

**Kingavon Limited**

Financial statements

For the year ended 31 December 2002

Grant Thornton 



**Company no.1325578**

## Company information

<b>Company registration number</b>	1325578
<b>Registered office</b>	Parkside Duke Street Ipswich Suffolk IP3 0AF
<b>Directors</b>	T G Munro A J Harmer R Holliday
<b>Secretary</b>	Mr A J Harmer
<b>Bankers</b>	Ansbacher & Co Limited  National Westminster Bank plc  Lloyds TSB Bank plc
<b>Solicitors</b>	Prettys
<b>Auditors</b>	Grant Thornton Chartered Accountants Registered Auditors Crown House Crown Street IPSWICH Suffolk IP1 3HS

## Index to the financial statements

<b>Report of the directors</b>	3 - 4
<b>Report of the independent auditors</b>	5 - 6
<b>Principal accounting policies</b>	7 - 8
<b>Profit and loss account</b>	9
<b>Balance sheet</b>	10
<b>Cash flow statement</b>	11
<b>Notes to the financial statements</b>	12 - 19

## Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 December 2002.

### **Principal activities and business review**

The company is principally engaged in the import and distribution of motor vehicle accessories and DIY products.

### **Results and dividends**

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

### **Business review**

2002 has seen the results of the addition of several major product groups to our range of motor accessories, implemented in 2001. We are now well established, but with real growth potential, in power tools, small domestic electrical appliances and DVD systems for home and car. The increases in sales and profitability reflect the wisdom of our decision to diversify.

2003 is expected to show further increases, in sales and profitability, and we will continue to maximise the benefits of our Chinese offices by controlled diversification into other product groups.

### **Directors**

The directors who served the company during the year were as follows:

T G Munro  
A J Harmer  
R Holliday

The company is a wholly owned subsidiary and the interests of group directors are disclosed in the financial statements of the parent company.

R Holliday was appointed as a director on 1 April 2002.

### **Directors' responsibilities**

Company law in the United Kingdom 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 at the end of the year and of the profit or loss for the year then ended.

In preparing those financial statements, the directors are required to:

select suitable accounting policies, as described on pages 7 to 8, and then apply them consistently; make judgements and estimates that are reasonable and prudent; and 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. The directors 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**

A resolution to re-appoint Grant Thornton as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD



Mr A J Harmer

Secretary

14 April 2003

## Report of the independent auditors to the members of Kingavon Limited

We have audited the financial statements of Kingavon Limited for the year ended 31 December 2002 which comprise the profit and loss account, balance sheet, cash flow statement, principal accounting policies and notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 members 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' responsibilities for preparing the report of the directors and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

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 is not disclosed.

We read other information contained in the Directors' Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Grant Thornton 

## Report of the independent auditors to the members of Kingavon Limited

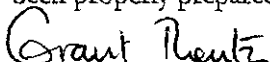
### **Basis of opinion**

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 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 affairs of the company as at 31 December 2002 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

  
GRANT THORNTON  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS

IPSWICH

14 April 2003

## Principal accounting policies

### Basis of accounting

The financial statements have been prepared under the historical cost convention.

### Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year.

### Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Improvements to leasehold properties	- The period of the lease
Plant, packing and display equipment	- 2 - 4 years straight line
Fixtures & Fittings	- 4 - 6 years straight line
Motor Vehicles	- 3 years straight line

### Stocks

Stocks are stated at the lower of cost and net realisable value and are calculated by reference to purchase price on a first in first out basis. Stock returns from customers are included in the stock valuation at cost less any appropriate provision in anticipation of credits and allowances from the original suppliers.

### Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the Profit and Loss Account on a straight line basis.

### Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.



### **Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date 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:

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.

### **Foreign currencies**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction except where forward currency contracts have been entered into to cover purchases or sales in which case the contracted rate is used. Balances existing at the balance sheet date designated in foreign currency are translated at the rates ruling at the balance sheet date. Forward commitments to buy or sell currencies existing at the balance sheet date, which are not matched with specific forward exchange commitments are valued at the period end rates and any profit or loss arising is taken to trading results.

The effect of such exchange fluctuations, together with that arising from transactions in the period is included in the company's trading results.

### **Deferred expenditure**

Expenditure incurred by the company for design logos and other related expenses associated with the launch of new products is carried forward and amortised over a period of one year from the time the material is used.

### **Customer rebates**

Volume rebates to customers are recognised on an accruals basis, where on the basis of sales during the accounting period it is likely that rebates will be paid at the end of the rebate period.

## Profit and loss account

	Note	2002 £	2001 £
Turnover	1	12,184,130	9,937,308
Cost of sales		9,157,330	7,408,899
Gross profit		<u>3,026,800</u>	<u>2,528,409</u>
Other operating income and charges	2	2,571,987	2,380,358
<b>Operating profit</b>	3	<u>454,813</u>	<u>148,051</u>
Interest receivable		14,716	10,493
Interest payable and similar charges	6	(18,163)	(33,566)
<b>Profit on ordinary activities before taxation</b>		<u>451,366</u>	<u>124,978</u>
Tax on profit on ordinary activities	7	124,399	8,776
<b>Retained profit for the financial year</b>	18	<u><u>326,967</u></u>	<u><u>116,202</u></u>

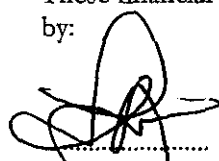
All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

## Balance sheet

	Note	2002 £	2001 £
<b>Fixed assets</b>			
Tangible assets	8	<u>133,853</u>	<u>146,263</u>
<b>Current assets</b>			
Stocks	9	2,804,397	2,286,847
Debtors	10	2,178,660	2,229,094
Cash at bank		<u>723,442</u>	<u>1,015,548</u>
		<u>5,706,499</u>	<u>5,531,489</u>
<b>Creditors: amounts falling due within one year</b>	11	<u>3,441,203</u>	<u>3,611,888</u>
<b>Net current assets</b>		<u>2,265,296</u>	<u>1,919,601</u>
<b>Total assets less current liabilities</b>		<u>2,399,149</u>	<u>2,065,864</u>
<b>Creditors: amounts falling due after more than one year</b>	12	<u>25,406</u>	<u>19,088</u>
		<u>2,373,743</u>	<u>2,046,776</u>
<b>Capital and reserves</b>			
Called-up share capital	17	514,055	514,055
Share premium account		266,883	266,883
Profit and Loss Account	18	<u>1,592,805</u>	<u>1,265,838</u>
<b>Shareholders' funds:</b>	19	<u>2,373,743</u>	<u>2,046,776</u>
<b>Equity</b>		<u>2,253,743</u>	<u>1,926,776</u>
<b>Non-equity</b>		<u>120,000</u>	<u>120,000</u>
		<u>2,373,743</u>	<u>2,046,776</u>

These financial statements were approved by the directors on 16 April 2003 and are signed on their behalf by:

  
T G Munro

  
A J Harmer

## Cash flow statement

	Note	2002 £	2001 £
Net cash (outflow)/inflow from operating activities	20	(187,199)	371,525
<b>Returns on investments and servicing of finance</b>			
Interest received		14,716	10,493
Interest paid		(13,460)	(25,995)
Interest element of finance leases and hire purchase		(4,703)	(7,571)
<b>Net cash outflow from returns on investments and servicing of finance</b>		<b>(3,447)</b>	<b>(23,073)</b>
<b>Taxation</b>	20	<b>(18,340)</b>	<b>(9,848)</b>
<b>Capital expenditure</b>			
Payments to acquire tangible fixed assets		(38,134)	(54,854)
Receipts from sale of fixed assets		15,350	26,150
<b>Net cash outflow from capital expenditure</b>		<b>(22,784)</b>	<b>(28,704)</b>
<b>Cash (outflow)/inflow before financing</b>		<b>(231,770)</b>	<b>309,900</b>
<b>Financing</b>			
Capital element of finance leases and hire purchase		(46,055)	(71,928)
<b>Net cash outflow from financing</b>		<b>(46,055)</b>	<b>(71,928)</b>
<b>(Decrease)/increase in cash</b>	20	<b>(277,825)</b>	<b>237,972</b>

## Notes to the financial statements

### 1 Turnover

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	2002	2001
	£	£
United Kingdom	11,506,928	9,830,906
Overseas	677,202	106,402
	<u>12,184,130</u>	<u>9,937,308</u>

### 2 Other operating income and charges

	2002	2001
	£	£
Distribution costs	665,249	606,581
Administrative expenses	1,906,738	1,773,777
	<u>2,571,987</u>	<u>2,380,358</u>

### 3 Operating profit

Operating profit is stated after charging/(crediting):

	2002	2001
	£	£
Depreciation	103,187	99,566
Profit on disposal of fixed assets	(8,015)	(3,879)
Auditors' remuneration:		
Audit fees	6,728	8,500
Operating lease costs:		
Land and buildings	83,709	83,709
Plant and equipment	<u>13,357</u>	<u>10,351</u>

#### 4 Directors and employees

The average number of staff employed by the company during the financial year amounted to:

	2002	2001
	No	No
Number of distribution staff	40	40
Number of administrative staff	23	20
	<u>63</u>	<u>60</u>

The aggregate payroll costs of the above were:

	2002	2001
	£	£
Wages and salaries	978,818	903,514
Social security costs	76,529	70,529
	<u>1,055,347</u>	<u>974,043</u>

#### 5 Directors

Remuneration in respect of directors was as follows:

	2002	2001
	£	£
Emoluments receivable	228,568	180,693
Compensation for loss of directorship	-	7,000
	<u>228,568</u>	<u>187,693</u>

Emoluments of highest paid director:

	2002	2001
	£	£
Total emoluments (excluding pension contributions):	<u>115,721</u>	<u>98,174</u>

#### 6 Interest payable and similar charges

	2002	2001
	£	£
Interest payable on bank borrowing	6,383	17,155
Finance charges	4,703	7,571
Group interest	7,077	8,840
	<u>18,163</u>	<u>33,566</u>

**7 Tax on profit on ordinary activities**

(a) Taxation

	2002 £	2001 £
Current tax:		
UK Corporation tax based on the results for the year at 30% (2001 - 30%)	124,399	15,189
Over/under provision in prior year	-	(9,564)
	<u>124,399</u>	<u>5,625</u>
Group relief	-	3,151
Total current tax	<u>124,399</u>	<u>8,776</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2001 - 30%).

	2002 £	2001 £
Profit on ordinary activities before taxation	<u>451,366</u>	<u>124,978</u>
Profit/(loss) on ordinary activities by rate of tax	135,410	37,493
Expenses not allowed for tax purposes	1,873	2,277
Capital allowances in excess of depreciation	(8,784)	(22,908)
Other items	(4,100)	1,478
Group relief	-	(3,151)
Total current tax (note 7(a))	<u>124,399</u>	<u>15,189</u>

**8 Tangible fixed assets**

	Leasehold Property £	Plant & Machinery £	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost					
At 1 January 2002	107,018	295,539	232,731	226,404	861,692
Additions	6,043	415	11,189	80,465	98,112
Disposals	-	-	(12,046)	(57,438)	(69,484)
At 31 December 2002	<u>113,061</u>	<u>295,954</u>	<u>231,874</u>	<u>249,431</u>	<u>890,320</u>
Depreciation					
At 1 January 2002	90,546	284,726	215,082	125,075	715,429
Charge for the year	15,371	7,879	13,883	66,054	103,187
On disposals	-	-	(12,046)	(50,103)	(62,149)
At 31 December 2002	<u>105,917</u>	<u>292,605</u>	<u>216,919</u>	<u>141,026</u>	<u>756,467</u>
Net book value					
At 31 December 2002	<u>7,144</u>	<u>3,349</u>	<u>14,955</u>	<u>108,405</u>	<u>133,853</u>
At 31 December 2001	<u>16,472</u>	<u>10,813</u>	<u>17,649</u>	<u>101,329</u>	<u>146,263</u>

**8 Tangible fixed assets (continued)**

Finance leases and hire purchase agreements

Included within the net book value of £133,853 is £94,004 (2001 - £76,156) relating to assets held under finance leases and hire purchase agreements. The depreciation charged to the accounts in the year in respect of such assets amounted to £43,953 (2001 - £28,639).

**9 Stocks**

	2002	2001
	£	£
Raw materials	184,543	174,235
Finished goods	2,619,854	2,112,612
	<u>2,804,397</u>	<u>2,286,847</u>

**10 Debtors**

	2002	2001
	£	£
Trade debtors	2,135,877	2,188,690
Other debtors	3,785	2,363
Prepayments and accrued income	38,998	38,041
	<u>2,178,660</u>	<u>2,229,094</u>

**11 Creditors: amounts falling due within one year**

	2002	2001
	£	£
Bank overdrafts and trade finance loans	1,669,003	1,683,284
Trade creditors	862,391	1,134,275
Amounts owed to group undertakings	154,352	201,206
Corporation tax	124,399	18,340
Other taxation and social security	91,896	130,213
Amounts due under finance leases and hire purchase agreements	40,254	32,649
Other creditors	—	30,500
Accruals and deferred income	498,908	381,421
	<u>3,441,203</u>	<u>3,611,888</u>

Included in overdrafts are trade finance loans of £1,547,910 (2001: £1,461,547) which are secured by way of a debenture over the company's assets.

Included in trade creditors is an amount of £427,458 (2001: £819,858) in respect of letters of credit which are also secured by way of a debenture over the company's assets.

**12 Creditors: amounts falling due after more than one year**

	2002	2001
	£	£
Other creditors:		
Amounts due under finance leases and hire purchase agreements	<u>25,406</u>	<u>19,088</u>



### 13 Commitments under finance leases and hire purchase agreements

Future commitments under finance leases and hire purchase agreements are as follows:

	2002	2001
	£	£
Amounts payable within 1 year	40,254	32,649
Amounts payable between 1 and 2 years	19,851	9,096
Amounts payable between 3 and 5 years	5,555	9,992
	<u>65,660</u>	<u>51,737</u>

### 14 Deferred taxation

No provision has been made in the accounts and the asset unprovided at the end of the year is as follows:

	2002	2001
	£	£
Excess of depreciation over taxation allowances on fixed assets	<u>(81,107)</u>	<u>(86,700)</u>

### 15 Leasing commitments

At 31 December 2002 the company had annual commitments under non-cancellable operating leases as set out below.

	Land & Buildings	
	2002	2001
	£	£
Operating leases which expire:		
Within 2 to 5 years	3,500	6,000
After more than 5 years	77,709	77,709
	<u>81,209</u>	<u>83,709</u>

### 16 Transactions with directors

There were no transactions with the directors.

## 17 Share capital

Authorised share capital:

	2002	2001
	£	£
42,000,000 Ordinary shares of £0.01 each	420,000	420,000
120,000 Cumulative Redeemable Preference shares of £1 each	120,000	120,000
	<u>540,000</u>	<u>540,000</u>

Allotted, called up and fully paid:

	2002		2001	
	No	£	No	£
Ordinary shares	39,405,451	394,055	39,405,451	394,055
Cumulative Redeemable Preference shares	120,000	120,000	120,000	120,000
	<u>39,525,451</u>	<u>514,055</u>	<u>39,525,451</u>	<u>514,055</u>

## 18 Profit and loss account

	2002	2001
	£	£
At 1 January 2002	1,265,838	1,149,636
Retained profit for the year	326,967	116,202
At 31 December 2002	<u>1,592,805</u>	<u>1,265,838</u>

## 19 Reconciliation of movements in shareholders' funds

### Equity shareholders' funds

	2002	2001
	£	£
Profit for the financial year	326,967	116,202
Opening shareholders' equity funds	1,926,776	1,810,574
Closing shareholders' equity funds	<u>2,253,743</u>	<u>1,926,776</u>

### Non-equity shareholders' funds

	2002	2001
Opening and closing shareholders' non-equity funds	<u>120,000</u>	<u>120,000</u>
<b>Total shareholders' funds</b>	<u>2,373,743</u>	<u>2,046,776</u>

On 3 April 2003 the rights of the cumulative Redeemable Preference shares were changed. The new rights are as follows:

- no right to vote
- no right to receive a dividend
- redeemable at par at any time
- on winding up rank first for repayment at nominal value, but no right to participate in any further surplus.

## 20 Notes to the statement of cash flows

**Reconciliation of operating profit to net cash inflow from operating activities**

	2002	2001
	£	£
Operating profit	454,813	148,051
Depreciation	103,187	99,566
Profit on disposal of fixed assets	(8,015)	(3,879)
Increase in stocks	(517,550)	(66,390)
Decrease in debtors	50,434	61,389
(Decrease)/Increase in creditors	(270,068)	132,788
Net cash (outflow)/inflow from operating activities	<u>(187,199)</u>	<u>371,525</u>

**Taxation**

	2002	2001
	£	£
Taxation	<u>(18,340)</u>	<u>(9,848)</u>

**Reconciliation of net cash flow to movement in net debt**

	2002	2001
	£	£
(Decrease)/Increase in cash in the period	(277,825)	237,972
Cash outflow in respect of finance leases and hire purchase	46,055	71,928
Change in net debt resulting from cash flows	<u>(231,770)</u>	<u>309,900</u>
New finance leases	(59,978)	(64,508)
Movement in net debt in the period	<u>(291,748)</u>	<u>245,392</u>
Net debt at 1 January 2002	<u>(719,473)</u>	<u>(964,865)</u>
Net debt at 31 December 2002	<u>(1,011,221)</u>	<u>(719,473)</u>

**Analysis of changes in net debt**

	At 1 Jan 2002	Cash flows	Other changes	At 31 Dec 2002
	£	£	£	£
Net cash:				
Cash in hand and at bank	1,015,548	(292,106)	—	723,442
Overdrafts	(1,683,284)	14,281	—	(1,669,003)
	<u>(667,736)</u>	<u>(277,825)</u>	<u>—</u>	<u>(945,561)</u>
Debt:				
Finance leases and hire purchase agreements	(51,737)	46,055	(59,978)	(65,660)
Net debt	<u>(719,473)</u>	<u>(231,770)</u>	<u>(59,978)</u>	<u>(1,011,221)</u>

**21 Other commitments**

The company had placed committed orders at 31 December 2002 with suppliers to the value of £1,081,224 (2001: £861,610). These orders were shipped at the year end.

**22 Ultimate parent company**

The directors consider that the immediate parent undertaking of this company is Worldwide Imports Limited, a company registered in England and Wales, and that the ultimate parent undertaking is Aintree Limited, a company registered in Jersey, the Channel Islands.

At 31 December 2002 the company owed its immediate parent undertaking £154,352 (2001: 201,206). Interest of £7,077 (2001: £8,840) was payable on this amount during the year.