

DECCO LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2002
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 2002.

PRINCIPAL ACTIVITIES

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

REVIEW OF THE BUSINESS/FUTURE DEVELOPMENTS

The company continues to move towards its objective of generating an operating profit in the future, and the outlook remains satisfactory.

On 29 October 2002, the parent undertaking of Decco Limited, Decco (Wilmslow) Limited, was acquired by Marlowe Holdings Limited and, as a result, Decco (Wilmslow) Limited became a wholly owned subsidiary from that date.

RESULTS AND DIVIDEND

The loss for the year after taxation was £6,207,000. (2001 – loss of £7,875,000). The Directors do not propose the payment of a dividend (2001– £Nil).

DIRECTORS AND THEIR INTERESTS

The Directors of the company during the year and to the date of this report were:

B R Brooks	
S M Cooke	
R D Goddard	(appointed 20 February 2003)
G A Hopwood	(appointed 11 June 2002)
D T McNair	(appointed 20 February 2003)

None of the directors who held office at 31 December 2002 had any interests in the shares of the company or any other group companies as at 1 January 2002 or 31 December 2002.

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

CHARITABLE DONATIONS

No charitable donations were made during the year (2001: £nil).

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:

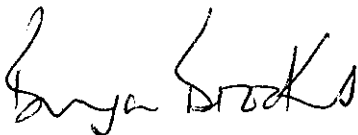
- select suitable accounting policies and then apply them consistently with the exception of the changes arising on the adoption of the new accounting standard as explained on page 6 under Note 1 "Accounting policies";
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 15 April 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors will be proposed at the Annual General Meeting.

By Order of the Board



B R BROOKS
Director

23 October 2003

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.

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 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.

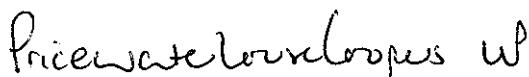
Basis of audit opinion

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 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Manchester

23 October 2003

DECCO LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2002

	Notes	<u>2002</u> £'000	<u>2001</u> £'000
TURNOVER		126,195	129,876
Cost of sales		<u>(92,384)</u>	<u>(96,952)</u>
GROSS PROFIT		33,811	32,924
Distribution costs		(7,702)	(7,528)
Administrative expenses		<u>(31,872)</u>	<u>(32,205)</u>
OPERATING LOSS	2	(5,763)	(6,809)
Interest payable	5	<u>(898)</u>	<u>(1,066)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(6,661)	(7,875)
Tax on profit on ordinary activities	6	<u>454</u>	<u>-</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION ABSORBED FOR THE FINANCIAL YEAR	14	(6,207)	(7,875)
		<u><u> </u></u>	<u><u> </u></u>

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

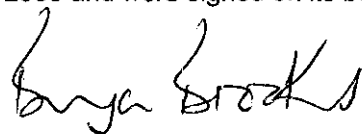
Turnover and operating loss arose from continuing operations.

The notes on pages 6 to 14 form part of these financial statements.

DECCO LIMITED**BALANCE SHEET AS AT 31 DECEMBER 2002**

	Notes	2002 £'000	2001 £'000
CURRENT ASSETS			
Stocks	7	25,898	24,556
Debtors	8	18,682	18,393
Cash at bank and in hand		19	19
		<u>44,599</u>	<u>42,968</u>
CREDITORS – Amounts falling due within one year	9	<u>(15,741)</u>	<u>(21,770)</u>
NET CURRENT ASSETS AND TOTAL ASSETS LESS CURRENT LIABILITIES		28,858	21,198
CREDITORS – Amounts falling due after more than one year	10	(49,654)	(36,154)
PROVISIONS FOR LIABILITIES AND CHARGES	12	<u>(2,423)</u>	<u>(2,056)</u>
NET LIABILITIES		<u>(23,219)</u>	<u>(17,012)</u>
CAPITAL AND RESERVES			
Called up share capital	13	40	40
Profit and loss account	14	<u>(23,259)</u>	<u>(17,052)</u>
EQUITY SHAREHOLDERS' DEFICIT	15	<u>(23,219)</u>	<u>(17,012)</u>

The financial statements on pages 4 to 14 were approved by the Board of Directors on 23 October 2003 and were signed on its behalf by:



B R BROOKS
Director

DECCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002

1 ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements are prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards. The parent undertaking, Decco (Wilmslow) Limited, has indicated their intention to continue to provide support for the foreseeable future.

In December 2002, the Accounting Standards Board issued FRS 19 'Deferred Tax'. The company has adopted FRS 19 'Deferred Tax' in the financial statements. The adoption of this standard represents a change in accounting policy, but did not result in the need to restate comparative figures, or any material change to the current year loss for the financial year.

(b) Revenue recognition

Turnover is recognised when goods are despatched to, or collected by, customers and represents the invoiced value of such goods sold and services provided, excluding VAT.

(c) Stocks

Stocks are stated at the lower of cost and estimated net realisable value, due allowance being made for obsolete and slow moving items.

(d) Deferred taxation

Deferred tax is recognised, without discounting, in respect of all timing differences which have originated by, but not reversed by, the balance sheet date, except as otherwise required by FRS19, at rates expected to apply when they reverse, based on current tax rates and law. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

(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 2002 (CONTINUED)

1 ACCOUNTING POLICIES (continued)

(h) Cashflow Statement and Related Party Disclosures

The company is a wholly-owned subsidiary of Decco (Wilmslow) Limited and is included in the consolidated financial statements of Marlowe Holdings Limited, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cashflow statement, under the terms of FRS 1 (revised 1996). The company is also exempt, under the terms of FRS 8, from disclosing related party transactions with entities that are part of the Marlowe Holdings Limited group.

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:		2002	2001
		£'000	£'000
Auditors' remuneration		60	50
Other fees paid to the auditors		61	32
Operating leases	land and buildings	3,670	4,048
	other	2,636	3,413

3 EMPLOYEES

		2002	2001
		£'000	£'000
Staff costs (including Directors' remuneration) were:			
Wages and salaries		17,126	17,513
Social security costs		1,097	1,082
Other pension costs		1,850	1,116
		20,073	19,711

The average number of employees during the year was 1,042 (2001 - 1,046).

4 REMUNERATION OF DIRECTORS

		2002	2001
		£'000	£'000
Directors' remuneration for management services was as follows:			
Aggregate emoluments		344	254

The number of Directors with retirement benefits accruing in defined benefit schemes was 2 (2001 - 2).

		2002	2001
		£'000	£'000
Highest paid director			
Total emoluments		168	159
Accrued pension under defined benefit pension scheme		39	37

DECCO LIMITED**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002 (CONTINUED)****5 INTEREST PAYABLE**

	2002 £'000	2001 £'000
Interest on loans from parent undertaking	898	1,066

6 TAX ON LOSS ON ORDINARY ACTIVITIES

	2002 £'000	2001 £'000
Current tax:		
UK corporation tax reclaimed on losses in year	(285)	-
Adjustment in respect of previous years	(169)	-
Total current tax credit	(454)	-
Deferred tax:		
Recognised total deferred tax	-	-
Tax credit on loss on ordinary activities	(454)	-

The difference between actual corporation tax and standard tax rate in the UK (30%) can be analysed as

	2002 £'000	2001 £'000
Loss on ordinary activities	(6,661)	(7,785)
Loss on ordinary activities multiplied by standard rate in the UK 30% (2001: 30%)	(1,998)	(2,362)
Adjustments to tax charge in respect of prior years	(169)	-
Deferred tax movement not recognised	1,683	2,362
Others	30	-
	(454)	-

The company has tax losses carried forward of £18.8 million (2001: £14.1 million) and the directors do not believe that it is prudent to recognise these as deferred taxation assets at the present time.

7 STOCKS

	2002 £'000	2001 £'000
Goods for resale	25,898	24,556

DECCO LIMITED**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002 (CONTINUED)****8 DEBTORS**

	<u>2002</u>	<u>2001</u>
	£'000	£'000
Trade debtors	17,301	17,415
Other debtors and prepayments	1,070	978
Corporation tax	311	-
	<u>18,682</u>	<u>18,393</u>

9 CREDITORS - Amounts falling due within one year

	<u>2002</u>	<u>2001</u>
	£'000	£'000
Trade creditors	12,708	14,981
Amounts due to fellow subsidiary undertakings and parent company	349	3,636
Taxation and social security	406	414
Accruals and deferred income	2,278	2,595
Corporation tax	-	144
	<u>15,741</u>	<u>21,770</u>

10 CREDITORS - Amounts falling due after more than one year

	<u>2002</u>	<u>2001</u>
	£'000	£'000
Amounts due to fellow subsidiaries and parent undertaking due in more than 5 years	49,654	36,154

The amounts due to fellow subsidiaries and parent undertaking are 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. The balance at the year end was £31,466,000 (2002 - £21,886,000).

DECCO LIMITED**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002 (CONTINUED)****12 PROVISIONS FOR LIABILITIES AND CHARGES**

	Pensions and similar obligations	Property dilapidations and onerous leases	Total
	£'000	£'000	£'000
Balance at 1 January 2002	399	1,657	2,056
Profit and loss charge	1,850	124	1,974
Utilised during the year	(1,438)	(169)	(1,607)
Balance at 31 December 2002	811	1,612	2,423

Pensions and similar obligations – see note 17.

Property dilapidations and onerous leases

A provision has been made for the expected reinstatement costs 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

	2002 £'000	2001 £'000
Authorised, allotted and fully paid: 40,000 ordinary shares of £1 each	40	40

14 PROFIT AND LOSS ACCOUNT

	2002 £'000	2001 £'000
At 1 January	(17,052)	(9,177)
Absorbed loss for the year	(6,207)	(7,875)
At 31 December	(23,259)	(17,052)

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £'000	2001 £'000
Loss for the financial year	(6,207)	(7,875)
Net reduction in shareholders' funds	(6,207)	(7,875)
Opening shareholders' deficit	(17,012)	(9,137)
Closing shareholders' deficit	(23,219)	(17,012)

DECCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002 (CONTINUED)

16 OPERATING LEASE COMMITMENTS

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

	2002	2001
	£'000	£'000
Other:		
Expiring within 1 year	59	272
Expiring in 2-5 years	127	713
Expiring after 5 years	14	-
	200	985

17 COMPANY PENSION COMMITMENTS

The company operates two pension schemes, The Decco Pension and Life Insurance Scheme 1980 ("Decco") and the W M Owlett Pension Scheme ("WM Owlett"), covering the majority of its employees. The schemes are of a defined benefit type with the assets being managed through separate trustee administered funds.

The Decco Pension and Life Insurance Scheme 1980

The contributions to this fund are based upon independent actuarial advice using the projected unit method. The pension cost for the year was £1,258,000 (2001 - £794,000). An amount of £674,000 is included in provisions at the balance sheet date (2001 - £158,000).

Triennial actuarial valuations of the scheme are made, with the most recent having been carried out as at 31 March 2002. The most significant assumption in arriving at this valuation was that the investment returns would exceed the increase in average earnings by 2.95% per annum. The valuation showed that the market value of the scheme's assets was £16 million, with the actuarial value of the assets representing 85% of the liabilities, which had accrued to members.

In view of this and following actuarial advice the Company will contribute to the fund at 23.5% of pensionable salaries in respect of employee members and 27% of pensionable salaries in respect of executive members, less the contributions of employees.

The W M Owlett Pension Scheme

The contributions to this fund are based upon independent actuarial advice using the attained unit method. The pension cost for the year was £592,000 (2001 - £322,000). An amount of £137,000 is included in provisions at the balance sheet date (2001 - £240,000).

Triennial actuarial valuations of the scheme are made, with the most recent having been carried out as at 5 April 2002. The most significant assumption in arriving at this valuation was that the investment returns would exceed the increase in average earnings by 3.5% per annum. The valuation showed that the market value of the scheme's assets was £15 million, with the actuarial value of the assets representing 77% of the liabilities, which had accrued to members.

In view of this and following actuarial advice the Company makes contributions to the fund at an annual rate of £1,320,000 per annum.

DECCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002 (CONTINUED)

17 COMPANY PENSION COMMITMENTS (continued)

Financial Reporting Standard No.17

Financial Reporting Standard No.17 "Retirement Benefits" was issued in November 2000 to replace SSAP24. Full adoption of the new accounting standard is not yet mandatory. Under the transitional arrangements the following information is disclosed relating to the scheme.

The valuations have been determined by an independent qualified actuary, and are based upon the 31 March 2002 actuarial valuations, which have been adjusted to reflect the position at the balance sheet date.

The principal assumptions used in these valuations were as follows:

	W M Owlett		Decco	
	2002	2001	2002	2001
Rate of inflation	2.35%	2.50%	2.35%	2.50%
Rate of salary increases	3.35%	3.50%	3.35%	3.50%
Rate of increase in pensions in payment	3.00% *	3.00% *	3.00%	3.00%
Discount rate	5.50%	6.00%	5.50%	6.00%

* (or 5% per annum where applicable)

The Scheme assets and expected rates of return are as follows:

	W M Owlett				Decco			
	2002		2001		2002		2001	
	Fair Value £'000	Expected long term rate of return	Fair Value £'000	Expected long term rate of return	Fair Value £'000	Expected long term rate of return	Fair Value £'000	Expected long term rate of return
Equities	8,563	6.75%	14,716	6.95%	10,099	6.75%	12,699	6.95%
Bonds	4,062	4.75%	-	4.95%	3,017	4.75%	2,255	4.95%
Cash	47	3.00%	35	3.00%	132	3.00%	375	3.00%
Total market value of scheme assets	12,672		14,751		13,248		15,329	
Actuarial value of liability	(22,594)		(18,881)		(22,288)		(16,194)	
Deficit in scheme and net pension liability	(9,922)		(4,130)		(9,040)		(865)	

DECCO LIMITED**NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002 (CONTINUED)**

Movement in deficit during the year:

	W M Owlett 2002 £'000	Decco 2001 £'000
Deficit at beginning of financial year	(4,130)	(865)
Movement in year:		
Contributions	720	793
Current service costs	-	(795)
Past service costs	-	-
Net return on assets / interest cost	(87)	35
Actuarial loss	(6,425)	(8,208)
Deficit at 31 December 2002	<u>(9,922)</u>	<u>(9,040)</u>

Disclosure of the effect of the adoption of FRS17 on the financial statements

As indicated above, the company continues to account for pension costs in accordance with SSAP24 but, in accordance with the transitional requirements of FRS17, disclosure is required of the amounts that would have been recognised under FRS17. The disclosures are as follows:

i) Profit and loss account

If FRS 17 had been adopted in full in the financial statements, the amounts changed in the profit and loss account would have comprised:

	2002 £'000
Amount charged to operating profit in respect of defined benefit schemes	
Current service cost	795
Past service cost	-
Total operating charge	<u>795</u>
	2002 £'000
Amount credited/(charged) to net interest	
Expected return on pension scheme assets	2,052
Interest on pension liabilities	<u>(2,104)</u>
Amount charged	<u>(52)</u>

ii) Statement of total recognised gains and losses

If FRS 17 had been adopted in full in the financial statements, the amount recognised in the statement of total recognised gains and losses would have comprised:

	2002 £'000
Actual return less expected return on assets	(6,889)
Experience gains and losses on liabilities	(4,231)
Changes in assumptions	<u>(3,513)</u>
Actuarial loss recognised in the statement of total recognised gains and losses	<u>(14,633)</u>

DECCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2002 (CONTINUED)

iii) Balance Sheet

If FRS 17 had been adopted in full in the financial statements, the company's net liabilities and profit and loss account reserve would have been as follows:

	2002 £'000	2001 £'000
Net liabilities per balance sheet	(23,219)	(17,012)
Elimination of liabilities under SSAP24	811	399
Net pension liability under FRS17	(18,962)	(4,995)
Net liabilities including net pension liability	<u>(41,370)</u>	<u>(21,608)</u>
Profit and loss reserve per balance sheet	(23,259)	(17,052)
Elimination of liabilities under SSAP24	811	399
Net pension liability under FRS17	(18,962)	(4,995)
Profit and loss reserve including net pension liability	<u>(41,410)</u>	<u>(21,648)</u>

iv) Experience gains and losses

	W M Owlett 2002 £'000	Decco 2002 £'000
Difference between expected and actual return on scheme assets:		
Amount (£'000)	(3,290)	(3,599)
Percentage of scheme assets	(26%)	(27%)
Experience gains and losses on scheme liabilities:		
Amount (£'000)	(1,389)	(2,842)
Percentage of scheme liabilities	(6%)	(13%)
Total amount recognised in statement of total recognised gains and losses:		
Amount (£'000)	(6,425)	(8,208)
Percentage of scheme liabilities	(28%)	(37%)

18 PARENT UNDERTAKING

The ultimate parent undertaking is Blackfriars Corporation, an American Company incorporated in the State of Delaware.

The immediate parent undertaking is Decco (Wilmslow) Limited, who's immediate parent undertaking is Marlowe Holdings Limited, a company registered in England. Marlowe Holdings Limited is the only company to consolidate the financial statements of Decco Limited and copies of the financial statements of Marlowe Holdings Limited may be obtained from the Registrar of Companies, Companies House, Cardiff, CF4 3UZ.