

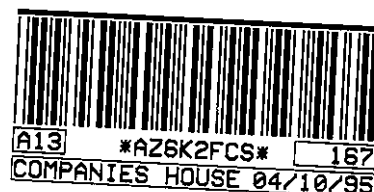
GARDINER SONS & CO LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 1994

Registered Number: 39402

Signed Copy



GARDINER SONS & CO LIMITED

FINANCIAL STATEMENTS - 31 DECEMBER 1994

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GARDINER SONS & CO LIMITED

FINANCIAL STATEMENTS - 31 DECEMBER 1994

DIRECTORS AND ADVISERS

Directors

AGP Allen - Chairman
J Watson

Secretary

J Watson

Registered office

P.O. Box 259
Broad Plain
Bristol
BS99 7DN

Bankers

The Royal Bank of Scotland PLC
36-38 Baldwin Street
Bristol
BS1 1NR

Auditors

Price Waterhouse
31 Great George Street
Bristol
BS1 5QD

Incorporated on 10 August 1893

GARDINER SONS & CO LIMITED

DIRECTORS' REPORT

The directors present their report and audited financial statements for the year ended 31 December 1994.

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 1995. 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:

Mr AGP Allen
Mr J Watson

Neither director had any interest in the shares of the company. Their interests in the share capital of the parent undertaking are shown in the financial statements of that company.

TRADING RESULTS

Profits after tax for the year amounted to £593,787 (1993: £570,462). The dividend proposed and paid in respect of the year ended 31 December 1994 is £750,000 (1993: £2,000,000). The retained balance after dividends, of £156,213 is to be transferred from reserves (1993: £1,429,538).

FIXED ASSETS

The movement in fixed assets in the year is set out in note 5 to the financial statements.

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;

GARDINER SONS & CO LIMITED

DIRECTORS' REPORT (continued)

STATEMENT OF THE DIRECTORS' RESPONSIBILITIES (continued)

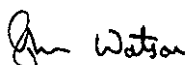
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue as a business.

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, Price Waterhouse, 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



J Watson
Secretary

16 February 1995

Price Waterhouse



**AUDITORS' REPORT TO THE MEMBERS OF
GARDINER SONS & CO LIMITED**

We have audited the financial statements on pages 6 to 16 which have been prepared under the historic cost convention and the accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors

As described on pages 3 and 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 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 1994 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Chartered Accountants
and Registered Auditors

16 February 1995

GARDINER SONS & CO LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1994**

	<u>Notes</u>	<u>1994</u> £	<u>1993</u> £
TURNOVER - continuing operations	2(1)	11,446,654	10,421,889
Cost of sales		<u>(7,258,343)</u>	<u>(6,338,333)</u>
GROSS PROFIT		4,188,311	4,083,556
Administrative expenses		<u>(2,454,342)</u>	<u>(2,379,320)</u>
		1,733,969	1,704,236
Rent payable to parent undertaking		<u>(900,000)</u>	<u>(900,000)</u>
OPERATING PROFIT		833,969	804,236
Interest receivable		<u>49,350</u>	<u>47,410</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	883,319	851,646
Taxation on profit on ordinary activities	4	<u>(289,532)</u>	<u>(281,184)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		593,787	570,462
Dividend paid		<u>(750,000)</u>	<u>(2,000,000)</u>
RETAINED LOSS FOR THE YEAR TRANSFERRED FROM RESERVES	11	<u>(156,213)</u>	<u>(1,429,538)</u>

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 notes 11 and 12.

The notes on pages 10 to 16 form part of these financial statements.

GARDINER SONS & CO LIMITED

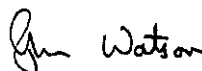
BALANCE SHEET - 31 DECEMBER 1994

	Notes	1994 £	1993 £
FIXED ASSETS			
Tangible assets	5	<u>237,593</u>	<u>215,055</u>
CURRENT ASSETS			
Stocks	6	1,924,494	1,803,753
Debtors	7	630,125	385,391
Cash at bank and in hand		<u>2,009,735</u>	<u>2,231,013</u>
		4,564,354	4,420,157
CREDITORS - Amounts falling due within one year	8	<u>(3,098,515)</u>	<u>(2,776,567)</u>
NET CURRENT ASSETS		<u>1,465,839</u>	<u>1,643,590</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,703,432	1,858,645
DEFERRED TAXATION	9	<u>(17,000)</u>	<u>(16,000)</u>
		<u>1,686,432</u>	<u>1,842,645</u>
CAPITAL AND RESERVES			
Called up share capital	10	1,262,661	1,262,661
Profit and loss account	11	<u>423,771</u>	<u>579,984</u>
SHAREHOLDERS' FUNDS	12	<u>1,686,432</u>	<u>1,842,645</u>

Approved by the Board on 16 February 1995 and signed on its behalf by:

DIRECTOR

J Watson



The notes on pages 10 to 16 form part of these financial statements.

GARDINER SONS & CO LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 1994**

	Notes	<u>1994</u>	<u>1993</u>
		£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	1	833,143	649,095
RETURN ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		49,850	47,410
Dividend paid		<u>(750,000)</u>	<u>(2,000,000)</u>
NET CASH OUTFLOW FROM RETURN ON INVESTMENTS AND SERVICING OF FINANCE		(700,150)	(1,952,590)
TAXATION			
Corporation tax paid		(276,984)	(216,000)
INVESTING ACTIVITIES			
Payments to acquire tangible fixed assets		(95,737)	(58,941)
Receipts from sales of tangible fixed assets		18,450	30,235
Repayment of loan by parent undertaking		<u>—</u>	<u>3,000,000</u>
NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES		<u>(77,287)</u>	<u>2,971,294</u>
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(221,278)	1,451,799
FINANCING		<u>—</u>	<u>—</u>
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	2	<u>(221,278)</u>	<u>1,451,799</u>

The notes to the cashflow statement are set out on page 9 of these financial statements.

GARDINER SONS & CO LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 1994**

NOTES TO THE CASH FLOW STATEMENT

1 Reconciliation of operating profit to net cash inflow from operating activities

	<u>1994</u>	<u>1993</u>
	£	£
Operating profit	833,969	804,236
Depreciation charges	72,815	68,795
Profit on sales of tangible fixed assets	(18,066)	(8,545)
Increase in stocks	(120,741)	(24,417)
Increase in debtors	(245,234)	(41,564)
Increase/(decrease) in creditors	<u>310,400</u>	<u>(149,410)</u>
Net cash inflow from operating activities	833,143	649,095
	<hr/>	<hr/>

2 Analysis of changes in cash and cash equivalents

Balance at 1 January	2,231,013	779,214
Net cash inflow/(outflow)	<u>(221,278)</u>	<u>1,451,799</u>
Balance at 31 December	2,009,735	2,231,013
	<hr/>	<hr/>

GARDINER SONS & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1994

1 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 ACCOUNTING POLICIES

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

(1) 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.

(2) 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% or 20%
motor vehicles	25%

(3) Stocks

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

(4) 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.

GARDINER SONS & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1994 (continued)

2 ACCOUNTING POLICIES (continued)

(5) Pension costs

Contributions to the 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 15).

(6) Operating leases

Operating lease costs are charged to the profit and loss account as incurred.

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	<u>1994</u>	<u>1993</u>
	£	£
Wages and salaries	1,461,150	1,381,903
Social security costs	105,962	98,926
Other pension costs (note 15)	53,750	47,947
Depreciation	72,815	68,795
Auditors' remuneration	10,000	10,000
Auditors' remuneration - non audit fees	1,400	1,800
Interest receivable on bank deposits	(49,350)	(47,410)
Profit on sale of tangible fixed assets	(18,066)	(8,545)
	<u> </u>	<u> </u>

GARDINER SONS & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1994 (continued)

4 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

Taxation on profit for the year:	<u>1994</u>	<u>1993</u>
	£	£
UK corporation tax at 33% (1993 - 33%)	290,105	277,184
Deferred taxation (note 9)	<u>1,000</u>	<u>4,000</u>
	291,105	281,184
Prior year adjustment - corporation tax	<u>(1,573)</u>	<u>-</u>
	<u>289,532</u>	<u>281,184</u>

5 TANGIBLE FIXED ASSETS

	<u>Fixtures & fittings</u>	<u>Plant, machinery & vehicles</u>	<u>Total</u>
	£	£	£
<u>Cost</u>			
At 1 January 1994	842,213	610,718	1,452,931
Additions	32,690	63,047	95,737
Disposals	<u>-</u>	<u>(52,598)</u>	<u>(52,598)</u>
At 31 December 1994	<u>874,903</u>	<u>621,167</u>	<u>1,496,070</u>
<u>Accumulated depreciation</u>			
At 1 January 1994	729,233	508,643	1,237,876
Provision for the year	32,347	40,468	72,815
Disposals	<u>-</u>	<u>(52,214)</u>	<u>(52,214)</u>
At 31 December 1994	<u>761,580</u>	<u>496,897</u>	<u>1,258,477</u>
<u>Net book amount</u>			
At 31 December 1994	<u>113,323</u>	<u>124,270</u>	<u>237,593</u>
At 31 December 1993	<u>112,980</u>	<u>102,075</u>	<u>215,055</u>

GARDINER SONS & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1994 (continued)

6 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.

7 DEBTORS

	<u>1994</u>	<u>1993</u>
	£	£
Trade debtors	465,023	220,273
Other debtors	122,974	123,678
Prepayments and accrued income	<u>42,128</u>	<u>41,440</u>
	630,125	385,391
	<u> </u>	<u> </u>

8 CREDITORS - Amounts falling due within one year

	<u>1993</u>	<u>1992</u>
	£	£
Trade creditors	1,648,851	1,410,675
Amounts due to parent undertaking	225,000	225,000
Other creditors	231,403	236,570
Corporation tax	289,206	277,658
Other taxation and social security	205,399	164,359
Accruals	<u>498,656</u>	<u>462,305</u>
	3,098,515	2,776,567
	<u> </u>	<u> </u>

9 DEFERRED TAXATION

Deferred taxation, which is fully provided for, comprises corporation tax at 33% (1993 - 33%) on the excess of capital allowances over depreciation.

	£
At 1 January 1994	16,000
Charged to the profit and loss account (note 4)	<u>1,000</u>
At 31 December 1994	<u>17,000</u>

GARDINER SONS & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1994 (continued)

10 CALLED UP SHARE CAPITAL

	<u>Authorised</u>	Allotted, issued and <u>fully paid</u>
	£	£
Ordinary shares of 25p each at 31 December 1993 and 31 December 1994	1,500,000	1,262,661
	<u> </u>	<u> </u>

11 PROFIT AND LOSS ACCOUNT

	£
At 1 January 1994	579,984
Retained loss for the year	<u>(156,213)</u>
At 31 December 1994	<u>423,771</u>

12 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1994</u>	<u>1993</u>
	£	£
Profit for the year	593,787	570,462
Dividend paid to parent undertaking	<u>(750,000)</u>	<u>(2,000,000)</u>
Net reduction in shareholders' funds	(156,213)	(1,429,538)
Opening shareholders' funds	<u>1,842,645</u>	<u>3,272,183</u>
Closing shareholders' funds	<u>1,686,432</u>	<u>1,842,645</u>

GARDINER SONS & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1994 (continued)

13 EMPLOYEES

	1994 <u>Number</u>	1993 <u>Number</u>
The average number of persons employed by the company during the year on a full time equivalent basis was:	133	132
	<u> </u>	<u> </u>

14 DIRECTORS' EMOLUMENTS

	1994 £	1993 £
Directors' emoluments, including pension contributions	80,502	80,006
	<u> </u>	<u> </u>

Directors' emoluments, excluding pension contributions, were as follows:-

Chairman and highest paid director	38,965	38,747
	<u> </u>	<u> </u>

Directors' emoluments excluding pension contributions fell within the following bands:-

	1994 <u>Number</u>	1993 <u>Number</u>
£30,001 - £35,000	1	1
£35,001 - £40,000	1	1
	<u> </u>	<u> </u>

15 PENSION COMMITMENTS

With effect from 1 December 1990, the group formed a new 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.

GARDINER SONS & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1994 (continued)

15 PENSION COMMITMENTS (continued)

An actuarial valuation was carried out in accordance with the advice of a professionally qualified actuary as at 1 April 1994 using the aggregate method, the most significant assumptions being an investment return of 9% per annum and salary increases of 8% per annum.

The actuarial value of the assets as at 1 April 1994 was £864,800 which represented 138% of the benefits that had accrued to members at that time.

A contribution rate of 13.3% to 1 April 1995 and thereafter 11.1% was recommended to spread the cost of pensions over the members' working lives with the company. In 1994 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 1994 for the final salary scheme and the money purchase scheme were £53,750 (1993: £47,947).

16 OPERATING LEASE COMMITMENTS

The company has annual commitments on operating leases for land and buildings as follows:

	<u>1994</u>	<u>1993</u>
	£	£
Commitments ceasing within 1 year	900,000	900,000
	<u> </u>	<u> </u>

The commitments are in relation to leases on property where the freeholds are owned by the parent undertaking.

17 CONTINGENT LIABILITIES

There is a bank cross guarantee to cover banking facilities across all group companies.

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