Security Distribution Group Limited (formerly Gardiner Security Limited)

Directors' report and financial statements

Registered number 1322200

Year ended 31 December 2000

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2000.

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 position 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 £163,000 *(1999 – loss £3,481,000)*.

The directors do not recommend payment of a final ordinary dividend *(1999 – nil)*.

Post balance sheet events

As at 1 January 2001 the company acquired the assets and liabilities of a security division, CSD Professional, from Rexel Senate Limited, a fellow subsidiary of Rexal SA. The net assets of the division were purchased at book value.

Impact of the Euro

With regard to the Euro the directors, on an ongoing basis, are monitoring the commercial implications of the UK introducing the Euro and the necessary related actions.

Directors and their interest

The directors non of whom is beneficially interested in the shares of the company, who served during the year were as follows:

R Underhill	(resigned 30 April 2001)
A P Connell	
M Goodin	(resigned 6 October 2000)
S J M Kimber	(resigned 25 January 2002)
B Pige	(appointed 25 January 2002)
D Harris	(resigned 31 December 2000)

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.

Change of company name

On 4 May 2001 the company changed its name from Gardiner Security Limited to Security Distribution Group Limited.

Donations

During the year the company made no charitable donations.

No political donations were made.

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 2000 was 64 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

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG 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
30 January 2002

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

Report of the auditors to the members of Security Distribution Group Limited (formerly Gardiner Security Limited)

We have audited the financial statements on pages 5 to 16.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual report, as described on pages 3, this includes responsibility for preparing 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. 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 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

30 January 2002

Profit and loss account

for the year ended 31 December 2000

	Note	12 months period ended 31 December 2000 £000	14 months period ended 31 December 1999 £000
Turnover	2,3	58,136	64,682
Cost of sales		(45,414)	(51,807)
Gross profit		12,722	12,875
Operating expenses before exceptional item	4	12,174	15,290
Exceptional item: re-organisation costs	4	-	1,259
Net operating expenses	4	12,174	16,549
Operating profit/(loss)		548	(3,674)
Net interest payable	7	385	158
Profit/(loss) on ordinary activities before taxation		163	(3,832)
Taxation on profit/(loss) on ordinary activities	8	-	(351)
Retained profit/(loss) for the period		163	(3,481)
Retained profit brought forward		242	3,723
Retained profit carried forward		405	242

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

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

On 1 May 1999 the entire business of a fellow subsidiary, Multi-Video Distributors Limited, was transferred into this company. The results of the business, even though classed as material acquisition, was not separately disclosed. The acquired business was included with the Company's other operations and it is not feasible to report separately the post acquisition results of Multi-Video Distributors.

All amounts relate to continuing activities.

Balance sheet
at 31 December 2000

	Note	2000 £000	£000	1999 £000	£000
Fixed assets					
Tangible assets	*9*		1,407		1,974
Investments	*10*		1,023		1,023
			2,430		2,997
Current assets					
Stocks	*11*	7,063		6,069	
Debtors	*12*	17,322		16,465	
Cash at bank and in hand		581		13	
		24,966		22,547	
Creditors: amounts falling due within one year	*13*	14,444		20,354	
Net current assets			10,522		2,193
Debtors due after more than one year	*12*		6,123		5,851
Total assets less current liabilities			19,075		11,041
Creditors: amounts falling due after more than one year	*14*		17,356		9,440
Provisions for liabilities and charges	*16*		1,214		1,259
Net assets			505		342
Capital and reserves					
Called up share capital	*17*		100		100
Profit and loss account			405		242
Equity shareholders' funds	*18*		505		342

These financial statements were approved by the board of directors on 30 January 2002 and were signed on its behalf by:

A. P. C[illegible]

A P Connell
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.

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 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:

Freehold property	- 25 years
Short leasehold property	- over principle lease on 10 years maximum
Fixtures, fittings and computer equipment	- 4-10 years
Transportation	- 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

Provision is made for deferred taxation, using the liability method, on all timing differences which are not expected to continue in the foreseeable future. Unprovided deferred taxation is disclosed in the notes to the financial statements.

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.

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.

Notes *(continued)*

1 Accounting policies *(continued)*

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".

Comparative figures

The comparative figures relate to the 14 month period ended 31 December 1999.

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:

	2000 £000	1999 £000
United Kingdom	**55,721**	62,469
Other European countries	**1,835**	1,613
Rest of world	**580**	600
	58,136	64,682

4 Operating expenses

	2000 £000	1999 £000
Net operating expenses:		
Wages and salaries (note 5)	**5,806**	6,745
Depreciation - in respect of owned assets	**246**	780
- in respect of leased assets	**231**	191
Operating lease rentals - plant and machinery	**15**	20
- other	**1,332**	1,309
Auditors' remuneration - audit services	**40**	42
- non audit services	**10**	11
Exceptional item: re-organisation costs	**-**	1,259
Profit on disposals	**(91)**	-
Exchange gains	**(33)**	-
Other overheads	**4,618**	6,192
	12,174	16,549

Notes *(continued)*

5 Employees

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

	2000 No.	1999 No.
Sales and distribution	**253**	239
Administration	**59**	60
	312	299

The costs incurred in respect of these employees were:

	2000 £000	1999 £000
Wages and salaries	**5,211**	6,124
Social security costs	**488**	514
Other pension costs	**107**	107
	5,806	6,745

6 Directors' emoluments

	2000 £000	1999 £000
Aggregate emoluments	**166**	297
Pension contributions	**143**	
Compensation for loss of office	**37**	35
	216	332

The emoluments paid to the highest paid director during the period were £74,000 *(1999 : £84,000).*

Retirement benefits are accruing to 4 of the directors under the company's defined benefit scheme *(1999: 5).*

Notes (continued)

7 Net interest payable

	2000 £000	1999 £000
Interest payable on bank loans and overdrafts:		
Repayable within five years	95	401
Interest on loan from fellow subsidiary undertaking	510	-
On finance leases	19	47
	624	448
Interest receivable		
Due from fellow subsidiary undertaking	(239)	(290)
Net interest payable	385	158

8 Taxation

	2000 £000	1999 £000
The charge based on the profit for the year comprises:		
UK Corporation tax 30% *(1999: 31%)* - current year	-	(351)

Notes *(continued)*

9 Tangible fixed assets

	Freehold Property	Short Leasehold Property	Fixtures Fixtures & Computer Equipment	Motor Vehicles	Total
	£000	£000	£000	£000	£000
Cost					
At 1 January 2000	500	1,480	2,221	528	4,729
Additions during period	-	131	169	32	332
Cost of disposals	(500)	(46)	(209)	(275)	(1,030)
At 31 December 2000	-	1,565	2,181	285	4,031
Depreciation					
At 1 January 2000	203	1,051	1,156	345	2,755
Charge for the period	18	65	351	43	477
Relating to disposals	(221)	(23)	(168)	(196)	(608)
At 31 December 2000	-	1,093	1,339	192	2,624
Net book value					
At 31 December 2000	**-**	**472**	**842**	**93**	**1,407**
At 31 December 1999	297	429	1,065	183	1,974

The net book value of the Company's fixed assets includes £199,000 *(1999 - £430,000)* in respect of assets held under finance leases and hire purchase contracts.

Notes *(continued)*

10 Fixed asset investments

	£000
At beginning and end of year	**1,023**

The principal wholly owned subsidiary undertakings at 31 December 2000 were:

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

The investments are the wholly owned subsidiary undertakings, Gardiner Security BV and Gardiner Security (IE) Limited, which are incorporated and operate in the Netherlands and the Republic of Ireland respectively and which are distributors 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.

Gardiner Security 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

	2000 £000	1999 £000
Finished goods	**7,063**	6,069

Notes *(continued)*

12 Debtors

	2000 £000	1999 £000
Amounts due from fellow subsidiary undertakings after one year	**6,123**	5,851

	2000 £000	1999 £000
Due within one year:		
Trade debtors	**14,899**	15,078
Prepayments and accrued income	**419**	501
Recoverable corporation tax	**309**	284
Other debtors	**189**	201
Amounts due from subsidiary undertakings	**508**	314
Amounts due from fellow subsidiary undertakings	**998**	87
	17,322	16,465

13 Creditors: amounts falling due within one year

	2000 £000	1999 £000
Bank overdraft	**-**	7,017
Trade creditors	**10,496**	8,784
Accruals and deferred income	**1,622**	1,701
Other taxation and social security	**584**	722
Finance lease obligations (note 15)	**32**	115
Amounts due to immediate parent undertaking	**1,710**	2,015
	14,444	20,354

The overdraft is secured by fixed and floating charge over the assets of the company.

14 Creditors: amounts falling due after more than one year

	2000 £000	1999 £000
Finance lease obligations (note 15)	**-**	22
Amount due to fellow subsidiary	**1,418**	1,418
Loans from fellow subsidiary undertaking	**11,938**	-
Loans from immediate parent undertaking	**4,000**	8,000
	17,356	9,440

The loans from the parent undertaking has no fixed dates for repayment.

Notes *(continued)*

15 Finance lease obligations

The net finance lease obligations to which the company is committed are;

	2000 £000	1999 £000
Instalments repayable		
Within one year	**32**	115
From one to two years	-	22
From two to five years	-	-
	32	137

16 Provision for liabilities and charges

Deferred tax provided in the accounts consists of:

	Provided		Unprovided	
	2000 £000	1999 £000	**2000 £000**	1999 £000
Accelerated capital allowances	-	-	**(681)**	(120)
Other timing differences	-	-	**(230)**	(230)
Deferred tax (asset)/liability	-	-	**(911)**	(350)

Other provisions – Onerous lease provision:

	£000
At 1 January 2000	1,259
Transfer from profit and loss account	-
Released to profit and loss account	(45)
At 31 December 2000	**1,214**

17 Called up share capital

	2000 No.	1999 No.
Authorised		
Ordinary shares of £1 each	**1,000,000**	1,000,000

	2000 £000	1999 £000
Allotted, called up and fully paid		
Ordinary shares of £1 each	**100**	100

Notes *(continued)*

18 Reconciliation of movements in shareholders' funds

	2000 £000	1999 £000
Profit/(loss) for the financial period	**163**	(3,481)
Opening shareholders' funds	**342**	3,823
Closing shareholders' funds	**505**	342

19 Financial commitments

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

	2000 Land & Buildings £000	**2000 Other £000**	1999 Land & Buildings £000	1999 Other £000
Expiring:				
Within one year	**130**	**75**	109	50
Between 1 and 2 years	**141**	**50**	140	-
Between 2 and 5 years	**90**	-	197	-
After 5 years	**430**	-	422	-
	791	**125**	868	50

20 Pension commitments

The company is a member of a group pension scheme. The pension scheme is a defined benefit scheme which 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%

Notes *(continued)*

21 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.

22 Post balance sheet events

As at 1 January 2001 the company acquired the assets and liabilities of a security division, CSD Professional, from Rexel Senate Limited, a fellow subsidiary of Rexal SA. The net assets of the division were purchased at book value.