

ORIGINAL

HTG (1996) LIMITED
(FORMERLY HUNTER TIMBER GROUP LIMITED)

DIRECTORS' REPORT
AND
FINANCIAL STATEMENTS
31 DECEMBER 1995

The Company's registration number is 2255384



HTG (1996) LIMITED
(FORMERLY HUNTER TIMBER GROUP LIMITED)
DIRECTORS' REPORT

The directors present their annual report on the affairs of the Company, together with the 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 notes 18 and 19 to the financial statements.

As a result of the matters identified by an investigation into the accounting irregularities, adjustments are required to the Company's previously reported 1994 balance sheet.

As explained more fully in note 20 to the financial statements, in preparing the Company's 1995 financial statements and assessing the impact on the Company of the accounting irregularities discovered, the directors have decided to restate the Company's 1994 financial statements as a result of the material level of correction required. Based on the information available regarding the true nature of the Group's commercial arrangements with its suppliers the directors have been able to conclude that the 1995 Balance Sheet included in the financial statements accompanying this Directors' Report, presents a true and fair view of the state of the Company's affairs as at 31 December 1995. Whilst the directors believe the allocation of rebate and contribution income in the years 1992 to 1995 to be reasonable based on the information available, they are unable to conclude that these allocations would not be subject to adjustment if more complete information were available.

CHANGE OF NAME

The Company changed its name to HTG (1996) Limited on 5 January 1996.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

On 31 December 1994, the Company acquired the assets and trades of its fellow subsidiaries Hunter Timber Limited, Malden Timber Limited, Builders Mate Limited and Parker Kislingbury Limited.

During the year the Company carried on business as an importer, processor and distributor of timber and building materials.

On 6 October 1995 the Company disposed of the majority of its business to a third party. Thereafter the Company continued to trade on a reduced basis.

The remaining sites operated by the Company were disposed of or closed in the period from 6 October 1995 with the final sale effected after the year end on 17 June 1996.

RESULTS AND DIVIDENDS

The results for the year are shown within the financial statements. The directors do not recommend a dividend (1994-nil).

DIRECTORS

The directors who served during the year and changes subsequent to 31 December 1995 were as follows:

HTG (1996) LIMITED

(FORMERLY HUNTER TIMBER GROUP LIMITED)

DIRECTORS' REPORT (Continued)

	Appointed	Resigned
G Anderson	01.01.95	06.10.95
A G Bykhovsky	01.01.95	20.09.95
L P Coppock		24.08.95
E J Griffiths	01.01.95	29.02.96
M J Leadbetter	01.01.95	05.05.95
L Pritchard	01.01.95	06.10.95
J Tong	01.01.95	06.10.95
F V Warner	01.01.95	06.10.95
M R Corner	06.10.95	15.10.96
S R Stradling	06.10.95	8.10.96
G B Battersby	06.10.95	
N P S Horne	20.12.95	
W J Hoskins	30.09.96	
K R Stokes-Smith	9.12.96	

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

The other directors 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

Director	Holdings		1.1.95*	Options		31.12.95
	1.1.95*	31.12.95		Granted in the year	Exercised in the year	
EJ Griffiths	None	None	46,180	-	-	46,180
GB Battersby	None	None	153,000	-	-	153,000
N P S Horne	None	None	153,000	-	-	153,000

* Or date of appointment if later.

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

Director	Date of grant	Ordinary shares	Exercise price(p)	Exerciseable
EJ Griffiths	April '92	6,180	85.36	15.4.95 - 15.4.02
	August '94	40,000	92.00	13.8.97 - 11.8.04
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
NPS Horne	November '91	41,200	65.47	5.11.94 - 3.11.01
	April '92	61,800	85.36	15.4.95 - 15.4.02
	August '94	50,000	92.00	13.8.97 - 11.8.04

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

On 1 May 1996 NPS Horne exercised options over 41,200 shares at an exercise price of 65.47p and 61,800 shares at an exercise price of 85.36p.

HTG (1996) LIMITED

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DIRECTORS' REPORT (Continued)

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 1985

FIXED ASSETS

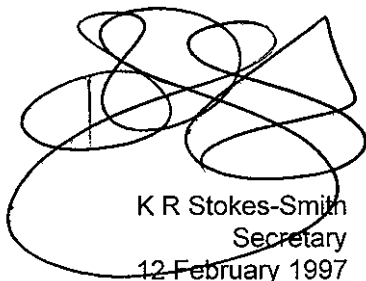
Information relating to changes in fixed assets is shown in notes 7 and 8 to the financial statements.

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 at the next General Meeting.

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

By Order of the Board



K R Stokes-Smith
Secretary
12 February 1997

HTG (1996) LIMITED

(FORMERLY HUNTER TIMBER GROUP 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 to 3. 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.

HTG (1996) LIMITED
(FORMERLY HUNTER TIMBER GROUP LIMITED)
AUDITORS' REPORT

To the Shareholders of HTG (1996) Limited

We have audited the financial statements on pages 7 to 19 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

As described on page 4 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. However, as described more fully in Note 18 to the financial statements, in June 1996 the Directors of Wickes plc, the Company's ultimate parent company, became aware of the existence of serious accounting irregularities within the Wickes Group. This indicated that there had been serious mismanagement of certain areas of the Group's operations, principally in the Buying Department, where there had been a deliberate misrepresentation of certain arrangements with suppliers. This has resulted in the profits of the Wickes Group being materially overstated in the Group's issued financial statements.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements including disclosures made in note 19 outlining the consideration given by the Directors to the Company's net liability position.

Limitation Of Audit Scope

In order to correct the errors impacting the Company as a result of the accounting irregularities the directors of the Company have undertaken a review of the correspondence that has since become available in order to reflect the true nature of the arrangements with suppliers in the financial statements. In certain cases, documentary evidence to support the true nature of the Group's arrangements with suppliers is incomplete, particularly in relation to the years prior to 1995. As a consequence, we have been unable to obtain sufficient evidence to form an opinion as to the allocation of income required to reflect the true nature of the Company's arrangements for amounts included as rebate receivable as at 31 December 1994 and included as rebate income in the year ended 31 December 1995. Sufficient evidence is available as to the cumulative effect of the adjustments required to 31 December 1995 to enable us to form an opinion on the Balance Sheet at that date.

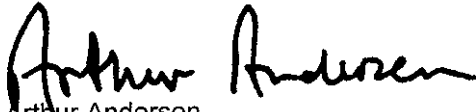
HTG (1996) LIMITED
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AUDITORS' REPORT (Continued)

Qualified Audit Opinion Arising From Limitation In Audit Scope

In our opinion, except for any adjustments that might have been found necessary had we been able to obtain sufficient evidence regarding the arrangements with suppliers, the financial statements give a true and fair view of the Company's loss for the year ended 31 December 1995. 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 have been properly prepared in accordance with the Companies Act 1985.

In respect of the limitation of the scope of our work relating to arrangements with suppliers we have not obtained all the information and explanations we considered necessary for the purpose of our audit and in our opinion proper accounting records had not been maintained with respect to arrangements with suppliers.



Arthur Andersen
Chartered Accountants and Registered Auditors
1 Surrey Street
London WC2R 2PS
12 February 1997

HTG (1996) LIMITED

(FORMERLY HUNTER TIMBER GROUP LIMITED)

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1995

	Notes	<u>1995</u> £'000	<u>1994</u> £'000
Turnover	1	304,982	-
Cost of Sales		(296,065)	-
Gross Profit		8,917	-
Distribution costs		(8,439)	-
Administrative costs		(18,005)	-
Operating loss		(17,527)	-
Costs of Withdrawal from timber operations	2	(71,214)	-
Loss before interest and taxation		(88,741)	-
Interest payable	3	(6,944)	-
Loss before taxation	4	(95,685)	-
Taxation	6	2,510	-
Loss after taxation		(93,175)	-
Retained reserves brought forward		-	-
Retained losses carried forward		(93,175)	-

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> £'000	<u>1994</u> £'000
Loss for the year	(93,175)	-
Issue of Ordinary share capital	-	24,999
Opening shareholders' funds	25,000	1
Closing shareholders' funds	(68,175)	25,000

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

HTG (1996) LIMITED
(FORMERLY HUNTER TIMBER GROUP LIMITED)

BALANCE SHEET
AS AT 31 DECEMBER 1995

	Notes	1995 £'000	1994 £'000 (As restated - Note 20)
FIXED ASSETS			
Tangible assets	7	-	15,354
Investments	8	-	5
		<u>-</u>	<u>15,359</u>
		=====	=====
CURRENT ASSETS			
Assets held for disposal	9	13,165	-
Stock	10	-	71,426
Debtors	11	3,852	47,304
Cash in hand and at bank		166	10,082
		<u>17,183</u>	<u>128,812</u>
		=====	=====
CREDITORS			
Amounts falling due within one year	12	(85,358)	(118,382)
		=====	=====
NET CURRENT (LIABILITIES)/ASSETS	19	(68,175)	10,430
		=====	=====
TOTAL ASSETS LESS CURRENT LIABILITIES		(68,175)	25,789
PROVISION FOR LIABILITIES AND CHARGES	13	-	(789)
NET (LIABILITIES)/ASSETS	19	(68,175)	25,000
		=====	=====
EQUITY CAPITAL AND RESERVES			
Called up share capital	14	25,000	25,000
Profit and loss account		(93,175)	-
		<u>(68,175)</u>	<u>25,000</u>
		=====	=====

Signed on behalf of the board 12 February 1997.

W J Hoskins

W. J. Hoskins

Director

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

HTG (1996) LIMITED

(FORMERLY HUNTER TIMBER GROUP LIMITED)

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 1995

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:

Basis of accounting

The financial statements 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 financial statements, which include the financial statements of the Company for the period and which contain a cash flow statement.

Turnover

Turnover represents the value of goods sold to customers, net of value added tax.

Tangible fixed assets and depreciation

Fixed assets are shown at cost less accumulated depreciation.

The book value of fixed assets is written off by equal annual instalments over the anticipated life of their use in the business, making due allowance for obsolescence and the changing requirements of the company in addition to normal wear and tear, as follows:

Plant, fixtures and vehicles	7.5 - 30%
Improvement to Leasehold Premises	3 - 25 years, but not to exceed the period of the lease.

Investments

Investments are stated at cost. Provision is made for permanent diminution in value.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost comprises the purchase price of materials and merchandise with the addition, where appropriate, of labour and overhead costs incurred in bringing the product to its present location and condition.

Net realisable value is the price at which stock can be realised in the normal course of business after allowing for the costs of realisation. Provision is made for obsolete, slow moving and defective stock.

HTG (1996) LIMITED

(FORMERLY HUNTER TIMBER GROUP LIMITED)

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 1995

(Continued)

ACCOUNTING POLICIES (Continued)

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.

Pensions

Pension liabilities are provided for on a going concern basis by payments to independent trusts or insurance companies on the advice of external actuaries. Independent actuarial valuations are carried out on a going concern basis every three years. The amount charged to the profit and loss account is the estimated regular cost of providing the benefits accrued in the year adjusted to reflect variation from that cost. The regular cost is calculated so as to produce a substantially level percentage of the current and expected future pensionable payroll.

HTG (1996) LIMITED

(FORMERLY HUNTER TIMBER GROUP LIMITED)

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 1995

(Continued)

1. ANALYSIS OF TURNOVER:

	<u>1995</u> £'000	<u>1994</u> £'000
By activity		
Import, processing and distribution of timber and allied products	304,982 =====	- =====
By geographical market		
Third party		
UK and Eire	277,320	-
Continental Europe	398	-
Group undertakings	27,264 -----	- -----
	304,982 =====	- =====

2. WITHDRAWAL FROM TIMBER OPERATIONS

During the year the Company withdrew from its timber operations through the disposal of its assets and businesses. On 6 October 1995, the Company disposed of the Hunter Timber business (which comprised substantially all of the non-merchanting activities of Hunter Timber) to a subsidiary of Finnforest Oy for a consideration of £45 million which was finally determined in February 1996. The Company has also undertaken a programme of disposal and closure of its Builders Mate merchanting outlets. Of the 100 branches, 72 were disposed of to trade buyers and 21 were closed, leaving 7 outlets at the year end. These have since been sold or closed. The Group's residual timber business, Hunter Ireland, was sold on 17 June, 1996.

Net assets disposed of and the related sale proceeds were as follows:

	£'000
Fixed Assets	15,793
Stock	61,941
Debtors	52,331
Creditors	(26,894) -----
Net Assets	103,171
Sale proceeds receivable	(45,374)
Associated costs of disposal and closure	8,417
Provisions for future costs and asset realisations	5,000 -----
Cost of withdrawal from timber	71,214 =====

3. INTEREST PAYABLE:

	<u>1995</u> £'000	<u>1994</u> £'000
Interest payable to other group undertakings	6,337	-
Bank overdraft interest	607	-
	6,944 -----	- -----
	=====	=====

HTG (1996) LIMITED

(FORMERLY HUNTER TIMBER GROUP LIMITED)

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 1995

(Continued)

4. LOSS BEFORE TAXATION:

	<u>1995</u> £'000	<u>1994</u> £'000
The loss before taxation is stated after charging:		
Depreciation of tangible fixed assets	2,095	-
Operating lease rentals	4,716	-
Auditors' remuneration-audit fee	151	-
Staff costs (Note 5)	29,952	-
	=====	=====

5. STAFF COSTS:

	<u>1995</u> Number	<u>1994</u> Number
Average weekly number of employees by activity:		
Import, processing and distribution of timber and allied products.	1,168	-
	=====	=====
<u>Employee costs</u>	£'000	£'000
Wages and salaries	26,575	-
Social security costs	2,184	-
Other pension costs	1,193	-
	-----	-----
	29,952	-
	=====	=====

Directors' Remuneration

The employee costs shown above includes directors' emoluments of £777,413 (1994 - nil), compensation for loss of office £222,000 (1994 - nil) and pension contributions of £135,821 (1994 -nil).

	<u>£</u>	<u>£</u>
Chairman	-	-
Highest paid director	174,586	-

Directors received remuneration (excluding pension contributions) in the following ranges:-

	<u>1995</u>	<u>1994</u>
Nil	5	5
£55,001-£60,000	1	-
£85,001-£90,000	1	-
£95,001-£100,000	1	-
£110,001-£115,000	1	-
£145,001-£150,000	1	-
£150,001-£155,000	1	-
£170,001-£175,000	1	-
	=====	=====

HTG (1996) LIMITED

(FORMERLY HUNTER TIMBER GROUP LIMITED)

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 1995 (Continued)

6.

TAX ON LOSS:

1995

1994

£'000

£'000

The taxation credit is based on the loss for the year as follows:-

Group relief receipt at 33% (1994 - nil)

Deferred Tax

(1,721)

(789)

(2,510)

=====

-

-

-

=====

7.

TANGIBLE FIXED ASSETS

Improvements to Leasehold Premises

Plant Fixtures and Vehicles

Capitalised Rental Costs

Total

£'000

£'000

£'000

£'000

COST

1 January

Additions

Disposals

Inter-group transfer

Assets held for disposal

4,284

-

(3,769)

-

(515)

10,917

3,876

(12,793)

(271)

(1,729)

153

-

(153)

-

-

15,354

3,876

(16,715)

(271)

(2,244)

-

-

-

-

-

=====

=====

=====

=====

=====

DEPRECIATION

1 January

Profit & Loss a/c charge

Disposals

Assets held for disposal

-

167

-

(167)

-

1,775

(1,380)

(395)

-

153

(153)

-

-

2,095

(1,533)

(562)

-

-

-

-

=====

=====

=====

=====

Net Book Value 31.12.95

-

-

-

-

=====

=====

=====

=====

Net Book Value 31.12.94

4,284

10,917

153

15,354

=====

=====

=====

=====

8.

FIXED ASSET INVESTMENT

This comprises

Unlisted Investment

Unlisted investment -

Investment in associated undertakings

At cost 1 January

Disposal to third party

Transfer from group undertaking

At cost 31 December

1995

1994

£'000

£'000

-

5

5

(5)

-

-

=====

5

-

-

5

-

5

5

=====

HTG (1996) LIMITED

(FORMERLY HUNTER TIMBER GROUP LIMITED)

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 1995

(Continued)

8. **FIXED ASSET INVESTMENT (Continued)**
The details of these undertakings are as follows -

<u>Investment in associated undertaking</u>	<u>Country of registration</u>	<u>Principal activity</u>	<u>Class and percentage of Shares held</u>
King's Lynn Wood Preservation Limited	England	Preservation of timber	Ordinary shares 50%
Tilbury Wood Preservation Ltd	England	Preservation of timber	Ordinary shares 33.33%

9. **ASSETS HELD FOR DISPOSAL**

	<u>1995</u> £'000	<u>1994</u> £'000
Fixed Assets at net book value	1,682	-
Stocks	3,580	-
Trade Debtors	7,903	-
	<u>13,165</u> =====	<u>-</u> =====

The assets held for disposal represent the Company's remaining interests in timber related businesses. The Company's programme of withdrawal from these operations was concluded in June 1996, with assets held for disposal as at 31 December 1995 realised, in aggregate, for consideration in excess of carrying value.

10. **STOCKS**
- | | <u>1995</u>
£'000 | <u>1994</u>
£'00 |
|-------------------------------------|----------------------|---------------------|
| Finished goods and goods for resale | - | 71,426 |
| | <u>=====</u> | <u>=====</u> |

In the opinion of the directors, the estimated replacement cost of stock is not significantly different from the value at which it is included in the balance sheet.

11. **DEBTORS**
- | | <u>1995</u>
£'000 | <u>1994</u>
£'000
(As restated - Note 20) |
|--|-----------------------|---|
| Trade debtors | - | 38,586 |
| Amounts owed by other group undertakings | 1,766 | 68 |
| Other debtors | 2,065 | 5,107 |
| Prepayments and accrued income | 21 | 3,543 |
| | <u>3,852</u>
===== | <u>47,304</u>
===== |

HTG (1996) LIMITED

(FORMERLY HUNTER TIMBER GROUP LIMITED)

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 1995

(Continued)

12. CREDITORS: amounts falling due within one year:

	<u>1995</u> £'000	<u>1994</u> £'000 (As restated see Note 20)
Bank overdraft	2,141	-
Trade Creditors	6,089	63,701
Amounts owed to other group undertakings		
- intermediate parent company	-	44,811
- fellow subsidiary undertakings	64,156	2,869
Tax and social security		
- VAT	1,417	2,434
- social security and PAYE	23	1,859
Accruals and deferred income	11,532	2,708
	<u>85,358</u> =====	<u>118,382</u> =====

13. PROVISIONS FOR LIABILITIES AND CHARGES:

	<u>1995</u> £'000	<u>1994</u> £'000
Deferred Tax - Fixed asset timing difference	-	789
	<u>=====</u>	<u>=====</u>

There is no unprovided potential deferred tax liability.

14. CALLED-UP SHARE CAPITAL

	<u>Authorised</u>		<u>Allotted, called-up and paid up</u>	
	<u>1995</u> £'000	<u>1994</u> £'000	<u>1995</u> £'000	<u>1994</u> £'000
Ordinary shares of £1 each	50,000	50,000	25,000	25,000
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

HTG (1996) LIMITED

(FORMERLY HUNTER TIMBER GROUP LIMITED)

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 1995

(Continued)

15. GUARANTEES AND OTHER FINANCIAL COMMITMENTS:

a) Capital Commitments

At 31 December 1995 the Company had the following authorised capital commitments:

	<u>1995</u> £'000	<u>1994</u> £'000
Contracted	-	801
Not Contracted	-	120
	-----	-----
	-	921
	=====	=====

b) Operating lease commitments

At 31 December 1995 the Company had minimum annual commitments not provided for under operating leases as follows:

	<u>1995</u> £'000	<u>1994</u> £'000
Operating leases which expire		
- within one year	-	2,354
- from two to five years	-	3,013
- after five years	-	1
	-----	-----
	-	5,368
	=====	=====

c) Other

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.

d) The Company acts as a guarantor under the banking facilities entered into by the Wickes Group on 12 December 1996 as detailed in note 18 to the financial statements.

16. PENSIONS

The Group operates a pension plan which is administered independently of the Group's finances. The plan is of the defined benefit type. The pension cost of the plan is assessed in accordance with the advice of qualified actuaries using the projected unit method. The main actuarial assumptions were:

- an investment return of 10% per annum
- salary increases of 8% per annum
- past service and future service pensions would increase at 4% and 5% per annum respectively.

The contribution levels are maintained in accordance with the advice of the pension plan's actuarial advisors.

HTG (1996) LIMITED

(FORMERLY HUNTER TIMBER GROUP LIMITED)

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 1995

(Continued)

The latest formal valuation was at 1 April 1996. At that date the market value of the assets was £50.5 million and the actuarial valuation of the assets was sufficient to cover 111% of the benefits that had accrued to members after allowing for expected future increases in earnings.

A previous valuation, undertaken as at 1 April 1990, showed a surplus which has since been realised by way of a partial contribution holiday. The Group profit and loss account will reflect the benefit of that surplus over the remaining services lives of the employees in the plan.

The next formal valuation will be undertaken at 1 April 1999

The pension charge in the profit and loss account is set out in note 5.

17. ULTIMATE PARENT COMPANY:

At 31 December 1995 the ultimate parent company was Wickes plc, which is 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.

18. 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.

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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.

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.

19. GOING CONCERN BASIS OF ACCOUNTING

The Company has net liabilities as at 31 December 1995 and its ability to continue as a going concern is dependent upon the continuing financial support of its parent company.

The directors of Wickes plc have indicated to the Company that, it is their intention to continue to provide financial support to the Company to enable it to meet its liabilities, external to the Wickes plc Group as they fall due, and to procure that debts due within the Wickes plc Group are not called for a period of at least one year from the date of these financial statements.

20. PRIOR YEAR ADJUSTMENT

On 31 December 1994, the Company acquired the assets and trades of its fellow subsidiaries HT (1995) Limited (formerly Hunter Timber Group Limited), Malden Timber Limited, MD (Northern) Limited (formerly Builders Mate Limited) and PK DOR Ltd (formerly Parker Kislingbury Limited). Included within the assets acquired by the Company were rebate receivable amounts originally recorded by fellow subsidiaries as relating to 1994 and previous years.

The investigation by Linklaters & Paines and Price Waterhouse into the accounting irregularities discovered within the Wickes Group concluded that the Group's profits had been considerably overstated in recent years. As a result of the material level of correction required to the rebate receivable amount recorded in the Company's 1994 Balance Sheet the directors have agreed with the directors of Malden Timber Limited to reduce the consideration for the purchase of Malden Timber Limited's assets and trade on 31 December 1994 by £5,000,000. This has led to the restatement of the Company's 1994 Balance Sheet. Rebates receivable as at 31 December 1994, previously recorded by Malden Timber Limited, have been reduced by £5,000,000. Following the agreement with Malden Timber Limited amounts due from the Company to Malden Timber Limited have been correspondingly reduced.

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The required correction to the 1994 Balance Sheet and calculation of the impact on the Company's results for 1995 have been based on the review and discussion of correspondence which identifies the true nature of the Group's commercial arrangements with its suppliers. In certain cases documentary evidence to support the true nature of the Group's arrangements with suppliers is incomplete and therefore, certain assumptions have been required to allocate rebate and contribution income to the years 1992 to 1995. Accordingly, whilst the directors have been able to conclude that the 1995 Balance Sheet included within these financial statements presents a true and fair view of the state of the Company's affairs as at 31 December 1995, and whilst they believe that the allocation of rebate and contribution income to the years 1992 to 1995 is reasonable based on the information available, they are unable to conclude that these allocations would not be subject to adjustment if more complete information were available.