

Registrar

Company Registered Number: 529964

CURTIS HOLT LIMITED
REPORTS AND
FINANCIAL STATEMENTS
FOR THE YEAR
ENDED 31 DECEMBER 1997



CLARKSON HYDE
Chartered Accountants
and Registered Auditors

Contents

Page

1 - 2	Directors' report
3	Auditors' report
4	Profit and loss account
5	Balance sheet
6	Cash flow statement
7 - 14	Notes to the financial statements
	For management information only
15 - 17	Detailed trading and profit and loss account

Directors

J R C Twallin
S C Morris
A J T Strong
T J Strong

Secretary and registered office

S C Morris
Green Street, Green Road
Dartford
Kent
DA1 1FN

Registered auditors

Clarkson Hyde
137-143 High Street
Sutton
Surrey
SM1 1JH

Bankers

Midland Bank plc
9 Wellesley Road
Croydon
Surrey
CR9 2AA

The directors present their annual report together with the audited financial statements for the year ended 31 December 1997.

REVIEW OF THE BUSINESS

The company and its subsidiaries' principal activities during the year were that of distributors of hand tools and allied products.

Turnover for the year was **£40,188,000** (1996: £35,906,000).

RESULTS AND DIVIDENDS

The trading profit for the year, after taxation was **£1,263,000** (1996: £1,224,000). Dividends of **£34.68** per ordinary share (1996 £57.79) were paid on 31 December 1997.

FUTURE DEVELOPMENTS

It is intended that future developments should continue to be in our existing fields of activity.

EVENTS SINCE THE END OF THE YEAR

No significant events have occurred since the end of the year.

FIXED ASSETS

The movements in fixed assets during the year are set out in note 9 to the financial statements.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year under review were J R C Twallin, S C Morris, A J T Strong and T J Strong. No director held any beneficial interest in the company.

The interests of J R C Twallin in the share capital of the parent company are disclosed in the financial statements of that company.

DIRECTORS' RESPONSIBILITIES

Company law requires that we 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.

We are responsible for:

- a) preparing these financial statements, and in our opinion, we have:
 - (i) selected suitable accounting policies and applied them consistently,
 - (ii) made judgements and estimates which we consider to be reasonable and prudent,
 - (iii) followed applicable accounting standards, subject to any material departures disclosed and explained in the financial statements,
 - (iv) used the going concern basis.

- b) keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to ensure that the financial statements comply with the Companies Act 1985.
- c) safeguarding the assets of the company and for taking reasonable steps for the prevention of fraud and other irregularities.

AUDITORS

A resolution to re-appoint Clarkson Hyde as auditors will be presented to the members at the Annual General Meeting in accordance with Section 384(1) of the Companies Act 1985.

BY ORDER OF THE BOARD



S C Morris
Secretary
29 April 1998

To the members of Curtis Holt Limited:

We have audited the financial statements on pages 4 to 14 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on pages 1-2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

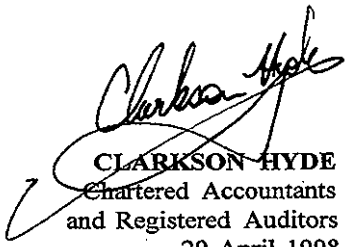
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of significant estimates and judgements 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 mis-statement, 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 1997 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.

137-143 High Street
Sutton
Surrey
SM1 1JH


CLARKSON HYDE
Chartered Accountants
and Registered Auditors
29 April 1998

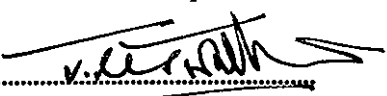
	Note	1997 £'000	1996 £'000
TURNOVER	2	40,188	35,906
Cost of sales		<u>31,177</u>	<u>28,353</u>
Gross profit		9,011	7,553
Net operating expenses	3	<u>6,779</u>	<u>5,918</u>
OPERATING PROFIT	4	2,232	1,635
Dividend receivable		<u>19</u>	<u>413</u>
		2,251	2,048
Interest payable	6	<u>431</u>	<u>327</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	1,820	1,721
Taxation on profit on ordinary activities	7	<u>557</u>	<u>497</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,263	1,224
Dividends	8	<u>600</u>	<u>1,000</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR	14	<u>663</u>	<u>224</u>

There were no recognised gains or losses for the year other than in the profit and loss account. There were no acquisitions or discontinued operations during the current or preceding year.

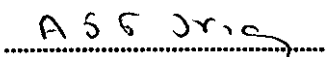
	Note	1997 £'000	1996 £'000
FIXED ASSETS			
Tangible assets	9(a)	964	934
Investments	9(b)	<u>531</u>	<u>511</u>
		1,495	1,445
CURRENT ASSETS			
Stocks	10	7,114	6,487
Debtors	11	8,156	6,851
Cash at bank and in hand		<u>1</u>	<u>6</u>
		15,271	13,344
CREDITORS - amounts falling due within one year	12(a)	<u>10,842</u>	<u>9,395</u>
NET CURRENT ASSETS		<u>4,429</u>	<u>3,949</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,924	5,394
CREDITORS - amounts falling due after more than one year	12(b)	<u>139</u>	<u>272</u>
		<u>5,785</u>	<u>5,122</u>
CAPITAL AND RESERVES			
Share capital	13	17	17
Reserves	14	<u>5,768</u>	<u>5,105</u>
		<u>5,785</u>	<u>5,122</u>

Approved by the board on 29 April 1998

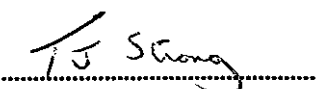
J R C Twallin



A J T Strong



T J Strong



	Note	1997 £'000	1996 £'000
Net cash inflow from operating activities	21(a)	1,296	1,151
Returns on investments and servicing of finance	21(b)	(412)	86
Taxation		(351)	(620)
Capital expenditure	21(b)	(431)	(812)
		102	(195)
Equity dividends paid		(600)	(1,000)
		(498)	(1,195)
Financing	21(b)	(160)	324
Decrease in cash in the year		<u>(658)</u>	<u>(871)</u>
Reconciliation of net cash outflow to movement in net debt			
Decrease in cash in the year		(658)	(871)
Repayment of secured loan		90	-
Cash to advance loans		-	(240)
Cash outflow/(inflow) from increase in debt and hire purchase financing		<u>70</u>	<u>(84)</u>
Movement in net debt in the year		(498)	(1,195)
Net debt at 1.1.97		<u>(4,597)</u>	<u>(3,402)</u>
Net debt at 31.12.97	22	<u>(5,095)</u>	<u>(4,597)</u>

1. ACCOUNTING POLICIES

(a) BASIS OF PREPARATION AND CONSOLIDATION

The financial statements have been prepared under the historical cost convention using applicable Accounting Standards.

The company is exempt from producing consolidated financial statements under S.228(1) of the Companies Act 1985, being a wholly owned subsidiary of a parent company incorporated in Great Britain at the end of the financial year.

(b) TURNOVER

Turnover represents sales less credit notes to outside customers and excludes value added tax.

(c) STOCKS

Stocks have been valued at the lower of purchase cost or net realisable value on the average cost basis.

(d) DEPRECIATION

Depreciation is provided so as to write off the cost of the fixed assets over their estimated useful lives, employing the following rates and methods:-

Category	Rate	Method
Leasehold land and buildings	N/A	The shorter of the term of the lease or 50 years.
Fittings and equipment	20% - 33.3%	Straight line
Computers - hardware	33.3%	Straight line
- software	50%	Straight line
Motor vehicles - cars	25%	Reducing balance
- vans	33.3%	Straight line

(e) HIRE PURCHASE INTEREST

Hire purchase interest has been allocated to the accounting periods using the 'sum of the digits' method.

(f) LEASED ASSETS

Where leased assets are financed by leasing agreements which give rights approximating to ownership, the assets are treated as if they had been purchased outright. The amount capitalised is the net present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor. Depreciation on the relevant assets is charged to the profit and loss account. Lease payments are treated as consisting of capital and interest elements and the interest is charged to the profit and loss account using the 'sum of the digits' method.

All other leases are operating leases and the annual rentals are charged to the profit and loss account as incurred.

(g) DEFERRED TAXATION

Provision is made for deferred taxation at expected rates of tax, for the effect of all material timing differences between profits for taxation purposes and profits as stated in the accounts, to the extent that, in the opinion of the directors a liability is expected to arise in the foreseeable future.

(h) PENSION COSTS

Contributions to the group pension scheme are charged to the profit and loss account so as to spread the cost of the pension over employees working lives with the Group. Contributions are based on actuarial valuations.

2. TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The turnover and profit on ordinary activities before taxation are both wholly attributable to the company's principal activity as distributors of hand tools and allied products and are wholly derived from the United Kingdom.

	1997 £'000	1996 £'000
--	---------------	---------------

3. NET OPERATING EXPENSES

Administrative expenses (including distribution)	<u>6,779</u>	<u>5,918</u>
--	--------------	--------------

4. OPERATING PROFIT

Is stated after charging/(crediting):

Directors' remuneration	-	-
Auditors' remuneration	60	66
Depreciation	406	353
(Profit) on disposal of fixed assets	(25)	(21)
Hire of equipment	<u>15</u>	<u>6</u>

5. EMPLOYEE INFORMATION

	No's	No's
(a) The average number of persons employed by the company during the year, (excluding directors), is analysed by type of work below:		
Distribution and service	168	156
Administrative and management	<u>103</u>	<u>97</u>
	<u>271</u>	<u>253</u>
(b) Company employment costs - all employees including executive directors:	£'000	£'000
Aggregate gross wages and salaries	3,659	3,267
Employer's national insurance contributions	309	295
Employer's pension contributions	<u>191</u>	<u>144</u>
Total direct costs of employment	<u>4,159</u>	<u>3,706</u>

6. INTEREST PAYABLE

Bank overdraft	342	240
Loans wholly repayable within 5 years	33	30
Loans not wholly repayable within 5 years	19	22
Finance leases and hire purchase contracts	<u>37</u>	<u>35</u>
	<u>431</u>	<u>327</u>

	1997 £'000	1996 £'000
7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES		
UK corporation tax at 33% (1996: 33%)	551	328
Subvention payments with regard to group loss relief	<u>6</u>	<u>169</u>
Tax charge for the year	<u>557</u>	<u>497</u>

8. DIVIDENDS		
Dividend paid	<u>£ 600</u>	<u>£1,000</u>

9. FIXED ASSETS

(a) Tangible assets

	Short Leasehold £'000	Fittings & equipment £'000	Computers £'000	Motor vehicles £'000	Total £'000
COST					
At 01.01.97	98	407	181	1,378	2,064
Intra group transfer	-	-	-	(5)	(5)
Additions	18	102	14	344	478
Disposals	<u>-</u>	<u>(7)</u>	<u>-</u>	<u>(261)</u>	<u>(268)</u>
At 31.12.97	<u>116</u>	<u>502</u>	<u>195</u>	<u>1,456</u>	<u>2,269</u>
DEPRECIATION					
At 01.01.97	44	292	147	647	1,130
Intra group transfer	-	-	-	9	9
Charge for the year	17	44	21	324	406
Eliminated on disposals	<u>-</u>	<u>(7)</u>	<u>-</u>	<u>(233)</u>	<u>(240)</u>
At 31.12.97	<u>61</u>	<u>329</u>	<u>168</u>	<u>747</u>	<u>1,305</u>
NET BOOK VALUE					
At 31.12.97	<u>55</u>	<u>173</u>	<u>27</u>	<u>709</u>	<u>964</u>
At 31.12.96	<u>54</u>	<u>115</u>	<u>34</u>	<u>731</u>	<u>934</u>
Net book value of assets held under hire purchase and finance leases at 31.12.97 included above	Cost	65		1,133	1,198
	Accumulated Dep'n	(32)		(509)	(541)
	Net Book Value	<u>33</u>		<u>624</u>	<u>657</u>

	1997 £'000	1996 £'000
9. FIXED ASSETS (continued)		
b) Investments		
Unquoted shares in subsidiaries :		
At 1.1.97	511	491
Additions (see below)	<u>20</u>	<u>20</u>
At 31.12.97	<u>531</u>	<u>511</u>

The following were subsidiary companies at the end of the year:-

	Country of registration	Class of shares	Effective proportion held by company %
Curtis Holt (Southampton) Ltd	England	Ordinary	100
		6% Voting Cum Preference	85
Finnie & Company Ltd	Scotland	Ordinary	100
Zebra Tool Company Ltd	England	Ordinary	100

The shares in Zebra Tool Company are held through Curtis Holt (Southampton) Limited which holds the whole of the issued share capital in that company. The company is committed to acquiring from another shareholder the remaining 60,000 £1 6% voting cumulative preference shares in Curtis Holt (Southampton) Limited at par in tranches of £20K on 30 September in each of the next three years, these purchases being conditional upon agreed satisfactory profit levels being achieved.

	1997 £'000	1996 £'000
10. STOCKS		
Goods for re-sale	<u>7,114</u>	<u>6,487</u>
11. DEBTORS		
Trade debtors	7,178	6,202
Amounts owed by group companies	662	329
Other debtors	34	108
Prepayments and accrued income	<u>282</u>	<u>212</u>
	<u>8,156</u>	<u>6,851</u>

	1997 £'000	1996 £'000
12. CREDITORS		
(a) Amounts falling due within one year:		
10% unsecured loan stock (i)	12	12
Bank overdraft (ii)	4,628	3,975
Other secured loans	60	60
Trade creditors	3,341	3,253
Hire purchase	257	284
Corporation tax	513	307
Other creditors including taxation and social security	1,443	1,040
Accruals and deferred income	<u>588</u>	<u>464</u>
	<u>10,842</u>	<u>9,395</u>
(b) Amounts falling due after more than one year:		
Other secured loans	90	180
Hire purchase	<u>49</u>	<u>92</u>
	<u>139</u>	<u>272</u>
(i) The 10% loan stock is payable on demand subject to deferment at the option of the shareholders.		
(ii) The overdraft is secured by a fixed and floating charge over the company's assets together with composite joint and several unlimited multilateral cross guarantees with other group companies.		
13. SHARE CAPITAL		
Authorised		
20,000 Ordinary shares of £1 each	<u>20</u>	<u>20</u>
Issued and fully paid		
17,303 Ordinary shares of £1 each	<u>17</u>	<u>17</u>

14. RESERVES

1997
Revenue reserve
£'000
At 01.01.97
5,105
Retained profit for the year
<u>663</u>
At 31.12.97
<u><u>5,768</u></u>

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

There were no movements in shareholders' funds other than as shown in note 14.

16. CAPITAL EXPENDITURE

	1997	1996
i) Authorised but not contracted	<u>£Nil</u>	£ Nil
ii) Contracted for but not provided in the financial statements	<u>£Nil</u>	£ Nil

17. PENSIONS AND COMMITMENTS

The company together with other group companies operates a funded, defined benefits scheme. The assets of the scheme are held separately from those of the company and are invested by Investment Managers appointed by the Trustees.

Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the attained age method. The most recent valuation of the group scheme was at 1 February 1997, when the market value of the scheme's assets was shown as £4.9m which was sufficient, in the opinion of the actuary, to cover liabilities accrued at that date.

18. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

	1997 £'000	1996 £'000
Total hire purchase payments outstanding	322	398
Less: Finance charges allocated to future periods	<u>(16)</u>	<u>(22)</u>
	<u><u>306</u></u>	<u><u>376</u></u>

Disclosed in the accounts as follows:

Due within one year	257	284
Due between two and five years	<u>49</u>	<u>92</u>
	<u><u>£306</u></u>	<u><u>£376</u></u>

19. OPERATING LEASES

Lease payments on operating leases are written off in the year in which they are incurred.

	1997		1996	
	Leasehold property £'000	Equipment £'000	Leasehold property £'000	Equipment £'000
NET OBLIGATIONS - operating leases				
Rentals due within one year for agreements terminating:				
- one to two years	-	2	-	2
- two to five years	-	15	-	4
- after five years	<u>432</u>	<u>-</u>	<u>415</u>	<u>-</u>
	<u>432</u>	<u>17</u>	<u>415</u>	<u>6</u>

20. ULTIMATE PARENT COMPANY

Curtis Holt Limited's ultimate parent company is Dormole Limited, a company incorporated in England and which effectively controls 100% of the voting rights of the company's issued share capital.

	1997 £'000	1996 £'000
21. NOTES TO CASH FLOW STATEMENT		
(a) RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES		
Operating profit	2,232	1,635
Depreciation charge	406	353
(Profit) on sale of tangible fixed assets	(25)	(21)
(Increase) in stock	(627)	(848)
(Increase) in debtors	(1,305)	(1,981)
Increase in creditors	<u>615</u>	<u>2,013</u>
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>1,296</u>	<u>1,151</u>
(b) GROSS CASH FLOWS		
Returns on investments and servicing of finance		
Interest paid	(394)	(292)
Interest element of hire purchase and finance lease payments	(37)	(35)
Dividend received	<u>19</u>	<u>413</u>
	<u>(412)</u>	<u>86</u>

	1997 £'000	1996 £'000
21(b) GROSS CASH FLOWS (continued)		
Capital expenditure		
Payments to acquire tangible fixed assets	(478)	(669)
Receipts from sales of tangible fixed assets	67	95
Payments to acquire investments	(20)	(320)
Receipts from sales of investments	-	82
	<u>(431)</u>	<u>(812)</u>
Financing		
Repayment of secured loan	(90)	240
Capital element of hire purchase and finance lease payments	<u>(70)</u>	<u>84</u>
	<u>(160)</u>	<u>324</u>

22 ANALYSIS OF CHANGES IN NET DEBT

	At 01.01.97 £'000	Cash flow £'000	At 31.12.97 £'000
Cash at bank and in hand	6	(5)	1
Bank overdrafts	(3,975)	(653)	(4,628)
Debt due within one year	(72)	-	(72)
Debt due after more than one year	(180)	90	(90)
Hire purchase and finance leases	<u>(376)</u>	<u>70</u>	<u>(306)</u>
	<u>(4,597)</u>	<u>(498)</u>	<u>(5,095)</u>