Security Distribution Group Limited

Directors' report and financial statements

Registered number 1322200

Year ended 31 December 2003

Contents

Directors' report for year ended 31 December 2003

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

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 £1,597,000 *(2002: restated:* £1,461,000).

The directors do not recommend payment of a final ordinary dividend *(2002: £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

A P Connell

H Trivedi

J W Somerville-Smith

P J O'Toole

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

The directors have no other interests which are required to be disclosed under schedule 7 of the Companies Act 1985.

Donations

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

Directors' report for the year ended 31 December 2003 *(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 2003 was 66 days (*2002: 68 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 LLP resigned as auditors of the company on 30 June 2003 and were subsequently replaced by PricewaterhouseCoopers LLP. A resolution to reappoint PricewaterhouseCoopers LLP is to be proposed at the forthcoming Annual General Meeting.

By order of the board

A P Connell
Secretary
12 August 2004

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.

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

We have audited the financial statements which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes, which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 United Kingdom Companies Act. 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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

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 at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Manchester
12 August 2004

Profit and loss account
for the year ended 31 December 2003

	Note	Year ended 31 December 2003 £000	Year ended 31 December 2002 restated £000
Turnover	*2,3*	**73,817**	77,328
Cost of sales		**(55,123)**	(59,273)
Gross profit		**18,694**	18,055
Operating expenses	*4*	**(16,577)**	(16,176)
Profit on ordinary activities before interest and taxation		**2,117**	1,879
Net interest payable	*7*	**(109)**	(418)
Profit on ordinary activities before taxation		***2,008***	*1,461*
Taxation on profit on ordinary activities	*8*	**(411)**	-
Retained profit for the year	*18*	**1,597**	1,461

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.

Statement of total recognised gains and losses
for the year ended 31 December 2003

	Note	**Year ended 31 December 2003 £000**	Year ended 31 December 2002 £000
Profit for the financial year		**1,597**	1,461
Actuarial losses	20	**(215)**	(348)
Total Recognised gains and losses relating to the year	17	**1,382**	1,113
Prior year adjustment - FRS17	20	**(952)**	
Total gains and losses recognised since the last Annual Report		**430**	

Balance sheet
at 31 December 2003

	Note	2003	2003	2002 Restated	2002 Restated
		£000	£000	£000	£000
Fixed assets					
Tangible assets	*9*		878		1,548
Investments	*10*		1,523		1,523
			2,401		3,071
Current assets					
Stocks	*11*	7,849		8,076	
Debtors	*12*	14,566		16,260	
Cash at bank and in hand		1,398		4,155	
		23,813		28,491	
Creditors: amounts falling due within one year	*13*	(17,813)		(17,958)	
Net current assets			6,000		10,533
Debtors due after more than one year	*12*		438		5,604
Total assets less current liabilities			8,839		19,208
Creditors: amounts falling due after more than one year	*14*		(3,014)		(15,408)
Provisions for liabilities and charges	*15*		(1,447)		(1,168)
Net assets excluding pension deficit			4,378		2,632
Pension deficit	*20*		(1,316)		(952)
Net assets including pension deficit			3,062		1,680
Capital and reserves					
Called up share capital	*16*		100		100
Profit and loss account	*17*		2,962		1,580
Equity shareholders' funds	*18*		3,062		1,680

These financial statements were approved by the board of directors on 12 August 2004 and were signed on its behalf by:

A P Connell
Director

D Dawson
Director

The accompanying notes are an integral part of this balance sheet.

Notes to the financial statements for the year ended 31 December 2003

(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 with the exception that the company has adopted FRS 17 'Retirement benefits' in these financial statements. This has resulted in a prior year adjustment of £952,000 which is set out in note 20, the comparative figures have been restated accordingly.

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	- 5 years
Fixtures, fittings and computer equipment	- 3-5 years
Motor vehicles	- 4 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 taxation is recognised on all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date.

Deferred tax assets are recognised only to the extent that, based on available evidence, it is considered probable that there will be suitable tax profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

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.

Notes to the financial statements for the year ended 31 December 2003 (continued)
(forming part of the financial statements)

Change in accounting policy - pensions and other post retirement benefits

The Company has adopted FRS17 - Retirement Benefits in these accounts and comparative figures have been restated accordingly. Details of the effect of the change in accounting policy and the restatement of comparative figures are set out in note 20.

The Company operates a defined benefit scheme which requires contributions to be made to a separately administered fund.

The defined benefits scheme provides benefits based on the final pensionable salary.

Defined benefit pension scheme assets are measured using closing market values. Pension scheme liabilities are measured using the projected credit method and discounted at the current rate of return on AA-rated corporate bond yields with terms of over 15 years as at 31 December 2003. Under FRS17 the deficit in the scheme is shown net of the related deferred tax asset to the extent this is believed recoverable.

The increase in the present value of the liabilities of the Company's defined benefit pension schemes expected to arise from employee service in the period is charged to operating profit. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in net interest payable.

Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Cash flow Statement

The Company is a wholly owned subsidiary undertaking of Gardiner Group Europe SAS and the cash flows of the companies are included in the consolidated group cash flows of Gardiner Group Europe SAS. 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:

	2003	2002
	£000	£000
United Kingdom	**71,744**	76,002
Other European countries	**1,220**	512
Rest of world	**853**	814
	73,817	77,328

Notes to the financial statements for the year ended 31 December 2003 (continued)

(forming part of the financial statements)

4 Operating expenses

	2003	2002 restated
	£000	£000
Net operating expenses:		
Wages and salaries (note 5)	**7,896**	7,761
Depreciation - in respect of owned assets	**893**	678
Operating lease rentals	**1,036**	1,086
Auditors' remuneration - audit services	**42**	42
- non audit services	**26**	24
Loss/ on disposals	**-**	8
Exchange losses/(gains)	**237**	(285)
Other overheads	**6,367**	6,803
Current service cost of defined benefit pension scheme	**80**	59
	16,577	16,176

5 Employees

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

	2003 No.	2002 No.
Sales and distribution	**250**	253
Administration	**129**	129
	379	382

The costs incurred in respect of these employees were:

	2003 £000	2002 £000
Wages and salaries	**7,083**	6,968
Social security costs	**677**	656
Other pension costs	**136**	137
	7,896	7,761

Notes to the financial statements for the year ended 31 December 2003 (continued)

(forming part of the financial statements)

6 Directors' emoluments

	2003	2002
	£000	£000
Aggregate emoluments	**436**	324
Pension contributions	**50**	31
	486	355

The emoluments paid to the highest paid director during the period were £111,000 *(2002: £107,000)*.

Retirement benefits are accruing to 2 of the directors under the company's defined benefit scheme *(2002: 2)*.

7 Net interest payable

	2003	2002 restated
	£000	£000
Interest on loan from fellow subsidiary undertaking	**265**	648
Interest receivable on bank balances	**(78)**	(93)
Due from fellow subsidiary undertaking	**(142)**	(176)
Interest receivable from debtors	**(5)**	-
Expected return on pension scheme assets	**(62)**	(80)
Interest on pension scheme liabilities	**131**	119
Net interest payable	**109**	418

Notes to the financial statements for the year ended 31 December 2003 (continued)

(forming part of the financial statements)

8 Taxation

	2003	2002 restated
	£000	£000
The charge based on the profit for the year comprises:		
UK Corporation tax at 30% *(2002: 30%)*	411	-

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:

	2003	*2002*
	£000	£000
Profit on ordinary activities before tax	2,008	1,461
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (*2002: 30%*)	602	439
Effects of:		
Expenses not deductible for tax purposes	78	30
Accelerated capital allowances and other timing differences	(229)	(469)
Group relief claimed	(40)	-
Current tax charge for period	411	-

9 Tangible fixed assets

	Short Leasehold Property	**Fixtures Fittings & Computer Equipment**	**Motor Vehicles**	**Total**
	£000	**£000**	**£000**	**£000**
Cost				
At 1 January 2003	1,352	2,430	188	3,970
Additions during period	148	114	-	262
Cost of disposals	(13)	(9)	(166)	(188)
At 31 December 2003	**1,487**	**2,535**	**22**	**4,044**
Depreciation				
At 1 January 2003	602	1,687	133	2,422
Charge for the period	380	493	20	893
Relating to disposals	(3)	(10)	(136)	(149)
At 31 December 2003	**979**	**2,170**	**17**	**3,166**
Net book value				
At 31 December 2003	**508**	**365**	**5**	**878**
At 31 December 2002	750	743	55	1,548

Notes to the financial statements for the year ended 31 December 2003 (continued)

(forming part of the financial statements)

10 Fixed asset investments

	£000
At 1 January 2003 and at 31 December 2003	1,523

The principal wholly owned subsidiary undertakings at 31 December 2003 were:

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

The investments are Gardiner Security (I.E.) Limited and Alarmexpress Holdings Limited. Gardiner Security (I.E.) 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.

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

11 Stocks

	2003 £000	2002 £000
Finished goods	7,849	8,076

Notes to the financial statements for the year ended 31 December 2003 (continued)
(forming part of the financial statements)

12 Debtors

	2003	2002
	£000	£000
Due within one year:		
Trade debtors	**13,119**	15,003
Amounts owed by group undertakings	**135**	260
Other debtors	**689**	337
Recoverable corporation tax	**191**	354
Prepayments and accrued income	**432**	306
	14,566	16,260

	2003	2002
	£000	£000
Amounts owed by group undertakings after one year	**438**	5,604

The company has an unrecognised deferred tax asset of £965,000 (2002: £1,194,000). This has not been recognised, as the likelihood of utilisation in the foreseeable future is thought to be remote.

13 Creditors: amounts falling due within one year

	2003	2002
	£000	£000
Trade creditors	**11,705**	12,006
Amounts owed to group undertakings	**3,679**	2,992
Taxation and social security	**573**	760
Other creditors	**364**	267
Accruals and deferred income	**1,492**	1,933
	17,813	17,958

14 Creditors: amounts falling due after more than one year

	2003	2002
	£000	£000
Amounts owed to group undertakings	**3,014**	15,408

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

Notes to the financial statements for the year ended 31 December 2003 (continued)

(forming part of the financial statements)

15 Provision for liabilities and charges

Deferred tax provided in the accounts consists of:

	Provided		Unprovided	
	2003	2002	**2003**	2002 restated
	£000	£000	**£000**	£000
Accelerated capital allowances	-	515	-	406
Other timing differences	-	343	-	262
Losses	-	107		526
Deferred tax/asset	-	965	-	1,194

Other provisions:

	Onerous lease provision	Total
	£000	**£000**
At 1 January 2003	1,168	1,168
Charged to profit and loss account	363	363
Released to profit and loss account	(84)	(84)
At 31 December 2003	**1,447**	**1,447**

16 Called up share capital

	2003	2002
	No.	No.
Authorised		
Ordinary shares of £1 each	**1,000,000**	1,000,000
	2003	2002
	£000	£000
Allotted, called up and fully paid		
Ordinary shares of £1 each	**100**	100

17 Reserves

	Profit and loss account
	£000
As at 1 January 2003 as previously stated	2,532
Prior year adjustment	(952)
At 1 January 2003 restated	1,580
Retained profit for financial year	1,597
Actuarial losses	(215)
At 31 December 2003	**2,962**

Notes to the financial statements for the year ended 31 December 2003 (continued)

(forming part of the financial statements)

18 Reconciliation of movements in shareholders' funds

	2003	2002 restated
	£000	£000
Profit for the financial period	**1,597**	1,461
Actuarial losses	**(215)**	(348)
	1,382	1,113
Opening shareholders' funds - as previously reported	**1,680**	1,073
Prior year adjustment FRS17 (note 20)	-	(506)
Opening shareholders funds - restated	-	567
Closing shareholders' funds	**3,062**	1,680

19 Financial commitments

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

	2003 Land & Buildings	**2003 Other**	2002 Land & Buildings	2002 Other
	£000	**£000**	£000	£000
Expiring:				
Within one year	61	17	56	39
Between 1 and 2 years	33	146	42	9
Between 2 and 5 years	224	387	308	42
After 5 years	278	-	286	-
	596	550	692	90

20 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 in the UK. The Company has decided to adopt FRS17 - Retirement Benefits as the basis for accounting for pension costs in respect of the defined benefit scheme and the costs in respect thereof have been assessed in accordance with the advice of independent, professionally qualified actuaries and consultants. Comparative figures for 2002 have been restated in accordance with FRS17 and details of the pension costs calculated on this basis and the effects of the restatement are set out in this note.

	£000
Deficit at 1 January 2002 recognised through prior year adjustment	506
Movement in 2002	446
Deficit recognised at 31 December 2002	952
Movement in 2003	364
Deficit at 31 December 2003	1,316

Notes to the financial statements for the year ended 31 December 2003 (continued)

(forming part of the financial statements)

20 Pension commitments *(continued)*

A qualified independent actuary carried out a valuation of the liabilities at 31 December 2003. The major assumptions used by the actuary were:

	As at 31 December 2003	As at 31 December 2002	As at 31 December 2001
Rate of increases in salaries	5.90% p.a.	5.42% p.a.	5.67% p.a.
Rate of increase in pensions in payment for service from and including 6 April 1997	2.70% p.a.	2.22% p.a.	2.47% p.a.
Discount rate	5.50% p.a.	5.39% p.a.	5.95% p.a.
Inflation assumptions	2.90% p.a.	2.42% p.a.	2.67% p.a.
Rate of increases to deferred pensions in excess of the GMP	2.90% p.a.	2.24% p.a.	2.67% p.a.

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

	Long term rate of return expected at 31 December 2003	**Value at 31 December 2003 £000**	Long term rate of return expected at 31 December 2002	Value at 31 December 2002 £000
With-profits	4.90%	1,267	4.5%	1,247
Cash at bank	3.75%	212	4.0%	80
Total market value of assets		1,479		1,327
Present value of scheme liabilities		(2,795)		(2,279)
Deficit in the scheme – recognised		(1,316)		(952)
Deferred tax asset (assumed tax rate 30%) – not recognised		395		287
Net deficit		(921)		(666)

The analysis of amounts charged to operating profit and other finance income are as follows:

	31 December 2003 £000	31 December 2002 £000
Current service cost	212	221
Past service cost	-	-
Losses or (gains) on settlements or curtailments	-	-
Contributions	(132)	(162)
Total operating charge	80	59

Notes to the financial statements for the year ended 31 December 2003 (continued)
(forming part of the financial statements)

20 Pension commitments *(continued)*

	31 December 2003 £000	31 December 2002 £000
Expected return on pension scheme assets	62	80
Interest on pension scheme liabilities	(131)	(119)
Net return	(69)	(39)

Analysis of amounts recognised in the statement of total recognised gains and losses are:

	31 December 2003 £000	31 December 2002 £000
Actual return less expected return on pension scheme assets	(28)	(185)
Experience gains and losses arising on the scheme liabilities	98	55
Changes in assumptions underlying the present value of the scheme liabilities	(285)	(218)
Actuarial loss recognised in STRGL	(215)	(348)

Movement in deficit during the year

	31 December 2003 £000	31 December 2002 £000
Deficit in scheme at beginning of the year	(952)	(506)
Movement in year:		
Current service cost	(212)	(221)
Contributions	132	162
Past service costs	-	-
Settlements or curtailments	-	-
Other finance income	(69)	(39)
Actuarial loss	(215)	(348)
Deficit in scheme at end of the year	(1,316)	(952)

History of experience gains and losses

	31 December 2003 £000	31 December 2002 £000
Difference between the expected and actual return on scheme assets		
Amount	(28)	(185)
Percentage of assets	-1.9%	-14.9%
Experience gains and losses on scheme liabilities		
Amount	98	55
Percentage of the present value of scheme liabilities	3.5%	2.4%
Total amount recognised in STRGL		
Amount	(215)	(348)
Percentage of the present value of scheme liabilities	-7.7%	-15.3%

Notes to the financial statements for the year ended 31 December 2003 (continued)

(forming part of the financial statements)

21 Ultimate parent undertaking

The ultimate parent company is Gardiner Group Europe SAS, a company incorporated in France.

The company's accounts are consolidated in the accounts of Gardiner Group Europe SAS. , whose accounts are available from the Company Secretary, Gardiner Group Europe SAS, 31 Rue de Lisbonne, 75008 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.