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KLONDYKE GARDEN CENTRES LIMITED
ABBREVIATED FINANCIAL STATEMENTS

27 SEPTEMBER 1998

Registered number: 71011

KIDSONS IMPEY
CHARTERED ACCOUNTANTS

Glasgow

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KLONDYKE GARDEN CENTRES LIMITED
ABBREVIATED FINANCIAL STATEMENTS
for the period ended 27 September 1998

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COMPANY INFORMATION

27 September 1998

NUMBER	71011
DIRECTORS	R. D. Gault D. Gault E. D. McGhee B. M. Dracup(resigned 28/8/98) T. Bennie (non executive) J. G. Conway W. D. Yardley
SECRETARY	D. Gault
REGISTERED OFFICE	Head Office Beancross Road Polmont FK2 OXS
AUDITORS	Kidsons Impey Chartered Accountants Breckenridge House 274 Sauchiehall Street Glasgow G2 3EH

DIRECTORS' REPORT

27 September 1998

The directors present their report and the abbreviated financial statements for the year ended 27 September 1998.

Principal activity

The principal activity of the company during the period was that of retailing of horticultural products.

Business review

The company's balance sheet as detailed on page 6 shows a satisfactory position, shareholders' funds amounting to £980,391.

Results and dividends

The results for the year are shown in the profit and loss account on page 5. The directors do not propose payment of an ordinary dividend.

Directors

The directors of the company during the period and their interests in the shares of the company as recorded in the register of directors' interests were as follows

	27 September 1998 Ordinary shares	29 September 1997 Ordinary shares
R. D. Gault	1	1
D. Gault	1	1
B. M. Dracup(resigned 28/8/98)	-	-
T. Bennie (non executive)	-	-
J. G. Conway	-	-
W. D. Yardley	-	-

E.D. McGhee was appointed a director of the company on 1 January 1999.

continued

DIRECTORS' REPORT

(continued)

27 September 1998**Year 2000**

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

The company is well advanced in the phase of assessing the risks to our business resulting from the date change to the year 2000. Once this phase is complete we can assess the likely impact on our activities and develop prioritised action plans to deal with the key risks.

Charitable donations

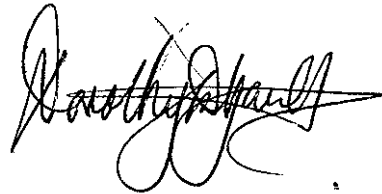
During the year the company made charitable donations of £4,762 (1997 - £6,743).

Auditors

Kidsons Impey have agreed to offer themselves for re-appointment as auditors of the company.

On behalf of the board

Head Office
Beancross Road
Polmont
FK2 OXS



D. Gault
Secretary

26 February 1999

KLONDYKE GARDEN CENTRES LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period 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 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;
- 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.

26 February 1999

On behalf of the board



R. D. Gault
Director

KLONDYKE GARDEN CENTRES LIMITED**Auditors' report to
Klondyke Garden Centres Limited
under section 247B to the Companies Act 1985**

We have examined the abbreviated financial statements set out on pages 5 to 18, together with the financial statements of the company for the period ended 27 September 1998 prepared under section 226 of the Companies Act 1985.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated financial statements in accordance with section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated financial statements prepared in accordance with section 246A(3) of the Act to the registrar of companies and whether the financial statements to be delivered are properly prepared in accordance with those provisions and to report our opinion to you.

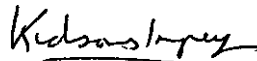
Basis of opinion

We have carried out the procedures we considered necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated financial statements and that the abbreviated financial statements to be delivered are properly prepared. The scope of our work for the purpose of this report does not include examining or dealing with events after the date of our report on the full financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated financial statements prepared in accordance with section 246A(3) of the Companies Act 1985, and the abbreviated financial statements on pages 5 to 18 are properly prepared in accordance with those provisions.

Date: 16th March 1999
Glasgow


Kidsons Impey
Registered Auditors
Chartered Accountants

KLONDYKE GARDEN CENTRES LIMITED
ABBREVIATED PROFIT AND LOSS ACCOUNT
for the period ended 27 September 1998

	Note	1998		1997	
		£	£	£	£
Gross profit			2,172,041		1,967,763
Net operating expenses					
Administrative expenses			(1,922,698)		(1,770,865)
Other operating income			102,683		67,726
Operating profit	3				
Continuing operations		352,026		1,831,301	
Acquisitions		-		167,643	
Interest payable	5		352,026 (222,742)		264,624 (162,198)
Profit on ordinary activities before taxation			129,284		102,426
Taxation	6		(66,554)		(31,579)
Profit on ordinary activities after taxation			62,730		70,847
Dividends	7		-		(200,000)
Retained profit/(loss) for the period	9		62,730		(129,153)

Movements in reserves are shown in note 19.

There are no recognised gains and losses in 1998 or 1997 other than the profit/(loss) for the period.

KLONDYKE GARDEN CENTRES LIMITED

ABBREVIATED BALANCE SHEET

at 27 September 1998

	Note	£	1998 £	£	1997 £
Fixed assets					
Tangible assets	8		387,974		525,689
Investments	9		220,000		220,000
			<u>607,974</u>		<u>745,689</u>
Current assets					
Stocks	10	855,391		796,104	
Debtors	11	2,617,562		2,829,462	
Investments	12	33,000		-	
Cash at bank and in hand		11,968		12,952	
			<u>3,517,921</u>	<u>3,638,518</u>	
Creditors: amounts falling due within one year	13	(2,951,625)		(3,192,959)	
Net current assets			<u>566,296</u>	<u>445,559</u>	
Total assets less current liabilities			<u>1,174,270</u>	<u>1,191,248</u>	
Creditors: amounts falling due after more than one year	14		(162,500)	(237,500)	
Provision for liabilities and charges	15		(31,379)	(36,087)	
			<u>980,391</u>	<u>917,661</u>	
Capital and reserves					
Called up share capital	18		5,000		5,000
Profit and loss account	19		975,391		912,661
Total shareholders' funds	17		<u>980,391</u>	<u>917,661</u>	

These financial statements are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium-sized companies.

The abbreviated financial statements on pages 5 to 18 were approved by the directors on 26 February 1999 and signed on its behalf by:

R. D. Gault
Director



KLONDYKE GARDEN CENTRES LIMITED

CASH FLOW STATEMENT

for the period ended 27 September 1998

	Note	1998		1997	
		£	£	£	£
Net cash inflow/(outflow) from operating activities	22		1,498,427		(856,872)
Returns on investments and servicing of finance					
Interest paid		(222,199)		(158,933)	
Interest element of finance lease rental payments		(543)		(3,265)	
			(222,742)		(162,198)
Taxation					
Corporation tax paid			(36,518)		(128,197)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(74,686)		(200,257)	
Sale of tangible fixed assets		100,441		17,481	
			25,755		(182,776)
			1,264,922		(1,330,043)
Equity dividends paid			-		(200,000)
			1,264,922		(1,530,043)
Management of liquid resources					
(Purchase)/sale of current asset investments			-		15,000
Financing					
Debt due within a year:					
Bank loan repayments		(75,000)		(75,000)	
Capital element of finance lease rentals		(5,833)		(32,975)	
			(80,833)		(107,975)
Increase/(decrease) in cash			1,184,089		(1,623,018)

KLONDYKE GARDEN CENTRES LIMITED

NOTES ON ABBREVIATED FINANCIAL STATEMENTS

27 September 1998

1 Accounting policies**Basis of accounting**

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Turnover

Turnover represents the amount derived from the provision of goods and services falling within the company's activities after deduction of trade discounts and value added tax.

Depreciation

Depreciation of fixed assets is calculated to write off their cost or valuation less any residual value over their estimated useful lives as follows:

Office machinery	15% of reducing balance
Plant and equipment	15% of reducing balance
Motor vehicles	25% of straight line
Fixtures and fittings	15% of reducing balance

Depreciation is provided from the month of purchase until the month of disposal.

Leases and hire purchase contracts

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the lease in such a way as to give a reasonably constant charge on the outstanding liability.

Rentals paid under operating leases are charged to income as incurred.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is computed on a first in first out basis. Net realisable value is based on estimated selling price less the estimated cost of disposal.

Deferred taxation

Deferred taxation is provided on the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

Pensions**Defined contribution scheme**

The company operates a small, self administered scheme for certain directors. This is a money purchase scheme with no ongoing contribution obligations. The company also contributes to a group private pension scheme for certain employees.

2 Turnover

The turnover for the period was derived from the company's principal activity. The whole of the turnover is attributable to the UK market.

KLONDYKE GARDEN CENTRES LIMITED

NOTES ON ABBREVIATED FINANCIAL STATEMENTS

27 September 1998

3	Operating profit	1998 £	1997 £
	Operating profit is stated after crediting		
	Rent receivable	91,417	61,866
	Interest receivable	11,266	5,860
	Profit on sale of assets	4,025	1,631
		<u> </u>	<u> </u>
	and after charging		
	Auditors' remuneration	10,240	9,750
	Operating leases		
	Rent	28,000	28,000
		<u> </u>	<u> </u>
	Depreciation of tangible fixed assets (note 8)		
	owned assets	115,985	100,382
	leased assets	-	12,429
		<u> </u>	<u> </u>
		<u>115,985</u>	<u>112,811</u>

KLONDYKE GARDEN CENTRES LIMITED

NOTES ON ABBREVIATED FINANCIAL STATEMENTS

27 September 1998

4 Directors and employees

	1998 £	1997 £
Staff costs including directors' emoluments		
Wages and salaries	899,548	774,960
Social security costs	68,834	56,124
Pension costs	38,861	17,996
	<u>1,007,243</u>	<u>849,080</u>
Average monthly number employed including executive directors:	Number	Number
Retail staff	61	57
Office and management	4	5
Administration staff	15	5
	<u>80</u>	<u>67</u>
Directors	£	£
Emoluments	239,315	167,558
Company contributions to money purchase pension schemes	30,436	17,996
	<u>269,751</u>	<u>185,554</u>
Highest paid director	£	£
Directors remuneration	65,007	25,764
Company contributions to a money purchase pension scheme	5,000	5,000

Defined contribution pension scheme

The company operates a small, self administered pension scheme for certain directors and contributes to a group private pension scheme for certain employees. The assets of the scheme are held separately from those of the company in an independently self administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £38,861 (1997 £17,996). Contributions totalling £2,613 (1997 £0) were payable to the fund at 27 September 1998 and are included in creditors.

5 Interest payable

	1998 £	1997 £
Bank interest	222,199	158,933
Hire purchase interest	543	3,265
	<u>222,742</u>	<u>162,198</u>

KLONDYKE GARDEN CENTRES LIMITED

NOTES ON ABBREVIATED FINANCIAL STATEMENTS

27 September 1998

6 Taxation

	1998 £	1997 £
Corporation tax on profit on ordinary activities at 31% (1997 31%)	68,940	46,067
Deferred taxation	(4,708)	(2,231)
	<u>64,232</u>	<u>43,836</u>
Under/(over) provision in earlier years	2,322	(12,257)
	<u>66,554</u>	<u>31,579</u>

7 Dividends

	1998 £	1997 £
Equity - ordinary/final	-	200,000

8 Tangible fixed assets

Cost	Motor Vehicles £	Plant and Equipment £	Fixtures and Fittings £	Assets Under Construction £	Office Machinery £	Total £
29 September 1997	299,535	325,406	168,219	78,077	130,398	1,001,635
Additions	40,933	18,124	2,596	-	13,033	74,686
Disposals	(55,019)	-	-	-	(13,250)	(68,269)
Transferred	-	-	-	(78,077)	-	(78,077)
	<u>285,449</u>	<u>343,530</u>	<u>170,815</u>	<u>-</u>	<u>130,181</u>	<u>929,975</u>
Depreciation						
29 September 1997	137,044	195,853	97,146	-	45,903	475,946
Charge for period	71,877	20,707	10,759	-	12,642	115,985
Disposals	(48,605)	-	-	-	(1,325)	(49,930)
	<u>160,316</u>	<u>216,560</u>	<u>107,905</u>	<u>-</u>	<u>57,220</u>	<u>542,001</u>
Net book amount						
27 September 1998	<u>125,133</u>	<u>126,970</u>	<u>62,910</u>	<u>-</u>	<u>72,961</u>	<u>387,974</u>
29 September 1997	<u>162,491</u>	<u>129,553</u>	<u>71,073</u>	<u>78,077</u>	<u>84,495</u>	<u>525,689</u>

The net book amount of fixed assets includes £0 (1997 £31,068) in respect of assets held under finance leases and hire purchase contracts, the depreciation of which is shown in note 3.

KLONDYKE GARDEN CENTRES LIMITED

NOTES ON ABBREVIATED FINANCIAL STATEMENTS

27 September 1998

9 Fixed asset investments

	Investments other than loans £
Cost	
29 September 1997	220,000
and at	
27 September 1998	<u> </u>
Net book amount	
27 September 1998	<u>220,000</u>
29 September 1997	<u>220,000</u>

The company's investment in unlisted companies at the balance sheet date was £220,000, made up as follows:

Company	%age Holding	Class of Share	Country of Incorporation	Cost £
Klondyke Properties	100	Preference	Scotland	220,000

The investment comprises redeemable preference shares issued at par.

10 Stocks

	1998 £	1997 £
General stock	855,391	796,104
	<u>855,391</u>	<u>796,104</u>

11 Debtors

	1998 £	1997 £
Amounts falling due within one year		
Trade debtors	23,145	93,035
Amounts owed by group undertakings	2,472,313	2,639,897
Amounts owed by participating interests	-	70,143
Other debtors	110,281	26,387
Prepayments and accrued income	11,823	-
	<u>2,617,562</u>	<u>2,829,462</u>

Included within other debtors is a directors overdrawn loan account balance of £91,009. This loan is non-interest bearing and is repayable on demand.

KLONDYKE GARDEN CENTRES LIMITED

NOTES ON ABBREVIATED FINANCIAL STATEMENTS

27 September 1998

12 Current asset investments

	1998 £	1997 £
Other investments	33,000	-

13 Creditors: amounts falling due within one year

	1998 £	1997 £
Bank loans and overdrafts	1,186,271	2,371,344
Trade creditors	741,255	583,541
Amounts owed to group undertakings	794,010	41,556
Amounts owed to participating interests	7,416	-
Corporation tax	50,551	15,807
Other taxation and social security	72,084	78,901
Other creditors	-	7,138
Accruals and deferred income	100,038	88,839
Obligations under finance leases and hire purchase contracts - note 14	-	5,833
	<u>2,951,625</u>	<u>3,192,959</u>

KLONDYKE GARDEN CENTRES LIMITED

NOTES ON ABBREVIATED FINANCIAL STATEMENTS

27 September 1998

14 Creditors: amounts falling due after more than one year

	1998 £	1997 £
Bank loans	162,500	237,500
	<u>162,500</u>	<u>237,500</u>

Maturity of debt

In one year or less, or on demand - see note 13	75,000	75,000
Between one and two years	75,000	75,000
Between two and five years	87,500	162,500
	<u>237,500</u>	<u>312,500</u>

Obligations under finance leases and hire purchase contracts

These are repayable over varying periods
by monthly instalments as follows:

In the next year - see note 13	-	5,833
	<u>-</u>	<u>5,833</u>

The bank loan is repaid in monthly instalments of £6,250, the final payment being due on 5/11/2001. Interest is charged at 3% above base rate with a minimum rate of 10% per annum.

The company's bankers hold a bond and floating charge over the whole of the company's assets. There are also cross guarantees and letters of offset with group companies and a share pledge with the company, Klondyke Group Limited and Mr and Mrs Gault.

15 Provision for liabilities and charges

	1997 £	Profit and loss account £	Other movements £	1998 £
Deferred taxation (notes 6 and 16)	(36,087)	4,708	-	(31,379)
	<u>(36,087)</u>	<u>4,708</u>	<u>-</u>	<u>(31,379)</u>

KLONDYKE GARDEN CENTRES LIMITED

NOTES ON ABBREVIATED FINANCIAL STATEMENTS

27 September 1998

16 Deferred taxation

	1998		1997	
	Potential liability £	Provision made £	Potential liability £	Provision made £
Corporation tax deferred by				
Excess capital allowances	31,379	31,379	36,087	36,087
	<u>31,379</u>	<u>31,379</u>	<u>36,087</u>	<u>36,087</u>

The potential liability and provision are based on a corporation tax rate of 31% (1997 31%).

17 Reconciliation of movements in shareholders' funds

	1998 £	1997 £
Profit for the financial period	62,730	70,847
Dividends	-	(200,000)
Net addition to/(subtraction from) shareholders' funds	62,730	(129,153)
Opening shareholders' funds	917,661	1,046,814
Closing shareholders' funds	<u>980,391</u>	<u>917,661</u>

18 Called up share capital

	1998		1997	
	Number of shares	£	Number of shares	£
Authorised				
Ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>
Allotted called up and fully paid				
Ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>

KLONDYKE GARDEN CENTRES LIMITED

NOTES ON ABBREVIATED FINANCIAL STATEMENTS

27 September 1998

19 Profit and loss account

	1998 £
29 September 1997	912,661
Retained profit for the period	62,730
27 September 1998	<u>975,391</u>

20 Guarantees and other financial commitments

Financial commitments under non-cancellable operating leases will result in the following payments falling due in the year to 26 September 1999

	1998 Land and Buildings £	1997 Land and Buildings £
Expiring		
After five years	28,000	28,000
	<u>28,000</u>	<u>28,000</u>

21 Ultimate parent undertaking

The company is a subsidiary of Klondyke Group Limited, a company incorporated in Scotland. As at the year end, the holding company is also under the control R D Gault and Mrs D Gault, who own all of its shares.

22 Notes to the cash flow statement

Reconciliation of operating profit
to operating cash flows

	1998 £	1997 £
Operating profit	352,026	264,624
Depreciation charges	115,985	112,811
Profit on sale of fixed assets	(4,025)	(1,631)
Increase in stocks	(59,287)	(247,076)
Decrease/(increase) in debtors	211,900	(1,305,993)
Increase in current asset investments	(33,000)	-
Increase in creditors	914,828	320,393
Net cash inflow/(outflow) from operating activities	<u>1,498,427</u>	<u>(856,872)</u>

KLONDYKE GARDEN CENTRES LIMITED

NOTES ON ABBREVIATED FINANCIAL STATEMENTS

27 September 1998

23 Notes to the cash flow statement (continued)

Analysis of changes in net debt

	At start of year £	Cash flows £	Other changes £	At end of year £
Cash in hand, at bank	12,952	(984)	-	11,968
Overdrafts	(2,296,344)	1,185,073	-	(1,111,271)
		<u>1,184,089</u>		
Debt due within 1 year	(75,000)	75,000	(75,000)	(75,000)
Debt due after 1 year	(237,500)	-	75,000	(162,500)
Finance leases	(5,833)	5,833	-	-
		<u>80,833</u>		
Total	<u>(2,601,725)</u>	<u>1,264,922</u>	<u>-</u>	<u>(1,336,803)</u>

Reconciliation of net cash flow to movement in net debt

	1998 £	1997 £
Increase/(decrease) in cash in the period	1,184,089	(1,623,018)
Cash outflow from decrease in debt and lease financing	80,833	107,975
Cash outflow/(inflow) from increase/(decrease) in liquid resources	-	(15,000)
Change in net debt resulting from cash flows	<u>1,264,922</u>	<u>(1,530,043)</u>
Net debt at 29 September 1997	<u>(2,601,725)</u>	<u>(1,071,682)</u>
Net debt at 27 September 1998	<u>(1,336,803)</u>	<u>(2,601,725)</u>

KLONDYKE GARDEN CENTRES LIMITED

NOTES ON ABBREVIATED FINANCIAL STATEMENTS

27 September 1998

24 Related parties

The company has the following related parties:-

Name of company	Relationship	Nature of transaction	Amount £	Balance due (to)/from
Klondyke Group Limited	Ultimate Parent Undertaking	None	Nil	782,737
William Strike	Fellow Subsidiary	Purchases from Sales to Net finance received from	(30,880) 4,301 (752,454)	(794,010)
Strikes Holdings	Fellow Subsidiary	None	Nil	67,125
Klondyke Garden Centres (Northern) Limited	Fellow Subsidiary	Purchase from Sales to Net finance received from	1,553 924 (183,836)	78,264
Premier Way Limited	Under common control	Net finance received from	(77,559)	(420)
Klondyke Properties Limited	Fellow Subsidiary	Amounts paid on behalf of	16,253	1,544,187
R. D. Gault	Director	Amounts paid on behalf of director Repayment received from director Highest balance on directors loan account in period	187,087 (88,940) 179,949	91,009

Related party emoluments for services as employees of the company have not been disclosed as allowed under the exemptions available under FRS8.