

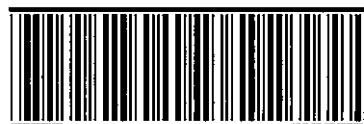
GARDINER SONS & CO LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 1996

Registered Number: 39402

Signed Copy



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GARDINER SONS & CO LIMITED

FINANCIAL STATEMENTS - 31 DECEMBER 1996

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GARDINER SONS & CO LIMITED

FINANCIAL STATEMENTS - 31 DECEMBER 1996

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 - 31 DECEMBER 1996

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

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 1997. 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 £1,028,660 (1995: £809,015). The dividend proposed and paid in respect of the year ended 31 December 1996 is £320,285 (1995: £665,000). The retained balance after dividends, of £708,375 is to be transferred to reserves (1995: £144,015).

FIXED ASSETS

The movement in fixed assets in the year is set out in note 5 to the financial statements. The directors consider the market value of the land and buildings to be greater than the book value disclosed in these 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;
- 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.

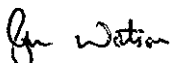
GARDINER SONS & CO LIMITED

DIRECTORS' REPORT - 31 DECEMBER 1996

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

17 February 1997

Price Waterhouse



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

We have audited the financial statements on pages 6 to 15 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 1996 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

17 February 1997

GARDINER SONS & CO LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1996

	Notes	<u>1996</u> £	<u>1995</u> £
TURNOVER - continuing operations	2(1)	13,352,176	11,911,016
Cost of sales		<u>(8,570,191)</u>	<u>(7,485,808)</u>
GROSS PROFIT		4,781,985	4,425,208
Administrative expenses		<u>(2,713,895)</u>	<u>(2,574,322)</u>
OPERATING PROFIT - before group payments		2,068,090	1,850,886
Management charge payable to parent undertaking		(339,715)	-
Rent payable to parent undertaking		<u>-</u>	<u>(675,000)</u>
OPERATING PROFIT - continuing operations		1,728,375	1,175,886
Interest payable to parent undertaking		(240,000)	(60,000)
Interest receivable		<u>47,233</u>	<u>97,341</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	1,535,608	1,213,227
Taxation on profit on ordinary activities	4	<u>(506,948)</u>	<u>(404,212)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,028,660	809,015
Dividend paid		<u>(320,285)</u>	<u>(665,000)</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR TRANSFERRED TO RESERVES	12	<u>708,375</u>	<u>144,015</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 note 12 to these financial statements.

The notes on pages 10 to 15 form part of these financial statements.

GARDINER SONS & CO LIMITED

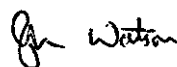
BALANCE SHEET - 31 DECEMBER 1996

	<u>Notes</u>	<u>1996</u> £	<u>1995</u> £
FIXED ASSETS			
Tangible assets	5	<u>5,730,705</u>	<u>5,633,513</u>
CURRENT ASSETS			
Stocks	6	2,147,878	2,061,144
Debtors	7	697,858	623,972
Cash at bank and in hand		<u>1,174,229</u>	<u>398,183</u>
		4,019,965	3,083,299
CREDITORS - Amounts falling due within one year	8	<u>(3,202,848)</u>	<u>(2,876,365)</u>
NET CURRENT ASSETS		<u>817,117</u>	<u>206,934</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		6,547,822	5,840,447
CREDITORS: Amounts falling due after more than one year	9	(4,000,000)	(4,000,000)
DEFERRED TAXATION	10	<u>(9,000)</u>	<u>(10,000)</u>
		<u>2,538,822</u>	<u>1,830,447</u>
CAPITAL AND RESERVES			
Called up share capital	11	1,262,661	1,262,661
Profit and loss account	12	<u>1,276,161</u>	<u>567,786</u>
EQUITY SHAREHOLDERS' FUNDS	13	<u>2,538,822</u>	<u>1,830,447</u>

Approved by the Board on 17 February 1997 and signed on its behalf by:

DIRECTOR

J Watson



The notes on pages 10 to 15 form part of these financial statements.

GARDINER SONS & CO LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1996

	Notes	<u>1996</u>	<u>1995</u>
		£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	1	1,858,274	781,357
RETURN ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		47,233	97,341
Dividend paid to parent undertaking		(320,285)	(665,000)
Interest paid to parent undertaking		<u>(240,000)</u>	<u>(60,000)</u>
NET CASH OUTFLOW FROM RETURN ON INVESTMENTS AND SERVICING OF FINANCE		(513,052)	(627,659)
TAXATION			
Corporation tax paid		(408,281)	(292,137)
INVESTING ACTIVITIES			
Payments to acquire tangible fixed assets		(170,720)	(36,863)
Land and buildings acquired from parent undertaking		-	(5,444,000)
Receipts from sales of tangible fixed assets		<u>9,825</u>	<u>7,750</u>
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		<u>(160,895)</u>	<u>(5,473,113)</u>
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING		776,046	(5,611,552)
FINANCING			
Deposit received from parent undertaking		-	4,000,000
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2	<u>776,046</u>	<u>(1,611,552)</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 1996

NOTES TO THE CASH FLOW STATEMENT

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

	<u>1996</u> £	<u>1995</u> £
Operating profit	1,728,375	1,175,886
Depreciation charges	67,245	77,406
Profit on sales of tangible fixed assets	(3,542)	(213)
Increase in stocks	(86,734)	(136,650)
Decrease/(increase) in debtors	(73,886)	6,153
(Decrease)/increase in creditors	<u>226,816</u>	<u>(341,225)</u>
Net cash inflow from operating activities	<u>1,858,274</u>	<u>781,357</u>

2 Analysis of changes in cash and cash equivalents

Balance at 1 January	398,183	2,009,735
Net cash inflow/(outflow)	<u>776,046</u>	<u>(1,611,552)</u>
Balance at 31 December	<u>1,174,229</u>	<u>398,183</u>

GARDINER SONS & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1996

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% - 20%
Motor vehicles	25%

No depreciation is provided on freehold properties. It is the group's practice to maintain these assets in a continual state of sound repair and accordingly the directors consider that the lives of these assets are so long and residual values, based on prices prevailing at the time of acquisition by the group are so high that their depreciation is insignificant. Any permanent diminution in the value of such properties is charged to the profit and loss account as appropriate.

(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 1996 (continued)

2 ACCOUNTING POLICIES (continued)

(5) 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.

(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>1996</u> £	<u>1995</u> £
Wages and salaries	1,591,061	1,515,442
Social security costs	105,472	99,405
Other pension costs (note 16)	35,848	43,986
Depreciation	67,245	77,406
Auditors' remuneration	10,500	10,500
Auditors' remuneration - non audit fees	2,200	2,550
Interest receivable on bank deposits	(47,233)	(97,341)
Profit on sale of tangible fixed assets	(3,542)	(213)
Operating lease rental - land and buildings	-	675,000
Management charge payable to parent undertaking	339,715	-
	<u> </u>	<u> </u>

4 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

Taxation on taxable profits for the year:

	<u>1996</u> £	<u>1995</u> £
UK corporation tax at 33% (1995: 33%)	507,948	408,281
Deferred taxation (note 10)	<u>(1,000)</u>	<u>(7,000)</u>
	506,948	401,281
Prior year adjustment - corporation tax	<u>-</u>	<u>2,931</u>
	<u>506,948</u>	<u>404,212</u>

GARDINER SONS & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1996 (continued)

5 TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Fixtures & fittings £	Plant, machinery & vehicles £	Total £
<u>Cost</u>				
At 1 January 1996	5,504,131	877,060	645,828	7,027,019
Additions	81,402	19,575	69,743	170,720
Disposals	-	-	(25,169)	(25,169)
At 31 December 1996	<u>5,585,533</u>	<u>896,635</u>	<u>690,402</u>	<u>7,172,570</u>
<u>Accumulated depreciation</u>				
At 1 January 1996	60,131	797,704	535,671	1,393,506
Provision for the year	-	26,726	40,519	67,245
Disposals	-	-	(18,886)	(18,886)
At 31 December 1996	<u>60,131</u>	<u>824,430</u>	<u>557,304</u>	<u>1,441,865</u>
<u>Net book amount</u>				
At 31 December 1996	<u>5,525,402</u>	<u>72,205</u>	<u>133,098</u>	<u>5,730,705</u>
At 31 December 1995	<u>5,444,000</u>	<u>79,356</u>	<u>110,157</u>	<u>5,633,513</u>

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>1996</u> £	<u>1995</u> £
Trade debtors	566,237	507,654
Other debtors	59,494	69,073
Prepayments and accrued income	<u>72,127</u>	<u>47,245</u>
	<u>697,858</u>	<u>623,972</u>

GARDINER SONS & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1996 (continued)

8 CREDITORS - Amounts falling due within one year

	<u>1996</u> £	<u>1995</u> £
Trade creditors	1,824,465	1,629,742
Other creditors	178,371	225,817
Corporation tax	507,948	408,281
Other taxation and social security	223,710	199,527
Accruals	<u>468,354</u>	<u>412,998</u>
	<u>3,202,848</u>	<u>2,876,365</u>

9 CREDITORS: Amounts falling due after more than one year

	<u>1996</u> £	<u>1995</u> £
Deposit from parent undertaking	4,000,000	4,000,000

The deposit was placed by Gardiner (Holdings) Limited on 1 October 1995 at an interest rate of 6% per annum. The deposit is to be repaid at a date to be agreed by both group companies. It is the current intention of the directors not to withdraw any amount prior to 31 December 1997.

10 DEFERRED TAXATION

Deferred taxation, which is fully provided for, comprises corporation tax at 33% (1995: 33%) on the excess of capital allowances over depreciation.

	<u>1996</u> £	<u>1995</u> £
At 1 January	10,000	17,000
Credited to the profit and loss account (note 4)	<u>(1,000)</u>	<u>(7,000)</u>
At 31 December	<u>9,000</u>	<u>10,000</u>

11 CALLED UP SHARE CAPITAL

	<u>Authorised</u> £	<u>Allotted, issued and fully paid</u> £
Ordinary shares of 25p each at 31 December 1995 and 31 December 1996	<u>1,500,000</u>	<u>1,262,661</u>

GARDINER SONS & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1996 (continued)

12 PROFIT AND LOSS ACCOUNT

	£
At 1 January 1996	567,786
Retained profit for the year	<u>708,375</u>
At 31 December 1996	<u>1,276,161</u>

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1996</u> £	<u>1995</u> £
Profit for the year	1,028,660	809,015
Dividend paid to parent undertaking	<u>(320,285)</u>	<u>(665,000)</u>
Net addition to shareholders' funds	708,375	144,015
Opening shareholders' funds	<u>1,830,447</u>	<u>1,686,432</u>
Closing shareholders' funds	<u>2,538,822</u>	<u>1,830,447</u>

14 EMPLOYEES

	<u>1996</u> Number	<u>1995</u> Number
The average number of persons employed by the company during the year on a full time equivalent basis was:	139	135

15 DIRECTORS' EMOLUMENTS

	<u>1996</u> £	<u>1995</u> £
Directors' emoluments, including pension contributions	67,107	70,146
Directors' emoluments, excluding pension contributions, were as follows:-		
Chairman and highest paid director	<u>32,507</u>	<u>34,007</u>
Directors' emoluments excluding pension contributions fell within the following bands:-		
	<u>Number</u>	<u>Number</u>
£25,001 - £30,000	1	1
£30,001 - £35,000	1	1

GARDINER SONS & CO LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1996 (continued)

16 PENSION COMMITMENTS

With effect from 1 December 1990, the group formed a new 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 1995 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 1995 was £864,800 which represented 138% of the benefits that had accrued to members at that time.

A contribution rate of 11.1% of pensionable pay was recommended to spread the cost of pensions over the members' working lives with the company. In 1996 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 1996 for the final salary scheme and the money purchase scheme were £35,848 (1993: £43,986).

17 OPERATING LEASE COMMITMENTS

The company has no annual commitments on operating leases.

18 CONTINGENT LIABILITIES

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

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