

H&H Bowe Limited

Directors' report and financial
statements

Registered number 3780434

30 June 2002



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 2002.

Principal activities

The principal activities of the company are those of Chartered Surveyors, Land Agents, Valuers and Quota Brokers.

Business review

The results of the business are set out in the profit and loss account on page 4.

Proposed dividend

The directors do not recommend the payment of a dividend (2001: £Nil).

Directors and directors' interests

The directors who held office during the financial year and their interests in the shares of the parent company, H&H Group plc, were as follows:

	Ordinary shares of £1 each H&H Group plc	
	At 30 June 2002	At 1 July 2001
T Hebdon	2,252	2,252
EC Brown (resigned 28 June 2002)	-	470
AM Bowe	3,128	3,128
TJ Parsons	-	-

Auditors

KPMG were re-appointed auditors on 13 November 2001. However, since that date their business was transferred to a limited liability partnership. Accordingly KPMG resigned as auditors on 12 June 2002 and the directors thereupon appointed KPMG LLP to fill the vacancy arising. A resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the Annual General Meeting.

By order of the board



AM Bowe
Director

Borderway Mart
Rosehill
Carlisle
CA1 2RS

12 September 2002

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



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Newcastle upon Tyne
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Report of the independent auditors to the members of H&H Bowe Limited

We have audited the financial statements on pages 4 to 13.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP
Chartered Accountants
Registered Auditor

12 September 2002

Profit and loss account
for the year ended 30 June 2002

	<i>Note</i>	2002 £	2001 £
Turnover	<i>1</i>	567,938	537,967
Cost of sales		(10,570)	(2,441)
Gross profit		557,368	535,526
Administrative expenses		(551,500)	(530,914)
Operating profit		5,868	4,612
Interest receivable	<i>5</i>	8,690	9,317
Interest payable and similar charges	<i>6</i>	-	(1,804)
Profit on ordinary activities before taxation	<i>2-4</i>	14,558	12,125
Tax on profit on ordinary activities	<i>7</i>	(6,011)	-
Profit for the financial year	<i>14</i>	8,547	12,125

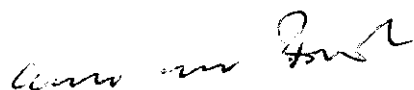
The group's operating profit for both the current and preceding financial year derives from continuing operations.

There are no recognised gains or losses other than the profit for the year in the current or preceding year.

Balance sheet
at 30 June 2002

	Note	2002		2001	
		£	£	£	£
Fixed assets					
Intangible assets	8		253,319		274,583
Tangible assets	9		62,374		63,144
			<hr/>		<hr/>
			315,693		337,727
Current assets					
Stocks	10	61,800		69,500	
Debtors	11	137,418		321,877	
Cash at bank		7,254		115	
		<hr/>		<hr/>	
		206,472		391,492	
Creditors: amounts falling due within one year	12	(440,005)		(655,606)	
		<hr/>		<hr/>	
Net current liabilities			(233,533)		(264,114)
			<hr/>		<hr/>
Net assets			82,160		73,613
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	13	100		100	
Profit and loss account	14	82,060		73,513	
		<hr/>		<hr/>	
Shareholders' funds			82,160		73,613
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 12 September 2002 and were signed on its behalf by:



AM Bowe
Director

Reconciliation of movements in shareholders' funds
for the year ended 30 June 2002

	2002 £	2001 £
Profit for the financial year	8,547	12,125
Net addition to shareholders' funds	8,547	12,125
Opening shareholders' funds	73,613	61,488
Closing shareholders' funds	82,160	73,613

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements. The company has adopted FRS 19 'Deferred tax' in these financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of H&H Group plc, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Motor vehicles	-	25% reducing balance
Fixtures and fittings	-	15% reducing balance
Computer equipment	-	20% straight line

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Pension scheme

All employees are eligible to join Group pension schemes. Assets of these pension schemes are held separately from those of the Group. Contributions to the schemes are charged to profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life which is a period of fifteen years based on the minimum period the Directors believe the Group will benefit from these investments.

On subsequent disposal or termination of a business, the profit or loss on disposal or termination is calculated after charging the unamortised amount of any related goodwill.

Notes (continued)

1 Accounting policies (continued)

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation purposes and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers. The turnover and profit are attributable to the principal activities of the company, and earned entirely within the United Kingdom.

2 Profit on ordinary activities before taxation

	2002 £	2001 £
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors remuneration	1,000	1,800
Depreciation	16,052	15,040
Amortisation of goodwill	21,263	21,258
Loss on disposal of fixed assets	1,015	-
	<hr/>	<hr/>

3 Remuneration of directors

	2002 £	2001 £
Directors' emoluments	99,612	64,908
Contributions to money purchase pension schemes	1,013	312
	<hr/>	<hr/>
	100,625	65,220
	<hr/>	<hr/>

One director (2001: 1) had benefits accruing under the group's money purchase scheme.

Notes (continued)

4 Staff numbers and costs

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

Number of employees	
2002	2001
15	14

The aggregate payroll costs of these persons were as follows:

	2002 £	2001 £
Wages and salaries	281,716	288,150
Social security costs	27,258	26,302
Other pension costs	12,590	9,070
	<u>321,564</u>	<u>323,522</u>

5 Interest receivable

	2002 £	2001 £
Interest receivable	<u>8,690</u>	<u>9,317</u>

6 Interest payable and similar charges

	2002 £	2001 £
Finance charges payable in respect of finance leases and hire purchase contracts	<u>-</u>	<u>1,804</u>

Notes (continued)

7 Taxation

	2002 £	2001 £
<i>UK corporation tax</i>		
Current tax on income for the year	6,011	-
Tax on profit on ordinary activities	6,011	-
<i>Current tax reconciliation</i>		
Profit on ordinary activities	14,558	12,125
Current tax at 19.75% (2001: 20%)	2,875	2,425
<i>Effects of</i>		
Expenses not deductible for tax purposes	4,199	4,459
Capital allowances for year in excess of depreciation	(1,136)	-
Utilisation of tax losses and group relief	-	(6,884)
Other timing differences	73	-
	6,011	-

8 Intangible assets

Intangible assets comprise goodwill which arose on the acquisition of the unincorporated business of AM Bowe. The goodwill is being amortised over fifteen years and £21,263 has been charged in the year.

Notes (continued)

9 Tangible fixed assets

	Motor vehicles	Fixtures and fittings	Computer equipment	Total
	£	£	£	£
Cost				
At start of year	65,851	19,273	10,431	95,555
Additions	22,630	-	2,368	24,998
Disposals	(24,695)	-	-	(24,695)
At end of year	63,786	19,273	12,799	95,858
Depreciation				
At start of year	24,064	5,336	3,011	32,411
Charge for year	10,768	1,929	3,355	16,052
On disposals	(14,979)	-	-	(14,979)
At end of year	19,853	7,265	6,366	33,484
Net book value				
At 30 June 2002	43,933	12,008	6,433	62,374
At 30 June 2001	41,787	13,937	7,420	63,144

Notes (continued)

10 Stocks

	2002 £	2001 £
Work in progress	61,800	69,500

11 Debtors

	2002 £	2001 £
Trade debtors	132,259	171,471
Other debtors	5,159	150,406
	137,418	321,877

All of the above debts fall due within one year.

12 Creditors: amounts falling due within one year

	2002 £	2001 £
Bank loans and overdrafts	-	121,046
Trade creditors	8,973	35,949
Amounts owed to group undertakings	410,946	344,714
Other creditors	14,075	153,897
Corporation tax	6,011	-
	440,005	655,606

13 Called up share capital

	2002 £	2001 £
<i>Authorised, allotted, called up and fully paid</i>		
Equity: Ordinary shares of £1 each	100	100

Notes *(continued)*

14 Profit and loss account

	2002 £	2001 £
At beginning of year	73,513	61,388
Retained profit for the year	8,547	12,125
At end of year	<u>82,060</u>	<u>73,513</u>

15 Commitments

The company had no contracted capital commitments at the end of the current year or prior year.

16 Contingent liabilities

At 30 June 2002, the company was party to unlimited cross guarantees with group companies.

17 Ultimate parent company

The company is a subsidiary undertaking of H&H Group plc, incorporated in England and Wales. Results of the company are consolidated only in the accounts of H&H Group plc. Consolidated accounts of H&H Group plc are available from the Group at Borderway Mart, Rosehill, Carlisle, CA1 2RS.