

HTG (1996) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 1997

The Company's registration number is 2255384



HTG (1996) LIMITED

DIRECTORS' REPORT

The directors present their annual report on the affairs of the Company, together with the audited accounts for the year ended 31 December 1997.

Refinancing arrangements for the group headed by Wickes plc ("the Wickes Group"), the Company's ultimate parent company, are set out in note 15 to the financial statements. Full details of the financial position of the Wickes Group are given in the financial statements of Wickes plc for the year ended 31 December 1997.

PRINCIPAL ACTIVITY

During the year the Company continued to purchase quantities of timber and related products for resale to other group undertakings, whilst continuing with the recovery of deferred considerations arising from disposal of assets in prior periods.

RESULTS AND DIVIDENDS

The results for the year are set out in the accompanying financial statements. The directors do not recommend payment of a dividend (1996 - nil).

DIRECTORS AND THEIR INTERESTS

The directors who served during the year and subsequent to the year end were:

	<u>Resigned</u>
G B Battersby	27.3.97
N P S Horne	31.1.97
W J Hoskins	
K R Stokes-Smith	

W J Hoskins is a director of Wickes plc and his interests in the share capital of group undertakings are shown in the financial statements of Wickes plc for the year ended 31 December 1997.

The other directors who held office at 31 December 1997 had no interest in the shares of group undertakings, including options, other than those shown below:

Director	Holdings 25p		Wickes plc Ordinary shares			
			Holdings 50p		Bought/ (sold)	31 Dec 1997
	1 Jan 1997	28 Jan 1997	After share split and conversion	Rights taken up		
K R Stokes-Smith	0	0	0	0	1,000	1,000

HTG (1996) LIMITED

DIRECTORS AND THEIR INTERESTS (Continued)

Director	Options 25p		Wickes plc Ordinary shares			
			Options 50p		Grant in the year	31 Dec 1997
	1 Jan 1997	28 Jan 1997	After share split and conversion	Surrender of options		
K R Stokes-Smith	25,000	25,000	3,082	3,082	0	0

At the time of the reorganisation which involved a share split and share conversion, each Wickes plc 25p ordinary share was split into one 20p deferred share and one 5p ordinary share. The 5p ordinary shares were then consolidated into 50p ordinary shares. The 20p deferred shares were subsequently cancelled. As a result, the options granted prior to 31 December 1996 were adjusted by a factor of 0.1233 applied to the quantity and by 8.11 applied to the price.

At 31 December 1996 trading in the shares of Wickes plc had been suspended and the shares were relisted on 7 January 1997. The market price of Wickes plc shares during the year ranged from 132.5p to 279.5p and at 31 December 1997 the market price was 278.5p.

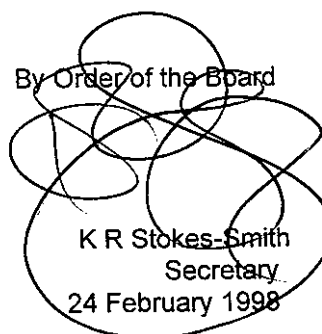
SUPPLIER PAYMENT CODE

The Company agrees terms and conditions for its business transactions with suppliers. Payment is then made to those, subject to the terms and conditions being met by the supplier. Supplier days outstanding at 31 December 1997 were 30 (1996 : nil).

AUDITORS

Price Waterhouse have indicated their willingness to continue in office and a resolution will be put to the next Annual General Meeting for their reappointment and authorising the directors to determine their remuneration.

Registered Office
120/138 Station Road
Harrow
Middlesex HA1 2QB

By Order of the Board

K R Stokes-Smith
Secretary
24 February 1998

HTG (1996) 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 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.

Price Waterhouse



AUDITORS' REPORT TO THE SHAREHOLDERS OF HTG (1996) LIMITED

We have audited the financial statements on pages 5 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 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 information 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.

In forming our opinion, we have considered the disclosures made in note 14 to the financial statements outlining the consideration given by the directors to the Company's net liability position. We consider it should be drawn to your attention, but our opinion is not qualified in this respect.

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 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse
Chartered Accountants and Registered Auditors
10 Bricket Road
St Albans
Hertfordshire AL3 1JX

24 February 1998

HTG (1996) LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1997**

	Note	1997 £'000	1996 £'000
TURNOVER	2	961	9,955
Cost of sales		(915)	(8,790)
GROSS PROFIT		46	1,165
Distribution costs		-	(1,111)
Administrative costs		-	(748)
PROFIT/(LOSS) BEFORE INTEREST AND TAXATION		46	(694)
Interest receivable	4	-	14
PROFIT/(LOSS) BEFORE TAXATION	5	46	(680)
Taxation	7	-	(1,721)
PROFIT/(LOSS) AFTER TAXATION		46	(2,401)
RETAINED RESERVES BROUGHT FORWARD		(95,576)	(93,175)
RETAINED LOSSES CARRIED FORWARD		(95,530)	(95,576)

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

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1997 £'000	1996 £'000
Profit/(loss) for the year	46	(2,401)
Opening shareholders' funds	(70,576)	(68,175)
CLOSING SHAREHOLDERS' FUNDS	(70,530)	(70,576)

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

HTG (1996) LIMITED**BALANCE SHEET AS AT 31 DECEMBER 1997**

	Note	1997 £'000	1996 £'000
CURRENT ASSETS			
Debtors	8	-	468
Cash at bank and in hand		-	72
		-	540
CREDITORS			
Amounts falling due within one year	9	(70,530)	(71,116)
NET CURRENT LIABILITIES	14	(70,530)	(70,576)
EQUITY CAPITAL AND RESERVES			
Called up share capital	10	25,000	25,000
Profit and loss account		(95,530)	(95,576)
		(70,530)	(70,576)

Approved by the Board of Directors on 24 February 1998.

W.J. Hoskins

W J Hoskins
Director

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

HTG (1996) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1997

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:

Basis of accounting

The financial statements have been prepared under the historical cost convention, in accordance with applicable accounting standards and on a going concern basis. The directors of Wickes plc have indicated to the Company that it is their present intention to continue to provide financial support to the Company to enable it to meet its liabilities external to the Wickes Group as they fall due.

Under the provisions of Financial Reporting Standard No. 1 (Revised 1996), 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.

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1997 (Continued)

2 ANALYSIS OF TURNOVER

	1997 £'000	1996 £'000
By activity		
Import, processing and distribution of timber and allied products	961	9,955
By geographical market		
Group undertakings	961	-
Third party UK and Ireland	-	9,955
	961	9,955

3 CONTRACTION OF TIMBER OPERATIONS

During 1995 the Company withdrew from its timber operations through the disposal of its assets and businesses. During 1996, the remaining 7 outlets were sold or closed. The Group's residual timber business, Hunter Ireland, was sold on 17 June 1996. During the year ended 31 December 1997 the Company continued to purchase quantities of timber and related products for resale to other group undertakings.

4 INTEREST RECEIVABLE

	1997 £'000	1996 £'000
Interest receivable	-	14
	-	14

HTG (1996) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1997 (Continued)

5 PROFIT/(LOSS) BEFORE TAXATION

	1997 £'000	1996 £'000
The profit/(loss) before taxation is stated after charging:		
Depreciation of tangible fixed assets	-	556
Operating lease rentals	-	168
Auditors' remuneration-audit fee	-	3
Staff costs (note 6)	-	1,320

The Auditors' remuneration for 1997 has been borne by another group undertaking.

No provision is made for corporation tax as the Company has sufficient taxable losses brought forward from prior periods.

6 STAFF COSTS

	1997 Number	1996 Number
Average weekly number of employees by activity:		
Import, processing and distribution of timber and allied products.	-	67

	£'000	£'000
<u>Employee costs</u>		
Wages and salaries	-	1,171
Social security costs	-	100
Pension costs	-	49
	-	1,320

Directors' remuneration

No director received remuneration for services to the Company during the year (1996 : nil).

7 TAXATION

	1997 £'000	1996 £'000
The taxation charge/(credit) comprises:		
Group relief at 31.5% (1996 - 33%)	-	1,721

HTG (1996) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 1997 (Continued)

8 DEBTORS

	1997 £'000	1996 £'000
Amounts owed by other group undertakings	-	270
Prepayments and accrued income	-	198
	-	468

9 CREDITORS

Amounts falling due within one year:

	1997 £'000	1996 £'000
Trade creditors	1,075	767
Amounts owed to other group undertakings	69,447	69,711
Value Added Tax	8	-
Accruals and deferred income	-	638
	70,530	71,116

10 CALLED-UP SHARE CAPITAL

	1997 £'000	Authorised 1996 £'000	Allotted, called-up and paid-up 1997 £'000	1996 £'000
Ordinary shares of £1 each	50,000	50,000	25,000	25,000

11 GUARANTEES AND OTHER 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.

HTG (1996) LIMITED

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

12 PENSIONS

The Wickes Group operates a pension plan which is administered independently of the Wickes 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.

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 Wickes 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 6.

13 ULTIMATE PARENT COMPANY

At 31 December 1997, 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, Middlesex HA1 2QB.

Transactions with other companies within the Group are not disclosed as the Company has taken advantage of the exemption available under financial reporting Standard No 8 "Related party disclosures", as the consolidated accounts of Wickes plc in which the Company is included are available at the address noted above.

HTG (1996) LIMITED

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

14 GOING CONCERN

The Company has net liabilities as at 31 December 1997 and its ability to continue as a going concern is dependent upon the continuing financial support of its ultimate parent Company.

The directors of Wickes plc have indicated to the Company that it is their present intention to continue to provide financial support to the Company to enable it to meet its liabilities external to the Wickes Group as they fall due.

15 REFINANCING

On 12 December 1996 the group, headed by Wickes plc ("the Wickes Group") entered into revised arrangements with its bankers under which subject to the completion of a rights issue raising approximately £53 million (net of expenses), adequate bank facilities were committed through to 7 July 1998. The rights issue was conditionally underwritten by SBC Warburg, the principal conditions being the approval of Wickes plc shareholders at the Extraordinary General Meeting held on 6 January 1997 and the revised 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. The proceeds of the rights issue were received in February 1997.

Following the rights issue, Wickes plc undertook a share consolidation and a capital reduction. The latter enabled Wickes plc to eliminate the deficit on its profit and loss account thereby allowing Wickes plc to pay dividends from future earnings earlier than would otherwise be the case. This has been sanctioned by the High Court.

Under the above arrangements the Company, its ultimate parent company and a number of its fellow subsidiary undertakings, act as guarantors, secured by a fixed and floating charge over the guarantors assets.

On 24 February 1998, Wickes plc arranged new unsecured revolving facilities for a period of three years commencing 25 February 1998.

Under the revised arrangements becoming effective on 25 February 1998, the Company will no longer act as a guarantor to the previous arrangements.