

Company no 1727326

REPORT OF THE DIRECTORS AND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 OCTOBER 2009  
FOR  
A & A ELECTRICAL DISTRIBUTORS LIMITED

FRIDAY



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A & A ELECTRICAL DISTRIBUTORS LIMITED  
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FOR THE YEAR ENDED 31 OCTOBER 2009

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A & A ELECTRICAL DISTRIBUTORS LIMITED

COMPANY INFORMATION

FOR THE YEAR ENDED 31 OCTOBER 2009

DIRECTORS

A M Warren

A K Warren

SECRETARY

A M Warren

REGISTERED OFFICE

234-262 Maybank Road

South Woodford

LONDON

E18 1ET

SENIOR STATUTORY AUDITOR

K M Bailey

AUDITORS

Bailey Phillips

Chartered Accountants

Registered Auditors

17 Hanbury Close

Cheshunt

Hertfordshire

EN8 9BZ

## A & A ELECTRICAL DISTRIBUTORS LIMITED

### REPORT OF THE DIRECTORS

#### FOR THE YEAR ENDED 31 OCTOBER 2009

The directors present their report with the financial statements of the company for the year ended 31 October 2009

#### PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of component distributors

#### REVIEW OF BUSINESS

The results for the year are as shown in the financial statements. The directors are pleased that the level of business has been maintained in the current economic climate and are confident that the company is in a strong position for the future.

On 23 October 2009 the company's share incentive plan (SIP) awarded 19,204 shares based on the criteria set out in the scheme rules. Details of the scheme can be found in note 13 to the financial statements.

#### DIVIDENDS

The total distribution of dividends for the year ended 31 October 2009 was £1,354,726.

#### DIRECTORS

The directors shown below have held office during the whole of the period from 1 November 2008 to the date of this report.

A M Warren  
A K Warren

#### 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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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.

A & A ELECTRICAL DISTRIBUTORS LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 OCTOBER 2009

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 AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

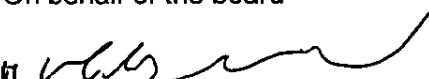
HOLDING COMPANY

The company is a wholly owned subsidiary of A & A 2000 Limited.

AUDITORS

The auditors, Bailey Phillips, will be proposed for re-appointment at the forthcoming Annual General Meeting.

On behalf of the board

  
A M Warren - Director

31 July 2010

## REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF

### A & A ELECTRICAL DISTRIBUTORS LIMITED

We have audited the financial statements of A & A Electrical Distributors Limited for the year ended 31 October 2009 on pages 6 to 16. 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 a Report of the Auditors 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 the directors and auditors**

As explained more fully in the Statement of Director's Responsibilities set out on page 2, 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 Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

#### **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 October 2009 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.

#### **Opinion on other matter prescribed by the Companies Act 2006**

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

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF

A & A ELECTRICAL DISTRIBUTORS LIMITED

**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 director's remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



K M Bailey (Senior Statutory Auditor)  
for and on behalf of Bailey Phillips  
Chartered Accountants  
Registered Auditors  
17 Hanbury Close  
Cheshunt  
Hertfordshire  
EN8 9BZ

31 July 2010

# A & A ELECTRICAL DISTRIBUTORS LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 OCTOBER 2009

|  |       | 2009             | 2008             |
|--|-------|------------------|------------------|
|  | NOTES | £                | £                |
| TURNOVER   |       | 15,093,081       | 15,404,608       |
| COST OF SALES                                    |       | -9,422,384       | -9,987,372       |
| GROSS PROFIT                                     |       | <u>5,670,697</u> | <u>5,417,236</u> |
| ADMINISTRATIVE COSTS                             |       | -4,588,834       | -3,051,361       |
| OPERATING PROFIT                                 | 2     | <u>1,081,863</u> | <u>2,365,875</u> |
| INTEREST RECEIVABLE AND SIMILAR INCOME           |       | 72,766           | 236,029          |
| PROFIT ON ORDINARY ACTIVITIES<br>BEFORE TAXATION |       | <u>1,154,629</u> | <u>2,601,904</u> |
| TAX ON PROFIT ON ORDINARY ACTIVITIES             | 3     | -316,135         | -1,463,766       |
| PROFIT FOR THE YEAR AFTER TAXATION               |       | <u>838,494</u>   | <u>1,138,138</u> |

### CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous year

### TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profits for the current year or previous year



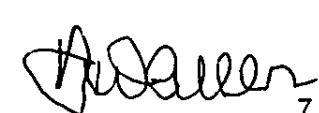
# A & A ELECTRICAL DISTRIBUTORS LIMITED

## BALANCE SHEET AT 31 OCTOBER 2009

|                                       | NOTES | 2009<br>£         | 2008<br>£         |
|---------------------------------------|-------|-------------------|-------------------|
| FIXED ASSETS                          |       |                   |                   |
| Tangible assets                       | 4     | 114,563           | 122,071           |
| Investments                           | 5     | 13,173,440        | 13,188,985        |
|                                       |       | <u>13,288,003</u> | <u>13,311,056</u> |
| CURRENT ASSETS                        |       |                   |                   |
| Stocks                                | 6     | 561,892           | 542,896           |
| Debtors                               | 7     | 2,917,197         | 3,277,667         |
| Cash at bank and in hand              |       | 4,804,997         | 3,743,576         |
|                                       |       | <u>8,284,086</u>  | <u>7,564,139</u>  |
| CURRENT LIABILITIES                   |       |                   |                   |
| Creditors falling due within one year | 8     | -6,382,491        | -5,172,710        |
| NET CURRENT ASSETS                    |       | <u>1,901,595</u>  | <u>2,391,429</u>  |
| TOTAL ASSETS LESS CURRENT LIABILITIES |       | 15,189,598        | 15,702,485        |
| PROVISIONS FOR LIABILITIES            |       |                   |                   |
| Deferred tax                          | 9     | -3,680,216        | -3,652,900        |
| NET ASSETS                            |       | <u>11,509,382</u> | <u>12,049,585</u> |
| CAPITAL AND RESERVES                  |       |                   |                   |
| Called up share capital               | 10    | 100               | 100               |
| Share based payment reserve           | 11    | 12,060            | 0                 |
| Profit and loss account               | 11    | 11,497,222        | 12,049,485        |
| SHAREHOLDERS' FUNDS                   | 12    | <u>11,509,382</u> | <u>12,049,585</u> |

The financial statements were approved by the board of directors on 31 July 2010 and were signed on its behalf by

A M Warren - director 

A K Warren - director 

A & A ELECTRICAL DISTRIBUTORS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2009

|   | NOTES | 2009<br>£        | 2008<br>£       |
|---|-------|------------------|-----------------|
| NET CASH INFLOW FROM OPERATING<br>ACTIVITIES      | 15    | 3,106,526        | 2,703,850       |
| RETURN ON INVESTMENTS AND<br>SERVICING OF FINANCE |       |                  |                 |
| Interest received                                 |       | 72,766           | 236,029         |
| TAXATION  |       |                  |                 |
| Corporation tax paid                              |       | -48,586          | 0               |
| INVESTING ACTIVITIES                              |       |                  |                 |
| Payments to acquire tangible fixed assets         |       | -30,681          | -10,767         |
| Payments to acquire fixed asset investments       |       | -34,498          | 0               |
| Receipts from sale of tangible fixed assets       |       | 0                | 2,553           |
| EQUITY DIVIDENDS PAID                             |       | -1,354,726       | 0               |
| FINANCING   |       |                  |                 |
| Loan repaid to directors                          |       | -719,779         | -3,384,367      |
| Loan from holding company                         |       | 70,399           | 0               |
| INCREASE IN CASH                                  | 15    | <u>1,061,421</u> | <u>-452,702</u> |

## A & A ELECTRICAL DISTRIBUTORS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2009

#### 1 ACCOUNTING POLICIES

##### ACCOUNTING CONVENTION

The financial statements have been prepared under the historical cost convention

##### TURNOVER

Turnover represents net invoiced sales of goods, excluding value added tax

##### TANGIBLE FIXED ASSETS

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life

|                     |                           |
|---------------------|---------------------------|
| Plant and machinery | - 25% on reducing balance |
| Motor vehicles      | - 25% on reducing balance |

##### FIXED ASSET INVESTMENTS

Investments held as fixed assets are shown at cost less provision for impairment

##### STOCKS

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items

##### DEFERRED TAXATION

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes

##### CONTRIBUTIONS TO QUALIFYING EMPLOYEE SHARE OWNERSHIP TRUST (QUEST) AND SHARE INCENTIVE PLAN (SIP)

In accordance with UITF 38 contributions to the QUEST and SIP are not recognised in the profit and loss account until such time as the shares vest unconditionally with the employees. Until that time the employee share ownership plan trust's investment in the shares of the holding company are shown as an investment.

##### SHARE BASED PAYMENTS

On 23 October 2009 the trustees of the SIP granted 19,204 "A" ordinary shares of £0.01 each held by the SIP to the employees of the company. These shares have a vesting period of five years. During this time, in accordance with FRS 20, the value determined at the grant date of the shares is expensed on a straight-line basis to the profit and loss account over the vesting period based on the company's estimate of shares that will eventually vest.

The value is calculated using a generally accepted valuation methodology allowing for the lack of an observable market price as the company is an unlisted limited company.

# A & A ELECTRICAL DISTRIBUTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2009

### 1 ACCOUNTING POLICIES

#### HIRE PURCHASE AND LEASING COMMITMENTS

Rentals paid under operating leases are charged to profit and loss account on a straight line basis over the period of the lease

#### PENSION SCHEMES

The company has defined contributions executive pension schemes for the directors and premiums are charged to profit and loss account when payable

|                    | 2009<br>£ | 2008<br>£ |
|--------------------|-----------|-----------|
| 2 OPERATING PROFIT |           |           |

The operating profit is stated after charging

|                                  |         |         |
|----------------------------------|---------|---------|
| Other operating leases           | 200,000 | 200,000 |
| Depreciation - owned assets      | 38,189  | 40,690  |
| Loss on disposal of fixed assets | 0       | 1,928   |
| Auditors' remuneration           | 17,500  | 17,000  |
| Share based payments             | 12,060  | 0       |
|                                  | =====   | =====   |

#### DIRECTORS AND EMPLOYEES

|                       |           |           |
|-----------------------|-----------|-----------|
| Directors' emoluments | 1,682,448 | 174,067   |
| Other salaries        | 1,562,078 | 1,576,630 |
| Social security costs | 369,863   | 180,211   |
|                       | -----     | -----     |
|                       | 3,614,389 | 1,930,908 |
|                       | =====     | =====     |

|   |         |        |
|---|---------|--------|
| Emoluments of the highest paid director | 841,224 | 87,034 |
|   | =====   | =====  |

Benefits under the company's pension scheme are accruing to both directors but no contributions were paid during the year

The average number of employees during the year was

|                          |       |       |
|--------------------------|-------|-------|
| Administration           | 16    | 16    |
| Selling and distribution | 46    | 45    |
| Purchasing               | 5     | 5     |
|                          | ----- | ----- |
|                          | 67    | 66    |
|                          | ===== | ===== |

# A & A ELECTRICAL DISTRIBUTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2009

|  | 2009<br>£ | 2008<br>£ |
|--|-----------|-----------|
|--|-----------|-----------|

### 3 TAXATION

The tax charge on the profit on ordinary activities was as follows

|                                     |                |                  |
|-------------------------------------|----------------|------------------|
| UK corporation tax                  | 274,807        | 48,586           |
| Deferred tax charge current year    | 41,328         | 669,273          |
| Deferred tax charge tax rate change | 0              | 745,907          |
|                                     | <u>316,135</u> | <u>1,463,766</u> |
|                                     | =====          | =====            |

The deferred tax charge current year includes a credit of £ in respect of the share based payer

### 4 TANGIBLE FIXED ASSETS

|                        | Plant and<br>machinery<br>£ | Motor<br>vehicles<br>£ | Total<br>£     |
|------------------------|-----------------------------|------------------------|----------------|
| <b>COST</b>            |                             |                        |                |
| At 1 November 2008     | 245,575                     | 184,757                | 430,332        |
| Additions              | 16,641                      | 14,040                 | 30,681         |
|                        | <u>262,216</u>              | <u>198,797</u>         | <u>461,013</u> |
|                        | =====                       | =====                  | =====          |
| <b>DEPRECIATION</b>    |                             |                        |                |
| At 1 November 2008     | 187,826                     | 120,435                | 308,261        |
| Charge for the year    | 18,598                      | 19,591                 | 38,189         |
|                        | <u>206,424</u>              | <u>140,026</u>         | <u>346,450</u> |
|                        | =====                       | =====                  | =====          |
| <b>NET BOOK VALUES</b> |                             |                        |                |
| At 31 October 2009     | 55,792                      | 58,771                 | 114,563        |
|                        | =====                       | =====                  | =====          |
| At 1 November 2008     | 57,749                      | 64,322                 | 122,071        |
|                        | =====                       | =====                  | =====          |

# A & A ELECTRICAL DISTRIBUTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2009

### 5 FIXED ASSET INVESTMENTS

|                          | Shares<br>held in trust<br>Number | Nominal<br>value<br>£ | Cost<br>£  |
|--------------------------|-----------------------------------|-----------------------|------------|
| At 1 November 2008       | 20,908                            | 209                   | 13,188,985 |
| Shares purchased         | 689,964                           | 6,899                 | 34,498     |
| Awarded by the QUEST/SIP | -19,204                           | -192                  | -50,043    |
| Amounts written off      | 0                                 | 0                     | 0          |
|                          | -----                             | -----                 | -----      |
| At 31 October 2009       | 691,668                           | 6,916                 | 13,173,440 |
|                          | =====                             | =====                 | =====      |
| Held in<br>QUEST         | 57,936                            | 579                   | 2,665,966  |
| SIP                      | 633,732                           | 6,337                 | 10,507,474 |
|                          | -----                             | -----                 | -----      |
|                          | 691,668                           | 6,916                 | 13,173,440 |
|                          | =====                             | =====                 | =====      |

The QUEST and SIP purchased an additional 689,964 shares during the year as a result of a rights issue of shares by the parent company

The A & A 2000 Limited Qualifying Employee Share Ownership Trust (QUEST) was established to hold shares for the benefit of employees generally. The aim is the shares will be appropriated to employees on a long term basis when the founder shareholders retire or the business is sold.

The A & A 2000 Limited Share Incentive Plan (SIP) was established to purchase shares for the benefit of employees. On 23 October 2009 shares were awarded as disclosed in note 13.

The value of the shares at the grant date was £60,301. As A & A 2000 Limited is a private company there is no observable market price for the shares granted. Therefore, the value of the shares was measured using generally accepted valuation methodology which allowed for this.

|                | 2009<br>£ | 2008<br>£ |
|----------------|-----------|-----------|
| 6 STOCKS       |           |           |
| Finished goods | 561,892   | 542,896   |
|                | =====     | =====     |

### 7 DEBTORS AMOUNTS FALLING DUE WITHIN ONE YEAR

|                                 |           |           |
|---------------------------------|-----------|-----------|
| Trade debtors                   | 2,864,299 | 3,226,882 |
| Other debtors                   | 1,100     | 1,200     |
| Amount due from related parties | 379       | 237       |
| Prepayments                     | 51,419    | 49,348    |
|                                 | -----     | -----     |
|                                 | 2,917,197 | 3,277,667 |
|                                 | =====     | =====     |

# A & A ELECTRICAL DISTRIBUTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2009

|  | 2009<br>£        | 2008<br>£        |
|--|------------------|------------------|
| <b>8 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR</b> |                  |                  |
| Trade creditors  | 1,359,178        | 1,360,248        |
| Amount due to related party                            | 189,450          | 263,205          |
| Directors' current account                             | 869,314          | 1,589,093        |
| Amount due to holding company                          | 1,570,724        | 1,500,325        |
| Corporation tax  | 274,807          | 48,586           |
| Other taxes and social security costs                  | 267,746          | 252,481          |
| Accruals   | 1,851,272        | 158,772          |
|  | <u>6,382,491</u> | <u>5,172,710</u> |
|  | =====            | =====            |

## 9 DEFERRED TAX

Deferred tax has been fully provided in respect of timing differences as follows

|   |                  |                  |
|---|------------------|------------------|
| At 1 November 2008                              | 3,652,900        | 2,237,720        |
| Provision for the year                          | 41,328           | 1,415,180        |
| Deferred tax on loss on fixed asset investments | -14,012          | 0                |
|   | <u>3,680,216</u> | <u>3,652,900</u> |
|   | =====            | =====            |

These differences are in respect of contributions to the qualifying employee share trusts employee share trusts

## 10 CALLED UP SHARE CAPITAL

|  |       |       |
|--|-------|-------|
| Allotted, issued and fully paid 100 ordinary shares of £1 each | 100   | 100   |
|  | ===== | ===== |

## 11 RESERVES

|   | Share based<br>payment<br>reserve<br>£ | Profit and<br>loss account<br>£ |
|---|--|---------------------------------|
| At 1 November 2008                              |  | 12,049,485                      |
| Profit for the year                             |  | 838,494                         |
| Dividends                                       |  | -1,354,726                      |
| Loss on fixed asset investments                 |  | -50,043                         |
| Deferred tax on loss on fixed asset investments |  | 14,012                          |
| Movement on share based payment reserve         | 12,060                                 |                                 |
|   | <u>12,060</u>                          | <u>11,497,222</u>               |
|   | =====                                  | =====                           |

# A & A ELECTRICAL DISTRIBUTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2009

|   | 2009<br>£  | 2008<br>£  |
|---|------------|------------|
| <b>12 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS</b> |            |            |
| At 1 November 2008  | 12,049,585 | 10,911,447 |
| Profit for the year   | 838,494    | 1,138,138  |
| Dividends   | -1,354,726 | 0          |
| Loss on fixed asset investments                             | -50,043    | 0          |
| Deferred tax on loss on fixed asset investments             | 14,012     | 0          |
| Movement on share based payment reserve                     | 12,060     | 0          |
|   | -----      | -----      |
| At 31 October 2009  | 11,509,382 | 12,049,585 |
|   | =====      | =====      |

## 13 SHARE BASED PAYMENTS

The A & A 2000 Limited Share Incentive Plan (SIP) was established to reward employees with shares in the parent company

On 23 October 2009 19,204 "A" ordinary shares of £0.01 each were awarded to the employees. The terms of the award are as follows:

- (a) The shares were awarded to any employee who had been employed by A & A Electrical Distributors Limited for 18 months
- (b) The shares were awarded to 58 employees in total
- (c) The vesting period is five years
- (d) The employee will lose their shares if they cease to be in Relevant Employment within three years from the date of the award, unless the employment ceased for one of the following reasons:
  - 1 injury or disability,
  - 2 redundancy,
  - 3 transfer of employment to which the Transfer of Undertaking (Protection of Employment) Regulations 1981 apply,
  - 4 change of control or other circumstances ending the associated company status of the employer company,
  - 5 retirement on or after reaching Retirement Age,
  - 6 death

In accordance with FRS20, the value of the shares is expensed through the profit and loss account over the vesting period of five years. £12,060 was charged to the profit and loss account in the current year.



# A & A ELECTRICAL DISTRIBUTORS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2009

### 14 RELATED PARTY TRANSACTIONS

During the year the company received revenue income amounting to £897 (2008 £3,742) and incurred revenue expenditure amounting to £1,937,348 (2008 £2,144,182) with Digital Lift Controls Limited, a company in which the directors have material interests. The total amount due to that company at the end of the year was £189,450 (2008 £263,205) and due from that company was £379 (2008 £237)

The company leases its premises from its self administered pension scheme paying rent of £200,000 per annum. The lease expires in January 2011

During the year the holding company had loaned to the company £70,399 (2008 nil). The total amount owed to it at the end of the year was £1,570,724 (2008 £1,500,325) which is interest free and repayable on demand

During the year the directors withdrew monies loaned to the company of £719,779 (2008 £3,384,367). The loans are interest free and repayable on demand. The total amount owed to them at the end of the year was £869,314 (2008 £1,589,093)

### 15 CASH FLOW STATEMENT

|  | 2009<br>£        | 2008<br>£        |
|--|------------------|------------------|
| <b>Reconciliation of operating profit to net cash inflow from operating activities</b> |                  |                  |
| Operating profit   | 1,081,863        | 2,365,875        |
| Share based payment charge   | 12,060           | 0                |
| Depreciation   | 38,189           | 40,690           |
| Loss on disposal of fixed assets   | 0                | 1,928            |
| Increase in stocks   | -18,996          | 26,247           |
| Decrease in debtors  | 360,470          | 38,274           |
| Increase in creditors  | 1,632,940        | 230,836          |
|  | <u>3,106,526</u> | <u>2,703,850</u> |
| <b>Net cash inflow from operating activities</b>                                       | <b>3,106,526</b> | <b>2,703,850</b> |
| <b>Analysis of changes in net funds</b>  |                  |                  |
| Cash at bank at 1 November 2008  | 3,743,576        | 4,196,278        |
| Increase in cash in the year   | 1,061,421        | -452,702         |
|  | <u>4,804,997</u> | <u>3,743,576</u> |
| <b>Cash at bank at 31 October 2009</b>   | <b>4,804,997</b> | <b>3,743,576</b> |

### 16 OPERATING LEASES

|   |                |                |
|---|----------------|----------------|
| Amounts due within one year under leases which expire within five years | 200,000        | 200,000        |
|   | <u>200,000</u> | <u>200,000</u> |

### 17 ULTIMATE HOLDING COMPANY

The ultimate holding company is A & A 2000 Limited

## A & A ELECTRICAL DISTRIBUTORS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2009

#### 18 CONTINGENT LIABILITIES

On 27 January 2010 H M Revenue & Customs issued a 'Notice of Regulation 80 Determination' assessing an amount of £3,373,500 in unpaid PAYE and National Insurance Contributions relating to the four years ended 5 April 2007. This determination was issued as a result of an ongoing enquiry into payments made to the Qualifying Employee Share Ownership Trust (QUEST) that was established in 2002 and the Share Incentive Plan (SIP) that was set up in 2004 and is based on the valuation of the shares purchased by the QUEST/SIP.

The determination has been appealed as the company's legal counsel on this matter believes that the operation of the QUEST and SIP is within statutory and regulatory rules and that the enquiry should be settled with no cost to the company.

Should the enquiry not be settled in the company's favour, the above amount, plus interest, would become payable. Corporation tax relief would be available on any payment, which would reduce the impact on the profit and loss reserves.