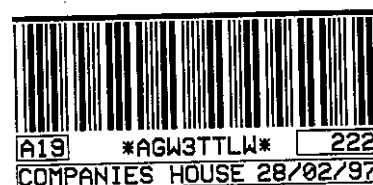


WICKES OVERSEAS HOLDINGS LIMITED  
DIRECTORS' REPORT  
AND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 1995

The Company's registered number is 1954281



# WICKES OVERSEAS HOLDINGS LIMITED

## DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the year ended 31 December 1995.

Certain accounting irregularities have been uncovered within the Group headed by Wickes plc ("the Wickes Group"), the Company's ultimate parent company, and these have necessitated the refinancing of the Wickes Group. The refinancing arrangements were approved by an Extraordinary General Meeting of Wickes plc on 6 January 1997. Full details of the irregularities and the financial position of the Wickes Group and the Company are given in note 12 to the financial statements.

### PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The Company's principal activity is that of parent company for other group undertakings.

The directors do not envisage initiating any change in the Company's role or activities in the foreseeable future.

### RESULTS AND DIVIDENDS

The results of the Company for the year are set out in the accompanying financial statements.

An interim dividend of £4,400,000 was paid during the year. The directors do not recommend the payment of a final dividend. Dividends paid in respect of the 1994 financial year amounted to £2,900,000.

### DIRECTORS

The directors who served during the year and changes subsequent to 31 December 1996 were:

	<u>Appointed</u>	<u>Resigned</u>
H A Sweetbaum (USA)		26.6.96
M R Corner		15.10.96
T W Llewellyn		3.8.95
S R Stradling	2.8.95	8.10.96
G B Battersby		
P. Gray	22.2.95	14.12.95
W J Hoskins	30.9.96	
W Grimsey	9.12.96	

The interests of Messrs. Sweetbaum and Corner in the share capital of group undertakings are shown in the Wickes plc revised financial statements dated 12 December 1996.

The other director who held office at 31 December 1995 had no interests, including options, other than those shown below in the shares of group undertakings.

	Wickes plc 25 pence Ordinary Shares					
	Holdings		Options			
	1.1.95	31.12.95	1.1.95	Granted in the year	Exercised in the year	31.12.95
Directors						
GB Battersby	None	None	153,000	-	-	153,000

## WICKES OVERSEAS HOLDINGS LIMITED

### DIRECTORS' REPORT (Continued)

At 31 December 1995 the following options granted to the director were outstanding under option schemes:

Directors	Date of grant	Ordinary shares	Exercise price (p)	Excerciseable
GB Battersby	March '93	103,000	86.33	3.3.96-1.3.03
	August '94	50,000	92.00	13.8.97-11.8.04

The market price of the Wickes plc shares during the year ranged from 85p to 136p and at 31 December 1995 was 126p.

The option details set out above do not take account of changes in the number of shares under option and exercise price resulting from the rights issue announced by Wickes plc in January 1997.

#### DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company maintains insurance in respect of Directors' and Officers' liability as permitted by Section 310(3) of the Companies Act 1995.

#### AUDITORS

The Company's auditors, Arthur Andersen, have indicated that they will resign from office. A resolution to appoint Price Waterhouse as auditors, and authorising the directors to fix their remuneration, will be proposed to the next General Meeting.

Registered Office  
120/138, Station Road,  
Harrow, Middx., HA1 2QB

By order of the Board

K R Stokes-Smith  
Secretary

7 January 1997

WICKES OVERSEAS HOLDINGS LIMITED  
DIRECTORS' AND AUDITORS' RESPONSIBILITIES

**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 affairs of the Company and of the profit or 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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' RESPONSIBILITIES**

Company law requires auditors to form an independent opinion on the financial statements presented by the directors based on their audit and to report their opinion to the shareholders. The Companies Act 1985 also requires auditors to report to the shareholders if the following requirements are not met:

- that the Company has maintained proper accounting records;
- that the financial statements are in agreement with the accounting records;
- that directors' emoluments and other transactions with the directors are properly disclosed in the accounts; and
- that the auditors have obtained all the information and explanations which, to the best of their knowledge and belief, are necessary for the purpose of the audit.

The auditors' opinion does not encompass the directors' report on pages 1 and 2. However, the Companies Act 1985 does require auditors to report to the shareholders if the matters contained in the directors' report are inconsistent with the financial statements.

WICKES OVERSEAS HOLDINGS LIMITED

AUDITORS' REPORT

TO THE SHAREHOLDERS OF WICKES OVERSEAS HOLDINGS LIMITED

We have audited the financial statements on pages 5 to 11 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 3 the Company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

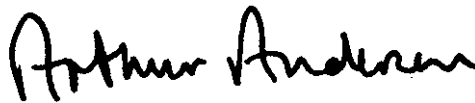
**Basis of opinion**

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 circumstances of the Company, 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 affairs of the Company as at 31 December 1995 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen  
Chartered Accountants and Registered Auditors  
1 Surrey Street  
London WC2R 2PS  
7 January 1997

**WICKES OVERSEAS HOLDINGS LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 1995**

	<u>Notes</u>	<u>1995</u> £	<u>1994</u> £
Investment Income	2	-	2,825,911
Provision for non recovery of debt		(730,144)	-
(Loss)/Profit before taxation		<u>(730,144)</u>	<u>2,825,911</u>
Taxation	3	-	-
(loss)/Profit after taxation		<u>(730,144)</u>	<u>2,825,911</u>
Dividend Paid	4	(4,400,000)	(2,900,000)
Retained (Loss) for the year		<u>(5,130,144)</u>	<u>(74,089)</u>
Retained Profit brought forward		81,125	155,214
Transfer from Other paid in capital		5,049,019	-
Retained Profit carried forward		<u>-</u> =====	<u>81,125</u> =====

There are no recognised gains and losses other than those included in the profit and loss account set out above.

The reconciliation of movement in shareholders' funds is as follows:

	<u>1995</u> £	<u>1994</u> £
Retained (Loss) for the year	(5,130,144)	(74,089)
Opening shareholders' funds	8,301,123	8,375,212
Closing shareholders' funds	<u>3,170,979</u> =====	<u>8,301,123</u> =====

The accompanying notes form an integral part of these financial statements.

WICKES OVERSEAS HOLDINGS LIMITED  
BALANCE SHEET AS AT 31 DECEMBER 1995

	<u>Notes</u>	<u>1995</u> £	<u>1994</u> £
FIXED ASSETS			
Investments	5	3,170,979	3,170,979
CURRENT ASSETS			
Debtors	6	-	5,130,144
NET CURRENT ASSETS			
		-	5,130,144
NET ASSETS			
		3,170,979	8,301,123
EQUITY CAPITAL AND RESERVES			
Share capital	7	3,163,367	3,163,367
Other paid-in capital	8	7,612	5,056,631
Profit and loss account		-	81,125
		3,170,979	8,301,123

Signed on behalf of the Board on 7 January 1997

W J Hoskins

*W. J. Hoskins*

Director

The accompanying notes form an integral part of these financial statements.

# WICKES OVERSEAS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 1995

### 1. ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and with the preceding year is set out below:

#### (a) Basis of Accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards. Under the provisions of Financial Reporting Standard No. 1 the Company has not presented a cash flow statement because it is a subsidiary undertaking of Wickes plc (registered number 2070200) which is registered in England and Wales, and which has prepared consolidated accounts which include the accounts of the Company for the period and which contain a cash flow statement.

Consolidated accounts have not been prepared for the Company and its subsidiary undertakings as the Company is a wholly-owned subsidiary of another company incorporated in the United Kingdom.

#### (b) Investments

Investments are stated at cost less amounts written-off.

#### (c) Taxation

Corporation Tax is provided at appropriate rates on profits as adjusted for tax purposes, less relief to the extent that such is made available by fellow group undertakings. The charge or credit for corporation tax includes any payments for group relief. Deferred taxation, which arises from differences in the timing of the recognition of items, principally depreciation, in the financial statements and by the tax authorities, has been calculated on the liability method. Deferred tax is provided on timing differences which will probably reverse at the rates of tax likely to be in force at the time of reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse.

### 2. INVESTMENT INCOME

	<u>1995</u>	<u>1994</u>
	<u>£</u>	<u>£</u>
Investment income:		
Dividends from shares in subsidiary undertakings	-	2,825,911
	=====	=====

Auditors' remuneration for 1995 and 1994 has been borne by Wickes Europe Limited.

None of the directors received any remuneration for services to the Company during the year, (1994 nil), and there were no employees or related staff costs (1994 nil).



# WICKES OVERSEAS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 1995

### 3. TAXATION

Taxation comprises

	<u>1995</u>	<u>1994</u>
	<u>£</u>	<u>£</u>
Corporation tax on profits for the year at 33.00% (1994 - 33.00%)	-	932,551
Double taxation relief	-	(932,551)
	<u>-</u>	<u>-</u>
	=====	=====

There is no unprovided potential deferred tax liability.

### 4. DIVIDENDS PAID AND PROPOSED

	<u>1995</u>	<u>1994</u>
	<u>£</u>	<u>£</u>
Interim dividend paid of 139.2p per share (1994 -91.7p)	4,400,000	2,900,000
	=====	=====

### 5. INVESTMENTS

	<u>1995</u>	<u>1994</u>
	<u>£</u>	<u>£</u>
Investment in subsidiary undertakings	3,170,979	3,170,979
	=====	=====

A listing of the Company's principal subsidiary undertakings is provided in note 10.

### 6. DEBTORS

Debtors represent amounts falling due within one year and comprise:

	<u>1995</u>	<u>1994</u>
	<u>£</u>	<u>£</u>
Amounts due from group undertakings	-	5,130,144
	=====	=====

WICKES OVERSEAS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 1995

7. SHARE CAPITAL

	<u>1995</u> £	<u>1994</u> £
Ordinary shares of £1 each:		
Authorised	3,256,100 =====	3,256,100 =====
Issued and fully paid	3,163,367 =====	3,163,367 =====

8. OTHER PAID IN CAPITAL

Other paid in capital represents a one off capital contribution and is considered, by the Directors, to be of a distributable nature.

	<u>1995</u> £
As at 1 January	5,056,631
Transfer to Profit and Loss Account	(5,049,019)
As at 31 December	7,612 =====

9. ULTIMATE PARENT COMPANY

The Company is a wholly-owned subsidiary of Wickes Holdings Limited. Its ultimate parent company is Wickes plc. Both of these companies are registered in England and Wales.

The only group into which the results of the Company are consolidated is that headed by Wickes plc. The consolidated financial statements may be obtained from 120/138, Station Road, Harrow, Middx., HA1 2QB.

# WICKES OVERSEAS HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 1995

### 10. SUBSIDIARY UNDERTAKINGS

As at 31 December 1995 the following were the principal subsidiary undertakings.

	<u>Country of Incorporation</u>	<u>Principal Activity</u>
* Wickes BV	Holland	Retailer
* Wickes NV	Belgium	Retailer
Wickes S.A.R.L	France	Retailer

\* Directly held

### 11. WICKES plc GROUP REFINANCING

During June 1996 the directors of the Wickes plc, the company's ultimate parent company, became aware of the existence of serious accounting irregularities within the Wickes Group's UK and Continental European retail businesses. Following this discovery the Wickes plc Board instructed Linklaters & Paines and Price Waterhouse to investigate and report to it on the circumstances which gave rise to the inaccuracies in the Wickes Group's financial statements. Following an announcement to the London Stock Exchange on 24 June 1996 of the discovery of these accounting irregularities, Wickes plc's shares were suspended.

The results of the Linklaters & Paines and Price Waterhouse investigation were reported to Wickes plc shareholders on 16 October 1996. The Report concluded that there had been serious mismanagement in relation to certain important areas of the Wickes Group's operations, principally in the Buying Department where there was a deliberate misrepresentation of the true basis of certain rebate and contribution arrangements with suppliers. As a result of these irregularities the Wickes Group's profits had been considerably overstated in recent years.

The Wickes Group ("the Group") had available committed facilities of £98 million under various credit facilities at 31 December 1995 in respect of which the Group had to comply with certain financial and other covenants. At 31 December 1995 the Group had drawn down £13 million under these facilities. At that date, after consideration of the required revisions to the financial statements resulting from the assessment of the true nature of arrangements with suppliers, the Group did not satisfy all of the covenants attached to the borrowings.

On 3 July 1996, the Group reached agreement with its banks for certain uncommitted borrowing facilities to continue to be available, subject to periodic review and renegotiation in the context of the refinancing of the Group which had become necessary.

## WICKES OVERSEAS HOLDINGS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 DECEMBER 1995

#### WICKES plc GROUP REFINANCING(Continued)

On 12 December 1996 the Group entered into revised arrangements with its banks under which, subject to the completion of a rights issue raising approximately £53 million (net of expenses), adequate bank facilities will be committed through to 7 July 1998. The rights issue was conditionally underwritten by SBC Warburg, the principal condition being the approval by Wickes plc's shareholders and the banking arrangements becoming effective.

On 6 January 1997, the refinancing arrangements described above were approved by the shareholders of Wickes plc and the banking arrangements became effective on 7 January 1997.

#### 12. GUARANTEES AND FINANCIAL COMMITMENTS

The company is registered for VAT purposes in a group of companies which share a common registration number. As a result, it has jointly guaranteed the VAT liability of the group, and failure by other members of the group would give rise to additional liabilities to the Company. In addition, the Company acts as a guarantor to the banking facilities entered into by the Wickes Group on 12 December 1996 as detailed in note 11 to the financial statements.