Security Distribution Group Limited

Directors' report and financial statements

Registered number 1322200

Year ended 31 December 2002

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

Principal activities and review of business developments

The principal activities of the company consist of the wholesale distribution of electronic security and surveillance systems, fire detection and prevention equipment and related products. Both the level of business and the year-end position were satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

Results and dividends

The results for the year are set out in the profit and loss account on page 5.

The profit for the period attributable to shareholders amounts to £ 1,559,000 *(2001 – £568,000).*

The directors do not recommend payment of a final ordinary dividend *(2001 – £nil).*

Directors and their interest

The directors none of whom are beneficially interested in the shares of the company, who served during the year were as follows:

D Dawson	(appointed 29 April 2002)
A P Connell	
H Trivedi	
J W Somerville-Smith	(appointed 29 April 2002)
P J O'Toole	(appointed 29 April 2002)
S M Kimber	(resigned 25 January 2002)

The company is a wholly owned subsidiary of The Gardiner Group Plc; none of the directors have any interests in the shares of that company.

Donations

During the year the company made no charitable or political donations.

Directors' report *(continued)*

Employees

It is the company's policy to give disabled people full and fair consideration to all job vacancies for which they apply as suitable candidates having regard for their particular aptitudes and abilities. Whenever possible, provision is made for training and career development of disabled persons and every effort would be made to retrain any employee who became disabled.

The company recognises the importance of good employee relations and management is encouraged to adopt such employee consultation as is appropriate, with the aim of ensuring their views are taken into account when decisions are made that are likely to effect their interests and that all employees are aware of the financial and economic performance of the business.

Creditor payment policy

It is the company's policy that payments to suppliers for goods and services are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with. The company's average creditor payment period at 31 December 2002 was 75 days (*2001: 81 days*).

Directors' and officers liability insurance

During the period the company purchased and maintained liability insurance for its directors and officers as permitted by Section 310 (3) of the Companies Act 1985.

Environmental issues

The group has continued to follow policies and procedures that take account of the need to preserve and protect the environment.

Auditors

KPMG were re-appointed auditors on 31 January 2002. However, since that date their business was transferred to a limited liability partnership, KPMG LLP. Accordingly, KPMG resigned as auditors on 11 June 2002 and the directors thereupon appointed KPMG LLP to fill the vacancy arising. A resolution for re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

A. P. Connell

A P Connell
Secretary

Transpennine Trading Estate
Rochdale
Lancashire
OL11 2PX

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 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;
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

St James' Square
Manchester M2 6DS
United Kingdom

Independent auditors' report to the members of Security Distribution Group Limited

We have audited the financial statements on pages 5 to 19.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit 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 company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor
30 April 2003

Profit and loss account

for the year ended 31 December 2002

	Note	Year ended 31 December 2002 £000	Year ended 31 December 2001 £000
Turnover	2,3	77,328	75,804
Cost of sales		(59,273)	(58,230)
Gross profit		18,055	17,574
Operating expenses	4	(16,117)	(16,171)
Operating profit		1,938	1,403
Net interest payable	7	(379)	(835)
Profit on ordinary activities before taxation		1,559	568
Taxation on profit on ordinary activities	8	-	-
Retained profit for the period		1,559	568
Retained profit brought forward		973	405
Retained profit carried forward		2,532	973

The company has no recognised gains and losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the period stated above, and their historical cost equivalents.

All amounts relate to continuing activities.

Balance sheet
at 31 December 2002

	Note	2002 £000	£000	2001 £000	£000
Fixed assets					
Tangible assets	*9*		1,548		1,791
Investments	*10*		1,523		2,223
			3,071		4,014
Current assets					
Stocks	*11*	8,076		10,088	
Debtors	*12*	16,260		18,966	
Cash at bank and in hand		4,155		2,423	
		28,491		31,477	
Creditors: amounts falling due within one year	*13*	(17,958)		(18,680)	
Net current assets			10,533		12,797
Debtors due after more than one year	*12*		5,604		5,172
Total assets less current liabilities			19,208		21,983
Creditors: amounts falling due after more than one year	*14*		(15,408)		(19,771)
Provisions for liabilities and charges	*15*		(1,168)		(1,139)
Net assets			2,632		1,073
Capital and reserves					
Called up share capital	*16*		100		100
Profit and loss account			2,532		973
Equity shareholders' funds	*17*		2,632		1,073

These financial statements were approved by the board of directors on 30 April 2003 and were signed on its behalf by:

A.P. Connell

A P Connell
Director

D Dawson
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements. The company has adopted FRS 18 'Accounting policies' and FRS 19 'Deferred tax' in these financial statements.

Basis of preparation

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

Going concern

The financial statements have been prepared on the basis that the company will continue to trade in the future.

Depreciation

The cost of fixed assets is depreciated by equal instalments over the expected useful lives of the assets as follows:

Short leasehold property	- over principle lease on 10 years maximum
Fixtures, fittings and computer equipment	- 4-10 years
Motor vehicles	- 2-5 years

Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items.

Deferred taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

This is a change from the previous accounting policy. As it is unlikely that a loss will be utilised in the foreseeable future, no deferred tax asset has been recognised as at 31 December 2002. A prior year adjustment has not been made for the same reason.

Foreign currencies

Assets, liabilities, revenues and costs denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions; monetary assets and liabilities at the balance sheet date are translated at the period end rate of exchange. All exchange differences thus arising are reported as part of the profit for the period.

Leasing and hire purchase commitments

Assets are held under leasing agreements that transfer substantially all the risks and rewards of ownership to the company are capitalised. The capital element of the related lease obligations is included in the creditors. The interest element of the lease obligations is charged to the profit and loss account so as to produce a constant periodic rate of charge. Rentals in respect of all other leases are charged to the profit and loss account on a straight-line basis.

Pensions

The company operates a defined benefit scheme, which requires contributions to be made to a separately administered fund. Contributions to this fund are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives within the company.

Notes *(continued)*

1 Accounting policies *(continued)*

Cash flow Statement

The Company is a wholly owned subsidiary undertaking of Pinault-Printemps Redoute and the cash flows of the companies are included in the consolidated group cash flows of Pinault-Printemps Redoute. Consequently, the company is exempt under the terms of Financial Reporting Standard No. 1 from publishing a cash flow statement.

Related party transactions

The directors have taken advantage of the exemptions from the disclosures of related party transactions with other group companies as permitted by paragraph 3 of Financial Reporting Standard 8 – "Related Party Disclosures".

2 Turnover

Turnover comprises the invoice value of goods and services supplied by the company exclusive of VAT.

3 Segmental analysis

Turnover is attributable to one activity, the sale of security systems. Turnover analysed by destination was as follows:

	2002	2001
	£000	£000
United Kingdom	76,002	73,580
Other European countries	512	1,413
Rest of world	814	811
	77,328	75,804

4 Operating expenses

	2002	2001
	£000	£000
Net operating expenses:		
Wages and salaries (note 5)	7,761	7,681
Depreciation - in respect of owned assets	678	689
Operating lease rentals - plant and machinery	-	-
- other	1,086	1,334
Auditors' remuneration - audit services	42	42
- non audit services	24	-
(Profit)/Loss on disposals	8	1
Exchange (gains)/ losses	(285)	134
Other overheads	6,803	6,290
	16,117	16,171

Notes *(continued)*

5 Employees

The average number of persons employed by the company (including directors) during the period was as follows:

	2002	2001
	No.	No.
Sales and distribution	253	250
Administration	129	132
	382	382

The costs incurred in respect of these employees were:

	2002	2001
	£000	£000
Wages and salaries	6,968	6,914
Social security costs	656	631
Other pension costs	137	136
	7,761	7,681

6 Directors' emoluments

	2002	2001
	£000	£000
Aggregate emoluments	324	172
Pension contributions	31	14
	355	186

The emoluments paid to the highest paid director during the period were £ 107,000 *(2001: £52,000)*.

Retirement benefits are accruing to 2 of the directors under the company's defined benefit scheme *(2001: 4)*.

Notes *(continued)*

7 Net interest payable

	2002 £000	2001 £000
Interest payable on bank loans and overdrafts:		
Repayable within five years	-	1
Interest on loan from fellow subsidiary undertaking	648	1,116
On finance leases	-	5
	648	1,122
Interest receivable on bank balances	(93)	(76)
Due from fellow subsidiary undertaking	(176)	(211)
Net interest payable	379	835

8 Taxation

	2002 £000	2001 £000
The charge based on the profit for the year comprises:		
UK Corporation tax at 30% *(2001: 30%)*	-	-

There is no corporation tax charge due to the utilisation of tax losses which have been brought forward.

The effective rate of tax is lower than the standard rate in the UK of 30% due to the availability of tax losses.

The differences are explained below:

	2002 £000	2001 £000
Profit on ordinary activities before tax	1,559	568
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (*2001: 30%*)	468	170
Effects of:		
Expenses not deductible for tax purposes	30	14
Capital allowances for period in excess of depreciation	69	54
Utilisation of tax losses	(567)	(238)
Current tax charge for period	-	-

Notes *(continued)*

9 Tangible fixed assets

	Short Leasehold Property	Fixtures Fittings & Computer Equipment	Motor Vehicles	Total
	£000	£000	£000	£000
Cost				
At 1 January 2002	2,015	2,546	515	5,076
Additions during period	236	283	10	529
Cost of disposals	(899)	(399)	(337)	(1,635)
At 31 December 2002	1,352	2,430	188	3,970
Depreciation				
At 1 January 2002	1,283	1,628	374	3,285
Charge for the period	195	435	48	678
Relating to disposals	(876)	(376)	(289)	(1,541)
At 31 December 2002	602	1,687	133	2,422
Net book value				
At 31 December 2002	750	743	55	1,548
At 31 December 2001	732	918	141	1,791

Notes *(continued)*

10 Fixed asset investments

	£000
At 1 January 2002	2,223
Disposals during the year	(700)
At 31 December 2002	**1,523**

The principal wholly owned subsidiary undertakings at 31 December 2002 were:

	Country of registration and principal operation
Alarmexpress Holdings Limited	England and Wales
Gardiner Security (I.E.) Limited	Ireland

The investments are Gardiner Security (IE) Limited and Alarmexpress Holdings Limited. Gardiner Security (IE) Limited is incorporated and operates in the Republic of Ireland and is a distributor of security systems and related equipment. Alarmexpress Holdings Limited is a dormant holding company. The aggregate value of the company's net investments in subsidiary undertakings is not less than the amount at which they are stated in the accounts.

During the year the Company transferred, at net book value, its investments in Gardiner Security BV and Gardiner Security NV, companies incorporated in Netherlands and Belgium respectively, to The Gardiner Group Plc.

Security Distribution Group Limited is itself a wholly owned subsidiary undertaking of The Gardiner Group Plc, its immediate parent and, therefore, under the provisions of Section 228 of the Companies Act 1985 group accounts have not been prepared.

11 Stocks

	2002 **£000**	2001 £000
Finished goods	8,076	10,088

Notes *(continued)*

12 Debtors

	2002	2001
	£000	£000
Due within one year:		
Trade debtors	15,003	18,058
Amounts owed by group undertakings	260	411
Other debtors	337	235
Recoverable corporation tax	354	175
Prepayments and accrued income	306	87
	16,260	18,966

	2002	2001
	£000	£000
Amounts owed by group undertakings after one year	5,604	5,172

The directors have adopted FRS 19 'Deferred Taxation' for the first time in these accounts. The company has an unrecognised deferred tax asset. This has not been recognised, as the likelihood of utilisation in the foreseeable future is thought to be remote. A prior year adjustment has not been recognised for the same reason.

13 Creditors: amounts falling due within one year

	2002	2001
	£000	£000
Trade creditors	12,006	11,851
Amounts owed to group undertakings	2,992	3,523
Taxation and social security	760	720
Other creditors	267	321
Accruals and deferred income	1,933	2,265
	17,958	18,680

14 Creditors: amounts falling due after more than one year

	2002	2001
	£000	£000
Amounts owed to group undertakings	15,408	19,771

The amounts due from the parent undertaking have no fixed dates for repayment.

Notes *(continued)*

15 Provision for liabilities and charges

Deferred tax provided in the accounts consists of:

	Provided		Unprovided	
	2002	2001	**2001**	2000
	£000	£000	**£000**	£000
Accelerated capital allowances	-	-	-	-
Other timing differences	-	-	-	-
Deferred tax (asset)/liability	-	-	-	-

Other provisions – Onerous lease provision:

	£000
At 1 January 2002	1,139
Released to profit and loss account	29
At 31 December 2002	**1,168**

The company has tax losses carried forward, which may give rise to a deferred tax asset.

16 Called up share capital

	2002	2001
	No.	No.
Authorised		
Ordinary shares of £1 each	**1,000,000**	1,000,000
	2002	2001
	£000	£000
Allotted, called up and fully paid		
Ordinary shares of £1 each	100	100

Notes *(continued)*

17 Reconciliation of movements in shareholders' funds

	2002 £000	2001 £000
Profit for the financial period	1,559	568
Opening shareholders' funds	1,073	505
Closing shareholders' funds	2,632	1,073

18 Financial commitments

The company has annual commitments under non-cancellable operating lease in the following year of:

	2002 Land & Buildings £000	**2002 Other £000**	2001 Land & Buildings £000	2001 Other £000
Expiring:				
Within one year	56	39	106	125
Between 1 and 2 years	42	9	95	-
Between 2 and 5 years	308	42	102	-
After 5 years	286	-	418	258
	692	90	721	383

Notes *(continued)*

19 Pension commitments

The company is a member of a group pension scheme, " The Gardiner Pension Scheme". The pension scheme is a defined benefit scheme that is funded by the payment of contributions to a separately administered fund.

The contributions to the scheme are determined with the advice of independent actuaries on the basis of triennial valuations, using the projected credit method. The results of the most recent valuation, which was conducted as at 31 October 1999, were as follows:

Main assumptions	
Rate of return on investments (% per annum)	8.5 pre-retirement
	7.0 post-retirement
Rate of pension increases (% per annum)	7.0
Actuarial value of scheme's assets	1,217,000
Level of funding, being actuarial value of assets expressed as a percentage of the benefits accrued to members, after allowing for future salary increases	123%

FRS 17: Retirement Benefits

A qualified independent actuary carried out a valuation of the liabilities at 31 December 2002 for the purposes of the FRS 17 disclosure. The major assumptions used by the actuary were:

	As at 31 December 2002	As at 31 December 2001
Rate of increases in salaries	5.42% p.a.	5.67% p.a.
Rate of increase in pensions in payment for service from and including 6 April 1997	2.22% p.a.	2.47% p.a.
Discount rate	5.39% p.a.	5.95% p.a.
Inflation assumptions	2.42% p.a.	2.67% p.a.
Rate of increases to deferred pensions in excess of the GMP	2.24% p.a.	2.67% p.a.

Notes *(continued)*

19 Pension commitments *(continued)*

The assets in the scheme and the expected rate of return were:

	Long term rate of return expected at 31 December 2002	Value at 31 December 2002 £000	Long term rate of return expected at 31 December 2001	Value at 31 December 2001 £000
With-profits	4.5%	1,247	5.8%	1,329
Cash at bank		80		-
Total market value of assets		1,327		1,329
Present value of scheme liabilities		(2,278)		(1,835)
Deficit in the scheme		(951)		(506)
Deferred tax asset (assumed tax rate 30%)		285		152
Net deficit		(666)		(354)

The present value of scheme liabilities as at 31 December 2001 has been amended to reflect a revision to preserved members' liabilities.

Analysis of the amount that would have been charged to operating profit

	31 December 2002 £000
Current service cost	221
Past service cost	-
Losses or (gains) on settlements or curtailments	-
Total operating charge	221

Analysis of the amount that would have been credited to other finance income

	31 December 2002 £000
Expected return on pension scheme assets	80
Interest on pension scheme liabilities	(119)
Net return	(39)

Notes *(continued)*

19 Pension commitments *(continued)*

Analysis of amount that would have been recognised in statement of total recognised gains and losses (STRGL)

	31 December 2002 £000
Actual return less expected return on pension scheme assets	(185)
Experience gains and losses arising on the scheme liabilities	55
Changes in assumptions underlying the present value of the scheme liabilities	(218)
Actuarial loss recognised in STRGL	(348)

Movement in deficit during the year

	31 December 2002 £000
Deficit in scheme at beginning of the year	(506)
Movement in year:	
Current service cost	(221)
Contributions	163
Past service costs	0
Settlements or curtailments	0
Other finance income	(39)
Actuarial loss	(348)
Deficit in scheme at end of the year	(951)

History of experience gains and losses

	31 December 2002 £000
Difference between the expected and actual return on scheme assets	
Amount	(185)
Percentage of assets	-14.9%
Experience gains and losses on scheme liabilities	
Amount	55
Percentage of the present value of scheme liabilities	2.4%
Total amount recognised in STRGL	
Amount	(348)
Percentage of the present value of scheme liabilities	-15.3%

Advantage has been taken of the transitional arrangements as outlined in FRS 17, and the pension liability as detailed above is not included in the net assets of the company as at 31 December 2001.

Notes *(continued)*

20 Ultimate parent undertaking

The ultimate parent company is Pinault-Printemps Redoute, a company incorporated in France.

The company's accounts are consolidated in the accounts of Rexel S.A. , whose accounts are available from the Company Secretary, 25 Rue de Clichy, 75009 Paris, France.

The company has taken advantage of the exemption available under FRS8 in order not to disclose intra-group transactions. There are no other related party transactions.