

COMPANY NUMBER:

716921

HOME HARDWARE SOUTHWEST LIMITED

ABBREVIATED STATUTORY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2001



DAVISON'S
CHARTERED ACCOUNTANTS
REGISTERED AUDITORS
147 HIGH STREET
ILFRACOMBE
DEVON
EX34 9EZ

HOME HARDWARE SOUTHWEST LIMITED

COMPANY INFORMATION

COMPANY NUMBER: 716921

DIRECTORS: J R Fewings (Executive Chairman)
P F Slee
M B Elliott (Managing Director)
S L Davey (Finance Director)
G R Kingdon
N G Pedlar
C M Blanchard
D C Adams (Deputy Chairman)
I Follett
E G Bunce

SECRETARY: G R Kingdon

REGISTERED OFFICE: Upcott Avenue
Pottington Business Park
Barnstaple
Devon
EX31 1NZ

AUDITORS: Davisons
Chartered Accountants
Registered Auditors
147 High Street
Ilfracombe
Devon
EX34 9EZ

BANKERS: National Westminster Bank plc
41 High Street
Barnstaple
Devon
EX31 1DA

AUDITORS' REPORT TO HOME HARDWARE SOUTHWEST LIMITED

PURSUANT TO SECTION 247B OF THE COMPANIES ACT 1985.

We have examined the abbreviated financial statements on pages 6 to 25 together with the full financial statements of Home Hardware Southwest Limited for the year ended 30 June 2001, prepared under section 226 of the Companies Act 1985.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

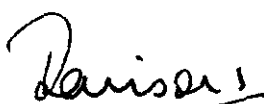
The directors are responsible for preparing the abbreviated financial statements in accordance with section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated financial statements prepared in accordance with sections 246A(3) of the Act to the registrar of companies and whether the financial statements to be delivered are properly prepared in accordance with those provisions and to report our opinion to you.

BASIS OF OPINION

We have carried out the procedures we considered necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated financial statements and that the abbreviated financial statements to be delivered are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the full statutory financial statements.

OPINION

In our opinion the company is entitled to deliver abbreviated financial statements prepared in accordance with sections 246A(3) Companies Act 1985, and the abbreviated financial statements on pages 6 to 25 are properly prepared in accordance with those provisions.



Davison
Chartered Accountants
Registered Auditors
147 High Street
Ilfracombe
Devon
EX34 9EZ

12 October 2001

HOME HARDWARE SOUTHWEST LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2001

The directors present their report and the financial statements for the year ended 30 June 2001.

PRINCIPAL ACTIVITIES

The principal activity of the company was that of wholesale distribution of hardware and horticultural goods. On the 1st December 2000 the company transferred its distribution trading to a newly formed subsidiary company, Home Hardware Distribution Limited. The company is now continuing to provide an extensive range of membership services to independent hardware retailers as a dealer owned wholesale organisation.

REVIEW OF BUSINESS

The directors consider the profit achieved on ordinary activities before taxation to be satisfactory and consider the position of the company at the year end to be satisfactory.

FUTURE DEVELOPMENTS

The directors are looking forward to another profitable year.

FIXED ASSETS

Changes in fixed assets during the year are set out in the notes to the financial statements.

RESULTS AND DIVIDENDS

The directors recommend that a final dividend of 8 pence per share be paid on the B shares in issue of £ 36,790 (2000 - £nil). The directors proposed that the retained profits of £31,484 be added to reserves.

:

HOME HARDWARE SOUTHWEST LIMITED

DIRECTORS' REPORT (Continued)

FOR THE YEAR ENDED 30 JUNE 2001

DIRECTORS' INTERESTS

The directors of the company during the year and their interests in the share capital of the company as recorded in the register of directors' interests were as follows:

	<u>2001</u>	<u>2000</u>
	<u>No.</u>	<u>of shares</u>
<u>Ordinary A</u>		
J R Fewings	2,250	2,250
P F Slee	1,500	1,500
G R Kingdon	1,500	1,500
M B Elliott	1,500	1,500
S L Davey	-	-
N G Pedlar	1,500	1,500
C M Blanchard	1,500	1,500
D C Adams	1,500	1,500
I Follett	1,500	1,500
E G Bunce	-	-
<u>Ordinary B</u>		
J R Fewings	74,871	69,141
P F Slee	80,955	75,225
G R Kingdon	-	9,522
M B Elliott	9,060	9,060
S L Davey	-	-
N G Pedlar	50,748	50,748
C M Blanchard	19,005	19,005
D C Adams	9,555	9,555
I Follett	-	-
E G Bunce	-	-

The above changes are due to transfers following the annual share trading day of 26 January 2001.

HOME HARDWARE SOUTHWEST LIMITED

DIRECTORS' REPORT (Continued)

FOR THE YEAR ENDED 30 JUNE 2001

RESPONSIBILITIES OF THE DIRECTORS

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the 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 to 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.

SUBSTANTIAL SHAREHOLDINGS

Substantial interests in the ordinary share capital of the company were as follows:-

	No.	% Holding
Home Hardware Distribution Ltd.	400,000	80
Ordinary shares of £1		

OWN SHARES

The company issued 81,000 ordinary A shares of £1 each during the year.

AUDITORS

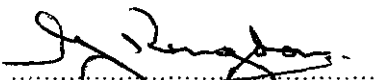
The auditors, Davisons will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

HOME HARDWARE SOUTHWEST LIMITED

DIRECTORS' REPORT (Continued)

FOR THE YEAR ENDED 30 JUNE 2001

ON BEHALF OF THE BOARD

A handwritten signature in black ink, appearing to read 'G R Kingdon', is written over a dotted line.

G R KINGDON

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HOME HARDWARE SOUTHWEST LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2001

	<u>Note</u>	<u>2001</u> £	<u>2000</u> £
<u>GROSS PROFIT</u>		683,289	1,284,872
Distribution costs		(165,235)	(247,678)
Administrative expenses		(659,983)	(937,207)
		(141,929)	99,987
Other operating income		297,510	127,588
<u>OPERATING PROFIT</u>	2	155,581	227,575
Interest payable & similar charges	5	(59,456)	(81,433)
<u>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</u>		96,125	146,142
Tax on profit on ordinary activities	6	(27,851)	(32,762)
<u>PROFIT FOR THE FINANCIAL YEAR</u>		68,274	113,380
Dividends	8	(36,790)	-
<u>RETAINED PROFIT FOR THE YEAR</u>		31,484	113,380

The company has made no acquisitions nor discontinued any operations within the meaning of Financial Reporting Standard 3 during 2001 therefore turnover and operating profit derive entirely from continued operations.

The company has no recognised gains or losses other than the profit for the financial year.

The annexed notes form part of these financial statements.

HOME HARDWARE SOUTHWEST LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 30 JUNE 2001

	<u>2001</u> <u>£</u>	<u>2000</u> <u>£</u>
Profit for the financial year	68,274	113,380
Unrealised surplus on revaluation of assets	51,928	-
Total recognised gains and losses relating to the year	120,202	113,380
Total gains and losses recognised in the year	120,202	113,380

HOME HARDWARE SOUTHWEST LIMITED

NOTE OF HISTORICAL COST PROFITS AND LOSSES

FOR THE YEAR ENDED 30 JUNE 2001

	<u>2001</u> <u>£</u>	<u>2000</u> <u>£</u>
Profit on ordinary activities before taxation	96,125	146,142
Difference - historical & actual depreciation	2,052	2,053
Historical cost profit on ordinary activities before taxation.	98,177	148,195
Historical cost profit for the year retained after taxation and dividends	33,536	115,433

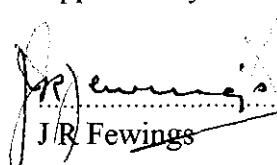
HOME HARDWARE SOUTHWEST LIMITED

ABBREVIATED BALANCE SHEET

AS AT 30 JUNE 2001

	<u>Note</u>	<u>2001</u>	<u>2000</u>
		£	£
<u>FIXED ASSETS</u>			
Tangible assets	9	934,902	938,637
Investments	10	934,276	10,144
		<u>1,869,178</u>	<u>948,781</u>
<u>CURRENT ASSETS</u>			
Stocks	11	6,618	1,030,456
Debtors	12	1,647,424	1,342,049
Cash at bank and in hand		145	248
		<u>1,654,187</u>	<u>2,372,753</u>
<u>CREDITORS</u>			
Amounts falling due within one year	13	(1,905,628)	(1,882,227)
<u>NET CURRENT (LIABILITIES)/ASSETS</u>		<u>(251,441)</u>	<u>490,526</u>
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>		<u>1,617,737</u>	<u>1,439,307</u>
<u>CREDITORS</u>			
Amounts falling due after more than one year	14	(428,455)	(399,107)
<u>PROVISIONS FOR LIABILITIES AND CHARGES</u>	15	(3,667)	-
<u>NET ASSETS</u>		<u>1,185,615</u>	<u>1,040,200</u>
<u>CAPITAL AND RESERVES</u>			
Called up share capital	16	670,908	589,908
Revaluation reserve	17	219,782	167,854
Profit and loss account	18	294,925	282,438
<u>SHAREHOLDERS' FUNDS</u>	19	<u>1,185,615</u>	<u>1,040,200</u>

Approved by the board of directors on 12TH OCTOBER 2001 and signed on its behalf.

 *J.R. Fewings*
J R Fewings

 *P.F. Slee*
P F Slee

The annexed notes form part of these financial statements.

HOME HARDWARE SOUTHWEST LIMITED

CASHFLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2001

	<u>Note</u>	<u>2001</u> <u>£</u>	<u>2000</u> <u>£</u>
<u>NET CASH INFLOW FROM OPERATING ACTIVITIES</u>	20	863,533	343,996
<u>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</u>	21	(59,456)	(81,433)
<u>TAXATION</u>		(32,838)	(16,642)
<u>CAPITAL EXPENDITURE</u>	21	(33,296)	(33,433)
<u>EQUITY DIVIDENDS PAID</u>		-	(11,790)
		737,943	200,698
<u>FINANCING</u>	21	(889,881)	(41,703)
<u>(DECREASE) INCREASE IN CASH</u>		(151,938)	158,995

HOME HARDWARE SOUTHWEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2001

1. ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention modified to include the revaluation of certain fixed assets, and in accordance with applicable accounting and financial reporting standards.

The company and its subsidiary undertaking has taken advantage of the exemption provided by S.248 of the Companies Act 1985 not to prepare group accounts. The financial statements present information about the company as an individual undertaking and not about its group.

As permitted by FRS 8, transactions between group companies have not disclosed.

TURNOVER

Turnover comprises the invoiced value of goods and services supplied by the company, net of Value Added Tax.

DEPRECIATION AND DIMINUTION IN VALUE OF ASSETS

Tangible fixed assets are stated at cost or valuation less depreciation.

Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold buildings	-	2% per annum of cost
Plant and machinery	-	10% to 33.33% per annum of cost

No depreciation is provided on freehold land. In accordance with Financial Reporting Standard number 15, the freehold buildings have been depreciated. This commenced from the 2000 year. The previous policy was to depreciate buildings at nil% per annum.

STOCKS

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving stocks.

DEFERRED TAXATION

Provision is made for taxation deferred as a result of material timing differences between the incidence of income and expenditure for taxation purposes, using the liability method, only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the near future.

FOREIGN EXCHANGE

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into the profit and loss account.

HOME HARDWARE SOUTHWEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 30 JUNE 2001

LEASING

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets and depreciated over the shorter of the lease term and their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a periodic rate of charge on the net obligation outstanding in each period. Rentals paid under operating leases are charged to the profit & loss account on straight line basis over the term of the lease.

PENSION COSTS

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

DIRECT SHIPMENT AGREEMENTS

Sales under negotiated direct shipment agreements are recognised when invoiced by the company.

2. TURNOVER

Turnover is all derived from the United Kingdom. On 1st December 2000 the company transferred its distribution business to its newly formed subsidiary, Home Hardware Distribution Limited. With effect from that date all distribution sales were shown in that company. As the company has not discontinued these operations, no split of the turnover to show the effects has been given because in accordance with Financial Reporting Standard number 3 (paragraph 43) the effects should all be treated as part of this entity's continuing operations. All operations are therefore continuing operations. The company controls 80% of the subsidiary.

3. OPERATING PROFIT

	<u>2001</u>	<u>2000</u>
	<u>£</u>	<u>£</u>
This is stated after charging:		
Auditors' remuneration	4,000	6,000
Depreciation of owned assets	21,129	22,870
Depreciation of assets held under finance leases and hire purchase contracts	15,902	21,665
Hire of plant and machinery - operating leases	39,630	75,615
Hire of other assets - operating leases	15,467	13,284
Hire of equipment	8,934	15,878
	<u> </u>	<u> </u>

HOME HARDWARE SOUTHWEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 30 JUNE 2001

4. **DIRECTORS' EMOLUMENTS**

	<u>2001</u> <u>£</u>	<u>2000</u> <u>£</u>
Directors' emoluments	161,503	136,586
Company contributions to money purchase schemes in relation to directors pensions	<u>13,530</u>	<u>18,355</u>

5. **STAFF COSTS**

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

	<u>2001</u>	<u>2000</u>
<u>To 30th November 2000</u>		
Distribution staff	26	24
Administrative staff	<u>29</u>	<u>26</u>
	<u>55</u>	<u>50</u>
<u>From 1st December 2000</u>		
Administrative staff	<u>19</u>	<u>-</u>

The aggregate payroll costs of these persons were as follows:

	<u>2001</u> <u>£</u>	<u>2000</u> <u>£</u>
Wages and Salaries	442,503	623,424
Social Security	38,956	52,273
Other pension costs	<u>13,530</u>	<u>18,355</u>
	<u>494,989</u>	<u>694,052</u>

HOME HARDWARE SOUTHWEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 30 JUNE 2001

6. **INTEREST PAYABLE**

	<u>2001</u>	<u>2000</u>
	<u>£</u>	<u>£</u>
Interest payable - bank loans and overdraft and other loans repayable within five years	52,747	70,310
Members deposit & loan interest	4,656	5,198
Finance charges payable - finance leases and hire purchase contracts	2,053	5,925
	<u>59,456</u>	<u>81,433</u>

7. **TAXATION ON PROFIT ON ORDINARY ACTIVITIES**

	<u>2001</u>	<u>2000</u>
	<u>£</u>	<u>£</u>
Current year:		
United Kingdom Corporation Tax	25,770	33,284
Deferred Tax	3,667	-
 Prior year adjustment Corporation tax	 (1,586)	 (522)
	<u>27,851</u>	<u>32,762</u>

8. **DIVIDENDS**

	<u>2001</u>	<u>2000</u>
	<u>£</u>	<u>£</u>
Proposed dividend of £0.08 per ordinary B share	36,790	-

HOME HARDWARE SOUTHWEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 30 JUNE 2001

9. **TANGIBLE FIXED ASSETS**

	<u>Land and Buildings</u>	<u>Plant and Machinery</u>	<u>Total</u>
	<u>£</u>	<u>£</u>	<u>£</u>
Cost or valuation:			
At 1 July 2000	835,000	293,456	1,128,456
Additions	67,283	55,959	123,242
Disposals	-	(138,289)	(138,289)
At 30 June 2001	902,283	211,126	1,113,409
Depreciation:			
At 1 July 2000	6,500	183,319	189,819
Charge for the year	6,500	30,531	37,031
On disposals	-	(48,343)	(48,343)
At 30 June 2001	13,000	165,507	178,507
Net book value:			
At 30 June 2001	889,283	45,619	934,902
At 30 June 2000	828,500	110,137	938,637

The company's freehold property at Pottington Business Park, Barnstaple was revalued by N Facey, Chartered Surveyor, at open market value as at 8 March 1996 of £625,000. The company's freehold property at Vellator, Braunton, was revalued by B N Miles, FCI Arb, FPCS, on an exsisting use basis as at 16 August 1995 of £210,000.

Included within the above land and buildings is the land valued at £510,000 which is not depreciated.

The above fixed assets include a net book value of £14,674 (2000 £82,182) in respect of assets held under finance leases and hire purchase contracts.

If land and buildings had not been revalued, they would have been included in the financial statements at the following amounts:

Cost	£734,429
Aggregate depreciation based on cost	£8,895

HOME HARDWARE SOUTHWEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 30 JUNE 2001

10. **FIXED ASSET INVESTMENTS**

	<u>Subsidiary Undertaking</u>		<u>Unlisted</u>	<u>Total</u>
	<u>Shares</u>	<u>Loan Stock</u>		
Cost or valuation				
At 1 July 2000			10,144	10,144
Additions	400,000	472,204		872,204
Surplus on revaluation	51,928			51,928
	<u>451,928</u>	<u>472,204</u>	<u>10,144</u>	<u>934,276</u>
Cost or valuation at 30 June 2001	451,928	472,204	10,144	934,276
	<u>451,928</u>	<u>472,204</u>	<u>10,144</u>	<u>934,276</u>
Net Book Values as at 30 June 2001	451,928	472,204	10,144	934,276
	<u>-</u>	<u>-</u>	<u>10,144</u>	<u>10,144</u>
Net Book Values as at 30 June 2000	-	-	10,144	10,144
	<u>-</u>	<u>-</u>	<u>10,144</u>	<u>10,144</u>

As at the balance sheet date the company held the following investments in subsidiary undertakings:

Subsidiary	Holding	Nature of business	Country of incorporation
Home Hardware Distribution Limited	80% Ordinary share capital	Wholesale Distribution	England & Wales
Home Hardware Distribution Limited	Loan Stock-£472204 of £590255	Wholesale Distribution	England and Wales

The retained reserves of the subsidiary undertakings amounted in total to £64,910

HOME HARDWARE SOUTHWEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 30 JUNE 2001

11. **STOCKS**

	<u>2001</u>	<u>2000</u>
	<u>£</u>	<u>£</u>
Raw materials and consumables	6,618	12,953
Finished goods and goods for resale	-	1,017,503
	<u>6,618</u>	<u>1,030,456</u>

12. **DEBTORS**

	<u>2001</u>	<u>2000</u>
	<u>£</u>	<u>£</u>
Due within one year:		
Trade debtors	1,554,500	1,274,594
Other debtors	92,924	67,455
	<u>1,647,424</u>	<u>1,342,049</u>

HOME HARDWARE SOUTHWEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 30 JUNE 2001

13. **CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<u>2001</u>	<u>2000</u>
	<u>£</u>	<u>£</u>
Bank loans and overdrafts	449,994	397,154
Trade creditors	510,607	1,083,274
Other creditors	71,015	40,000
Corporation tax	27,352	34,420
Other taxes and social security	25,698	87,639
Obligations under finance leases and hire purchase contracts	13,867	23,900
Accruals	770,305	215,840
Proposed dividend	36,790	-
	<u>1,905,628</u>	<u>1,882,227</u>

The amount owing to the subsidiary company is £559,520 and is included in accruals above.

The bank overdraft and loans are secured by a charge on the company's freehold land and buildings and a floating charge over the assets of the company.

Finance leases and hire purchase contracts are secured on the assets to which they relate.

The company has a cross guarantee covering the bank liabilities from this company to its subsidiary, Home Hardware Distribution Limited.

HOME HARDWARE SOUTHWEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 30 JUNE 2001

14. **CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<u>2001</u>	<u>2000</u>
	<u>£</u>	<u>£</u>
Bank loan accounts	382,741	255,780
Obligations under finance leases and hire purchase contracts	5,503	34,191
Members loans	40,211	109,136
	<u>428,455</u>	<u>399,107</u>

Of the above creditors, the following amounts are repayable wholly or in part more than five years after balance sheet date:

	<u>£</u>
Within one year	27,019
One to two years	27,019
Two to five years	81,057
Over five years	274,665
	<u>409,760</u>

All the aforementioned bank loans are repayable by monthly instalments.

15. **PROVISIONS FOR LIABILITIES AND CHARGES**

	<u>Deferred Taxation</u>
	<u>£</u>
Charge for the year (accelerated capital allowances)	3,667
Balance at 30 June 2001	<u>3,667</u>

HOME HARDWARE SOUTHWEST LIMITED
NOTES TO THE FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED 30 JUNE 2001

16. **SHARE CAPITAL**

	<u>2001</u>	<u>2000</u>
	<u>£</u>	<u>£</u>
<u>AUTHORISED</u>		
500,000 Ordinary A shares of £1	500,000	500,000
750,000 Ordinary B shares of £1	750,000	750,000
	1,250,000	1,250,000
	<u>£</u>	<u>£</u>
<u>ALLOTTED, CALLED UP AND FULLY PAID</u>		
Ordinary A shares of £1	211,032	130,032
Ordinary B shares of £1	459,876	459,876
	670,908	589,908

During the year the company issued 81,000 A Ordinary shares of £1 at par value for £81,000 in cash.

The A and B shares carry equal voting rights but differ in that B shares entitle holders to an 8% cumulative dividend ranking in priority to any other dividends and to other rights, details of which are available on request.

17. **REVALUATION RESERVE**

	<u>2001</u>
	<u>£</u>
At 1 July 2000	167,854
Arising on revaluation during the year	51,928
	219,782

18. **PROFIT AND LOSS ACCOUNT**

	<u>2001</u>
	<u>£</u>
Balance at 1 July 2000	282,438
Profit retained for the year	31,484
Costs of subsidiary formation	(18,997)
	294,925

Of the balance of £294,925 above, £256,971 (2000: £220,181) relates to the B profit and loss reserve.

HOME HARDWARE SOUTHWEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 30 JUNE 2001

19. **RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<u>2001</u> £	<u>2000</u> £
Profit for the financial year	68,274	113,380
Dividends	36,790	-
Retained profit for the year	31,484	113,380
Costs of subsidiary formation	(18,997)	-
Other recognised gains and losses relating to the year	51,928	-
New share capital subscribed	81,000	-
Net addition to shareholders' funds	145,415	113,380
Shareholders' funds at 1 July 2000	1,040,200	926,820
Shareholders' funds at 30 June 2001	1,185,615	1,040,200

20. **RECONCILIATION OF OPERATING PROFIT
TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	<u>2001</u> £	<u>2000</u> £
Operating profit	155,581	227,575
Depreciation charges	37,031	44,535
Decrease/(Increase) in stocks	1,023,838	(40,602)
Increase in debtors	(305,245)	(145,828)
(Decrease)/Increase in creditors	(47,542)	274,114
Decrease in provisions	-	(15,798)
Net cash flow from operating activities	863,533	334,996

HOME HARDWARE SOUTHWEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 30 JUNE 2001

21. **GROSS CASH FLOWS**

	<u>2001</u> £	<u>2001</u> £	<u>2000</u> £
<u>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</u>			
Interest paid	(57,403)		(75,508)
Interest element of finance lease rental payments	(2,053)		(5,925)
		(59,456)	
<u>CAPITAL EXPENDITURE</u>			
Payments to acquire tangible fixed assets	(123,242)		(33,433)
Sales of tangible fixed assets	89,946		-
		(33,296)	
<u>FINANCING</u>			
Issue of shares	81,000		-
Bank loans and overdraft increase	27,966		(21,474)
Capital element of finance lease rental repayments	(38,721)		(15,429)
Company formation expenses	(18,997)		-
Investment in subsidiary	(872,204)		-
Payments to purchase own shares	-		(18,030)
Members loans	(68,925)		13,230
		(889,881)	

HOME HARDWARE SOUTHWEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 30 JUNE 2001

22. **RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	<u>2001</u> <u>£</u>	<u>2001</u> <u>£</u>	<u>2000</u> <u>£</u>
(Decrease)/Increase in cash in the year	(151,938)		158,995
Cash outflow from decrease in debt and lease financing	(119,680)		23,673
Movement in net debt in the year		(32,258)	182,668
Net debt at 1 July 2000		(859,913)	(1,042,581)
Net debt at 30 June 2001		(892,171)	(859,913)

HOME HARDWARE SOUTHWEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 30 JUNE 2001

23. **ANALYSIS OF NET DEBT**

	Opening Balance £	Cash Flows £	Closing Balance £
<u>NET CASH:</u>			
Cash in hand	248	(103)	145
Bank overdraft	(269,017)	(151,835)	(420,852)
	<u>(268,769)</u>	<u>(151,938)</u>	<u>(420,707)</u>
 Debts due within one year:			
Bank loans	(128,137)	98,995	(29,142)
 Debts due after one year:			
Bank and members' loans	(404,916)	(18,036)	(422,952)
Finance leases	(58,091)	38,721	(19,370)
	<u>(859,913)</u>	<u>(32,258)</u>	<u>(892,171)</u>

24. **LEASING COMMITMENTS**

At 30 June 2001 the company had annual commitments under non-cancellable operating leases as detailed below:

	<u>Assets other than Land and Buildings</u>	
	£	£
Operating leases which expire:		
Between two and five years	<u>13,474</u>	<u>67,241</u>

HOME HARDWARE SOUTHWEST LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE YEAR ENDED 30 JUNE 2001

25. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:

	<u>2001</u>	<u>2000</u>
	<u>£</u>	<u>£</u>
Amounts payable:		
Within one year	13,867	23,900
Between one and five years	5,503	51,120
	19,370	75,020

26. CONTINGENT LIABILITIES

At any point in time the company has a contingent liability in respect of orders placed by its members under negotiated Direct Shipment Agreements which have not been invoiced to the company or for which invoices have not been received. Any such liability would be offset by a similar uninvoiced amount owed to the company by the member.

27. PENSION COSTS

The company operates a defined contribution scheme for its employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the scheme and amounted to £13,530 (2000: £18,355).

Retirement benefits are accruing to three directors under the above scheme.

28. RELATED PARTY TRANSACTIONS

A number of the directors have an interest in businesses which are customers of the company. Sales to these businesses are all on normal commercial terms on an arms length basis. All other related party transactions are also all on normal commercial terms and are on an arms length basis.

29. ULTIMATE CONTROLLING PARTY

The company is under the control of the directors who are also major shareholders in the company.