of depreciation vary according to the type of asset and are:

Plant, machinery, fixtures and fittings	10% - 20%
Motor vehicles	25%

No depreciation is provided on freehold properties, as the directors consider that the residual values of those properties is considerably in excess of the current carrying amounts.

In order to confirm this, an impairment test has been carried out in accordance with FRS 11.

Stocks

Stocks of goods purchased for resale are valued at the lower of cost (net invoice price after all discounts) and net realisable value.

Deferred taxation

Provision is made for deferred taxation using the liability method, for the taxation effect of all timing differences to the extent that there is a reasonable probability that such tax will become payable in the foreseeable future.

Pension costs

Contributions to the defined benefit pension scheme are charged to the profit and loss account so as to spread the expected cost of pensions, calculated in accordance with actuarial advice, on a systematic basis over the employees' working lives (see note 16).

Contributions to the money purchase pension scheme are charged to the profit and loss account as incurred.

Current asset investments

Investments in UK stock exchange unit trusts are valued at the lower of cost and market value.

Gardiner Sons & Co Limited

Notes to the financial statements for the year ended 31 December 2000

1 Ultimate parent undertaking

The company's parent undertaking is Gardiner (Holdings) Limited which is registered in Great Britain and is the parent undertaking of the largest and smallest group to consolidate the financial statements of the company. Copies of the group financial statements can be obtained from PO Box 259, Broad Plain, Bristol, BS99 7DN.

2 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting) the following amounts:

	2000	1999
	£	£
Wages and salaries	2,156,841	2,016,777
Social security costs	136,673	126,540
Other pension costs (note 16)	93,695	161,064
Depreciation	118,769	122,418
Auditors' remuneration	9,750	9,450
Auditors' remuneration – non audit fees	-	650
Interest receivable on bank deposits	(106,271)	(106,274)
Profit on sale of tangible fixed assets	(4,750)	(2,204)
Management charge payable to parent undertaking	1,445,120	325,689

3 Tax on profit on ordinary activities

	2000	1999
	£	£
Taxation on taxable profit for the year:		
UK corporation tax at 30% (1999: 30%)	435,464	713,782
Deferred taxation (note 10)	-	(3,000)
	435,464	710,782
Prior year adjustment	12,151	-
	447,615	710,782

Gardiner Sons & Co Limited

4 Tangible fixed assets

	Freehold land & buildings	Fixtures & fittings	Plant, machinery & vehicles	Total
	£	£	£	£
Cost				
At 1 January 2000	5,894,801	1,094,358	847,871	7,837,030
Additions	82,838	12,377	36,495	131,710
Disposals	-	-	(22,384)	(22,384)
At 31 December 2000	5,977,639	1,106,735	861,982	7,946,356
Accumulated depreciation				
At 1 January 2000	60,131	950,054	669,010	1,679,195
Provision for the year	-	52,510	66,259	118,769
Disposals	-	-	(22,384)	(22,384)
At 31 December 2000	60,131	1,002,564	712,885	1,775,580
Net book amount				
At 31 December 2000	5,917,508	104,171	149,097	6,170,776
At 31 December 1999	5,834,670	144,304	178,861	6,157,835

5 Stocks

Stocks comprise goods for resale. The directors estimate that the replacement cost of stocks is not materially different from that stated in the balance sheet.

6 Debtors

	2000	1999
	£	£
Trade debtors	573,277	528,860
Other debtors	141,660	121,202
Prepayments and accrued income	68,612	33,270
	783,549	683,332

Gardiner Sons & Co Limited

7 Current asset investments

	2000	1999
	£	£
UK Stock Exchange Unit Trust Investments	900,000	225,000

At 31 December 2000 the market value of the investment was £895,550 (1999: £241,285). As the difference between cost and market value is not material no adjustment has been made.

8 Creditors – Amounts falling due within one year

	2000	1999
	£	£
Trade creditors	2,320,050	2,125,104
Other creditors	180,772	135,530
Corporation tax	215,464	509,969
Other taxation and social security	272,582	278,218
Accruals and deferred income	743,812	670,020
	3,732,680	3,718,841

9 Creditors – Amounts falling due after more than one year

	2000	1999
	£	£
Deposit from parent undertaking	2,800,000	3,300,000

A deposit of £4,000,000 was placed by Gardiner (Holdings) Limited on 1 October 1995 at an interest rate of 6% per annum. On 30 June 1998 £700,000 was withdrawn by Gardiner (Holdings) Limited and the interest rate was reduced to 5% per annum. A further £500,000 was withdrawn on 31 March 2000.

The deposit is to be withdrawn at a date to be agreed by both group companies. There are no arrangements for any further withdrawal prior to 31 December 2001.

Gardiner Sons & Co Limited

10 Deferred taxation

Deferred taxation, which is fully provided for, comprises corporation tax at 30% on the excess of capital allowances over depreciation.

	2000 £	1999 £
At 1 January	7,000	10,000
(Credited) to the profit and loss account (note 3)	-	(3,000)
At 31 December	7,000	7,000

11 Called up share capital

	Authorised £	Allotted, issued and fully paid £
Ordinary shares of 25p each at 31 December 1999 and 31 December 2000	1,500,000	1,262,661

12 Profit and loss account

	£
At 1 January 2000	3,757,314
Retained profit for the year	975,525
At 31 December 2000	4,732,839

13 Reconciliation of movements in shareholders' funds

	2000 £	1999 £
For the year ended 31 December 2000		
Profit for the year	980,155	1,616,861
Dividend paid to parent undertaking	(4,630)	(720,691)
Net addition to shareholders' funds	975,525	896,170
Opening shareholders' funds	5,019,975	4,123,805
Closing shareholders' funds	5,995,500	5,019,975

Gardiner Sons & Co Limited

14 Employees

	2000 Number	1999 Number
The average number of persons employed by the company during the year on a full time equivalent basis was:	156	154

15 Directors' emoluments

	2000 Aggregate £	2000 Highest Paid Director £	1999 Aggregate £	1999 Highest Paid Director £
Directors' emoluments	336,925	75,000	247,121	64,000
Company contributions to money purchase pension schemes	20,000	-	80,160	-

	2000 Money Purchase Schemes	2000 Defined Benefit Schemes	1999 Money Purchase Schemes	1999 Defined Benefit Schemes
Number of directors with benefits accruing under pension schemes	4	4	4	4

The highest paid director has no retirement benefits accruing.

No amounts were paid to or receivable by directors under long term incentive schemes or share option schemes.

An amount of £75,000 is included in the management charge due from the subsidiary company to the parent company for making available the services of a director as a director of the subsidiary company.

Gardiner Sons & Co Limited

16 Pension commitments

With effect from 1 December 1990, the group formed a pension scheme, the Gardiners Pension and Life Assurance Scheme (1990), for members of the previous parent undertaking's pension scheme.

The scheme is a funded, defined benefits scheme where benefits are based on final pensionable pay. The assets are invested in an insurance policy with The Equitable Life Assurance Society.

An actuarial valuation was carried out in accordance with the advice of a professionally qualified actuary as at 1 April 2000 using the aggregate method, the most significant assumptions being:

- an investment return of 8½% per annum pre-retirement and 7% per annum post-retirement
- Salary increases of 7% per annum
- Increases to pensions in payment in respect of post 6 April 1997 service, 3½%.

The actuarial value of the assets as at 1 April 2000 was £1,631,600 which represented 109% of the benefits that had accrued to members at that time, allowing for future pay increases.

A contribution rate of 17.2% of pensionable pay was recommended with effect from 1 April 2001 to spread the cost of pensions over the members' working lives with the company. In 2000 members contributed 6% of pensionable pay less an amount equivalent to the lower earnings limit, and the balance was contributed by the company.

The company also operates a money purchase pension scheme on behalf of certain employees. Contributions made by the company are calculated on various bases and are charged to the profit and loss account as incurred.

The total contributions made by the company in 2000 for the final salary scheme and the money purchase schemes were £93,695 (1999: £161,064).

17 Contingent liabilities

There is a bank cross guarantee to cover banking facilities across all group companies. There is a debenture in favour of the company's bankers.

18 Related parties note

As the company is a wholly owned subsidiary within a group that prepares consolidated financial statements, the company is exempt from disclosing transactions with group entities.