

Registration number 00716921

Home Hardware Southwest Limited
Directors' report and financial statements
for the year ended 30 June 2002



Home Hardware Southwest Limited

Directors, officers and advisors

Directors	J R Fewings	Executive chairman
	P F Slee	
	D C Adams	Deputy chairman
	G R Kingdon	Company secretary
	M B Elliott	Managing director
	S L Davey	Finance director
	N G Pedlar	
	C M Blanchard	
	I Follett	
	E G Bunce	
Secretary	G R Kingdon	
Company Number	00716921	
Registered Office	Upcott Avenue Pottington Business Park Barnstaple Devon EX31 1NZ	
Auditors	Davisons Chartered Accountants 147 High Street Ilfracombe Devon EX34 9EZ	
Business Address	Upcott Avenue Pottington Business Park Barnstaple Devon EX31 1NZ	
Bankers	National Westminster Bank plc 41 High Street Barnstaple Devon EX31 1DA	

Home Hardware Southwest Limited

Annual Report for the year ended 30 June 2002

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Home Hardware Southwest Limited

Directors' Report for the year ended 30 June 2002

The directors present their annual report, together with the financial statements of the company and the group, for the year ended 30 June 2002.

Principal Activity and Review of the Business

The principal activities of the group are the provision of an extensive range of membership services, other wholesale services to independent hardware retailers as a dealer owned organisation, and the distribution of hardware and horticultural goods.

The directors consider the results for the year to be satisfactory and anticipate profits for the near future. The directors consider the state of affairs for the group to be satisfactory.

Results And Dividends

The results for the year are set out on page 4 - 5. The profit for the year after taxation and minority interests was £168,120.

The directors recommend payment of a final dividend amounting to £36,790 on the B shares in issue (being 8 pence per share on the B shares).

European Monetary Union

The group have a non refundable loan with Ironside International, a corporation registered in France. This investment was originally 50,000 French Francs but is now 14,778 Euros. Any costs or loss of the change over to Euros will be realised when the investment is sold.

Fixed Assets

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

Post Balance Sheet Events

The group intends to expand by opening a distribution centre in the Midlands. The group will incur some limited capital, marketing and setup costs in the near future. This development will enable the group to further increase its membership and corporate marketing program.

Future Developments

The directors will expand and continue the groups activities in the future.

Share Capital

The issued share capital of the company was increased in the year by way of an issue of 18,000 ordinary A shares of £1 each.

Home Hardware Southwest Limited

Directors' Report for the year ended 30 June 2002

Directors and their Interests

The directors who served during the year and their interests in the company are as stated below:

		Ordinary shares		Ordinary B shares	
		30 June 2002	1 July 2001 or date of appointment	30 June 2002	1 July 2001 or date of appointment
J R Fewings	Executive chairman	2,250	2,250	76,119	74,871
P F Slee		1,500	1,500	80,955	80,955
D C Adams	Deputy chairman	1,500	1,500	9,555	9,555
G R Kingdon	Company secretary	1,500	1,500	-	-
M B Elliott	Managing director	1,500	1,500	9,060	9,060
S L Davey	Finance director	-	-	-	-
N G Pedlar		1,500	1,500	50,748	50,748
C M Blanchard		1,500	1,500	19,005	19,005
I Follett		1,500	1,500	-	-
E G Bunce		-	-	-	-

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 the affairs of the company and of the group and of the profit or loss of the company and of the group for that year. In preparing these the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group 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 of the group 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 of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

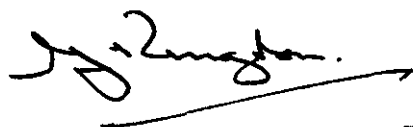
Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Davisons be reappointed as auditors of the company will be put to the Annual General Meeting.

This report is prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium-sized companies.

This report was approved by the Board on 22 October 2002 and signed on its behalf by

G R Kingdon
Secretary



Home Hardware Southwest Limited

Independent auditors' report to the shareholders of Home Hardware Southwest Limited

We have audited the financial statements of Home Hardware Southwest Limited for the year ended 30 June 2002 which comprise the balance sheet and the related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the statement of directors responsibilities.

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 with the company and group is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

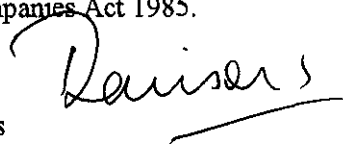
Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 group'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 and of the Group's affairs as at 30 June 2002 and of its Group profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Davisons
Chartered Accountants
Registered Auditor
147 High Street
Ilfracombe
Devon EX34 9EZ

Date 25 October 2002

Home Hardware Southwest Limited

Group Profit and Loss Account for the year ended 30 June 2002

		Continuing operations	
		2002	2001
	Notes	£	£
Turnover	2	12,839,481	11,238,710
Cost of sales		(11,027,240)	(9,736,380)
Gross profit		1,812,241	1,502,330
Distribution costs		(696,665)	(539,452)
Administrative expenses		(981,381)	(872,283)
Other operating income		163,247	149,140
Group operating profit	3	297,442	239,735
Interest payable and similar charges	4		
Group		(51,070)	(57,049)
Members deposit and loan interest		(5,799)	(4,656)
		(56,869)	(61,705)
Profit on ordinary activities before taxation		240,573	178,030
Tax on profit on ordinary activities	7	(48,054)	(44,846)
Profit on ordinary activities after taxation		192,519	133,184
Minority Interests Equity		(24,399)	(12,982)
Profit for the financial year		168,120	120,202
Dividends	9	(36,790)	(36,790)
Retained profit for the group and its share of joint ventures		131,330	83,412
Retained profit brought forward		346,853	263,441
Retained profit carried forward		478,183	346,853

The notes on pages 9 to 26 form an integral part of these financial statements.

Home Hardware Southwest Limited

None of the group's activities was acquired or discontinued during the above two financial years.

Note of historic cost profits and losses

Profit on ordinary activities before taxation	240,573	178,030
Difference between an historic cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	-	2,052
Historic cost profit on ordinary activities before taxation	<u>240,573</u>	<u>180,082</u>
Historic cost profit on ordinary activities after taxation and minority interests and dividends	<u>131,330</u>	<u>85,464</u>

Statement of Total Recognised Gains and Losses for the year ended 30 June 2002

Profit for the financial year	168,120	120,202
Difference - Historical and actual depreciation	(3,156)	
Total gains and losses recognised in the year	<u>164,964</u>	<u>120,202</u>

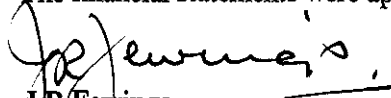
The notes on pages 9 to 26 form an integral part of these financial statements.

Home Hardware Southwest Limited

Group Balance Sheet as at 30 June 2002

		2002		2001	
	Notes	£	£	£	£
Fixed Assets					
Tangible assets	10		1,041,340		1,028,371
Investments	11		10,144		10,144
			<u>1,051,484</u>		<u>1,038,515</u>
Current Assets					
Stocks	13	1,492,441		1,234,023	
Debtors	14	1,551,938		1,665,612	
Cash at bank and in hand		461		175	
		<u>3,044,840</u>		<u>2,899,810</u>	
Creditors: amounts falling due within one year	15	<u>(2,112,527)</u>		<u>(2,081,823)</u>	
Net Current Assets			<u>932,313</u>		<u>817,987</u>
Total Assets Less Current Liabilities			1,983,797		1,856,502
Creditors: amounts falling due after more than one year	16		(507,694)		(552,082)
Provision for Liabilities and Charges	17				
Deferred taxation			(6,933)		(5,823)
Minority interest	18		(137,381)		(112,982)
Net Assets			<u>1,331,789</u>		<u>1,185,615</u>
Capital and Reserves					
Called up share capital	19		688,908		670,908
Revaluation reserve	20		164,698		167,854
Profit and loss account	20		478,183		346,853
Equity Shareholders' Funds	21		<u>1,331,789</u>		<u>1,185,615</u>

The financial statements were approved by the Board on 22 October 2002 and signed on its behalf by


J R Fewings
Director


P F Slee
Director

The notes on pages 9 to 26 form an integral part of these financial statements.

Home Hardware Southwest Limited

Balance Sheet as at 30 June 2002

		2002		2001	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	10		934,674		934,902
Investments	11		1,031,873		934,276
			<u>1,966,547</u>		<u>1,869,178</u>
Current assets					
Stocks	13	6,906		6,618	
Debtors	14	1,485,797		1,647,424	
Cash at bank and in hand		353		145	
		<u>1,493,056</u>		<u>1,654,187</u>	
Creditors: amounts falling due within one year	15	<u>(1,737,137)</u>		<u>(1,905,628)</u>	
Net current Assets			<u>(244,081)</u>		<u>(251,441)</u>
Total assets less current liabilities			1,722,466		1,617,737
Creditors: amounts falling due after more than one year	16		(389,016)		(428,455)
Provisions for liabilities and charges			<u>(1,661)</u>		<u>(3,667)</u>
Net Assets			<u>1,331,789</u>		<u>1,185,615</u>
Capital and reserves					
Called up share capital	19		688,908		670,908
Revaluation reserve	20		314,224		219,782
Profit and loss account	20		328,657		294,925
Equity Shareholders' Funds	21		<u>1,331,789</u>		<u>1,185,615</u>

The financial statements were approved by the Board on 22 October 2002 and signed on its behalf by


J. E. Fewings
Director


P. F. Slee
Director

The notes on pages 9 to 26 form an integral part of these financial statements.

Home Hardware Southwest Limited

Group Cash Flow Statement for the year ended 30 June 2002

	Notes	2002 £	2001 £
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit		297,442	239,735
Depreciation		54,592	47,751
(Increase) in stocks		(258,418)	(203,567)
Decrease in debtors		113,867	(323,563)
Increase in creditors		119,518	345,887
Net cash inflow from operating activities		<u>327,001</u>	<u>106,243</u>
CASH FLOW STATEMENT			
Net cash inflow from operating activities		327,001	106,243
Returns on investments and servicing of finance	26	(56,869)	(61,705)
Taxation	26	(38,151)	(32,838)
Capital expenditure	26	(67,563)	(137,485)
		<u>164,418</u>	<u>(125,785)</u>
Equity dividends paid		(36,790)	-
		<u>127,628</u>	<u>(125,785)</u>
Company formation expenses		-	(18,997)
Financing	26	(50,098)	351,311
Increase in cash in the year		<u>77,530</u>	<u>206,529</u>
Reconciliation of net cash flow to movement in net funds (Note 27)			
Increase in cash in the year		77,530	206,529
Cash outflow from increase in debts and lease financing		64,942	(170,311)
Change in net funds resulting from cash flows		<u>142,472</u>	<u>36,218</u>
Movement in net funds in the year		142,472	36,218
Net debt at 1 July 2001		(783,695)	(819,913)
Net debt at 30 June 2002		<u>(641,223)</u>	<u>(783,695)</u>

Home Hardware Southwest Limited

Notes to Financial Statements for the year ended 30 June 2002

1. Accounting Policies

1.1. Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of certain fixed assets.

The financial statements are prepared in accordance with applicable accounting standards. Any departures are explained in the relevant notes to the accounts.

1.2. Basis of Consolidation

The group financial statements consolidate the accounts of Home Hardware Southwest Limited and all its subsidiary undertakings made up to 30 June 2002 ; the group profit and loss account includes the results of all subsidiary undertakings for the period from the date of their acquisition and up to the date of disposal.

Turnover and profits arising on trading between group companies are excluded.

Where the group has an investment in an entity which is sufficient to give the group a participating interest, and over which it is in a position to exercise significant influence, the entity is treated as an associated undertaking and is accounted for using the equity method of accounting.

1.3. Turnover

Turnover represents the total invoice value, excluding value added tax, of sales made during the year.

1.4. Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost or valuation less residual value of each asset over its expected useful life, as follows:

Land and buildings	-	2% per annum on a straight line basis.
Plant and machinery	-	10% to 33% per annum on a written down value basis.

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

1.5. Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. 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 constant periodic rates of charge on the net obligations outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

Home Hardware Southwest Limited

Notes to Financial Statements for the year ended 30 June 2002

..... continued

1.6. Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.7. Stock

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

1.8. Pensions

The pension costs charge in the financial statements represent the contribution payable by the company during the year.

1.9. Deferred taxation

The accounting policy in respect of deferred taxation has been changed to reflect the requirements of Financial Reporting Standard 19. Deferred taxation is provided using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes. As the effect of the change in the accounting policy is not significant, a prior year adjustment is not required.

1.10 Foreign exchange

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange at the time of purchase of the asset or liability. When exchange differences arise they are taken into the profit and loss account.

1.11 Direct shipment agreements

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

2. Turnover

Turnover represents the net invoiced amount of goods sold and services provided and excludes value added tax and other sales taxes.

The total turnover of the group for the year has been derived from its principal activity wholly undertaken in the UK.

	2002	2001
	£	£
Class of business		
Warehouse Sales	8,089,045	7,075,252
Direct Sales	4,750,436	4,163,458
	<u>12,839,481</u>	<u>11,238,710</u>

Home Hardware Southwest Limited

Notes to Financial Statements for the year ended 30 June 2002

..... continued

3. Operating profit	2002	2001
	£	£
Depreciation of tangible assets	54,592	47,751
- Plant and machinery	125,958	80,743
-Other	21,445	12,757
Auditors' remuneration	5,700	6,500
4. Interest payable and similar charges	2002	2001
	£	£
On bank loans and overdrafts	48,473	52,747
Lease finance charges and hire purchase interest	2,597	4,302
	<u>51,070</u>	<u>57,049</u>
5. Employees		
Number of employees		
The average monthly numbers of employees (including the directors) during the year were:		
	2002	2001
Distribution and administration	54	48
Directors	3	3
Non executive directors	7	7
	<u>64</u>	<u>58</u>
Employment costs	2002	2001
	£	£
Wages and salaries	878,843	699,263
Social security costs	74,631	61,586
Other pension costs	15,150	13,530
	<u>968,624</u>	<u>774,379</u>

Home Hardware Southwest Limited

Notes to Financial Statements for the year ended 30 June 2002

..... continued

5.1. Directors' emoluments

	2002	2001
	£	£
Remuneration and other emoluments	178,072	161,503
Pension contributions	13,297	13,530
	<u>191,369</u>	<u>175,033</u>
	Number	Number
Number of directors to whom retirement benefits are accruing under a money purchase scheme	<u>3</u>	<u>3</u>

6. Pension costs

The company operates a defined contribution pension scheme in respect of the directors and employees. The scheme and its assets are held by independent managers. The pension charge represents contributions due from the company and amounted to £15,150 (2001 - £13,530).

7. Tax on profit on ordinary activities

Analysis of charge in period	2002	2001
	£	£
UK corporation tax	49,589	40,609
Prior period adjustments	(2,645)	(1,586)
	<u>46,944</u>	<u>39,023</u>
Total current tax charge	<u>46,944</u>	<u>39,023</u>
Deferred tax		
Timing differences, origination and reversal	1,110	5,823
Total deferred tax	<u>1,110</u>	<u>5,823</u>
Tax on profit on ordinary activities	<u>48,054</u>	<u>44,846</u>

Home Hardware Southwest Limited

Notes to Financial Statements for the year ended 30 June 2002

..... continued

7. continued

Factors affecting tax charge for period

The tax assessed for the period is the standard rate of corporation tax in the UK. The differences are explained below:

	2002	2001
	£	£
Profit on ordinary activities before taxation	<u>240,573</u>	<u>178,030</u>
Profit on ordinary activities multiplied by the rate of corporation tax in the UK.	48,114	35,606
Expenses not deductible for tax purposes	1,325	2,957
Capital allowances for period in excess of depreciation	150	2,046
Adjustments to tax charge in respect of previous periods	<u>(2,645)</u>	<u>(1,586)</u>
Current tax charge for period	<u>46,944</u>	<u>39,023</u>

8. Profit for the year attributable to shareholders

As permitted by Section 230 of the Companies Act 1985 the Profit and Loss Account of Home Hardware Southwest Limited has not been presented with the financial statements.

The results after taxation of the parent undertaking for the year ended 30 June 2002 showed a Profit of £70,522 (2001-£68,274).

9. Dividends

	2002	2001
	£	£
Dividends on equity shares:		
Ordinary B shares - Final proposed of £0.08 per share .	<u>36,790</u>	<u>36,790</u>
Aggregate final proposed dividend	<u>36,790</u>	<u>36,790</u>

Home Hardware Southwest Limited

Notes to Financial Statements for the year ended 30 June 2002

..... continued

10. Tangible fixed assets

	Land and buildings freehold	Plant and machinery	Total
Group	£	£	£
Cost/revaluation			
At 1 July 2001	902,283	315,315	1,217,598
Additions	15,511	52,050	67,561
At 30 June 2002	917,794	367,365	1,285,159
Depreciation			
At 1 July 2001	12,997	176,230	189,227
Charge for the year	8,156	46,436	54,592
At 30 June 2002	21,153	222,666	243,819
Net book values			
At 30 June 2002	896,641	144,699	1,041,340
At 30 June 2001	889,286	139,085	1,028,371
Company			
Cost/revaluation			
At 1 July 2001	902,283	211,126	1,113,409
Additions	15,511	13,990	29,501
At 30 June 2002	917,794	225,116	1,142,910
Depreciation			
At 1 July 2001	13,000	165,507	178,507
Charge for the year	8,153	21,576	29,729
At 30 June 2002	21,153	187,083	208,236
Net book values			
At 30 June 2002	896,641	38,033	934,674
At 30 June 2001	889,283	45,619	934,902

Home Hardware Southwest Limited

Notes to Financial Statements for the year ended 30 June 2002

..... continued

10. continued

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

The group has followed the transitional provisions of Financial Reporting Standard 15 and has not updated the valuation in these financial statements.

Included within the groups Land and Buildings freehold is the land valued at approxiately £510,000 which is not depreciated.

Included above are assets held under finance leases or hire purchase contracts as follows:

Asset description	2002		2001	
	Net	Depreciation	Net	Depreciation
	book value	charge	book value	charge
	£	£	£	£
Group				
Plant and machinery	<u>60,131</u>	<u>14,971</u>	<u>75,102</u>	<u>19,339</u>

Tangible fixed assets included at a valuation would have been included on a historic cost basis at:

Land and Buildings

	2002	2001
	£	£
Cost	749,940	734,429
Depreciation	<u>14,999</u>	<u>8,895</u>
Net book value	<u>734,941</u>	<u>725,534</u>

Home Hardware Southwest Limited

Notes to Financial Statements for the year ended 30 June 2002

..... continued

11. Fixed Asset Investments

Group

	Other Unlisted Investments	Total
	£	£
Cost		
At 1 July 2001		
At 30 June 2002	10,144	10,144
Net book values		
At 30 June 2002	10,144	10,144
At 30 June 2001	10,144	10,144

Unlisted investments include a non refundable loan of 14,778 Euros (formerly 50,000 French Francs) to Ironside International, a corporation registered in France, stated at £5,394, being the exchange rate as at the date of purchase of the investment. The loan is subject to conversion into shares at the end of a four year period, and this is expected to happen during the 2003 financial year.

Company	2002 £	2001 £
Subsidiary undertakings	1,021,729	924,132
Other unlisted investments	10,144	10,144
	<u>1,031,873</u>	<u>934,276</u>

Home Hardware Southwest Limited

Notes to Financial Statements for the year ended 30 June 2002

..... continued

12. Holdings of 20% or more

The company holds 20% or more of the share capital of the following companies:

Company	Country of registration or incorporation	Nature of business	Shares held class	Proportion of shares held
Subsidiary undertaking				
Home Hardware Distribution Limited	England and Wales	Wholesale distribution	Ordinary	80%
Significant interests				
Home Hardware Distribution Limited	England and Wales	Wholesale distribution	Loan Stock -	
			£472,204 of £590,225	

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and reserves £	Profit for the year £
Home Hardware Distribution Limited	686,907	121,997

The retained reserves of the subsidiary undertaking amounted to £186,907.

The revaluation of the subsidiary undertakings shares is 80% of the above retained reserves which amounts to £149,525, of which £97,597 was the revaluation for the year.

The principal business activity of all the above companies is the wholesale distribution of hardware and horticultural goods.

Home Hardware Southwest Limited

Notes to Financial Statements for the year ended 30 June 2002

..... continued

13. Stocks	2002 £	2001 £
Group		
Raw materials and consumables	1,482,874	1,223,634
Finished goods and goods for resale	9,567	10,389
	<u>1,492,441</u>	<u>1,234,023</u>
Company		
Raw materials and consumables	<u>6,906</u>	<u>6,618</u>
 14. Debtors	 2002 £	 2001 £
Group		
Trade debtors	1,414,577	1,554,500
Other debtors	48,961	10,629
Prepayments and accrued income	88,400	100,483
	<u>1,551,938</u>	<u>1,665,612</u>
 Company		
Trade debtors	1,392,832	1,554,500
Other debtors	48,961	10,629
Prepayments and accrued income	44,004	82,295
	<u>1,485,797</u>	<u>1,647,424</u>

Home Hardware Southwest Limited

Notes to Financial Statements for the year ended 30 June 2002

..... continued

15. Creditors: amounts falling due within one year	2002 £	2001 £
Group		
Bank overdraft	86,289	163,533
Bank loan	29,578	29,142
Net obligations under finance leases and hire purchase contracts	18,123	39,113
Trade creditors	1,294,943	1,206,566
Corporation tax	49,589	40,605
Other taxes and social security costs	162,062	160,443
Other creditors	163,609	121,298
Accruals and deferred income	308,334	321,123
	<u>2,112,527</u>	<u>2,081,823</u>

The bank overdrafts and loans are secured by a charge on the groups 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.

Company		
Bank overdraft	78,034	420,852
Bank loan	29,578	29,142
Net obligations under finance leases and hire purchase contracts	5,502	13,867
Trade creditors	448,836	510,607
Amounts owed to group undertaking	761,629	559,520
Corporation tax	20,178	25,766
Other taxes and social security costs	46,359	25,698
Other creditors	154,320	109,391
Accruals and deferred income	192,701	210,785
	<u>1,737,137</u>	<u>1,905,628</u>

Home Hardware Southwest Limited

Notes to Financial Statements for the year ended 30 June 2002

..... continued

16. Creditors: amounts falling due after more than one year	2002 £	2001 £
Group		
Bank loan	350,605	382,741
Members loans etc	156,462	158,262
Net obligations under finance leases and hire purchase contracts	627	11,079
	<u>507,694</u>	<u>552,082</u>
Company		
Bank loan	350,605	382,741
Members loans	38,411	40,211
Net obligations under finance leases and hire purchase contracts	-	5,503
	<u>389,016</u>	<u>428,455</u>
Group Loans		
Repayable in one year or less, or on demand (Note 15)	29,578	29,142
Repayable between one and two years	29,578	27,019
Repayable between two and five years	88,734	81,057
Repayable in five years or more	388,755	432,927
	<u>536,645</u>	<u>570,145</u>
Repayable in five years or more:		
Bank loan	232,293	274,665
Members loans etc.	156,462	158,262
	<u>388,755</u>	<u>432,927</u>
Group		
Net obligations under finance leases and hire purchase contracts		
Repayable within one year	18,123	39,113
Repayable between one and five years	627	11,079
	<u>18,750</u>	<u>50,192</u>

Home Hardware Southwest Limited

Notes to Financial Statements for the year ended 30 June 2002

..... continued

17. Provisions for liabilities and charges

Deferred tax is analysed over the following timing differences:

Group	Provided	
	2002 £	2001 £
Accelerated capital allowances	<u>6,933</u>	<u>5,823</u>
Movements on the provision for deferred taxation are:		
	2002 £	2001 £
At 1 July 2001	5,823	3,667
Transferred from profit and loss account	<u>1,110</u>	<u>2,156</u>
At 30 June 2002	<u>6,933</u>	<u>5,823</u>

18. Minority Interest

	2002 £	2001 £
Equity	<u>137,381</u>	<u>112,982</u>

The minority interest represents 20% of the share capital and reserves of Home Hardware Distribution Limited.

Home Hardware Southwest Limited

Notes to Financial Statements for the year ended 30 June 2002

..... continued

19. Share capital	2002 £	2001 £
Authorised equity		
500,000 Ordinary shares of £1 each	500,000	500,000
750,000 Ordinary B shares of £1 each	750,000	750,000
	<u>1,250,000</u>	<u>1,250,000</u>
Allotted, called up and fully paid equity		
229,032 Ordinary shares of £1 each	229,032	211,032
459,876 Ordinary B shares of £1 each	459,876	459,876
	<u>688,908</u>	<u>670,908</u>

During the year the company issued 18,000 £1 ordinary A shares at par value for £18,000 cash consideration.

The A and B shares carry equal voting rights, but differ in the following main respects:-

B shares entitle holders to an 8% cumulative dividend ranking in priority to any other dividends. A shares carry no fixed right to dividend.

On a winding up, B shares rank in preference to A shares in the participation of realised assets.

However, the participation of the B shares is limited to capital, any arrears or accruals of dividend and any amount standing to the credit of the B reserve.

From 1st July 2000 an annual appropriation will be made from the profit and loss account to the B reserve. The appropriation will be a percentage of the nominal value of the B shares in issue at the end of the year. The percentages to be applied are 8% in year one, 10% in year two, 12% in year three and thereafter.

On the sale of the company's Vellator property a proportion of any net profit will be appropriated to the B reserve.

Home Hardware Southwest Limited

Notes to Financial Statements for the year ended 30 June 2002

..... continued

20. Equity Reserves

	Revaluation reserve	Profit and loss account	Total
	£	£	£
Group			
At 1 July 2001	167,854	346,853	514,707
Revaluation of property	(3,156)		(3,156)
Retained profit for the year		131,330	131,330
At 30 June 2002	<u>164,698</u>	<u>478,183</u>	<u>642,881</u>
Company			
At 1 July 2001	219,782	294,925	514,707
Revaluation of property	(3,156)		(3,156)
Retained profit for the year		33,732	33,732
Other movements	97,598	-	97,598
At 30 June 2002	<u>314,224</u>	<u>328,657</u>	<u>642,881</u>

Of the balance of £328,657 above, £302,958 (2001 £256,971) relates to the B profit and loss reserve.

Home Hardware Southwest Limited

Notes to Financial Statements for the year ended 30 June 2002

..... continued

21. Reconciliation of movements in shareholders' funds

	2002 £	2001 £
Group		
Profit for the year	168,120	120,202
Dividends	(36,790)	(36,790)
	<u>131,330</u>	<u>83,412</u>
Net proceeds of equity share issue	18,000	81,000
Other recognised gains or losses	(3,156)	(18,997)
	<u>146,174</u>	<u>145,415</u>
Net addition to shareholders' funds	1,185,615	1,040,200
Opening shareholders' funds	<u>1,331,789</u>	<u>1,185,615</u>
Company		
Profit for the year	70,522	68,274
Dividends	(36,790)	(36,790)
	<u>33,732</u>	<u>31,484</u>
Proceeds of issue of equity shares	18,000	81,000
Other recognised gains or losses	97,598	32,931
Transfer of depreciation on revalued property	(3,156)	
	<u>146,174</u>	<u>145,415</u>
Net addition to shareholders' funds	1,185,615	1,040,200
Opening shareholders' funds	<u>1,331,789</u>	<u>1,185,615</u>

22. Financial commitments

At 30 June 2002 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2002 £	2001 £	2002 £	2001 £
Expiry date:				
Between one and five years	-	-	131,878	101,495
In over five years	100,500	100,500	-	-
	<u>100,500</u>	<u>100,500</u>	<u>131,878</u>	<u>101,495</u>

Home Hardware Southwest Limited

Notes to Financial Statements for the year ended 30 June 2002

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23. Contingent liabilities

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

24. Related party transactions

A number of the directors have an interest in businesses which are customers of the group. Sales to these businesses are all on normal commercial terms on an arms length basis and the aggregate value of these amounted to £1,466,807 for the year. All other related party transactions are also on normal commercial terms and are also on an arms length basis. The balances owed to the group at the balance sheet date amounted to an aggregate value of £136,848.

25. Post Balance Sheet events

The group intends to expand by opening a distribution centre in the Midlands. The group will incur some limited capital, marketing and setup costs in the near future. This development will enable the group to further increase its membership and corporate marketing program.

26. Gross Cash Flows

	2002 £	2001 £
Returns on investments and servicing of finance		
Interest paid	(56,869)	(61,705)
Taxation		
Corporation tax paid	(40,609)	(32,838)
Corporation tax repaid	2,458	-
	(38,151)	(32,838)
Payments to acquire tangible assets	(67,563)	(137,485)
	(67,563)	(137,485)
Issue of ordinary share capital	18,000	181,000
Movement on revaluation reserve	(3,156)	
Repayment of short term loans	(33,500)	178,210
Capital element of finance lease contracts	(31,442)	(7,899)
	(50,098)	351,311

Home Hardware Southwest Limited

Notes to Financial Statements for the year ended 30 June 2002

..... continued

27. Analysis of changes in net funds

	Opening balance	Cash flows	Closing balance
	£	£	£
Cash at bank and in hand	175	286	461
Overdrafts	(163,533)	77,244	(86,289)
	<u>(163,358)</u>	<u>77,530</u>	<u>(85,828)</u>
Debt due within one year	(29,142)	(436)	(29,578)
Debt due after one year	(541,003)	33,936	(507,067)
Finance leases	(50,192)	31,442	(18,750)
	<u>(620,337)</u>	<u>64,942</u>	<u>(555,395)</u>
Net funds	<u>(783,695)</u>	<u>142,472</u>	<u>(641,223)</u>