

Registration number 00716921

Home Hardware Southwest Limited

Abbreviated accounts

for the year ended 30 June 2004



Home Hardware Southwest Limited

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Home Hardware Southwest Limited

Directors' report **for the year ended 30 June 2004**

The directors present their report and the accounts for the year ended 30 June 2004.

Principal activity and review of the business

The principal activity of the company continues to be to provide an extensive range of membership services and other wholesale services to independent hardware retailers as a dealer owned wholesale organisation. The directors consider the results for the year to be good and satisfactory and anticipate profits for the near future. The directors consider the state of affairs of the company to be satisfactory.

The principal activity of the company's subsidiary, Home Hardware Distribution Limited, continues to be the distribution of hardware and horticultural goods. The directors consider the results of the company's subsidiary and its state of affairs to be satisfactory.

Results and dividends

The results for the year are set out on pages 5 - 6.

The directors recommend payment of a final dividend amounting to £36,749 on the B shares in issue (representing 8 pence per share on the B shares).

The directors propose that the retained profits of £31,669 be added to reserves.

Fixed assets

Changes in fixed assets during the year are shown in notes 9 & 10 to the financial statements.

Future developments

The directors will expand and continue the company's and its subsidiary's activities in the future.

Home Hardware Southwest Limited

Directors' report for the year ended 30 June 2004

Directors and their interests

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

		<u>Ordinary A shares</u>		<u>Ordinary B shares</u>	
		<u>30/06/04</u>	<u>01/07/03</u>	<u>30/06/04</u>	<u>01/07/03</u>
		<u>or date of</u>		<u>or date of</u>	
		<u>appointment</u>		<u>appointment</u>	
J R Fewings	Executive chairman	2,250	2,250	76,119	76,119
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 profit or loss of the company 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 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.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Davison Bedworth Limited 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.

Home Hardware Southwest Limited

Directors' report
for the year ended 30 June 2004

This report was approved by the Board on 17 September 2004 and signed on its behalf by

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

G R Kingdon
Secretary

Independent auditors' report to Home Hardware Southwest Limited
under Section 247B of the Companies Act 1985

We have examined the abbreviated accounts set out on pages 5 - 6 to 24 together with the financial statements of Home Hardware Southwest Limited for the year ended 30 June 2004 prepared under Section 226 of the Companies Act 1985.

This report is made solely to the company, in accordance with Section 247B of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing abbreviated accounts 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 accounts prepared in accordance with Section 246A(3) of the Act to the registrar of companies and whether the accounts to be delivered are properly prepared in accordance with that provision 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 accounts and that the abbreviated accounts 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 financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with Section 246A(3) of the Companies Act 1985 in respect of the year ended 30 June 2004, and the abbreviated accounts on pages 5 - 6 to 24 are properly prepared in accordance with that provision.



Davison Bedworth Limited
Chartered Accountants and
Registered Auditors

17 September 2004

96 High Street
Ilfracombe
Devon
EX34 9NH

Home Hardware Southwest Limited

Abbreviated profit and loss account
for the year ended 30 June 2004

		Continuing operations	
		2004	2003
	Notes	£	£
<u>Gross profit</u>		763,818	651,754
Administrative expenses		(637,019)	(574,774)
<u>Operating profit</u>	2	126,799	76,980
Investment income	3	-	36,000
Interest payable and similar charges	4	(38,617)	(39,105)
<u>Profit on ordinary activities before taxation</u>		88,182	73,875
Tax on profit on ordinary activities	7	(19,764)	(10,219)
<u>Profit on ordinary activities after taxation</u>		68,418	63,656
Dividends	8	(36,749)	(36,749)
<u>Retained profit for the year</u>		31,669	26,907
Retained profit brought forward		355,048	328,141
<u>Retained profit carried forward</u>		386,717	355,048

There are no recognised gains or losses in the above figures other than the profit or loss for the above two financial year

The notes on pages 9 to 24 form an integral part of these financial statements.

Home Hardware Southwest Limited

Statement of total recognised gains and losses

Profit on ordinary

<u>activities after taxation</u>	68,418	63,656
Unrealised movement on revaluation	74,550	6,385
Total recognised gains relating to the year	<u>142,968</u>	<u>70,041</u>

Note of historical cost profits and losses

Profit on ordinary

<u>activities before taxation</u>	88,182	73,875
Difference between an historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	<u>(2,052)</u>	<u>(2,052)</u>

Historical cost profit on ordinary

<u>activities before taxation</u>	<u>86,130</u>	<u>71,823</u>
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Historic cost profit for the year

<u>retained after taxation and dividends</u>	<u>29,617</u>	<u>24,855</u>
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The notes on pages 9 to 24 form an integral part of these financial statements.

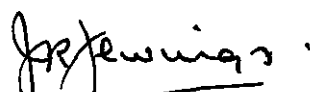
Home Hardware Southwest Limited

Abbreviated balance sheet as at 30 June 2004

		2004		2003	
	Notes	£	£	£	£
<u>Fixed assets</u>					
Tangible assets	9		926,153		933,393
Investments	10		1,122,404		1,047,854
			<u>2,048,557</u>		<u>1,981,247</u>
<u>Current assets</u>					
Stocks	11	6,492		6,283	
Debtors	12	2,112,787		1,830,721	
Cash at bank and in hand		<u>2,035</u>		<u>5,323</u>	
		2,121,314		1,842,327	
<u>Creditors: amounts falling due within one year</u>	13	<u>(2,080,657)</u>		<u>(1,784,647)</u>	
<u>Net current assets</u>			<u>40,657</u>		<u>57,680</u>
<u>Total assets less current liabilities</u>			2,089,214		2,038,927
<u>Creditors: amounts falling due after more than one year</u>	14		(610,098)		(663,369)
<u>Provisions for liabilities and charges</u>	15		<u>(436)</u>		<u>(1,045)</u>
<u>Net assets</u>			<u>1,478,680</u>		<u>1,374,513</u>
<u>Capital and reserves</u>					
Called up share capital	17		700,392		700,392
Revaluation reserve	18		391,055		318,557
Other reserves	18		516		516
Profit and loss account	18		<u>386,717</u>		<u>355,048</u>
<u>Equity shareholders' funds</u>	19		<u>1,478,680</u>		<u>1,374,513</u>

The abbreviated accounts are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium-sized companies .

The abbreviated accounts were approved by the Board on 17 September 2004 and signed on its behalf by


J R Fewings
Director


P F Slee
Director

The notes on pages 9 to 24 form an integral part of these financial statements.

Home Hardware Southwest Limited

Cash flow statement
for the year ended 30 June 2004

	Notes	2004 £	2003 £
<u>Reconciliation of operating profit to net cash outflow from operating activities</u>			
Operating profit		126,799	76,980
Depreciation		27,119	26,785
(Increase) in stocks		(209)	623
(Increase) in debtors		(282,066)	(308,924)
(Decrease) in creditors		(142,055)	(208,428)
<u>Net cash outflow from operating activities</u>		<u>(270,412)</u>	<u>(412,964)</u>
<u>Cash flow statement</u>			
Net cash outflow from operating activities		(270,412)	(412,964)
Returns on investments and servicing of finance	23	(38,617)	(39,105)
Taxation	23	(11,360)	(20,164)
Capital expenditure and financial investment	23	(21,939)	(37,152)
		(342,328)	(509,385)
Equity dividends paid		(36,749)	(36,790)
		(379,077)	(546,175)
Financing	23	(48,092)	294,820
<u>Decrease in cash in the year</u>		<u>(427,169)</u>	<u>(251,355)</u>
<u>Reconciliation of net cash flow to movement in net debt (Note 24)</u>			
<u>Decrease in cash in the year</u>		<u>(427,169)</u>	<u>(251,355)</u>
Cash inflow from decrease in debts and lease financing		48,092	(288,838)
Change in net debt resulting from cash flows		(379,077)	(540,193)
New finance leases and hire purchase contracts		-	5,502
<u>Movement in net debt in the year</u>		<u>(379,077)</u>	<u>(534,691)</u>
<u>Net debt at 1 July 2003</u>		<u>(1,036,468)</u>	<u>(501,777)</u>
<u>Net debt at 30 June 2004</u>		<u>(1,415,545)</u>	<u>(1,036,468)</u>

Home Hardware Southwest Limited

Notes to the abbreviated financial statements **for the year ended 30 June 2004**

1. Accounting policies

1.1. Accounting convention

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

The financial statements present information about the company as an individual undertaking and not about its group.

1.2. Turnover

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

1.3. 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 cost.

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

Attention is drawn to the notes to note 9.

1.4. Leasing and hire purchase contracts

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.

1.5. Investments

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

1.6. Stock

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

1.7. Pensions

The company operates a defined contribution pension scheme. The pension costs charged in the financial statements represent the contribution payable by the company during the year.

Home Hardware Southwest Limited

Notes to the abbreviated financial statements
for the year ended 30 June 2004

..... continued

1.8. Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date between the treatment of certain items for accounting purposes and their treatment for taxation purposes where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

1.9 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.

1.10. Group accounts

The company is entitled to the exemption under Section 248 of the Companies Act 1985 from the obligation to prepare group accounts.

1.11 Direct shipment agreements

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

2. Operating profit

	2004	2003
	£	£
Operating profit is stated after charging:		
Depreciation and other amounts written off tangible assets	27,119	26,788
Operating lease rentals		
- Plant and machinery	19,082	19,156
Auditors' remuneration	3,900	3,200
	<u> </u>	<u> </u>
and after crediting:		
Management charges	193,742	179,699
	<u> </u>	<u> </u>

Home Hardware Southwest Limited

Notes to the abbreviated financial statements
for the year ended 30 June 2004

..... continued

<u>3. Income from investments</u>	2004	2003
	£	£
Income from subsidiary undertakings	-	36,000
<u>4. Interest payable and similar charges</u>	2004	2003
	£	£
Bank loans and overdrafts	31,191	33,696
Members deposit and loan interest	7,426	5,178
Hire purchase interest	-	231
	38,617	39,105
<u>5. Employees</u>		
<u>Number of employees</u>	2004	2003
The average monthly numbers of employees (including the directors) during the year were:		
Non executive directors	7	7
Administrative staff	12	10
Directors	3	3
	22	20
<u>Employment costs</u>	2004	2003
	£	£
Wages and salaries	370,480	349,098
Social security costs	37,408	33,647
Other pension costs	37,825	16,336
	445,713	399,081

Home Hardware Southwest Limited

Notes to the abbreviated financial statements
for the year ended 30 June 2004

..... continued

5.1. Directors' emoluments

	2004	2003
	£	£
Remuneration and other emoluments	188,859	198,772
Pension contributions	34,730	13,331
	<u>223,589</u>	<u>212,103</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 its employees. The scheme and its assets are held separately by independent managers. The pension charge represents contributions due from the company and amounted to £37,825 (2003 - £16,336).

Home Hardware Southwest Limited

Notes to the abbreviated financial statements
for the year ended 30 June 2004

..... continued

7. Tax on profit on ordinary activities

<u>Analysis of charge in period</u>	2004	2003
	£	£
<u>Current tax</u>		
UK corporation tax	19,862	10,849
Adjustments in respect of previous periods	511	(14)
	20,373	10,835
Total current tax charge	20,373	10,835
<u>Deferred tax</u>		
Timing differences, origination and reversal	(609)	(616)
Total deferred tax	(609)	(616)
Tax on profit on ordinary activities	19,764	10,219

Factors affecting tax charge for period

The tax assessed for the period is the standard rate of corporation tax in the UK for small and medium size companies (19 per cent). The differences are explained below:

	2004	2003
	£	£
Profit on ordinary activities before taxation	88,182	73,875
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (30 June 2003 : 19%)	16,755	14,036
<u>Effects of:</u>		
Expenses not deductible for tax purposes	1,330	1,868
Capital allowances for period in excess of depreciation	1,777	1,774
Adjustments to tax charge in respect of previous periods	511	(3)
Corporation tax adjustment on inter company dividends receivable	-	(6,840)
Current tax charge for period	20,373	10,835

Home Hardware Southwest Limited

Notes to the abbreviated financial statements
for the year ended 30 June 2004

..... continued

<u>8. Dividends</u>	2004	2003
	£	£
<u>Dividends on equity shares:</u>		
Ordinary B shares - final proposed of £0.08 per share	36,749	36,749
	<u>36,749</u>	<u>36,749</u>
Aggregate final proposed dividend	<u>36,749</u>	<u>36,749</u>

<u>9. Tangible fixed assets</u>	Land and buildings freehold £	Plant and machinery £	Total £
<u>Cost/revaluation</u>			
At 1 July 2003	920,169	250,297	1,170,466
Additions	-	21,939	21,939
At 30 June 2004	<u>920,169</u>	<u>272,236</u>	<u>1,192,405</u>
<u>Depreciation</u>			
At 1 July 2003	29,353	207,720	237,073
Charge for the year	8,206	20,973	29,179
At 30 June 2004	<u>37,559</u>	<u>228,693</u>	<u>266,252</u>
<u>Net book values</u>			
At 30 June 2004	<u>882,610</u>	<u>43,543</u>	<u>926,153</u>
At 30 June 2003	<u>890,816</u>	<u>42,577</u>	<u>933,393</u>

The company's 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 company's freehold property at Vellator, Braunton was valued by B. N. Miles, FCI Arb, FPCS, on an existing use basis as at 16th August 1995 at £210,000.

The company is following the transitional provisions of Financial Reporting Standard number 15 and has not updated the valuation in these accounts.

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

Home Hardware Southwest Limited

Notes to the abbreviated financial statements
for the year ended 30 June 2004

..... continued

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

<u>Asset description</u>	2004		2003	
	Net book value	Depreciation charge	Net book value	Depreciation charge
	£	£	£	£
Plant and machinery	<u>1,093</u>	<u>1,422</u>	<u>2,515</u>	<u>3,080</u>

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

	2004	2003
	£	£
Cost	752,315	752,315
Depreciation	<u>27,301</u>	<u>21,150</u>
Net book value	<u>725,014</u>	<u>731,165</u>

10. <u>Fixed asset investments</u>	Subsidiary undertakings shares	Subsidiary undertakings loans	Other unlisted investments	Total
	£	£	£	£
<u>Cost</u>				
At 1 July 2003	555,910	472,204	19,740	1,047,854
Revaluations	<u>74,550</u>	<u>-</u>	<u>-</u>	<u>74,550</u>
At 30 June 2004	<u>630,460</u>	<u>472,204</u>	<u>19,740</u>	<u>1,122,404</u>
<u>Net book values</u>				
At 30 June 2004	<u>630,460</u>	<u>472,204</u>	<u>19,740</u>	<u>1,122,404</u>
At 30 June 2003	<u>555,910</u>	<u>472,204</u>	<u>19,740</u>	<u>1,047,854</u>

Home Hardware Southwest Limited

Notes to the abbreviated financial statements
for the year ended 30 June 2004

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10.1. Holdings of 20% or more

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

<u>Company</u>	<u>Country of registration or incorporation</u>	<u>Nature of business</u>	<u>Shares held class</u>	<u>Proportion of shares held</u>
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Subsidiary undertaking

Home Hardware Distribution Ltd	England and Wales	Wholesale Distribution	Ordinary	80%
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Significant interests

Home Hardware Distribution Ltd	England and Wales	Wholesale Distribution	Loan stock	80%
			£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:

	<u>Capital and reserves</u>	<u>Profit for the year</u>
	<u>£</u>	<u>£</u>
Home Hardware Distribution Ltd	788,075	93,187

The retained reserves of the subsidiary undertaking amounted to £288,075 (2003 £194,888).

The revaluation of the subsidiary undertakings shares is 80% of the above retained reserves which amounts to £230,460, of which £155,910 was the revaluation to date, leaving £74,550 revaluation for the year.

Other unlisted investments included a non refundable loan of 14,778 Euros (£5,394) (formerly 50,000 French francs) to Ironside International, a corporation registered in France, which was converted to a share in that company at an additional cost of £9,596. The cost of this investment is now £14,990, being the exchange rate from euros to sterling as at the date of the purchase of the investment.

11. Stocks

	<u>2004</u>	<u>2003</u>
	<u>£</u>	<u>£</u>
Consumables	6,492	6,283

Home Hardware Southwest Limited

Notes to the abbreviated financial statements
for the year ended 30 June 2004

..... continued

<u>12. Debtors</u>	2004	2003
	£	£
Trade debtors	2,022,175	1,698,089
Amounts owed by group undertakings	36,000	36,000
Other debtors	-	7,172
Prepayments and accrued income	54,612	89,460
	<u>2,112,787</u>	<u>1,830,721</u>
<u>13. Creditors: amounts falling due within one year</u>	2004	2003
	£	£
Bank overdraft	759,390	334,359
Bank loan	48,092	44,063
Trade creditors	710,454	516,654
Amounts owed to group undertaking	226,220	601,424
Corporation tax	19,862	10,849
Other taxes and social security costs	26,820	35,313
Other creditors	123,143	102,449
Accruals and deferred income	166,676	139,536
	<u>2,080,657</u>	<u>1,784,647</u>

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.

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

Home Hardware Southwest Limited

Notes to the abbreviated financial statements
for the year ended 30 June 2004

..... continued

<u>14. Creditors: amounts falling due</u>	2004	2003
<u>after more than one year</u>	£	£
Bank loan	505,838	557,959
Members loans	104,260	105,410
	<u>610,098</u>	<u>663,369</u>
<u>Bank Loans</u>		
Repayable in one year or less, or on demand (Note 13)	48,092	44,063
Repayable between one and two years	48,092	41,452
Repayable between two and five years	144,276	124,357
Repayable in five years or more	313,470	392,150
	<u>553,930</u>	<u>602,022</u>

All bank loans are repayable by monthly installments.

15. Provisions for liabilities and charges

	Deferred taxation (Note 16) £	Total £
At 1 July 2003	1,045	1,045
Movements in the year	609	609
At 30 June 2004	<u>436</u>	<u>436</u>

Home Hardware Southwest Limited

Notes to the abbreviated financial statements
for the year ended 30 June 2004

..... continued

<u>16. Provision for deferred taxation</u>	2004	2003
	£	£
Accelerated capital allowances	436	1,045
Provision at 1 July 2003	1,045	
Deferred tax charge in profit and loss account	(609)	
Provision at 30 June 2004	436	

Home Hardware Southwest Limited

Notes to the abbreviated financial statements
for the year ended 30 June 2004

..... continued

<u>17. Share capital</u>	2004	2003
	£	£
<u>Authorised</u>		
500,000 Ordinary A 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>
<u>Allotted, called up and fully paid</u>		
241,032 Ordinary A shares of £1 each	241,032	241,032
459,360 Ordinary B shares of £1 each	459,360	459,360
	<u>700,392</u>	<u>700,392</u>

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 dividends.

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.

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 percentage applied is 12% (12% 2003).

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 the abbreviated financial statements for the year ended 30 June 2004

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18. <u>Equity Reserves</u>	Revaluation reserve £	Profit and loss account £	Capital redemption reserve £	Total £
<u>At 1 July 2003</u>	318,557	355,048	516	674,121
Transfer of realised profit	(2,052)	-		(2,052)
Retained profit for the year		31,669		31,669
Other movements	74,550	-	-	74,550
<u>At 30 June 2004</u>	<u>391,055</u>	<u>386,717</u>	<u>516</u>	<u>778,288</u>

£412,688 (2003 £357,565) relates to the B profit and loss reserve.

19. <u>Reconciliation of movements in shareholders' funds</u>	2004 £	2003 £
Profit for the year	68,418	63,656
Dividends	(36,749)	(36,749)
	<u>31,669</u>	<u>26,907</u>
Net proceeds of equity share issue	-	12,000
Purchase of own shares	-	(516)
Other recognised gains or losses	72,498	4,333
Net addition to shareholders' funds	104,167	42,724
Opening shareholders' funds	1,374,513	1,331,789
Closing shareholders' funds	<u>1,478,680</u>	<u>1,374,513</u>

20. Financial commitments

At 30 June 2004 the company had annual commitments under non-cancellable operating leases as follows:

	Other 2004 £	2003 £
<u>Expiry date:</u>		
Between one and five years	<u>19,144</u>	<u>19,084</u>

Home Hardware Southwest Limited

Notes to the abbreviated financial statements
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21. 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.

22. 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 and the aggregate value of these amounted to £1,674,072 (2003 £1,558,845) 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 company at the balance sheet date amounted to an aggregate value of £183,904 (2003 £175,828).

Home Hardware Southwest Limited

Notes to the abbreviated financial statements
for the year ended 30 June 2004

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23. Gross cash flows

	2004 £	2003 £
<u>Returns on investments and servicing of finance</u>		
Interest paid	(38,617)	(38,874)
Interest element of finance lease rental payments	-	(231)
	<u>(38,617)</u>	<u>(39,105)</u>
<u>Taxation</u>		
Corporation tax paid	(10,849)	(20,178)
Corporation tax prior year	(511)	14
	<u>(11,360)</u>	<u>(20,164)</u>
<u>Capital expenditure and financial investment</u>		
Payments to acquire tangible assets	(21,939)	(27,556)
Payments to acquire investments	-	(9,596)
	<u>(21,939)</u>	<u>(37,152)</u>
<u>Financing</u>		
Issue of ordinary share capital	-	12,000
Purchase of own shares	-	(516)
New long term bank loan	-	247,229
Other new long term loans	-	67,000
New short term bank loan	-	45,771
Repayment of short term bank loan	(48,092)	(71,162)
Capital element of finance lease contracts	-	(5,502)
	<u>(48,092)</u>	<u>294,820</u>

Home Hardware Southwest Limited

Notes to the abbreviated financial statements
for the year ended 30 June 2004

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24. Analysis of changes in net funds

	Opening balance	Cash flows	Other changes	Closing balance
	£	£	£	£
Cash at bank and in hand	5,323	(3,288)		2,035
Overdrafts	(334,359)	(425,031)		(759,390)
	<u>(329,036)</u>	<u>(428,319)</u>		<u>(757,355)</u>
Debt due within one year	(44,063)	(4,029)	-	(48,092)
Debt due after one year	(663,369)	1,150	52,121	(610,098)
	<u>(707,432)</u>	<u>(2,879)</u>	<u>52,121</u>	<u>(658,190)</u>
<u>Net funds</u>	<u>(1,036,468)</u>	<u>(431,198)</u>	<u>52,121</u>	<u>(1,415,545)</u>