
ROLF C HAGEN (U.K.) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 DECEMBER 2001**



ROLF C HAGEN (U.K.) LIMITED

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DIRECTORS' REPORT
For the year ended 31 December 2001

The directors present their report and the financial statements for the year ended 31 December 2001.

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 of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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. 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.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The company's principal activity continues to be that of the import, national distribution and export of pet supply products.

The company continues to increase turnover and profits and expects to continue this trend for the foreseeable future.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £440,453 (2000 - £181,432) .

DIRECTORS

The directors who served during the year and their beneficial interests in the company's issued share capital were:

	Ordinary shares of £1 each	
	<u>2001</u>	<u>2000</u>
R C Hagen (Chairman)	-	-
A F Bartyla (Managing Director)	-	-
F Elbl (resigned 30/06/2001) (Secretary)	-	-
L Milburn	-	-
T Hagen (appointed 30/06/01) (Secretary)	-	-

The interests of the directors in the issued share capital of the company's ultimate holding company are disclosed in the accounts of that company.

ROLF C HAGEN (U.K.) LIMITED

DIRECTORS' REPORT
For the year ended 31 December 2001

AUDITORS

The auditors, Morgan Brown and Spofforth, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

This report was approved by the board on 28 February 2002 and signed on its behalf.

K 

A F Bartyla
Director

K

AUDITORS' REPORT TO THE SHAREHOLDERS OF ROLF C HAGEN (U.K.) LIMITED

We have audited the financial statements of the Rolf C Hagen (U.K.) Limited for the year ended 31 December 2001 which comprise the profit and loss account, balance sheet and the related notes. These financial statements have been prepared under the historical cost convention 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.

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

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 annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. 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.

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 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 mis-statement, 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 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Morgan Brown and Spofforth

Chartered Accountants
Registered Auditors

82 St John Street
London
EC1M 4JN

1 March 2002

ROLF C HAGEN (U.K.) LIMITED

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2001

	Note	2001 £	2000 £
TURNOVER	1, 2	13,370,355	13,039,768
Cost of sales		(8,825,197)	(8,469,671)
GROSS PROFIT		4,545,158	4,570,097
Selling and distribution costs		(1,650,211)	(1,459,424)
Administrative expenses		(2,107,477)	(2,503,240)
OPERATING PROFIT	3	787,470	607,433
Interest receivable		2,296	9,600
Interest payable	6	(180,119)	(293,367)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		609,647	323,666
TAX ON PROFIT ON ORDINARY ACTIVITIES	7	(169,194)	(142,234)
RETAINED PROFIT FOR THE FINANCIAL YEAR		440,453	181,432

All amounts relate to continuing operations.

There were no recognised gains and losses for 2001 or 2000 other than those included in the profit and loss account.

The notes on pages 7 to 15 form part of these financial statements.

ROLF C HAGEN (U.K.) LIMITED

**BALANCE SHEET
As at 31 December 2001**

	Note	£	2001 £	£	2000 £
FIXED ASSETS					
Tangible fixed assets	8		1,734,823		1,741,534
CURRENT ASSETS					
Stocks	9	3,329,752		4,070,000	
Debtors	10	3,602,998		4,127,366	
Cash in hand		10		356	
			<u>6,932,760</u>	<u>8,197,722</u>	
CREDITORS: amounts falling due within one year	11	(3,144,224)		(4,825,626)	
NET CURRENT ASSETS			<u>3,788,536</u>		<u>3,372,096</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>5,523,359</u>		<u>5,113,630</u>
CREDITORS: amounts falling due after more than one year	12		(669,632)		(700,356)
NET ASSETS			<u><u>4,853,727</u></u>		<u><u>4,413,274</u></u>
CAPITAL AND RESERVES					
Called up share capital	13	100,000		100,000	
Profit and loss account	14	4,753,727		4,313,274	
SHAREHOLDERS' FUNDS - All Equity	15		<u><u>4,853,727</u></u>		<u><u>4,413,274</u></u>

The financial statements were approved by the board on 28 February 2002 and signed on its behalf.



L Milburn
Director

The notes on pages 7 to 15 form part of these financial statements.

ROLF C HAGEN (U.K.) LIMITED

CASH FLOW STATEMENT
For the year ended 31 December 2001

	Note	2001 £	2000 £
Net cash inflow/(outflow) from operating activities	16	1,263,555	(1,084,181)
Returns on investments and servicing of finance	17	(177,823)	(283,767)
Taxation		(116,377)	(221,973)
Capital expenditure and financial investment	17	(98,773)	(80,561)
CASH INFLOW/(OUTFLOW) BEFORE FINANCING		870,582	(1,670,482)
Financing	17	(47,076)	(81,825)
INCREASE/(DECREASE) IN CASH IN THE PERIOD		823,506	(1,752,307)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (NOTE 18)
For the year ended 31 December 2001

	2001 £	2000 £
Increase/(Decrease) in cash in the period	823,506	(1,752,307)
Cash outflow from decrease in debt and lease financing	47,076	81,825
MOVEMENT IN NET DEBT IN THE PERIOD	870,582	(1,670,482)
Net debt at 1 January 2001	(3,166,508)	(1,496,026)
NET DEBT AT 31 DECEMBER 2001	(2,295,926)	(3,166,508)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2001

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and include the results of the company's operations which are described in the Directors' Report and are prepared in accordance with applicable accounting standards.

1.2 Turnover

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

1.3 Tangible fixed assets and depreciation

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

Freehold land and buildings	-	Not depreciated
Plant and equipment	-	5 years
Motor vehicles	-	2-4 years
Fixtures and fittings	-	5 years

No depreciation has been provided on the freehold property as in the opinion of the directors neither the depreciation charge for the year or the accumulated provision for depreciation would be material. This on the basis that the property has an economic life in excess of 50 years and the expected residual value is likely to be in excess of the current carrying value. In accordance with FRS 15 and FRS 11 the directors have undertaken an annual impairment review to ensure the property is stated at no more than its recoverable amount.

The company has previously adopted a policy of depreciating freehold property over 50 years. Had the company continued this policy the depreciation charge to the profit and loss account for the year to 31 December 2001 would be £33,432.

1.4 Leasing and hire purchase

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

1.5 Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account as incurred.

1.6 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of freight and duty costs.

1.7 Deferred taxation

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2001

1.8 Foreign currencies

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

1.9 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

2. TURNOVER

The whole of the turnover is attributable to the principal activity of the company, being the import, national distribution and export of pet supply products.

A geographical analysis of turnover is as follows:

	2001 £	2000 £
United Kingdom	13,319,357	12,739,771
Rest of European Union	48,780	299,997
Rest of World	2,218	-
	<u>13,370,355</u>	<u>13,039,768</u>

3. OPERATING PROFIT

The operating profit is stated after charging:

	2001 £	2000 £
Depreciation of tangible fixed assets:		
- owned by the company	82,532	134,052
- held under finance leases	26,847	23,731
Auditors' remuneration	15,000	14,000
	<u>124,379</u>	<u>171,783</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2001

4. STAFF COSTS

Staff costs, including directors' remuneration, were as follows:

	2001 £	2000 £
Wages and salaries	1,398,198	1,453,132
Social security costs	125,067	136,681
Pension costs	74,770	95,698
	<u>1,598,035</u>	<u>1,685,511</u>

The average monthly number of employees, including directors, during the year was as follows:

	2001	2000
Selling and distribution	52	56
Administration	17	17
	<u>69</u>	<u>73</u>

5. DIRECTORS' REMUNERATION

	2001 £	2000 £
Emoluments	<u>201,670</u>	<u>198,182</u>
Company pension contributions to money purchase pension schemes	<u>10,125</u>	<u>12,383</u>

During the year retirement benefits were accruing to 2 directors (2000 - 2) in respect of money purchase pension schemes.

The highest paid director received remuneration of £122,924 (2000 - £125,481).

6. INTEREST PAYABLE

	2001 £	2000 £
On bank loans and overdrafts	176,755	213,144
On finance leases and hire purchase contracts	3,364	6,388
On loans from group undertakings	-	73,835
	<u>180,119</u>	<u>293,367</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2001

7. TAXATION

	2001 £	2000 £
UK corporation tax		
Current tax on income for the period at 30% (2000 - 30%)	190,960	125,225
Adjustments in respect of prior periods - corporation tax	(21,766)	17,009
	<u>169,194</u>	<u>142,234</u>

8. TANGIBLE FIXED ASSETS

	Land and buildings £	Plant and machinery £	Motor vehicles £	Furniture, fittings and equipment £	Total £
Cost					
At 1 January 2001	1,781,607	248,946	79,545	617,018	2,727,116
Additions	-	269	86,444	23,810	110,523
Disposals	-	-	(59,994)	-	(59,994)
At 31 December 2001	<u>1,781,607</u>	<u>249,215</u>	<u>105,995</u>	<u>640,828</u>	<u>2,777,645</u>
Depreciation					
At 1 January 2001	287,865	223,779	46,812	427,126	985,582
Charge for the year	-	11,730	23,570	74,079	109,379
On disposals	-	-	(52,139)	-	(52,139)
At 31 December 2001	<u>287,865</u>	<u>235,509</u>	<u>18,243</u>	<u>501,205</u>	<u>1,042,822</u>
Net book value					
At 31 December 2001	<u>1,493,742</u>	<u>13,706</u>	<u>87,752</u>	<u>139,623</u>	<u>1,734,823</u>
At 31 December 2000	<u>1,493,742</u>	<u>25,167</u>	<u>32,733</u>	<u>189,892</u>	<u>1,741,534</u>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2001 £	2000 £
Plant and machinery	8,691	14,485
Motor vehicles	60,820	-
Furniture, fittings and equipment	20,967	31,862
	<u>90,478</u>	<u>46,347</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2001

9. STOCKS

	2001 £	2000 £
Finished goods and goods for resale	<u>3,329,752</u>	<u>4,070,000</u>

10. DEBTORS

	2001 £	2000 £
Due within one year		
Trade debtors	3,094,152	3,399,971
Amounts owed by group undertakings	5,881	108,512
Other debtors	406,138	509,844
Prepayments and accrued income	96,827	109,039
	<u>3,602,998</u>	<u>4,127,366</u>

11. CREDITORS:
Amounts falling due within one year

	2001 £	2000 £
Bank loans and overdrafts	1,627,596	2,451,448
Net obligations under finance leases and hire purchase contracts	25,921	16,553
Trade creditors	779,976	1,306,460
Amounts owed to group undertakings	136,167	518,195
Corporation tax	111,766	58,949
Social security and other taxes	359,944	392,202
Accruals and deferred income	102,854	81,819
	<u>3,144,224</u>	<u>4,825,626</u>

12. CREDITORS:
Amounts falling due after more than one year

	2001 £	2000 £
Bank loans	642,418	698,863
Net obligations under finance lease and hire purchase contracts	27,214	1,493
	<u>669,632</u>	<u>700,356</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2001

Included within the above are amounts falling due as follows:

	2001 £	2000 £
Between one and two years		
Bank loans	56,444	56,444
Between two and five years		
Bank loans	169,333	169,333
Over five years		
Bank loans	416,641	473,085

Creditors include amounts not wholly repayable within 5 years as follows:

	2001 £	2000 £
Repayable by instalments	416,641	473,085

The bank loan and overdraft are secured by a debenture on the company's assets and a fixed charge on the company's freehold land.

The bank loan is repayable over 154 months from the 31 December 2001 and bears an interest rate of 1% above LIBOR.

Finance lease creditors are secured on the assets held under these leases.

13. SHARE CAPITAL

	2001 £	2000 £
Authorised		
250,000 Ordinary shares of £1 each	250,000	250,000
Allotted, called up and fully paid		
100,000 Ordinary shares of £1 each	100,000	100,000

14. RESERVES

Profit and loss account	£
At 1 January 2001	4,313,274
Profit retained for the year	440,453
At 31 December 2001	4,753,727

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2001

15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2001 £	2000 £
Profit for the year	440,453	181,432
	<u>440,453</u>	<u>181,432</u>
Opening shareholders' funds	4,413,274	4,231,842
Closing shareholders' funds	<u>4,853,727</u>	<u>4,413,274</u>

16. NET CASH FLOW FROM OPERATING ACTIVITIES

	2001 £	2000 £
Operating profit	787,470	607,433
Depreciation of tangible fixed assets	109,379	157,783
Profit on disposal of tangible fixed assets	(3,895)	(1,233)
Decrease/(increase) in stocks	740,248	(1,074,215)
Decrease/(increase) in debtors	421,736	(226,287)
Decrease/(increase) in amounts owed by group undertakings	102,631	(106,366)
(Decrease)/increase in creditors	(511,986)	248,684
Decrease in amounts owed to group undertakings	(382,028)	(689,980)
NET CASH INFLOW/(OUTFLOW) FROM OPERATIONS	<u>1,263,555</u>	<u>(1,084,181)</u>

17. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2001 £	2000 £
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	2,296	9,600
Interest paid	(176,755)	(286,979)
Hire purchase interest	(3,364)	(6,388)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	<u>(177,823)</u>	<u>(283,767)</u>
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Purchase of tangible fixed assets	(110,523)	(83,244)
Sale of tangible fixed assets	11,750	2,683
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE	<u>(98,773)</u>	<u>(80,561)</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2001

	2001 £	2000 £
FINANCING		
Repayment of loans	(56,444)	(56,444)
Principal payment under finance lease	9,368	(25,381)
NET CASH OUTFLOW FROM FINANCING	(47,076)	(81,825)

18. ANALYSIS OF CHANGES IN NET DEBT

	1 January 2001 £	Cash flow £	Other non-cash changes £	31 December 2001 £
Cash at bank and in hand:	356	(346)	-	10
Bank overdraft	(2,395,004)	823,852	-	(1,571,152)
	(2,394,648)	823,506	-	(1,571,142)
DEBT :				
Debts due within one year	(72,997)	47,076	(56,445)	(82,366)
Debts falling due after more than one year	(698,863)	-	56,445	(642,418)
NET DEBT	(3,166,508)	870,582	-	(2,295,926)

19. OPERATING LEASE COMMITMENTS

At 31 December 2001 the company had annual commitments under non-cancellable operating leases as follows:

	Plant and Machinery	
	2001 £	2000 £
Expiry date:		
Within 1 year	18,042	22,538
Between 2 and 5 years	77,448	126,546

20. OTHER FINANCIAL COMMITMENTS

At 31 December 2001 the company was committed to purchase 5,760,000 Euros at an average exchange rate of 1.612 (2000 - 625,000 Euros, average rate 1.706). The Euros are to be purchased each month, with 480,000 Euros purchased in each transaction. The total value of these commitments is £3,574,098.

At 31 December 2001 the company has a duty deferment guarantee for £300,000 in favour of HM Customs and Excise .

ROLF C HAGEN (U.K.) LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2001

21. TRANSACTIONS WITH DIRECTORS

During the year ended 31 December 1998 a sum of £30,000 was advanced to A F Bartyla, director. A repayment £3,189 (2000 - £7,169) was made during the year. The loan is non-interest bearing and is repayable by annual instalment based upon a fixed percentage of his annual profit share entitlement. The balance outstanding at the year ended 31 December 2001 was £13,200 (2000 - £16,389).

22. RELATED PARTY TRANSACTIONS

During the period material transactions and balances outstanding at the period end between Rolf C Hagen (U.K.) Limited and other companies under the common control of Rolf C Hagen Inc., were as follows:

	2001	2000
	£	£
Purchases made by Rolf C Hagen (U.K.) Limited	991,965	2,756,977
Sales from Rolf C Hagen (U.K.) Limited	-	114,303
Amounts owed by Rolf C Hagen (U.K.) Limited	(136,166)	(542,492)
Amounts owed to Rolf C Hagen (U.K.) Limited	5,881	108,512

23. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate holding company is Rolf C Hagen Inc., a company incorporated in Canada.