

Financial Statements
Heating Plumbing Supplies
Limited

For the year ended 31 December 2010



Company information

Company registration number:	04171695
Registered office:	Unit W Rich Industrial Estate Avis Way NEWHAVEN East Sussex BN9 0DU
Directors:	R Walker A Curneen P Wilson A Meadows R Swindale
Secretary:	CJ Hewer
Bankers:	Lloyds TSB Bank Plc
Solicitors:	emw law
Auditor:	Grant Thornton UK LLP Chartered Accountants Statutory Auditor Grant Thornton House Kettering Parkway Kettering Venture Park KETTERING Northants NN15 6XR

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Report of the directors

The directors present their report together with the financial statements for the year ended 31 December 2010.

Principal activities

The company's principal activity is the wholesale distribution of domestic heating and plumbing appliances and supplies.

Business review

A new branch at Ashford commenced trading on 29 December 2009 and a further branch was opened at Chichester on 1 March 2010.

There was a profit for the year after taxation amounting to £1,276,689 (2009 - £826,202). The directors recommend dividends absorbing £120,164.

Financial risk management objectives and policies

Growth in turnover is a key measure of the company's success in winning new business and retaining existing customers. The growth in turnover between 2009 and 2010 was 16.9%. The securing of new business is a critical area if the business is to continue to grow. The number of live trading accounts increased from 1,889 in December 2009 to 2,209 in December 2010.

The company uses various financial instruments including cash, trade debtors, bank overdraft and trade creditors that arise directly from the company's operations.

The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below.

The main risks arising from the company's financial instruments are liquidity risk, interest rate risk and credit risk. The directors review and agree policies for managing each of these risks and they are summarised below:

Liquidity risk

The company seeks to manage finance risk by ensuring sufficient liquidity is available to meet foreseeable needs.

Interest rate risk

The company finances its operations through a mixture of retained profits and cash balances. Cash is managed to maximise income from interest while avoiding inherent risk.

Credit risk

The company's principal financial assets are stock, cash and trade debtors.

In order to manage credit risk the directors set limits for customers based on payment history and third party credit references. Credit limits are reviewed by the credit controller and sales director on a regular basis in conjunction with debt ageing and collection history.

Key performance indicators

Financial

The company measures its financial performance using the following measures:

- Operating profit of £1,810k is stated after bad debt charges of £289k yielding a return to turnover of 4.6 % (2009 - 3.5%)
- Debtor days were 38 in 2010 and 43 for 2009.
- Stock days reduced from 62 to 58.

Both stock and debtor days have remained consistent and are within the acceptable range set by the company.

Directors

The present membership of the Board is set out below. All directors served throughout the year.

R Walker
A Curneen
P Wilson
A Meadows
R Swindale

Statement of directors' responsibilities

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 judgments and estimates that are reasonable and prudent
- state whether applicable UK 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Statement of directors' responsibilities (continued)

In so far as each of the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

ON BEHALF OF THE BOARD

R Walker
Director
11 March 2011



Independent auditor's report to the members of Heating Plumbing Supplies Limited (registered number 04171695)

We have audited the financial statements of Heating Plumbing Supplies Limited for the year ended 31 December 2010 which comprise the principal accounting policies, profit and loss account, balance sheet, cash flow statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 4 and 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.



Independent auditor's report to the members of Heating Plumbing Supplies Limited (registered number 04171695)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Steve Robinson

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Kettering

11 March 2011

Principal accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention.

The principal accounting policies of the group are set out below. The policies have remained unchanged from the previous year.

Turnover

Turnover is the revenue arising from the sales of goods. It is stated at the fair value of the consideration receivable, net of value added tax, rebates and discounts.

Revenue from the sale of goods is recognised when the significant risks and benefits of ownership of the product have transferred to the buyer, which may be upon shipment, completion of the product or the product being ready for delivery, based on specific contract terms.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their estimated useful economic lives. The rates generally applicable are:

Computer equipment	33 ¹ / ₃ %
Racking	10%
Premises improvements	10%
Telecommunications	20%

Investments

Investments are included at cost less amounts written off.

The company as lessee

Operating lease agreements

Leases where substantially all of the risks and rewards of ownership are not transferred to the company are treated as operating leases. Rentals under operating leases are charged against profits on a straight-line basis over the period of the lease.

Operating lease incentives are recognised, on a straight-line basis, as a reduction of the rental expense over the shorter of the lease term and the period to the first rent review where market rentals will be payable.

Stocks

Stocks are stated at the lower of cost and net realisable value, after provisions are made in respect of obsolete and slow moving items, based on historical experience of utilisation on a category-by-category basis.

Cost of raw materials, consumables and goods for resale is based on purchased cost on a first-in, first-out basis.

Cost of work in progress and finished goods is based on the cost of direct materials and labour plus attributable overheads based on normal level of activity, on a first-in, first-out basis.

Net realisable value is the estimated selling price less all further costs to complete and all costs to be incurred in marketing, selling and distribution.

Current tax

The current tax charge is based on the profit for the year and is measured at the amounts expected to be paid based on the tax rates and laws substantively enacted by the balance sheet date. Current and deferred tax is recognised in the profit and loss account for the period except to the extent that it is attributable to a gain or loss that is or has been recognised directly in the statement of total recognised gains and losses.

Deferred tax

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Retirement benefits

Defined contribution pension scheme

The pension costs charged against operating profits are the contributions payable to the scheme in respect of the accounting period. The company accounts for its contributions to the company pension scheme as a defined contribution scheme.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities under potentially unfavourable conditions. In addition, contracts which result in the entity delivering a variable number of its own equity instruments are financial liabilities. Shares containing such obligations are classified as financial liabilities.

Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. The carrying amount of the liability is increased by the finance cost and reduced by payments made in respect of that liability. Finance costs are calculated so as to produce a constant rate of charge on the outstanding liability.

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Dividends and distributions relating to equity instruments are debited directly to reserves.

Profit and loss account

	Note	2010 £	2009 £
Turnover	1	38,960,654	33,323,750
Cost of sales		<u>(28,719,286)</u>	<u>(24,666,334)</u>
Gross profit		10,241,368	8,657,416
Other operating charges	2	<u>(8,431,262)</u>	<u>(7,475,437)</u>
Operating profit		1,810,106	1,181,979
Net interest	3	<u>7,623</u>	<u>3,064</u>
Profit on ordinary activities before taxation	1	1,817,729	1,185,043
Tax on profit on ordinary activities	5	<u>(541,040)</u>	<u>(358,841)</u>
Profit for the financial year	16	<u>1,276,689</u>	<u>826,202</u>

All of the activities of the company in the current year are classed as continuing.

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

Balance sheet

	Note	£	2010 £	£	2009 £
Fixed assets					
Tangible assets	7		1,165,072		1,275,601
Investments	8		2,550		2,550
			<u>1,167,622</u>		<u>1,278,151</u>
Current assets					
Stocks	9	4,535,255		4,198,044	
Debtors	10	5,182,687		4,807,624	
Cash at bank and in hand		3,153,367		1,792,236	
		<u>12,871,309</u>		<u>10,797,904</u>	
Creditors: amounts falling due within one year	11	<u>(5,816,197)</u>		<u>(5,079,775)</u>	
Net current assets			<u>7,055,112</u>		<u>5,718,129</u>
Total assets less current liabilities			<u>8,222,734</u>		<u>6,996,280</u>
Provisions for liabilities and charges	12		<u>(90,270)</u>		<u>(30,341)</u>
Net assets			<u>8,132,464</u>		<u>6,965,939</u>
Capital and reserves					
Called up share capital	14		1,502,050		1,492,050
Share premium account	15		3,250		3,250
Profit and loss account	15		6,627,164		5,470,639
Shareholders' funds	16		<u>8,132,464</u>		<u>6,965,939</u>

These financial statements were approved and authorised for issue by the directors on 11 March 2011 and are signed on their behalf by:

R Walker
 Director

Company registration number: 04171695

Cash flow statement

	Note	2010 £	2009 £
Net cash inflow from operating activities	18	1,974,982	1,108,282
Returns on investments and servicing of finance			
Interest received		<u>7,623</u>	<u>3,064</u>
Net cash inflow from returns on investments and servicing of finance		<u>7,623</u>	<u>3,064</u>
Taxation		(353,592)	(200,733)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		<u>(158,518)</u>	<u>(399,552)</u>
Net cash outflow from capital expenditure and financial investment		<u>(158,518)</u>	<u>(399,552)</u>
Financing			
Issue of shares		<u>10,000</u>	<u>-</u>
Net cash outflow from financing		<u>10,000</u>	<u>-</u>
Equity dividends paid		(119,364)	(119,364)
Increase in cash	19	<u><u>1,361,131</u></u>	<u><u>391,697</u></u>

Notes to the financial statements

1 Turnover and profit on ordinary activities before taxation

The turnover and profit on ordinary activities before taxation are attributable to the wholesale distribution of domestic and plumbing appliances and supplies.

The profit on ordinary activities before taxation is stated after:

	2010	2009
	£	£
Auditor's remuneration		
- audit	16,250	15,500
- non-audit	3,450	3,375
Depreciation:		
Tangible fixed assets, owned	269,047	233,495
Other operating lease rentals	831,171	746,994
	<u>831,171</u>	<u>746,994</u>

Liability Limitation Agreement with the auditor

The company has entered into a liability limitation agreement with Grant Thornton UK LLP, the statutory auditor, in respect of the statutory audit for the year ended 31 December 2010. The proportionate liability agreement follows the standard terms in Appendix B to the Financial Reporting Council's June 2009 Guidance on Auditor Liability Agreements, and was approved by its shareholders at its Annual General Meeting.

2 Other operating charges

	2010	2009
	£	£
Distribution costs	7,678,033	6,766,689
Administration expenses	1,051,275	1,016,101
Other operating income	(298,046)	(307,353)
	<u>8,431,262</u>	<u>7,475,437</u>

3 Net interest

	2010	2009
	£	£
Bank interest receivable	(7,623)	(3,064)
	<u>(7,623)</u>	<u>(3,064)</u>

4 Directors and employees

Staff costs during the year were as follows:

	2010 £	2009 £
Wages and salaries	5,132,059	4,458,884
Social security costs	555,107	474,348
Other pension costs	155,130	144,591
	<u>5,842,296</u>	<u>5,077,823</u>

The average number of employees of the company during the year was:

	2010 Number	2009 Number
Sales and distribution	129	118
Administration	9	9
	<u>138</u>	<u>127</u>

Remuneration in respect of directors was as follows:

	2010 £	2009 £
Emoluments	681,891	601,994
Pension contributions to money purchase pension schemes	47,948	42,673
	<u>729,839</u>	<u>644,667</u>

During the year 4 directors (2009 - 4 directors) participated in money purchase pension schemes.

The amounts set out above include remuneration in respect of the highest paid director as follows:

	2010 £	2009 £
Emoluments	163,566	143,574
Pension contributions to money purchase pension schemes	12,166	10,846
	<u>175,732</u>	<u>154,420</u>

5 Tax on profit on ordinary activities

The tax charge represents:

	2010 £	2009 £
Corporation tax at 28% (2010 - 28%) and total current tax	484,103	356,585
Adjust tax charge in report of previous year	<u>(2,991)</u>	<u>2,473</u>
Total current tax	<u>481,112</u>	<u>359,058</u>
Origination and reversal of timing differences	(68)	(21,101)
Accelerated capital allowances	<u>59,997</u>	<u>20,884</u>
Total deferred tax	<u>59,929</u>	<u>(217)</u>
Tax on profit on ordinary activities	<u><u>541,041</u></u>	<u><u>358,841</u></u>

Factors affecting the tax charge for the year

The tax assessed for the year is different to the standard rate of corporation tax in the UK of 28% (2009 - 28.5%). The differences are explained as follows:

	2010 £	2009 £
Profit on ordinary activities before tax	<u>1,817,729</u>	<u>1,185,043</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 28% (2009 - 28%)	508,964	331,812
Effect of:		
Expenses not deductible for tax purposes	34,652	30,723
Capital allowances for the period in arrears of depreciation	(3,090)	(23,320)
Other timing differences	(56,423)	21,100
Marginal relief	-	(3,730)
Adjustments to tax charge in report of the prior year	<u>(2,991)</u>	<u>2,473</u>
Current tax charge for the year	<u><u>481,112</u></u>	<u><u>359,058</u></u>

6 Dividend

	2010 £	2009 £
Dividend on shares classed as equity		
Accrued at the year end:		
Ordinary shares - proposed final dividend of 8p per share (2009 - 8p)	<u>120,164</u>	<u>119,364</u>

7 Tangible fixed assets

	Office Equipment Fixtures and fittings £
Cost	
At 1 January 2010	2,346,816
Additions	<u>158,518</u>
At 31 December 2010	<u>2,505,334</u>
Depreciation	
At 1 January 2010	1,071,215
Provided in the year	<u>269,047</u>
At 31 December 2010	<u>1,340,262</u>
Net book amount at 31 December 2010	<u><u>1,165,072</u></u>
Net book amount at 31 December 2009	<u><u>1,275,601</u></u>

8 Fixed asset investments

	Other Investments £
Cost and net book amount at 31 December 2010 and 31 December 2009	<u><u>2,550</u></u>

9 Stocks

	2010 £	2009 £
Finished goods and goods for resale	<u><u>4,535,255</u></u>	<u><u>4,198,044</u></u>

10 Debtors

	2010 £	2009 £
Trade debtors	4,799,367	4,468,740
Prepayments and accrued income	<u>383,320</u>	<u>338,884</u>
	<u><u>5,182,687</u></u>	<u><u>4,807,624</u></u>

11 Creditors: amounts falling due within one year

	2010 £	2009 £
Trade creditors	3,689,191	3,569,614
Corporation tax	484,103	356,584
Other taxation and social security	775,534	595,601
Accruals and deferred income	747,205	438,612
Dividend payable	<u>120,164</u>	<u>119,364</u>
	<u><u>5,816,197</u></u>	<u><u>5,079,775</u></u>

12 Provisions for liabilities and charges

	Deferred Taxation (Note 13) £
At 1 January 2010	30,341
Movement during year	<u>59,929</u>
At 31 December 2010	<u><u>90,270</u></u>

13 Deferred taxation

Deferred taxation provided for in the financial statements is set out below.

	2010 £	2009 £
Accelerated capital allowances	114,745	111,914
Other timing differences	<u>(24,475)</u>	<u>(81,573)</u>
	<u>90,270</u>	<u>30,341</u>

14 Share capital

	2010 £	2009 £
Authorised		
Ordinary shares of £1 each	1,840,000	1,840,000
'A' ordinary shares of £1 each	50,000	50,000
'B' ordinary shares of £1 each	50,000	50,000
'C' ordinary shares of £1 each	50,000	50,000
'D' ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
	<u>2,000,000</u>	<u>2,000,000</u>
Allotted, called up and fully paid		
Ordinary shares of £1 each	1,342,050	1,332,050
'A' ordinary shares of £1 each	50,000	50,000
'B' ordinary shares of £1 each	50,000	50,000
'C' ordinary shares of £1 each	50,000	50,000
'D' ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
	<u>1,502,050</u>	<u>1,492,050</u>

Share rights

All of the shares carry equal rights except in certain circumstances connected with a share sale or listing of the company, the 'A', 'B', 'C' and 'D' ordinary shareholders could be allocated consideration based on the achievement of profit targets before consideration is allocated to the ordinary shareholders.

Contingent rights to the allotment of shares

The company has granted options to employees in respect of 240,000 £1 ordinary shares at £1 per share, exercisable on the vesting conditions being met. The options vest subject to the achievement of certain profit targets. At the year end the number of options that had vested and remained unexercised was £144,000 (2009 - £154,000).

Allotments during the year

The company made an allotment of 10,000 ordinary shares of £1 each at par.

15 Share premium account and reserves

	Share Premium Account £	Profit and loss account £
At 1 January 2010	3,250	5,470,639
Profit for the financial year	-	1,276,689
Equity dividends	-	(120,164)
	<u>3,250</u>	<u>6,627,164</u>
At 31 December 2010	<u>3,250</u>	<u>6,627,164</u>

16 Reconciliation of movements in shareholders' funds

	2010 £	2009 £
Profit for the financial year	1,276,689	826,202
Dividends	(120,164)	(119,364)
Issue of shares	10,000	-
	<u>1,166,525</u>	<u>706,838</u>
Net increase in shareholders' funds	<u>1,166,525</u>	<u>706,838</u>
Shareholders' funds at 1 January 2010	<u>6,965,939</u>	<u>6,259,101</u>
	<u>8,132,464</u>	<u>6,965,939</u>
Shareholders' funds at 31 December 2010	<u>8,132,464</u>	<u>6,965,939</u>

17 Net cash inflow from operating activities

	2010 £	2009 £
Operating profit	1,810,106	1,181,979
Depreciation	269,047	233,495
Increase in stock	(337,211)	(701,432)
Increase in debtors	(375,063)	(158,664)
Increase in creditors	608,103	552,904
	<u>1,974,982</u>	<u>1,108,282</u>
Net cash inflow from operating activities	<u>1,974,982</u>	<u>1,108,282</u>

18 Reconciliation of net cash flow to movement in net funds

	2010 £	2009 £
Increase in cash in the year and change in net funds resulting from cash flows	1,361,131	391,697
Net funds at 1 January 2010	<u>1,792,236</u>	<u>1,400,539</u>
Net funds at 31 December 2010	<u><u>3,153,367</u></u>	<u><u>1,792,236</u></u>

19 Analysis of changes in net funds

	At 1 January 2010 £	Cash flow £	At 31 December 2010 £
Cash at bank and in hand	<u>1,792,236</u>	<u>1,361,131</u>	<u><u>3,153,367</u></u>

20 Capital commitments

The company had no capital commitments at 31 December 2010 or 31 December 2009.

21 Contingent liabilities

There were no contingent liabilities at 31 December 2010 or 31 December 2009.

22 Retirement benefits

Defined Contribution Pension Scheme

The company operates a defined contribution pension scheme for the benefit of the employees. The assets of the scheme are administered by trustees in a fund independent from those of the company.

23 Leasing commitments

Operating lease payments amounting to £836,870 (2009 - £806,784) are due within one year. The leases to which these amounts relate expire as follows:

	2010		2009	
	Land and Buildings £	Other £	Land and Buildings £	Other £
Less than one year	75,700	46,649	16,665	12,572
Between one and five years	159,940	118,863	235,752	154,059
In five years or more	<u>435,718</u>	<u>-</u>	<u>387,736</u>	<u>-</u>
	<u><u>671,358</u></u>	<u><u>165,512</u></u>	<u><u>640,153</u></u>	<u><u>166,631</u></u>