

CURTIS HOLT (NORTH WEST) LIMITED

**REPORTS AND
FINANCIAL STATEMENTS**

**FOR THE YEAR
ENDED 31 DECEMBER 1994**

CLARKSON HYDE
Chartered Accountants
and Registered Auditors



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Directors

J R C Twallin
E Bucknall
C W Elliott

Secretary and registered office

S C Morris
Green Street Green Road
Dartford
Kent
DA1 1FN

Registered auditors

Clarkson Hyde
137-143 High Street
Sutton
Surrey
SM1 1JH

Bankers

Midland Bank plc
83 Sidcup High Street
Sidcup
Kent
DA14 6DN

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

REVIEW OF THE BUSINESS

The company's principal activity during the year was that of distributors of hand tools and allied products.

The turnover for the year was **£2,512,947** (1993: £2,259,471).

RESULTS AND DIVIDENDS

The trading profit for the year, after taxation was **£31,931** (1993: loss £12,214).

The directors are unable to recommend a dividend to the ordinary shareholders. The holders of the 10% cumulative preference shares have waived their rights to past and present dividends.

EVENTS SINCE THE END OF THE YEAR

All assets, liabilities and trading were transferred to Curtis Holt Limited on 31 December 1994, another group company.

FIXED ASSETS

The movement in fixed assets during the year is set out in note 8 to the financial statements.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year under review and their beneficial interests in the share capital of the company were as follows:

| | 1994 | | 1993 | |
|---------------|-------------------|------|-------------------|--------|
| | Shares of £1 each | | Shares of £1 each | |
| | Ord | Pref | Ord | Pref |
| J R C Twallin | - | - | - | - |
| C W Elliott | - | - | - | 21,375 |
| E Bucknall | - | - | - | - |

The interests of the directors in the share capital of the parent company are disclosed in the financial statements of that company.

DIRECTORS' RESPONSIBILITIES

Company law requires that we prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

We are responsible for:

- (a) preparing these financial statements, and in our opinion, we have:
 - (i) selected suitable accounting policies and applied them consistently,
 - (ii) made judgements and estimates which we consider to be reasonable and prudent,
 - (iii) followed applicable accounting standards, subject to any material departures disclosed and explained in the financial statements,
 - (iv) used the going concern basis.
- (b) keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to ensure that the financial statements comply with the Companies Act 1985.
- (c) safeguarding the assets of the company and for taking reasonable steps for the prevention of fraud and other irregularities.

AUDITORS

A resolution to re-appoint Clarkson Hyde as auditors will be presented to the members at the Annual General Meeting in accordance with Section 384(1) of the Companies Act 1985.

BY ORDER OF THE BOARD



S C Morris
Secretary
25 May 1995

To the members of Curtis Holt (North West) Limited:

We have audited the financial statements on pages 4 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 2 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.

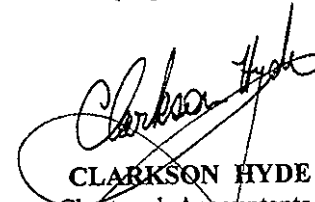
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

The financial statements have been prepared on a going concern basis, the validity of which depends on the continuing financial support from the company's parent company. The directors' of the parent company have affirmed their continued financial support for the foreseeable future. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event that the company cannot continue trading. Our opinion is not qualified in this report.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1994 and of its profit and cash flow statement for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

137-143 High Street
SUTTON
Surrey
SM1 1JH


CLARKSON HYDE
Chartered Accountants
and Registered Auditors
25 May 1995


| | Note | 1994 | 1993 |
|---|------|-------------------------|--------------------------|
| TURNOVER | 2 | 2,512,947 | 2,259,471 |
| Cost of sales | | <u>1,966,613</u> | <u>1,763,385</u> |
| Gross profit | | 546,334 | 496,086 |
| Net operating expenses | 3 | <u>437,082</u> | <u>427,238</u> |
| OPERATING PROFIT | 4 | 109,252 | 68,848 |
| Interest payable | 6 | <u>77,321</u> | <u>85,484</u> |
| PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION | 2 | 31,931 | (16,636) |
| Taxation on profit/(loss) on ordinary activities | 7 | <u>-</u> | <u>(4,422)</u> |
| RETAINED PROFIT/(LOSS) TRANSFERRED TO RESERVES | 14 | £ <u>31,931</u> | £ <u>(12,214)</u> |

There were no recognised gains or losses for the year other than in the profit and loss account.

| | Note | 1994 | 1993 |
|--|------|-------------------|-------------------|
| FIXED ASSETS | | | |
| Tangible assets | 8 | - | 45,774 |
| CURRENT ASSETS | | | |
| Stocks | 9 | - | 532,312 |
| Debtors | 10 | - | <u>392,596</u> |
| | | - | 924,908 |
| CREDITORS - Amounts falling due within one year | 11 | <u>822,375</u> | <u>1,824,988</u> |
| NET CURRENT LIABILITIES | | <u>(822,375)</u> | <u>(900,080)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>£(822,375)</u> | <u>£(854,306)</u> |
| CAPITAL AND RESERVES | | | |
| Share capital | 13 | 50,000 | 50,000 |
| Reserves | 14 | <u>(872,375)</u> | <u>(904,306)</u> |
| | | <u>£(822,375)</u> | <u>£(854,306)</u> |

Approved by the Board on 25 May 1995

J R C Twallin


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| | Note | 1994 | 1993 |
|---|----------------|------------------------|------------------------|
| Net cash inflow from operating activities | 20(a) | 881,282 | 221,285 |
| Returns on investments and servicing of finance | | | |
| Interest paid | (75,318) | (83,636) | |
| Interest element of hire purchase and finance lease payments | <u>(2,003)</u> | <u>(1,848)</u> | |
| Net cash Inflow/(outflow) from returns on investments and servicing of finance | | (77,321) | (85,484) |
| Taxation | | | |
| Subvention monies received | <u>-</u> | <u>4,422</u> | |
| Taxation received | | - | 4,422 |
| Investing activities | | | |
| Purchase of tangible fixed assets | (64,965) | (7,925) | |
| Sale of tangible fixed assets | <u>80,316</u> | <u>-</u> | |
| Net cash inflow/(outflow) from investing activities | | <u>15,351</u> | <u>(7,925)</u> |
| Net cash (outflow)/inflow before financing | | 819,312 | 132,298 |
| Financing | | | |
| Capital element of hire purchase and finance lease payments | <u>-</u> | <u>(18,826)</u> | |
| Net cash outflow from financing | | <u>-</u> | <u>(18,826)</u> |
| Increase in cash and cash equivalent | 20(b) | <u>£819,312</u> | <u>£113,472</u> |

1. ACCOUNTING POLICIES

(a) BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention and using applicable Accounting Standards.

(b) TURNOVER

Turnover represents sales less credit notes to outside customers and excludes value added tax.

(c) STOCKS

Stocks have been valued at the lower of purchase cost or net realisable value on the average cost basis.

(d) DEPRECIATION

Depreciation is provided so as to write off the cost of the fixed assets over their estimated useful lives employing the following rates and methods:

| Category | Rate | Method |
|------------------------|-------------|------------------|
| Fittings and equipment | 20% - 33.3% | Straight line |
| Computers - hardware | 33.3% | Straight line |
| - software | 50% | Straight line |
| Motor vehicles - cars | 25% | Reducing balance |
| - vans | 33.3% | Straight line |

(e) HIRE PURCHASE INTEREST

Hire purchase interest has been allocated to the accounting periods using the 'sum of the digits' method.

(f) LEASED ASSETS

Where leased assets are financed by leasing agreements that give rights approximating to ownership, the assets are treated as if they had been purchased outright. The amount capitalised is the net present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor. Depreciation on the relevant assets is charged to the profit and loss account. Lease payments are treated as consisting of capital and interest elements and the interest is charged to the profit and loss account using the 'sum of the digits' method.

All other leases are operating leases and the annual rentals are charged to the profit and loss account as incurred.

(g) DEFERRED TAXATION

Provision is made for deferred taxation at expected rates of tax, for the effect of all material timing differences between profits for taxation purposes and profits as stated in the accounts, to the extent that in the opinion of the directors, a liability is expected to arise in the foreseeable future.

(h) PENSION COSTS

Contributions to the group pension scheme are charged to the profit and loss account so as to spread the cost of the pension over employees working lives with the Group. Contributions are based on actuarial valuations.

2. **TURNOVER AND PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION**

The turnover and profit/(loss) on ordinary activities before taxation are both wholly attributable to the company's principal activity as distributors of hand tools and allied products and are wholly derived in the United Kingdom.

| | 1994 | 1993 |
|----------------------------------|------------------------|------------------------|
| 3. NET OPERATING EXPENSES | | |
| Distribution costs | 54,737 | 47,852 |
| Administrative expenses | <u>382,345</u> | <u>379,386</u> |
| | <u>£437,082</u> | <u>£427,238</u> |

4. **OPERATING PROFIT**

Is stated after charging/(crediting):

| | | |
|------------------------------------|--------------|--------------|
| Directors' remuneration | - | - |
| Auditors' remuneration | 10,170 | 10,000 |
| Depreciation | 30,774 | 24,413 |
| Profit on disposal of fixed assets | (351) | - |
| Hire of equipment | <u>3,374</u> | <u>2,597</u> |

5. **EMPLOYEE INFORMATION**

(a) The average number of persons employed by the company during the year, excluding directors, is analysed by type of work below:

| | | |
|-------------------------------|------------------|------------------|
| Distribution and service | 10 | 12 |
| Administration and management | <u>13</u> | <u>7</u> |
| | <u>23</u> | <u>19</u> |

(b) Company employment costs - all employees including executive directors:

| | | |
|---|------------------------|------------------------|
| Aggregate gross wages and salaries | 219,002 | 207,717 |
| Employer's national insurance contributions | 19,506 | 20,170 |
| Employer's pension contributions | <u>6,026</u> | <u>5,759</u> |
| Total direct costs of employment | <u>£244,534</u> | <u>£233,646</u> |

6. **INTEREST PAYABLE**

| | | |
|--|-----------------------|-----------------------|
| Bank overdraft | 75,318 | 83,636 |
| Finance leases and hire purchase contracts | <u>2,003</u> | <u>1,848</u> |
| | <u>£77,321</u> | <u>£85,484</u> |

| | | | 1994 | 1993 | |
|-----|--|----------------------|-----------------|------------------|------------------|
| 7. | TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES | | | | |
| | Subvention monies receivable | | £ <u>Nil</u> | £ <u>4,422</u> | |
| 8. | TANGIBLE FIXED ASSETS | | | | |
| | | Fittings & equipment | Computers | Motor vehicles | Total |
| | COST | | | | |
| | At 01.01.94 | 76,731 | 55,351 | 80,802 | 212,884 |
| | Additions | - | - | 64,965 | 64,965 |
| | Disposals | (76,731) | (55,351) | (145,767) | (277,849) |
| | At 31.12.94 | <u>Nil</u> | <u>Nil</u> | <u>Nil</u> | <u>Nil</u> |
| | DEPRECIATION | | | | |
| | At 01.01.94 | 75,195 | 43,687 | 48,228 | 167,110 |
| | Charge for the year | 1,265 | 5,514 | 23,995 | 30,774 |
| | Eliminated on disposals | (76,460) | (49,201) | (72,223) | (197,884) |
| | At 31.12.94 | <u>Nil</u> | <u>Nil</u> | <u>Nil</u> | <u>Nil</u> |
| | NET BOOK VALUE | | | | |
| | At 31.12.94 | £ <u>Nil</u> | £ <u>Nil</u> | £ <u>Nil</u> | £ <u>Nil</u> |
| | At 31.12.93 | £ <u>1,536</u> | £ <u>11,664</u> | £ <u>32,574</u> | £ <u>45,774</u> |
| | | | | 1994 | 1993 |
| 9. | STOCKS | | | | |
| | Goods for re-sale | | £ <u>Nil</u> | £ <u>532,312</u> | |
| 10. | DEBTORS | | | | |
| | Trade debtors | | - | | 362,397 |
| | Amounts owed by group companies | | - | | 22,810 |
| | Other debtors | | - | | 2,587 |
| | Prepayments and accrued income | | - | | 4,802 |
| | | | £ <u>Nil</u> | | £ <u>392,596</u> |

| | 1994 | 1993 |
|--|-----------------|-------------------|
| 11. CREDITORS | | |
| Amounts falling due within one year: | | |
| Bank overdraft (secured) | - | 819,312 |
| Trade creditors | - | 303,333 |
| Amounts owed to group companies | 822,375 | 631,238 |
| Hire purchase | - | 4,983 |
| Other creditors including taxation and social security | - | 42,843 |
| Accruals and deferred income | - | 23,279 |
| | <u>£822,375</u> | <u>£1,824,988</u> |
| 12. DIVIDEND | | |
| Holdings of the 10% cumulative preference shares have waived their rights to past and present dividends. | | |
| | 1994 | 1993 |
| 13. SHARE CAPITAL | | |
| Authorised, issued and fully paid | | |
| Amount attributable to equity interest 20,000 ordinary shares of £1 each | 20,000 | 20,000 |
| Amount attributable to non-equity interest 30,000 10% cumulative non-voting preference shares of £1 each | <u>30,000</u> | <u>30,000</u> |
| | <u>£50,000</u> | <u>£50,000</u> |
| | | 1994 |
| 14. RESERVES | | |
| Balance at 01.01.94 | | (904,306) |
| Profit for the year | | <u>31,931</u> |
| At 31.12.94 | | <u>£(872,375)</u> |
| 15. CAPITAL EXPENDITURE | 1994 | 1993 |
| (i) Authorised but not contracted | <u>£Nil</u> | <u>£Nil</u> |
| (ii) Contracted but not provided for in the financial statements | <u>£Nil</u> | <u>£Nil</u> |

16. PENSIONS AND SIMILAR OBLIGATIONS

The company operates a funded, defined benefits scheme. The assets of the scheme are held separately from those of the company and are invested by Investment Managers appointed by the Trustees.

Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the attained age method. The most recent valuation was at 1 February 1992, when the market value of the scheme's assets was shown as £2.37m which was sufficient, in the opinion of the actuary, to cover liabilities accrued at that date.

| | 1994 | 1993 |
|---|--------------|---------------|
| 17. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS | | |
| Total hire purchase payments outstanding | - | 5,114 |
| Less: Finance charges allocated to future periods | - | 131 |
| | <u>£ Nil</u> | <u>£4,983</u> |
| Disclosed in the accounts as follows: | | |
| Due within one year | - | 4,983 |
| Due between two and five years | - | - |
| | <u>£ Nil</u> | <u>£4,983</u> |

18. OPERATING LEASES

Lease payments on operating leases are written off in the year in which they are incurred.

| | 1994 Equipment | 1993 Equipment |
|---|-------------------|-------------------|
| NET OBLIGATIONS - operating leases | | |
| Rentals due within one year for agreements terminating: | | |
| - within one year | - | 840 |
| - after one year within five years | 1,488 | 1,488 |
| | <u>£1,488</u> | <u>£2,328</u> |

19. STATUS AND ULTIMATE PARENT COMPANY

Curtis Holt (North West) Limited's ultimate parent company is Dormole Limited, a company incorporated in England and which controls 100% of the voting rights of this company's issued ordinary share capital.

20. NOTES TO CASH FLOW STATEMENT

(a) RECONCILIATION OF OPERATING PROFIT TO NET
CASH FLOW FROM OPERATING ACTIVITIES

| | | |
|---|-----------------|-----------------|
| Operating profit | 109,252 | 68,848 |
| Depreciation charge | 30,774 | 24,413 |
| Profit on sale of tangible fixed assets | (351) | - |
| Decrease in stock | 532,312 | 46,646 |
| Decrease/(increase) in debtors | 392,596 | (32,508) |
| (Decrease)/increase in creditors | (183,301) | 113,886 |
| Net cash inflow from operating activities | <u>£881,282</u> | <u>£221,285</u> |

(b) ANALYSIS OF CHANGES IN CASH AND CASH
EQUIVALENTS DURING THE YEAR

| | | |
|-----------------|----------------|-------------------|
| At 01.01.94 | (819,312) | (932,784) |
| Net cash inflow | <u>819,312</u> | <u>113,472</u> |
| At 31.12.94 | <u>£ Nil</u> | <u>£(819,312)</u> |

(c) ANALYSIS OF THE BALANCES OF CASH AND CASH
EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

| | 1994 | 1993 | Change in Year |
|----------------|--------------|-------------------|-------------------|
| Bank overdraft | <u>£ Nil</u> | <u>£(819,312)</u> | <u>£819,312</u> |