HTG (1996) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 1996

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 financial statements and auditors' report for the year ended 31 December 1996.

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 15 and 16 to the financial statements.

PRINCIPAL ACTIVITY

During the year the Company carried on the business of timber importing, processing, distribution and merchanting of timber and related products. The Company traded on a reduced basis whilst effecting the disposal of assets, liabilities and activities to third party purchasers.

The Company continues to seek recovery of deferred consideration monies and will continue with this activity in the foreseeable future.

RESULTS AND DIVIDENDS

The results for the year are set out in the accompanying financial statements. The directors do not recommend a dividend (1995 - nil).

DIRECTORS

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

	Appointed	Resigned
EJ Griffiths		29.02.96
MR Corner		15.10.96
SR Stradling		08.10.96
GB Battersby		27.03.97
NPS Horne		31.01.97
WJ Hoskins	30.09.96	
KR Stokes-Smith	09.12.96	

The interests of W J Hoskins in the share capital of group undertakings are shown in the Wickes plc financial statements for the year ending 31 December 1996.

The other directors who held office at 31 December 1996 had no interests, including options, other than those shown below, in the shares of group undertakings.

Wickes plc
25 pence Ordinary Shares

	Holdings		Options			
Director	**1.1.96***	**31.12.96**	**1.1.96***	**Granted in the year**	**Exercised in the year**	**31.12.96**
GB Battersby	-	-	153,000	-	-	153,000
NPS Horne	-	-	153,000	-	103,000	50,000
KR Stokes-Smith	-	-	25,000	-	-	25,000

** or date of appointment if earlier*

HTG (1996) LIMITED

DIRECTORS' REPORT (Continued)

DIRECTORS (Continued)

At 31 December 1996 the following options granted to the directors were outstanding under option schemes:

Director	Date of grant	Ordinary shares	Exercise price (p)	Exerciseable
GB Battersby	March '93	103,000	86.33	03.3.96 - 01.3.03
	August '94	50,000	92.00	13.8.97 - 11.8.04
NPS Horne	August '94	50,000	92.00	13.8.97 - 11.8.04
KR Stokes-Smith	August '94	25,000	92.00	13.8.97 - 11.8.04

The market price of Wickes plc shares during the year ranged from 69p to 140.5p. As at 31 December 1996 trading in the Wickes plc shares had been suspended.

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.

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.

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.

AUDITORS

The Company's auditors, Price Waterhouse, were appointed by the Board of Directors on 25 March 1997 to fill a casual vacancy. 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.

By Order of the Board
K R Stokes-Smith
Secretary
17 June 1997

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

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.

HTG (1996) LIMITED

AUDITORS' REPORT

TO THE SHAREHOLDERS OF HTG (1996) LIMITED

We have audited the financial statements on pages 5 to 13 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 16 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 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse
Chartered Accountants and Registered Auditors
Southwark Towers
32 London Bridge Street
London SE1 9SY

17 June 1997

HTG (1996) LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1996

	Notes	1996 £'000	1995 £'000
Turnover	2	9,955	304,982
Cost of sales		(8,790)	(296,065)
Gross profit		1,165	8,917
Distribution costs		(1,111)	(8,439)
Administrative costs		(748)	(18,005)
Operating loss		(694)	(17,527)
Costs of withdrawal/provisions	3	-	(71,214)
Loss before interest and taxation		(694)	(88,741)
Interest receivable/(payable)	4	14	(6,944)
Loss before taxation	5	(680)	(95,685)
Taxation	7	(1,721)	2,510
Loss after taxation		(2,401)	(93,175)
Retained reserves brought forward		(93,175)	-
Retained losses carried forward		(95,576)	(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:

	1996 £'000	1995 £'000
Loss for the year	(2,401)	(93,175)
Opening shareholders' funds	(68,175)	25,000
Closing shareholders' funds	(70,576)	(68,175)

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

HTG (1996) LIMITED

BALANCE SHEET
AS AT 31 DECEMBER 1996

	Notes	1996 £'000	1995 £'000
CURRENT ASSETS			
Assets held for disposal	8	-	13,165
Debtors	9	468	3,852
Cash at bank and in hand		72	166
		540	17,183
CREDITORS			
Amounts falling due within one year	10	(71,116)	(85,358)
NET CURRENT LIABILITIES	16	(70,576)	(68,175)
EQUITY CAPITAL AND RESERVES			
Called up share capital	11	25,000	25,000
Profit and loss account		(95,576)	(93,175)
		(70,576)	(68,175)

Signed on behalf of the board 17 June 1997.

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 1996

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.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 1996 (Continued)

2 ANALYSIS OF TURNOVER

	1996 £'000	1995 £'000
By activity		
Import, processing and distribution of timber and allied products	9,955	304,982
By geographical market		
Third party		
UK and Ireland	9,955	277,320
Continental Europe	-	398
Group undertakings	-	27,264
	9,955	304,982

3 WITHDRAWAL FROM TIMBER OPERATIONS

During 1995 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 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 in 1995. During 1996, the remaining 7 outlets have been sold or closed. The Group's residual timber business, Hunter Ireland, was sold on 17 June 1996.

4 INTEREST RECEIVABLE/(PAYABLE)

	1996 £'000	1995 £'000
Interest receivable	14	-
Interest payable to other group undertakings	-	(6,337)
Bank overdraft interest	-	(607)
	14	(6,944)

HTG (1996) LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 1996 (Continued)

5 LOSS BEFORE TAXATION

	1996 £'000	1995 £'000
The loss before taxation is stated after charging:		
Depreciation of tangible fixed assets	556	2,095
Operating lease rentals	168	4,716
Auditors' remuneration-audit fee	3	151
Staff costs (note 6)	1,320	29,952

6 STAFF COSTS

	1996 Number	1995 Number
Average weekly number of employees by activity:		
Import, processing and distribution of timber and allied products.	67	1,168

Employee costs	£'000	£'000
Wages and salaries	1,171	26,575
Social security costs	100	2,184
Other pension costs	49	1,193
	1,320	29,952

Directors' Remuneration

The employee costs shown above includes directors' emoluments of nil (1995 - £777,413), compensation for loss of office of nil (1995 - £222,000) and pension contributions of nil (1995 - £135,821).

	£	£
Chairman	-	-
Highest paid director	-	174,586

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

	1996	1995
Nil	7	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

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 1996 (Continued)

7 TAXATION

	1996 £'000	1995 £'000
The taxation charge/(credit) comprises:		
Group relief at 33% (1995 - 33%)	1,721	(1,721)
Deferred tax	-	(789)
	1,721	(2,510)

8 ASSETS HELD FOR DISPOSAL

	1996 £'000	1995 £'000
Fixed assets at net book value	-	1,682
Stocks	-	3,580
Trade debtors	-	7,903
	-	13,165

The assets held for disposal represented 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.

9 DEBTORS

	1996 £'000	1995 £'000
Amounts owed by other group undertakings	270	1,766
Other debtors	-	2,065
Prepayments and accrued income	198	21
	468	3,852

HTG (1996) LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 1996 (Continued)

10 CREDITORS

Amounts falling due within one year:

	1996 £'000	1995 £'000
Bank overdraft	-	2,141
Trade creditors	767	6,089
Amounts owed to other group undertakings	69,711	64,156
Tax and social security	-	1,440
Accruals and deferred income	638	11,532
	71,116	85,358

11 CALLED-UP SHARE CAPITAL

	Authorised		Allotted, called-up and paid-up	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Ordinary shares of £1 each	50,000	50,000	25,000	25,000

12 GUARANTEES AND OTHER FINANCIAL COMMITMENTS

The Company, its ultimate parent Company and a number of its fellow subsidiary undertakings act as guarantors under the banking facilities entered into by the Wickes Group on 31 December 1996 as detailed in note 15 to the financial statements.

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.

13 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.

13 PENSIONS (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 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.

14 ULTIMATE PARENT COMPANY

At 31st December 1996, the ultimate parent Company was Wickes plc, which is incorporated in England.

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.

15 WICKES plc GROUP REFINANCING

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 Group's 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.

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.

The borrowings are secured by a fixed and floating charge over the assets of the Company, its ultimate parent Company and a number of its fellow subsidiary undertakings.

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.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 1996 (Continued)

16 GOING CONCERN

The Company has net liabilities as at 31 December 1996 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.

17 SERIOUS FRAUD OFFICE INVESTIGATION

On 27 November 1996, the Serious Fraud Office announced its intentions to investigate the activities of the former senior management of the Wickes Group. If called upon the Company will give its full co-operation with this enquiry. The directors do not expect this enquiry to result in any liability to the Company.