

DECCO LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2000
REGISTERED NUMBER 417021



DECCO LIMITED

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of the company for the year ended 31 December 2000.

PRINCIPAL ACTIVITY

The principal activities of the company during the year were the wholesaling of DIY and garden products, and the merchanting of fasteners and industrial engineering products and janitorial supplies.

REVIEW OF THE BUSINESS/FUTURE DEVELOPMENTS

The continuing cost of a reorganisation, coupled with difficult trading conditions generally, has significantly affected financial performance during the year.

It is fully expected that the company will return to operating profit in the future, and the outlook remains good.

RESULTS AND DIVIDEND

The loss for the year after taxation was £5,782,000. (1999 – loss of £3,639,000). The Directors do not propose the payment of a dividend (1999 – £Nil).

DIRECTORS AND THEIR INTERESTS

The Directors of the company during the year were:

B R Brooks
S M Cooke
C Høgel (resigned 13 November 2000)
J Høgel (resigned 21 January 2000)

None of the directors who held office at 31 December 2000 had any interests in the shares of the company or any other group companies as at 1 January 2000 or 31 December 2000.

EMPLOYEE COMMUNICATIONS

The company continues to have a commitment to communication with its employees and devotes resources and time to the strengthening of communications at all levels in the geographically scattered organisation. Managers of individual units consider the continuity of communication with their staff as an integral part of good management. Meetings are held regularly on a regional and national basis.

EMPLOYMENT OF DISABLED PERSONS

The policy of the company is to ensure that disabled persons are given equal opportunity with other candidates for recruitment, training and promotion where there are jobs, which can be carried out efficiently by a disabled person. If employees become disabled during their period of employment, every effort is made to find suitable employment for them within the company.

DECCO LIMITED

DIRECTORS' REPORT

CREDITOR PAYMENT POLICY

It is the company's policy to settle all debts with its creditors on a timely basis taking account of the credit period given by each supplier. The company's average creditor payment period at 31 December 2000 was 53 days (1999 – 55 days).

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the Directors are required to:

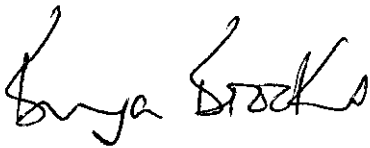
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare 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 which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

PricewaterhouseCoopers have expressed their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By Order of the Board



B R BROOKS
Director
29 October 2001

DECCO LIMITED

Independent auditors' report to the members of Decco Limited

We have audited the financial statements which comprise the profit and loss account, 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.

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 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 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Manchester
29 October 2001

DECCO LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2000**

	Notes	<u>2000</u> £'000	<u>1999</u> £'000
TURNOVER	1b	132,374	143,573
Cost of sales		<u>(98,346)</u>	<u>(106,047)</u>
GROSS PROFIT		34,028	37,526
Distribution costs		(7,658)	(7,775)
Administrative expenses		<u>(31,300)</u>	<u>(32,684)</u>
OPERATING LOSS	2	(4,930)	(2,933)
Interest payable	5	<u>(852)</u>	<u>(706)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(5,782)	(3,639)
Tax on profit on ordinary activities	6	<u>-</u>	<u>-</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION ABSORBED FOR THE FINANCIAL YEAR	14	(5,782)	(3,639)
		<u> </u>	<u> </u>

There are no recognised gains and losses other than those reported in the profit and loss account above.

Turnover and operating loss arose from continuing operations.

The notes on pages 6 to 11 form part of these financial statements.

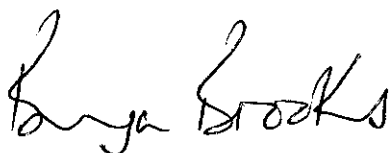
DECCO LIMITED

BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2000

	Notes	2000 £'000	Restated* 1999 £'000
CURRENT ASSETS			
Stocks	7	30,197	30,075
Debtors	8	19,678	22,284
Cash at bank and in hand		19	20
		49,894	52,379
CREDITORS – Amounts falling due within one year	9	(20,951)	(54,103)
NET CURRENT ASSETS / (LIABILITIES) AND TOTAL ASSETS LESS CURRENT LIABILITIES		28,943	(1,724)
CREDITORS – Amounts falling due after more than one year	10	(36,154)	-
PROVISIONS FOR LIABILITIES AND CHARGES	12	(1,926)	(1,631)
NET LIABILITIES		(9,137)	(3,355)
CAPITAL AND RESERVES			
Called up share capital	13	40	40
Profit and loss account	14	(9,177)	(3,395)
EQUITY SHAREHOLDERS' DEFICIT	15	(9,137)	(3,355)

* The 1999 figures have been restated to reflect the reclassification of property dilapidations and onerous lease provisions, £1,631,000, from accruals and deferred income to provisions for liabilities and charges.

APPROVED BY THE DIRECTORS ON
29 October 2001



B R BROOKS
Director

The notes on pages 6 to 11 form part of these financial statements.

DECCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2000

1 ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements are prepared on the historical cost basis and in accordance with applicable accounting standards.

(b) Turnover

Turnover represents the invoiced value of goods sold and services provided, excluding value added tax.

(c) Stocks

Stocks are stated at the lower of cost and net realisable value.

(d) Deferred taxation

Provision is made for deferred taxation arising from timing differences between profits stated in the financial statements and profits as computed for taxation purposes to the extent that it is probable that a liability will crystallise in the foreseeable future.

(e) Leases

Rentals paid under operating leases, including those with group companies, are charged to the profit and loss account as incurred.

(f) Pensions

Contributions to the Pension Schemes are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group. Any funding surpluses or deficits, which may arise from time to time, are amortised over the average remaining service lives of employees.

(g) Foreign currency translation

Transactions denominated in foreign currencies are translated at the rate of exchange prevailing on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling on the balance sheet date. Exchange differences are included in the profit and loss account for the year.

DECCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2000 (CONTINUED)

2 OPERATING LOSS

The turnover and profit on ordinary activities before taxation arise from the principal activity of the company. All sales are within the United Kingdom.

Operating loss is stated after charging:	<u>2000</u>	<u>1999</u>
	£'000	£'000
Auditors' remuneration	50	70
Other fees paid to the auditors	90	100
Operating leases	4,018	4,903
land and buildings		
other	3,495	5,640

3 EMPLOYEES

	<u>2000</u>	<u>1999</u>
	£'000	£'000
Staff costs (including Directors' remuneration) were:		
Wages and salaries	17,648	17,803
Social security costs	1,149	1,157
Other pension costs	997	1,052
	<u>19,794</u>	<u>20,012</u>

The average number of employees during the year was 1,147 (1999 - 1,191).

4 REMUNERATION OF DIRECTORS

	<u>2000</u>	<u>1999</u>
	£'000	£'000
Directors' remuneration for management services was as follows:		
Aggregate emoluments	249	284
Company contributions paid to money purchase pension schemes	10	10
	<u>259</u>	<u>294</u>

The number of Directors with retirement benefits accruing in defined benefit schemes was 2 (1999 - 2).

	<u>2000</u>	<u>1999</u>
	£'000	£'000
Highest paid director		
Total emoluments	158	196
Company contributions paid to money purchase pension schemes	10	10
Accrued pension under defined benefit pension scheme	34	30

DECCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2000 (CONTINUED)

5 INTEREST PAYABLE

	2000	1999
	£'000	£'000
Interest on loans from preference shareholders in parent undertaking	-	706
Interest on loans from parent undertaking	852	-
	852	706

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2000	1999
	£'000	£'000
The taxation charge based on the profit for the year comprises:		
Corporation tax at 30% (1999 - 30.5%)	-	-

There is no potential liability for deferred taxation at 31 December 2000.

7 STOCKS

	2000	1999
	£'000	£'000
Goods for resale	30,197	30,075

8 DEBTORS

	2000	1999
	£'000	£'000
Trade debtors	18,732	21,143
Other debtors and prepayments	946	1,141
	19,678	22,284

9 CREDITORS - Amounts falling due within one year

	2000	Restated 1999
	£'000	£'000
Trade creditors	16,461	19,474
Amounts due to fellow subsidiary undertakings and parent company	1,767	31,625
Taxation and social security	393	421
Accruals and deferred income	2,187	2,440
Corporation tax	143	143
	20,951	54,103

DECCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2000 (CONTINUED)

10 CREDITORS – Amounts falling due after more than one year

	2000	1999
	£'000	£'000
Amounts due to fellow subsidiaries and parent undertaking	36,154	-

The amount due to fellow subsidiaries and parent undertaking is subordinated to other creditors, which means the holders of the subordinated debt rank behind other unsecured creditors with respect to claims in the company's assets. In the event of liquidation, the holders of the subordinated debt should receive settlement only if all other creditors are paid in full the amounts owed to them.

11 DEBENTURE AND GUARANTEE

The company granted a mortgage debenture on 27 September 1985 in favour of National Westminster Bank plc including a specific charge over the undertaking and all property and assets, present and future, including a specific charge over goodwill and book debts.

The company has entered into a composite cross guarantee to secure the bank overdraft of Decco (Wilmslow) Limited.

12 PROVISIONS FOR LIABILITIES AND CHARGES

	Pensions and similar obligations	Property dilapidations and onerous leases	Restated Total
	£'000	£'000	£'000
Balance at 1 January 2000	282	1,349	1,631
Profit and loss charge	997	176	1,173
Utilised	(842)	(36)	(878)
Balance at 31 December 2000	437	1,489	1,926

Pensions and similar obligations – see note 17.

Property dilapidations and onerous leases

A provision has been made for the expected reinstatement cost for all leased properties as well as the best estimate of the future unrecoverable costs of vacated leased properties.

13 CALLED UP EQUITY SHARE CAPITAL

	2000	1999
	£'000	£'000
Authorised, allotted and fully paid: 40,000 ordinary shares of £1 each	40	40

DECCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2000 (CONTINUED)

14 PROFIT AND LOSS ACCOUNT

	<u>2000</u> £'000	<u>1999</u> £'000
At 1 January	(3,395)	244
Absorbed loss for the year	<u>(5,782)</u>	<u>(3,639)</u>
At 31 December	<u>(9,177)</u>	<u>(3,395)</u>

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>2000</u> £'000	<u>1999</u> £'000
Loss for the financial year	<u>(5,782)</u>	<u>(3,639)</u>
Net reduction in shareholders' funds	(5,782)	(3,639)
Opening shareholders' (deficit)/funds	<u>(3,355)</u>	<u>284</u>
Closing shareholders' deficit	<u>(9,137)</u>	<u>(3,355)</u>

16 OPERATING LEASE COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows:

	<u>2000</u> £'000	<u>1999</u> £'000
Other:		
Expiring within 1 year	320	137
Expiring in 2-5 years	826	793
Expiring after 5 years	<u>10</u>	<u>10</u>
	<u>1,156</u>	<u>940</u>

DECCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2000 (CONTINUED)

17 PENSION SCHEME

The group operates two funded defined benefit pension schemes, Decco Pension and Life Assurance Scheme 1980 and W M Owlett Pension Scheme. The assets of the schemes are held separately in trusts and with insurance companies.

	Decco	Owlett
Actuarial method	Projected unit	Attained age
Actuarial assumptions:		
Investment return	5.8%	5.67%
Salary increase	3.4%	3.46%
Most recent full actuarial valuation	1 April 1999	5 April 2000
Market value of scheme assets	£13.7million	£17.7 million
% of benefits accruing to members	98%	89%

The pension charge for the year was £997,000 (1999 - £1,052,000), which comprises the regular cost of meeting future benefits and the amortisation of surpluses over the average remaining service lives of employees. The balance sheet of the company reflects a provision in respect of the Owlett scheme of £303,000 (1999 - £173,000) and the Decco scheme of £134,000 (1999 - £109,000).

18 PARENT UNDERTAKING

Decco (Wilmslow) Limited is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the group financial statements can be obtained from The Registrar of Companies, Companies House, Cardiff, CF4 3UZ.

Decco (Wilmslow) Limited presents a consolidated cash flow statement in its financial statements. The company has therefore not presented a cash flow statement as permitted by Financial Reporting Standard No 1.

Transactions with other companies within the group are not disclosed as the company has taken advantage of the exemption available under Financial Reporting Standard No 8 "Related party disclosures", as the consolidated financial statements of Decco (Wilmslow) Limited in which the company is included are available at the address noted above.